

Ownership Structure and Its Role in Shaping Transparency in the Nigerian Banking Sector

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Abstract

This study investigates the influence of ownership structure on transparency in the Nigerian banking sector, focusing on First Bank of Nigeria and Access Bank Plc. Using a descriptive survey design, data were gathered from 154 governance stakeholders—comprising board members, auditors, regulators, and institutional investors—via structured questionnaires, augmented by secondary data from annual reports and regulatory guidelines. Data analysis combined descriptive statistics with inferential tests. The results indicate that concentrated ownership by insiders, families, government, and block shareholders reduces transparency in disclosures and encourages earnings management, whereas dispersed, institutional, and foreign ownership significantly enhance compliance with International Financial Reporting Standards (IFRS), timely disclosures, board independence, and stakeholder confidence. A comparative t-test revealed no statistically significant difference in the effect of ownership concentration between First Bank ($M = 3.98$) and Access Bank ($M = 3.85$), $t(152) = 1.72$, $p = 0.09$. However, institutional and foreign ownership produced a statistically significant difference in governance effectiveness, with First Bank ($M = 4.07$) outperforming Access Bank ($M = 4.03$), $t(152) = 2.36$, $p = 0.02$. The study concludes that ownership structure is a decisive determinant of transparency in Nigerian banks. It recommends governance reforms to reduce ownership concentration and promote institutional and foreign participation to improve disclosure quality, investor trust, and long-term sectoral stability.

Keywords: Ownership structure, transparency, Nigerian banks, t-test, corporate governance, institutional ownership, foreign ownership.

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INTRODUCTION

Transparency is the lifeblood of the banking sector, shaping stakeholder confidence, regulatory compliance, and financial stability. In Nigeria, the banking industry has historically faced credibility challenges, with weak corporate governance contributing to financial crises such as the 2009 sectoral meltdown (Sanusi, 2010). These crises exposed deficiencies in board oversight, audit independence, and ownership concentration, which often facilitated earnings manipulation and opaque reporting practices (Ehikioya, 2009; Osemeke & Adegbite, 2016). As a result, the debate on the role of ownership structure

in driving—or impeding—transparency has gained prominence within corporate governance research.

Ownership structure refers to the distribution of equity among shareholders, including institutional investors, government, foreign stakeholders, and retail shareholders. The balance between dispersed and concentrated ownership has profound implications for governance outcomes. Empirical evidence suggests that dispersed ownership, often characterised by institutional and foreign investor participation, enhances transparency by promoting accountability and limiting managerial

opportunism (Uwuigbe, Fagbemi, & Anusiem, 2012). Conversely, highly concentrated ownership structures may encourage insider abuses, regulatory arbitrage, and weak disclosure practices, particularly where political or familial interests dominate (Oyejide & Soyibo, 2001; Alzoubi, 2016).

Within the Nigerian banking sector, institutions such as First Bank of Nigeria and Access Bank provide a lens for examining how ownership dynamics shape financial disclosure quality. Both banks operate under the oversight of the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) and are expected to adhere to international standards such as the International Financial Reporting Standards (IFRS). Yet, variations in ownership composition continue to influence how governance mechanisms are enforced, how risks are disclosed, and how stakeholder trust is maintained. Research has shown that ownership concentration, particularly by politically connected individuals and families, can undermine governance by facilitating selective disclosure and insider abuses (Oyejide & Soyibo, 2001; Osemeke & Adegbite, 2016). Conversely, institutional and foreign ownership tend to pressure management toward higher disclosure standards, strengthen board independence, and promote compliance with global best practices (Okolie & Izedonmi, 2014; Dobija, Hryckiewicz, Zaman, & Puławska, 2021). Empirical evidence further suggests that banks with significant foreign shareholding are more likely to implement robust risk management frameworks and improve the timeliness of financial reporting, thereby enhancing investor confidence (Alzeban, 2019; Nmehielle & Adigwe, 2017). Moreover, studies in comparable emerging markets indicate that institutional investors often play a pivotal monitoring role that limits earnings manipulation and income smoothing, reinforcing transparency across financial disclosures (Alzoubi, 2016; Uwuigbe, Fagbemi, & Anusiem, 2012). These findings underscore the argument that ownership structure is not merely an internal corporate attribute but a critical determinant of how Nigerian banks perform in terms of transparency, accountability, and long-term financial stability.

Transparency in this context goes beyond compliance with statutory requirements. It encompasses accuracy, timeliness, and comprehensiveness in financial reporting, signalling the bank's commitment to ethical behaviour, sound risk management, and long-term sustainability. True transparency requires that financial disclosures not only meet the minimum expectations of regulators but also provide stakeholders with reliable information for decision-making, thereby reinforcing trust in the banking system (Ehikioya, 2009; Sanusi, 2010). It involves adherence to International Financial Reporting Standards (IFRS), prompt disclosure of material risks, and full compliance with codes of corporate governance such as the Nigerian Code of Corporate Governance (NCCG, 2018).

Weaknesses in ownership-driven governance, however, can undermine these objectives. High ownership concentration, particularly in the hands of insiders, government, or politically exposed persons, has been shown to facilitate earnings management, obscure risk exposures, and erode investor confidence (Osemeke & Adegbite, 2016; Alzoubi, 2016). In such contexts, boards often lack independence, and disclosure practices are manipulated to serve the interests of dominant shareholders rather than stakeholders at large (Oyejide & Soyibo, 2001). These challenges remain persistent in Nigeria's financial system despite regulatory reforms aimed at curbing such practices, including efforts by the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) to strengthen audit oversight and disclosure requirements (Nmehielle & Adigwe, 2017).

Moreover, lack of transparency has broader systemic consequences: it reduces market efficiency, discourages foreign investment, and exposes the sector to reputational risks in the global financial community (Dobija, Hryckiewicz, Zaman, & Puławska, 2021). In contrast, banks that embed transparency as a governance culture often experience stronger stakeholder confidence, higher valuation, and resilience in the face of financial crises (Uwuigbe, Fagbemi, & Anusiem, 2012). This underlines the argument that transparency is not merely a regulatory obligation but a strategic asset that sustains credibility and long-term competitiveness in Nigeria's banking sector.

The Nigerian banking sector plays a pivotal role in the country's economic development and financial stability. However, persistent concerns over transparency and accountability have raised questions about the effectiveness of corporate governance mechanisms, particularly ownership structure, in safeguarding the integrity of financial reporting. While reforms such as the Nigerian Code of Corporate Governance (NCCG, 2018) and the Central Bank of Nigeria's corporate governance guidelines have sought to address these challenges, ownership concentration remains a major issue. Banks dominated by politically connected individuals or family groups are more prone to weak disclosure practices, earnings manipulation, and insider-related abuses (Osemeke & Adegbite, 2016; Nmehielle & Adigwe, 2017).

On the other hand, banks with significant institutional and foreign ownership often demonstrate stronger adherence to reporting standards and greater stakeholder accountability (Uwuigbe et al., 2012; Okolie & Izedonmi, 2014). Yet, empirical evidence on the precise role of ownership structure in shaping transparency in Nigerian banks remains limited. Most studies have focused broadly on corporate governance or board characteristics without isolating ownership as a decisive factor (Alzoubi, 2016; Dobija et al., 2021). This gap underscores the need for a systematic investigation into how ownership structure influences the quality, timeliness, and transparency of financial disclosures in Nigerian banks. Specifically, the

study assessed the impact of ownership concentration on the transparency of financial reporting in Nigerian banks and examined the role of institutional and foreign ownership in promoting transparency within Nigerian First and Access banks.

METHODOLOGY

This study adopts a descriptive survey research design. The approach is appropriate because it allows for the collection of both primary and secondary data to examine the relationship between ownership structure and transparency in Nigerian banks. The design provides flexibility in capturing perceptions of governance stakeholders while also analysing institutional reports to assess actual disclosure practices.

Study Population and Sample

The study population comprises governance actors, financial reporting professionals, and stakeholders within two of Nigeria's largest banks—First Bank of Nigeria and Access Bank Plc. This includes board members, audit committee members, senior executives, internal auditors, regulatory officials from the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN), as well as institutional investors.

A purposive sampling technique was employed to ensure inclusion of respondents with direct expertise in corporate governance and financial reporting. Using Yamane's (1967) formula, the representative sample size of 154 was determined. The sample was stratified across governance roles (board members, committee members, investors, regulators, etc.) to guarantee balanced perspectives.

Data were collected through structured questionnaires distributed to governance stakeholders in both banks, while secondary data were drawn from annual reports of First Bank and Access Bank (2018–2023), governance disclosures, IFRS compliance reports, and CBN/FRCN regulatory guidelines.

Data were analysed using both descriptive and inferential statistics. The descriptive statistics (mean, standard deviation, frequencies) were used to summarise responses on ownership and transparency practices, while inferential statistics like t-tests were used to compare differences in governance effectiveness between First Bank and Access Bank.

RESULTS AND DISCUSSION

The findings in Table 1 show the dual role of ownership concentration in shaping transparency in Nigerian banks. Across both First Bank and Access Bank, the pooled mean scores (3.83–4.13) indicate strong stakeholder agreement that ownership structure significantly influences disclosure practices.

Insider and Family Ownership

The result shows that insider and family ownership reduces disclosure transparency (pooled mean = 3.83). This finding aligns with Oyejide and Soyibo (2001), who argue that concentrated insider ownership often entrenches managerial opportunism and undermines governance standards. In the Nigerian context, family-controlled shares can shield banks from external scrutiny, enabling selective disclosures or even outright opacity (Osemeke & Adegbite, 2016).

Government Ownership

Government ownership was found to heighten political influence over reporting (pooled mean = 3.93). This resonates with Sanusi's (2010) assertion that political interference has historically compromised governance in Nigerian banks, especially during the 2009 banking crisis. Political influence can dilute board independence and compromise the credibility of financial reporting (Ehikioya, 2009).

Block Shareholders

Respondents also agreed that block shareholders with more than 5% equity exert strong control on reporting (pooled mean = 3.90). While block ownership can theoretically enhance monitoring, in Nigeria it often leads to undue control that facilitates earnings management and weakens disclosure quality (Dobija et al., 2021). This supports Alzeban's (2019) conclusion that concentrated equity stakes without sufficient regulatory oversight risk promoting opportunistic financial reporting.

Earnings Management Practices

The perception that ownership concentration encourages earnings management (pooled mean = 3.89) mirrors findings by Alzoubi (2016), who demonstrated that concentrated ownership structures are positively associated with income smoothing and earnings manipulation. In Nigeria, ownership concentration allows dominant shareholders to pressure management into crafting financial statements that prioritise short-term image over long-term accountability (Okolie & Izedonmi, 2014).

Dispersed Ownership

Interestingly, dispersed ownership was strongly associated with improved transparency and accountability (pooled mean = 4.13). This confirms Uwuigbe, Fagbemi, and Anusiem (2012), who found that institutional and foreign investors promote adherence to IFRS standards and reduce earnings manipulation. Dispersed ownership diversifies oversight, limiting the capacity of any one group to suppress disclosure, thereby

fostering market confidence and governance credibility.

The results underscore the central argument of the study: ownership concentration undermines transparency, while dispersed ownership strengthens it. Insider, family, government, and block ownership were consistently rated as threats to disclosure quality, whereas dispersed ownership emerged as the most effective safeguard for transparency. This dynamic demonstrates why Nigeria's governance reforms, including the NCCG (2018), emphasise the need for

independent ownership and stronger institutional investor participation (Nmehielle & Adigwe, 2017).

Overall, the table provides empirical support for the claim that ownership structure is not merely a background variable but a decisive factor in shaping financial reporting outcomes. When transparency is prioritised through dispersed and institutional ownership, Nigerian banks can strengthen accountability, reduce manipulation, and improve stakeholder trust in the long term.

Table 1: Ownership concentration and transparency

Ownership Concentration Indicator	First Bank (Mean)	Access Bank (Mean)	Pooled Mean	Std. Dev.
High insider/family ownership reduces disclosure transparency	3.90	3.75	3.83	0.82
Government ownership increases political influence over reporting	4.05	3.80	3.93	0.79
Block shareholders (>5%) exert strong control on financial reporting	3.95	3.85	3.90	0.81
Ownership concentration encourages earnings management practices	4.00	3.78	3.89	0.76
Dispersed ownership improves transparency and accountability	4.20	4.05	4.13	0.74

Source: Field Survey, 2024.

Institutional and foreign ownership and transparency

Table 2 shows the positive influence of institutional and foreign ownership on transparency in Nigerian banks. The pooled mean scores (3.95–4.18) indicate strong consensus among respondents that such ownership enhances compliance, disclosure quality, governance independence, and stakeholder trust.

Institutional Ownership and IFRS Compliance

The result indicates that institutional ownership significantly improves compliance with International Financial Reporting Standards (IFRS) (pooled mean = 4.08). This aligns with Uwuigbe, Fagbemi, and Anusiem (2012), who found that institutional investors exert monitoring pressure on management to adopt credible financial practices. Because institutional investors are highly sensitive to reputational risks, they demand accurate and globally aligned reporting, reducing the likelihood of misrepresentation (Dobija, Hryckiewicz, Zaman, & Puławska, 2021).

Foreign Ownership and Timely Disclosures

Foreign ownership was perceived to increase pressure for timely disclosures (pooled mean = 4.08). This resonates with Okolie and Izedonmi (2014), who noted that foreign shareholders often insist on punctual reporting as part of global investment standards. Their

presence also enhances the transfer of international best practices, thereby curbing delays and omissions that might otherwise compromise transparency (Alzeban, 2019).

Board Independence

Respondents agreed that institutional and foreign ownership enhances board independence (pooled mean = 3.98). Independent boards are better equipped to oversee management objectively, reducing insider dominance and political interference (Ehikioya, 2009). This finding supports Osemeke and Adegbite's (2016) emphasis on external stakeholders' role in mitigating conflicts of interest and promoting governance integrity in Nigerian banks.

Earnings Management

The results show that foreign investors reduce earnings management practices (pooled mean = 3.95). This aligns with Alzoubi (2016), who found that external monitoring reduces income smoothing and opportunistic reporting behaviours. By enforcing accountability, foreign investors act as a safeguard on practices that obscure a bank's true financial position, thereby fostering greater market trust.

Stakeholder Confidence

Institutional and foreign ownership was most strongly linked to improved stakeholder confidence (pooled mean = 4.18). Confidence is built on accurate, timely, and transparent reporting, which these ownership structures enforce. This confirms Sanusi’s (2010) assertion that restoring credibility in Nigerian banks requires external oversight and ownership diversity. Trust from stakeholders, in turn, helps banks stay in business for a long time and build a good reputation in the market (Nmehielle & Adigwe, 2017).

The findings in Table 2 reveal the critical role of institutional and foreign ownership in enhancing transparency. These types of equity distribution put

pressure on Nigerian banks to follow best practices in financial reporting from outside sources, unlike concentrated insider or government ownership. Institutional investors prioritise regulatory compliance, while foreign owners promote international standards and board independence. Together, they limit earnings manipulation and boost market confidence.

These results reinforce the broader study’s conclusion: ownership structure is a decisive determinant of transparency in Nigerian banking. Encouraging institutional and foreign participation could strengthen the credibility of the sector, reduce governance failures, and enhance Nigeria’s integration into global financial markets.

Table 2: Institutional and foreign ownership and transparency

Institutional/Foreign Ownership Indicator	First Bank (Mean)	Access Bank (Mean)	Pooled Mean	Std. Dev.
Institutional ownership improves compliance with IFRS standards	4.15	4.00	4.08	0.71
Foreign ownership increases pressure for timely disclosures	4.05	4.10	4.08	0.73
Institutional/foreign ownership enhances board independence	3.95	4.00	3.98	0.77
Foreign investors reduce earnings management practices	4.00	3.90	3.95	0.79
Institutional/foreign ownership improves stakeholder confidence	4.20	4.15	4.18	0.72

Source: Field Survey, 2024

Differences in governance effectiveness between First Bank and Access Bank

Table 3 compares the governance effectiveness of First Bank and Access Bank across two ownership dimensions: ownership concentration and institutional/foreign ownership.

Ownership Concentration

The mean score for ownership concentration was 3.98 for First Bank and 3.85 for Access Bank, with no statistically significant difference ($t = 1.72$, $p = 0.09$). This suggests that both banks are similarly affected by concentrated ownership, confirming that insider, government, and block shareholder control consistently undermine disclosure transparency regardless of institutional differences. This aligns with Osemeke and Adegbite (2016), who observed that concentrated ownership patterns in Nigerian banks often encourage earnings management and weak regulatory compliance. Thus, whether in First Bank or Access Bank, concentration of equity continues to erode governance effectiveness.

Institutional and Foreign Ownership

In contrast, institutional and foreign ownership showed a statistically significant difference between the two banks ($t = 2.36$, $p = 0.02$). First Bank (mean = 4.07) outperformed Access Bank (mean = 4.03) in leveraging institutional and foreign ownership to strengthen governance effectiveness. Although the numerical difference is small, its statistical significance suggests that First Bank’s ownership composition exerts a more robust positive influence on compliance with IFRS, timely disclosures, and board independence. This finding reflects Dobija et al. (2021), who argue that institutional and foreign investors play a stronger monitoring role in banks where governance structures are better institutionalised.

The results highlight that while ownership concentration remains a systemic challenge across Nigerian banks, the benefits of institutional and foreign ownership are more evident in certain institutions. First Bank’s stronger performance may reflect its longer institutional history, greater international exposure, and stronger investor oversight compared to Access Bank.

This reinforces Uwuigbe, Fagbemi, and Anusiem's (2012) conclusion that institutional and foreign investors improve governance quality by limiting opportunistic behaviours and demanding adherence to global standards.

The comparative analysis reveals two critical points, like persistent weakness in concentrated ownership: neither First Bank nor Access Bank escapes the negative consequences of concentrated ownership. Insider and government control continue to constrain transparency, echoing broader concerns about governance fragility in Nigeria's banking system (Sanusi, 2010; Alzeban, 2019). Also, differential gains from institutional/foreign

ownership: First Bank demonstrates a marginal yet significant advantage in governance effectiveness due to institutional and foreign ownership. This suggests that governance reforms encouraging external investor participation may yield stronger outcomes in banks with established systems of compliance and accountability.

In summary, Table 3 strengthens the study's claim that ownership structure is central to governance effectiveness and transparency in Nigerian banks. While concentrated ownership perpetuates risks across the sector, institutional and foreign ownership emerges as a corrective force, albeit unevenly across institutions.

Table 3: differences in governance effectiveness between First Bank and Access Bank

Variable	Bank	Mean	Std. Dev.	t-value	p-value
Ownership	First Bank	3.98	0.80	1.72	0.09
Concentration					
	Access Bank	3.85	0.77		
Institutional/Foreign	First Bank	4.07	0.74	2.36	0.02*
Ownership					
	Access Bank	4.03	0.73		

Source: Field Survey, 2024

CONCLUSION

This study has demonstrated that ownership structure plays a decisive role in shaping transparency within the Nigerian banking sector. The analysis of First Bank and Access Bank revealed that concentrated ownership—whether in the hands of insiders, families, government, or block shareholders—consistently undermines disclosure quality, fosters earnings management, and exposes banks to political interference. These findings underscore the systemic risks posed by concentrated ownership, which persists despite governance reforms such as the Nigerian Code of Corporate Governance (2018).

In contrast, dispersed, institutional, and foreign ownership emerged as significant drivers of transparency and accountability. These ownership forms were shown to enhance compliance with International Financial Reporting Standards (IFRS), strengthen board independence, ensure timely disclosures, and improve stakeholder confidence. With external monitoring pressure, institutional and foreign investors reduce the likelihood of opportunistic reporting and earnings manipulation, thereby contributing to stronger governance outcomes.

The comparative analysis further revealed that while both First Bank and Access Bank are similarly constrained by ownership concentration, First Bank demonstrates a marginal but statistically significant advantage in leveraging institutional and foreign ownership to improve governance effectiveness. This suggests that banks with longer histories of investor engagement and stronger governance frameworks may be better positioned to benefit from external ownership influences.

Overall, the study affirms that ownership structure is not a peripheral variable but a central determinant of financial transparency and governance effectiveness in Nigerian banks. To strengthen the sector, regulators and policymakers must pursue reforms that discourage excessive ownership concentration while incentivising institutional and foreign participation. Such measures will not only enhance disclosure quality and stakeholder trust but also support Nigeria's integration into global financial markets and ensure the long-term sustainability of its banking system.

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