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INTERNATIONALIZATION AND FINANCIAL STABILITY OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study aims to examine the effect of internationalization on the financial stability of deposit money banks in Nigeria. The study is crucial, as financial stability is significant in the effective functioning of all other sectors of the Nigerian economy. The data for the study were extracted from the financial statements of the deposit money banks listed on the Nigerian Exchange Group as of 2ist December 2021. The validity and reliability of data were premised on their certification financial statements by statutory auditors. Descriptive and panel data analysis were employed for the data analysis. The findings demonstrate that foreign assets to total assets and foreign taxes to total taxes have insignificant effects, while foreign profits and total profits and cross-border banking activities have significant effects. However, the joint statistics further reveal that internationalization has a positive effect on the financial stability of deposit money banks in Nigeria. The result suggests that managers at the foreign operations of the banks should review operational strategies to ensure adequate support and improve foreign banking operations performance towards contributing to the financial stability of the banks.

INTRODUCTION

Banks' financial stability is essential in maintaining and stemming the tide of economic imbalances underpinned by weak financial policies, macroeconomic disequilibrium, a decline in private consumptions, regional and cross-border tensions and elevated financial market pressures in emerging markets and developing economies. The financial stability of banks largely depends on diverse benchmarks and the accumulation of years of pragmatic planning, valued input, efficient and optimal utilization of productive resources and sustained corporate performances. Studies have evidenced that banks' financial stability is significant in the stability of the economy considering the pivotal role banks play in every economy.

In the banking sector, the trajectory of financial stability drive is a reflection of careful and effective tactical planning, executions of strategic plans and managerial competence, as right performance precedes right planning and effective and efficient implementation of strategic decisions reflecting the strong success and firm sustainable growth (Adem, 2022; Addai et al., 2022). Incidentally, meeting financial stability in deposit money banks in Nigeria had remained complex and had witnessed a myriad of fragile periods of volatility, and challenges, resulting from years of financial vulnerabilities and unsuccessful regulatory policies that had endangered the financial stability of banks in Nigeria.

Financial stability entails a condition where the banks' intermediation processes and functions are smoothly made accessible to every stakeholder, and sustained confidence in the banking operations in delivering key financial institution requirements and markets within the economy where the banks operate and deliver mandatory obligations (Kim & Kim, 2020; Farhan & Khalid, 2020). According to Ding and McDonald (2021), the financial stability of banks would aptly suggest a condition in which the financial system comprising all banks perform their financial intermediations effectively, thereby sustaining vibrant markets and market infrastructures capable of withstanding perennial shocks and other unexpected ravelling financial imbalances. Effective financial stability of banks tends to provide conditions in which the economy's

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mechanisms for pricing, resource allocation and management of financial risks mitigations of like credits risk, liquidity risk, counterparts and financial market are optimally functioning, contributing to the general well-being and performance of the stakeholders and the economy at large (Alouane et al., 2022).

In Nigeria and other emerging and developing economies, the heterogeneity of macro-prudential dislocations, noncompliance to regulatory requirements and weak institutional policy implementations culminated in the deepening vulnerability and problem of financial stability of the banks (Eddleston et al., 2019; Bani-Khaled et al., 2021). Over the years, the financial stability of banks would suggest that the apex bank's monitory apparatus in regulatory alongside supervisory bodies had not failed to enable the banks to implement programs capable of supporting the real sector to ensure that the economy remains on a trajectory of recovery towards achieving economic goals. While banks tend to have exhausted domestic market opportunities and local competitiveness, they now desire broader risk diversification and broadening of banking operations across-border for greener economic prospects beyond their territorial boundaries. Hence, the deposit money banks were motivated to seek offshore banking operations, through the internationalization of banking services (Adesina, 2021).

According to Ali et al. (2022) internationalization in this context is defined as the extension of banking services beyond the domestic markets to foreign countries otherwise referred to as cross-border or off-shore banking activities. Cross-border banking is not new in the Nigerian banking system, tracing back to the colonial era, though majorly dominated by foreign banks. The indigenization policy of the federal government saw some of these foreign banks exit from the shores of Nigeria, seeing the banking system run with little or no assistance from the foreign counterparts. However, with the departure of a regulated. Over the years, the expansion drive had seen the expansion of Nigerian banks to other countries in the world. Post consolidation exercise in Nigeria saw the emergence of Cross-border banking with expansion into the rest of Africa, Europe and the US. Globalization of non-financial economic activities equally, birthed the emergence of Cross-border banking. This was proposed by trade and investment treaties to encourage the inflow and outflow of financial transactions (Alouane et al., 2022).

The newly agreed African Continental Free Trade Agreement further lays credence to encouraging inflows and outflows of financial transactions. These developments have triggered the emergence of a common financial market, geared towards facilitating emerging business opportunities and leveraging on banking collaborations outside the shores of Nigeria. Regrettably, the existing foreign Banks in Nigeria are serving big corporate clients and selected target growth sectors. They are still not interested in serving the lower end of the market, failing to take advantage of the upsides of cross-border banking. Interestingly, in Ghana, Financial Sector Adjustment Program instituted the country attracted several foreign banks to Ghana, increasing competition in the banking industry. This development has helped foreign commercial banks take advantage of the upsides of cross-border banking, leading to financial deepening in Ghana (Iheanachor & Ozegbe, 2021; Amungo & Buck, 2017; Addai et al., 2022).

Baier-Fuentes et al. (2019) noted that the internationalization of banks is a strategic economic drive of domestic banks in seeking banking operations across-border towards achieving economic goals such as risk diversification, larger value creation, proximity to other international markets, and exploitation of banks' successful resources and skill in international markets. It entails strategic asset seeking, market seeking, and expansion of banking operations on an international landscape in search of international new clients while servicing existing clients in international transactions. Christian et al. (2021) revealed that internationalization plays a significant role in impacting the financial stability of banks, and the banks' desire for more sophisticated technologies and advanced infrastructures superior to domestic infrastructural decays in Nigeria.

On the other hand, Nigeria has witnessed some indigenous banks expanding their branches abroad. Notably, the pioneering internationalized banks were Mainstream bank ton Ireland in the year 1988, followed by other banks, First Bank in 2002 to the United Kingdom, Union Bank of Nigeria to the United Kingdom in 2004, Guarantee Trust Bank in 2007 to the United Kingdom, Zenith Bank in 2007 to the United Kingdom, United for Africa in 2008 to the United Kingdom followed by Access Bank in 2008 to the United Kingdom and First Monument Bank in 2009 to the United Kingdom respectively (Dou et al., 2019; Eshetu & Mehare, 2020). The real objectives of these banks operating outside the shores of the country have in recent times come into question. There are worries that the business decisions might not be in tune with the financial deepening and stability expectations. There is a dearth of studies that have attempted to research the problem of financial instability and the implications of internationalization in mitigating the challenges of financial stability.

The problem of this study is the lack of financial stability of the banks resulting from the perennial heterogeneous challenges of macroeconomic factors, inconsequential coordination of effective financial prudential guidelines and regulations, evidence of infrastructural deficits and the inability of the banks to meet the stakeholders' value creation. In addressing the problem of financial stability, this study considered internationalization as a possible attempt to the problem of the study. Iheanachor and Ozegbe (2021) reported that internationalization had the potency to mitigate the problem of financial stability. The fewer existing studies have revealed divergent opinions, while the inconsistencies and mixed results reported in prior studies have prevailed in the literature, and this has not resolved the problem and challenges of financial stability of deposit money banks in Nigeria.

Opinions have been advanced on the implications and the nexus between internationalization and the financial stability of banks. Jiang et al. (2020) reported that there is a close link between internationalization and financial stability, suggesting that banks ventured into internationalization to improve value creation as well as stabilize their financial performance. Onyeiwu and Sulangna (2021) revealed that internationalization had a positive effect on financial stability, contending that banks considered the move as strategic and another means of expanding internationalized competitiveness for greater prospects.

On the contrary, other prior studies have reported contradictory results. Gentile- Ludecke et al. (2019) reported that internationalization had a negative effect on financial stability, similarly, Hernández-Perlines et al. (2020) reported that there was an inverse relationship between internationalization and financial stability, suggestively, some banks go into cross-border internationalization of banking operations for egoistical and corporate image purposes not specifically for the stabilization of their financial status (Mendoza et al., 2020; Munjal & Malarvizhi, 2021). Consequent to inconclusiveness and conflicting opinions and results, existing gaps in literature become more obvious.

This study is structured in this manner: Section 2 provided the literature review and theoretical framework and section set out the methodology. Section 3 presented the methodology and section 4 provided the data analysis, analysis and discussions. Section 5 concluded and made recommendations and limitations of the study.

LITERATURE REVIEW

Financial Stability: Financial stability entails the ability of companies to effectively and efficiently ensure resource allocation, assessment and management of financial risks and consistent maintenance of productive resources to ensure uninterrupted cash flows (Alyousfi et al., 2020). Financial stability has been considered from various perspectives, while some consider financial stability from the sustainable cash inflows from investment opportunities (Alayo et al., 2020). Others consider it from the perspective of long-term assets growth (Addai et al., 2022), as well as consistent and persistent quality earnings (Alkhouri & Arouri, 2019).

The desire for financial stability has driven banks into offshore operations and cross-border banking activities. Arregle et al. (2021) reported that financial stability is closely associated with the internationalization of banking operations, as banks now consider diversifying banking operations and seeking international competitive opportunities. According to Baier-Fuentes et al., 2019), banks after exhausting domestic markets and now desire international exposure and greener pasture in the international market. Boso et al. (2017) revealed that financial stability ensures corporate economic growth and stability, risk management and value creation for the company. In this study, financial stability is surrogated with stock returns aimed at improving shareholders' wealth maximization and economic value creation.

Stock Returns: In this study, stock returns are employed as a measure of financial stability. According to Addai et al. (2022), stock returns are connected to financial stability. When companies are financially stable, it influences effective stock prices and stock returns. Fang et al. (2018) reported that internationalization is closely linked with stock returns**.** The majority of the banks in the Nigerian banking sector took strategic decisions to consider cross-border banking operations to enhance stock returns for eth equity shareholders.

Internationalization: The internationality of banking operations is related to cross-border transaction activities, it risk-free ventures, and a number of foreign countries in which multinational companies operate, some uncertainties, risks and complexities do exist. The expected firm-specific costs that there are associated with internationalization include The cost and risks of multiple levels of authority contending legal and regulatory frameworks at the domestic and the international level, the cost of greater cultural diversity, the internationalization of deposit money banks faced with the problem of adapting to the new and obvious heterogeneous culture, beliefs and values (Alouane et al., 2022). Prior researches indicate that there are economic implications for foreign banks' liabilities which increase the banks' operational move and embrace new cultures in distant countries. In spite of the strategic benefits and advantages of internationalization of banking activities, it equally involves the challenges of market penetration into the market that is already dominated by international competitors, and foreign product presence in the midst of consumer-used brands of banking products (Castellani et al., 2017).

Foreign assets to total Global assets: Foreign assets to total global assets are one of the properties selected for the measurement of the possible implications of internationalization. Cao et al. (2021) posited that foreign assets lagged with the banks' global total assets giving a proportional percentage of foreign branches' performance. According to Brahmana et al. (2018), foreign assets to total global assets are closely associated with the internationalization of banking performance, De Massis et al. (2018) revealed that foreign assets to total global assets had a positive effect on the financial performance and value creation in meeting corporate set goals and objectives. Eshetu and Mehare (2020) established that there was a positive relationship between foreign assets and total global assets, suggesting that the extent of foreign assets accumulation in terms of current financial resources and non-current corporate growth are essentially significant in evaluating the economic justification for internationalization.

Foreign profits earned to total Global assets: The foreign profits earnings in the foreign banking operations compared with the proportional contribution to the banks' global profits earned within the period under consideration is significant in determining the implication and effects of internationalization of the banks. Charles et al. (2018) revealed that foreign profits earned by foreign branches are consequentially contributing to the financial stability of the banks, and the proportion of such contribution is one of the indicators of the effect of internationalization on the financial stability of the banks in Nigeria. Deszczyński et al. (2017) reported that foreign profits earned is a significant parameter to evaluate the economic value generated from the foreign operations of the banks that had ventured into foreign banking operations.

Foreign Taxes to Total Global Taxes: Foreign taxes to total global taxes are another property adopted in this case to measure internationalization. According to Dimos and Pugh (2016), foreign taxes in most cases erodes the foreign earnings and contrasts the group accounts when consolidated at the end of the accounting period. Eddleston et al. (2020) reported that considering the continual down sliding and deprecation of the Nigerian currency to the Dollar, foreign taxes in foreign dominated tend to have a negative effect on the consolidated group statement of profit or loss and other comprehensive income of the banks. Fang et al. (2018) revealed that foreign taxes to total global taxes are associated with internationalization and this implies that foreign taxes could have a negative effect on the year-end profits, especially at the early stage of banks' internationalization when the banks had made new entrance to foreign branches forming preliminary expenses.

Cross-border banking activities: In this context, cross-border banking activities entail a genre of international banking that enables multinational banks' physical banking operational presence in locations outside the home country (Gentile-Ludecke et al., 2020). Cross-border banking requires that the banks have banking service locations and offices outside the home country where they are incorporated. According to Hammerschlag et al. (2020), cross-border banking activities are has become significant as banks respond to the globalization of economic activities as well as corporate business transactions and a good number of literature provides some of the benefits of cross-border banking activities, reflecting the trade-off between economic benefits and cost of financial integration through cross-border banking. Hunjra et al. (2020) noted that internationalization facilitates cross-country linkages and transmission of financial shocks between banks in various countries complying with Basel

Adem (2022) studied the effect of internationalization on performance enhancement and financial stability. With the use of secondary data using a total of 45 African countries chosen for the study, the study used the dynamic panel generalized moments technique for the data analysis. The pooled panel data analysis conducted showed that international had an effect on the financial stability of the selected banks among the emerging and developing economies. Based on the regression analysis, the study found that internationalization had positive implications as well as adequate cash flow from banking operations. The study equally revealed that cross-border banking activities had a positive significant effect on performance.

Munjal and Malarvizhi (2021) investigated the implications and effect of internationalization on financial stability as a reflection of effective firm performance among financial and banking institutions listed in India. The study considered the use of an *expo facto* approach for the study, using financial data extracted from the financial records of selected banks. The study used data sourced from the banks' financial statements for 4 years spanning from 2013 to 2018 accounting year periods only. Consequent to the analysis the study found that internationalization had a positive effect on financial stability as well as the financial performance of the banks selected for the study in India.

Uniamikogbo et al. (2021) examined the effect of internationalization on the corporate financial stability and performance of deposit money banks in Nigeria. The data used were selected from financial records of the banks purposively chosen for a period of 11 years covering from 2008 to 2018 accounting periods. The extracted data were analyzed using the Ordinary Least Squares method based on the specified model of the study. The pooled panel data analysis using Ordinary Least Squares showed that internationalization had a positive effect on financial stability as a reflection of financial performance and efficient resource optimization. The result implication was that cross-border banking activities increased the volume of cliental based, depositors and increased earnings. The result was consistent with the result obtained in the study of Onyeiwu and Sulangna (2021) who reported similar results.

Accordingly, Onyeiwu and Sulangna (2021) examined the implications and effect of internationalization on financial stability as a consequence of a comparative analysis of the financial performance of banks listed in India and Nigeria as a comparative study. The study employed an *expo facto* research design and used data sourced from secondary data for a period of 11 years. The study selected fifty-seven (57) banks from India and/or Nigerian banks for the study analysis, making use of a purposive sampling technique. The pooled regression analysis used for the data analysis showed that the determinants of internationalization had a positive significant effect on dividend payments as the performance of the sampled banks in India and Nigeria. The result was consistent with the results obtained in the studies of Hafsa (2020); Getzner and Moroz (2020) that found positive effects equally.

Hafsa (2020) studied an empirical analysis of the effect of the internationalization of banks on the stock returns performance of foreign direct investment of multinational banks as well as non-banking companies in Morocco. The study considered banks operating in Morocco that have embraced internationalization and others from other countries in the form of foreign direct investment in Morocco. The multinational banks were examined for a period of 6 years covering 2010 to 2015, the cash flow of loans granted, firm size and distance locations. Besides, the stud also considered other banks operating in the other 5 selected banks listed and operations of the countries of Benin, Burkina Faso, Senegal Mali and Cote d'Ivoire respectively. The study adopted panel data interpreting fixed effect using Ordinary least squares. The result revealed that the internationalization of banks in Morocco had a positive significant effect on the performance of foreign direct investment among companies in Morocco and in the five African countries investigated. The result was in tandem with results obtained in some prior studies by Onyeiwu and Sulangna (2021) and Uniamikogbo et al. (2021) that found similar results.

Getzner and Moroz (2020) investigated the possible influence of cross-border banking operations and foreign activities on the financial stability performance of regional banks in Ukraine. The study employed secondary data extracted from the financial records of the banks for a period of 5 years. Pooled panel data analysis was employed for the data analysis. The study employed pooled regression analysis and the result showed that foreign operations of the banks positively influenced the regional banking activities in Ukraine.

Olaore et al. (2020) studied internationalization and economic performance from the perspective of Central and Eastern Europe (CEE). *Expo facto* research design was adopted using secondary data sourced from the selected internalized firm in the CEE. Pooled panel data and Ordinary least squares (OLS) were adopted for the data analysis. The regression analysis revealed that the internationalization of firms had a productive and positive influence on cash flow from operations of the firm's performance for the period covered in the study. The result as documented in the study of Olaore et al. (2020) was found to be similar to the result reported in the study of Vătămănescu et al. (2020); Oladimeji and Udonsen (2019) who documented a positive effect.

Vătămănescu et al. (2020) investigated the effect of the internationalization of commercial banks on financial stability when taking adequate cross-border banking operations opportunities based on the improved expansion of banking activities and performance in Turkey. The study considered the small and medium enterprises operating in Turkey. A qualitative review of the previous 100 peer-reviewed articles was critically carried out. The result revealed that a substantive review had been carried out in relation to intellectual capital, and internationalization toward competitive sustainability of the commercial banks in Turkey. The result further revealed that more quantitative empirical studies carried out had revealed a positive effect of internationalization on banks' sustainability advantage performance in Turkey. By implication, the study suggested that internationalization enables international competitiveness and access to international markets.

Oladimeji and Udosen (2019) investigated the financial implications of internationalization on corporate diversification strategy as well as the corporate performance of firms in Nigeria. The study employed an *expo facto* research design, using data extracted from the annual financial statements of the banks and other firms selected from the financial and non-financial institutions for the study. The study covered a period of 21 years covering the accounting periods from 1997 to 2017. The data analysis was employed, making use of panel data and Ordinary least squares (OLS). The result of the analysis showed that internationalization had negative implications on corporate profitability arising from foreign banking operations.

Aggarwal (2018) studied the influence of the internationalization of banking operations on the financial stability and performance of banks. The study carried out a thorough analysis of the association between internationalization and its properties and firm performance. The study employed secondary data using qualitative research design and reviewed various literature that cut across industries and the evolution of internationalization in India. The study also considered the other available motivations for internationalization, different categories of internationalization, and strategies engaged to achieve robust internationalization. The study found that studies had found different results, but the majority of studies found that internationalization had mixed results, while the internationalization of banking operations exerted a positive effect on the market values of the banks, the result also revealed that internationalization had a negative effect on financial stability suggesting that the earnings from the foreign operations were not enough to effect financial stability of the banks.

Theory of Investment: The investment theory was part of the postulations of Miller and Modigliani in 1958, in which the value of a firm is not only independent of capital structure but the quality of investment opportunities and taking the right decisions capable of producing financial stability for the firm (Huyuh et al., 2018). Miller and Modigliani in the investment theory suggested that dividend and capital structure remain irrelevant in the determination of stock prices as well the economic value. The investment theory further suggested that investment opportunities are the main sustenance of organizations and that companies must be willing to take quality decisions that will ensure good investment returns and return on investments (Kale & Singh, 2016). Lorenz et al. (2018) contended that the investment is the bane of corporate organizational survival and this could lead companies to diverse diversification measures, including both taking advantage of domestic markets as well as cross-border opportunities. The theory equally considers the capital structure, the dynamism of the market as well as the percentage of leveraged buyouts.

Internationalization Theory*:* Internationalization was propounded by Buckley and Casson in 1976 and later the study by Johanson and Mattsson in the year 1988 made much publicity when the scholars introduced in the literature, "The Network Approach to Internationalization" (Dimos & Pung, 2016). The theory posited that multinational companies exist for the need to create an internal market for the exploitation of their firm-specific advantages. The institutionalization theory depicted the significance of corporate organization penetration into foreign markets (Geldress-Weiss et al., 2016). The theory suggested that foreign market penetration in a single market entails corporate commitment, corporate business expansion, export and activities and intensive establishment of foreign franchising or foreign subsidiaries. In internationalization theory, a lack of foreign market experience and knowledge increases investors' risk exposure to the international investors and firms involved. Experiential knowledge and objective understanding of the dynamics of the foreign business environment will enhance the essence of domestic companies going international participation and transactions. The theory further suggested that risk exposure is decreased when there is good foreign business transaction understood and corporate companies escalate their productive resources from low to higher investment intensive resulting from internationalization.

MATERIALS AND METHODS

Design: This study employed an *expo-facto* research design, as secondary data from the financial statements of the selected deposit money banks listed in the Nigeria Exchange Group (NEG) were extracted for the study for the period under consideration.

Population & Sample Size: The population of the study consisted of all the 13 deposit money banks listed in Nigeria. The study purposively selected only 8 deposit money banks with the Central Bank of Nigeria authorization permit to operate off-shore banking operations for internationalization activities. The scope of the study covered a period of 15 years covering 2007 to 2021, giving firm-year observations of 120. The 8 banks were selected because only 8 banks in Nigeria operate cross-border banking transactions.

Analyses of Data Method: The study employed both descriptive and inferential statistics in data analysis, using a panel data analysis. The study considered the implications of internationalization on the financial stability of banks, the results and the implications of foreign banking operations. Suitable diagnostic tests were carried out while the study was based on a 95% degree of freedom for the determination of the acceptance or otherwise of the results of the tested hypothesis.

Dependent/Independent Variable
In consideration of the effect of internationalization on the financial stability of deposit money banks listed in Nigeria, the dependent variable of financial stability surrogated with stock returns while the independent variable of internationalization was measured using (i) foreign assets to total global assets, (ii) foreign profits earned to total global profits earned, (iii) foreign taxes to total global taxes (iv) Cross-border banking activities.

Model Specification

$Y_{it} = \alpha_0 + \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \beta_4 X_{it} + \mu_{it}$ …………………………………….……………… (1)

STRS = *f*(FATA, FPTP, FTTX, CBA ………………………………………………….…….(2)

$STRS_{it} = \alpha_0 + \beta_1 FATA_{it} + \beta_2 FPTP_{it} + \beta_3 FTTX_{it} + \beta_4 CBA_{it} + \mu_{it}$ …….….……………….…..… (3)

Where:
STRS = Stock Returns, FATA = Foreign assets to total Global assets, FPTP = Foreign profits earned to total Global assets, FTTX = Foreign taxes to total global taxes, CBA = Cross-border banking activities,
i=Cross-Section, t = Time-Series, β1-β5= Coefficient of the Model, α = Constant of the study.

A *priori* Expectation
The study expected that Internationalization would exert a positive effect on financial stability. Hence Ho_1-Ho_4 the result of the estimates would be tested on a 5 % level of significance and should have a positive effect. Consequently, the a priori expectations = (β1-β5) > 0 and the probability of the F-Statistics in each case should be less than 5 % (P-value) < 0.

Table 1. Measurement of Variables

Variables	Abbrev.	Measurement	Source
Dependent Variable *(Financial Stability)*			
Stock Returns	STRS	$\frac{(P_{it} - P_{it-1}) + D_{it}}{P_{it-1}}$	Chang (2013)
Independent Variable *(Internationalization)*			
Foreign Assets to Total Global Assets	FATA	Foreign Assets / Total Global Assets	Omondi-Ochieng (2021).
Foreign Profits Earned to Total Global Profits	FPTP	Foreign Profits Earned / Total Global Profits	Alouane et al. (2022)
Foreign Taxes to Total Global Taxes	FTTX	Foreign Taxes Paid / Total Global Taxes	Huyuh et al. (2018) Luiz et al. (2017)
Cross-board-banking Activities	CBA	Measured a dummy, assign "1" where applicable otherwise "0"	Huyuh et al. (2018) Luiz et al. (2017)

Source: Researcher (2023)

In addressing gaps identified and contributing to knowledge the following research hypothesis has been developed to test the effect of internationalization on the stock returns of deposit money banks listed in Nigeria.

H1: Internationalization positively affects stock returns of deposit money banks in Nigeria.

RESULTS

In this section, the study provides descriptive statistics, correlation analysis, multicollinearity tests, heteroscedasticity tests, and regression analysis.

Descriptive Statistics
Table 2. Descriptive statistics of the variables

Stats		***STRS***		***FATA***	***FPTP***	***FTTX***	***CBA***
N	***Dependent Variables***	150.00	***Independent Variables***	150.00	150.00	150.00	150.00
mean		7.49		0.22	186.12	0.98	1.52
p50		6.30		0.15	139.66	0.80	1.40
Sd		27.66		0.50	245.70	0.66	0.80
Min		-265.68		-1.06	-713.68	0.13	0.20
Max		80.57		1.62	1222.76	4.34	6.02

Source: Researcher estimation (2023)

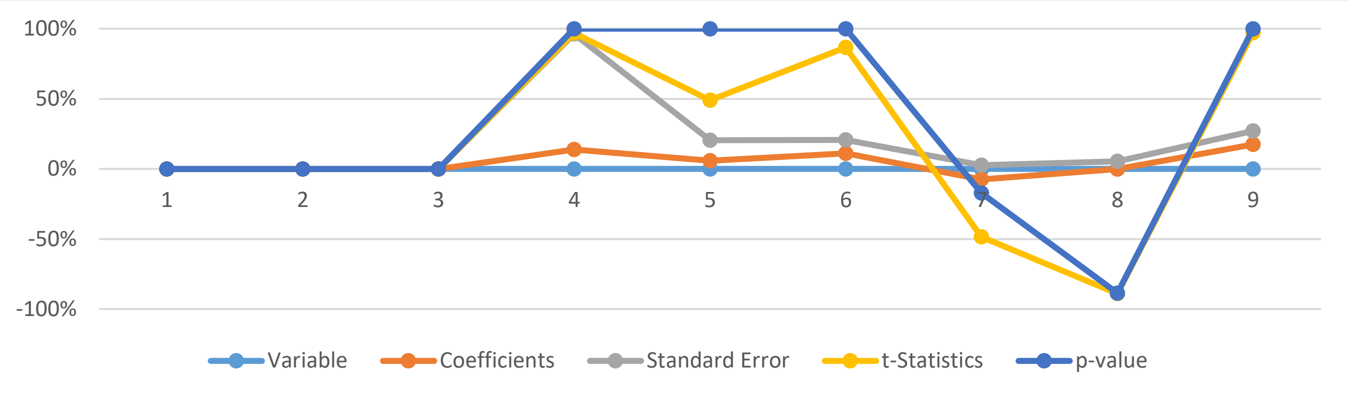

Figure 1. Trend Analysis: Effect of Internationalization on Stock Returns

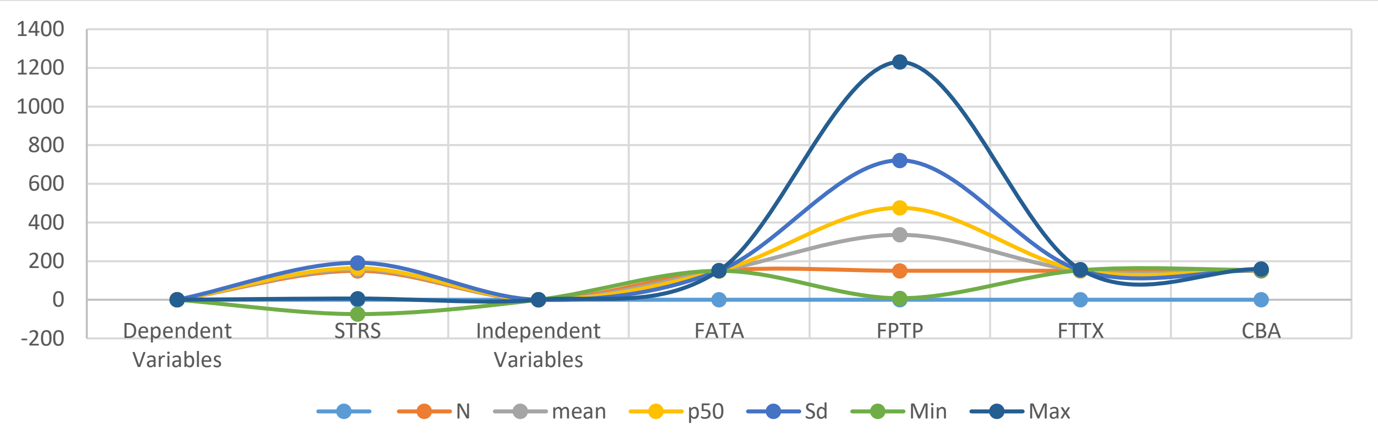

Figure 2. Trend Analysis: Effect of Internationalization on Stock Returns

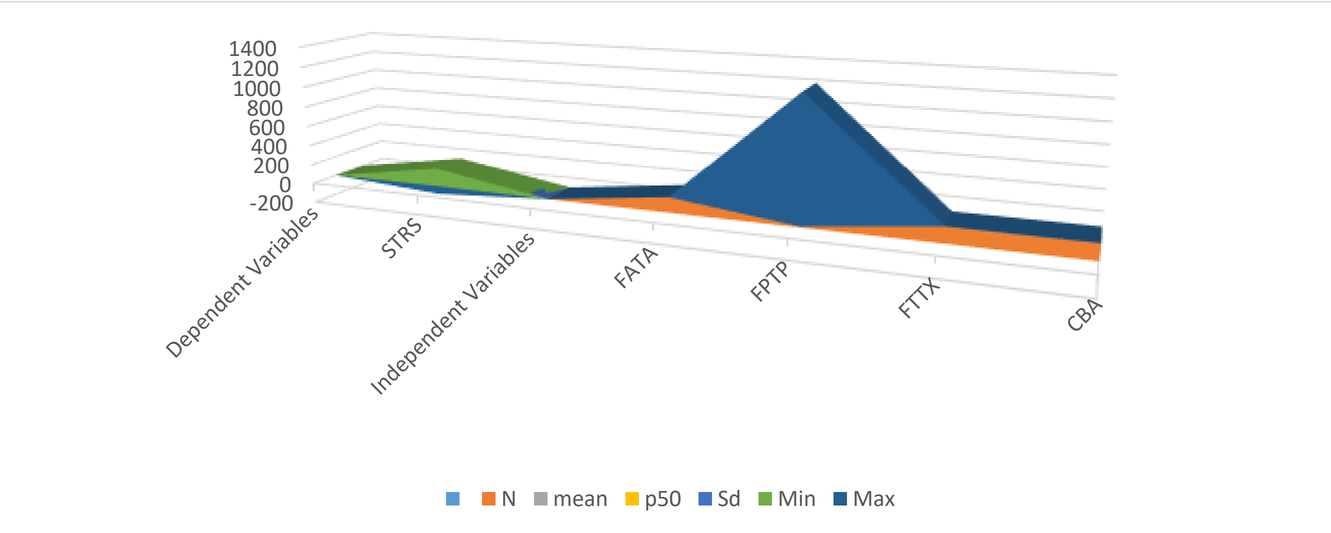

Figure 3. Internationalization and Stock Returns

In table 2, Figures (1, 2 and 3), the mean value of SRTS is 7.49% while the median value is 6.30% indicating that the selected firms' total return on equity capital is 7.49% on average during the period and as a matter of fact, these returns among the firm are relatively closed. Furthermore, the minimum and maximum values of -265.68% and 80.57% with a standard deviation value of 27.66% show that during one of the years under consideration. Foreign assets to total global assets (FATA) in the mean value of the variable is 186.12 while the median value is 139.66. Besides, the minimum and maximum values of -713.68 and 1222.76 with a standard deviation value of 245.70. Foreign profit earned to total global profit earned (FPTP) can be seen from the table, the average and median values of 0.98 and 0.80 respectively. Foreign taxes paid to total global tax paid (FTTX) can be seen from the table, the average and median values of 1.52 and 1.40 respectively.

Regression Analysis: Internationalization and Stock Returns

Table 3. Regression and Post-Estimation Results for Hypothesis Two

$STRS_{it} = \alpha_0 + \beta_1 FATA_{it} + \beta_2 FPTP_{it} + \beta_3 FTTX_{it} + \beta_4 CBA_{it} + \mu_{it}$					
Random-effects GLS Regression with Robust Standard error					**Observations**
Variable	**Coef. (β)**	**Std. Error**	**t-Stat.**	**Prob.**	
Con_	187.9300	151.32	1.2400	0.2140	120
FATA	0.0200	0.0300	0.5000	0.61500	120
FPTP	103.6000**	45.2600	2.2900	0.0220	120
FTTX	1.5500	0.8600	1.8100	0.0700	120
CBA	55.1600**	21.9100	2.5200	0.0120	120
Adj. R^2	0.0989				
F-Stat/Wald Stat.	21.3800				
Prob. (F-Stat/Wald Test)	0.0000				
Hausman Test	0.3800 (0.9990)				
Testparm Test/LM Test	107.1400 (0.0000)				
Heteroskedasticity Test	15.6600 (0.0000)				
Serial Correlation Test	0.0010 (0.9800)				
Cross-Sect.Dependence Test	0.4180 (0.6760)				

Dependent Variable: Stock returns = STRS. Independent variable: Internationalization = INTLZ, Foreign assets to total global assets = FATA, Foreign profits earned to total global profits = FPTP, Foreign taxes paid to total global taxes = FTTX, and Cross-border banking activities. ***= 0.05 level of Significance.

Source: Researcher (2023)

Interpretation

Pre-Estimation Results

The selection of the best estimating technique among Random effect, Fixed Effect and Pooled OLS was evaluated using the Hausman test and its confirmatory tests (Testparm or Lagrangian Multiplier test). The null hypothesis of the Hausman test is that the preferred model is random effects; the probability of the result (0.999) confirmed the null hypothesis. Moreover, the probability value of the LM test (0.00) does not negate the result of the Hausman test which implies that Random effects GLS Regression is the best estimating technique for the model of the study.

The results of the diagnostic tests carried out to ascertain the suitability of the model; in heteroskedasticity, checking for variations of the residuals of the model; with the probability value of 0.00 implies that the model is not homoskedastic, meaning that the residuals of the model are not constant over time, thus the study rejects the null hypothesis. Also, the model coefficients and residuals were checked for autocorrelation problems using the Wooldridge test and with the probability value of 0.98, it showed that the coefficients and the residual of the model are uncorrelated and thus, there is no serial correlation problem in the model. The model is confirmed as econometric error-free and thus this study used Random-effects GLS Regression for the estimation of

Result of the Regression Estimations

$$STRS_{it} = \alpha_0 + \beta_1 FATA_{it} + \beta_2 FPTP_{it} + \beta_3 FTTX_{it} + \beta_4 CBA_{it} + \mu_{it}$$

$$STRS_{it} = \alpha_0 + 0.020{*}FATA_{it} + 103.600{*}FPTP_{it} + 1.550{*}FTTX_{it} + 55.160{*}CBA_{it}$$

Table 3 shows the regression analysis of how the effect of internationalization on financial stability (stock returns-STRS). The results of the explanatory variables of foreign assets to total global assets (FATA), foreign profit earned to total global profits (FPTP), foreign taxes paid to total global taxes (FTTX), and cross-border banking activities (CBA)) effect on Internationalization (Stock returns-STRS). The probability of the t-test was used in determining the statistical significance of the effect of each determinant measure on STRS at a 5% significance level. Going by the result, foreign profits earned to total global profits (FPTP had a p-value of 0.022 and cross-border banking activities CBA had a p-value of 0.012. This implies that FPTP and CBA significantly affected STRS since their probability values are less than the 0.05 level of significance selected for the study. On the contrary, the others of FATA and FTTX had p-values of 0.615 and 0.700

In Contrast, the remaining four determinants (FATA and FTTX) showed insignificant effects as their p-values are more than the selected 0.05 significance level. As FATA had a p-value of 0.6150 and a p-value of 0.989o for FATA and FTTX respectively.

The magnitude and direction of the effect of each of the explanatory variables of internationalization, as estimated, exhibited positive effects on the stock returns as each had a positive sign. The results indicated that FATA, FPTP, FTTX and CBA exerted a positive effect (β_1= 0.0200, t =0.50; p-value = 0.6150; β_2 = 103.600, t = 2.29, p-value = 0.022; β_3 = 1.5500, t = 1.81, p-value = 0.070; and β_4 = 55.1600, t = 2.52; 0.012, p-value = 0.012 respectively. This result suggested that a unit of change in FATA, FPTP, FTTX and CAB will lead to an increase of 0.0200, 103.60, 1.550, and 55.1600 in financial stability (stock returns-STRS) of deposit money banks in Nigeria.

AdjR^2 measures the composition of the explanatory variables of internationalization. In the effect the values of the coefficient of combined explanatory variables of internationalization based on the adjusted R-squared revealed 0.0989, this suggests that the combined variations in FATA, FPTP, FTTX, and CBA resulted in 9.89% changes in financial stability (stock returns-STRS), while the remaining changes of 90.11 per cent resulted from other factors which are not captured by the model of the study.

Finally, the result of the joint explanatory variables of internationalization based on the result of the F-statistics of 21.38 with a degree of freedom of F(5, 115) representing four constructs of independent variables in 120 firm-year observations and having a p-value of 0.0000, this could suggest that all the explanatory variables foreign assets to total global assets (FATA), foreign profits earned to total global profits (FPTP), foreign taxes paid to total global taxes paid (FTTX), and cross-border banking activities CBA) jointly had a positive significant effect on stock returns (STRS). Consequently, the study concluded that internationalization positively affected the financial stability of deposit money banks listed in Nigeria.

DISCUSSIONS

The data analysis of the study revealed mixed results: Foreign assets to total global assets (FATA) showed a positive but insignificant, while foreign profit earned to total global profits earned revealed a positive significant effect on stock returns. This had an implication suggesting that the foreign companies were not favourable disposed to acquire assets but made a significant impact with evidence of higher earnings as reflected on higher profits earned in proportion to the global profits. In addition, the study found that foreign taxes paid to total global taxes paid had a positive but insignificant effect while cross-border banking activities exerted a positive significant effect on stock returns. By implication, the cross-border banking activities contributed to the stock returns.

However, the result of the joint analysis of the effect of the combination of all the internationalization explanatory variables of foreign assets to total global assets (FATA), foreign profits earned to total global profits earned (FPTP), foreign taxes to total global taxes (FTTX) and cross-border banking activities (CBA) revealed a positive significant effect on stock returns.

Consequently, the study concluded that internationalization positively affected the financial stability of deposit money banks in Nigeria. The result reported was found to be consistent with prior studies by Adem (2022) reported a positive effect. Others include the studies of Munjal and Malarvizhi (2021); Uniamikogbo et al. (2021) which reported positive effects. In addition the studies of Onyeiwu and Sulangna (2021); Hafsa (2020); Getzner and Moroz (2020); Olaore et al. (2020). On the contrary, some previous studies had found inconsistent results. For instance, the studies by Aggarwal (2018) reported a negative effect of internationalization, also the study of Oladimeji and Udosen (2019) equally reported negative results.

CONCLUSIONS

This study considered the problem of financial stability and the implication and possible of effect of internationalization to stabilise the factors influencing the financial instability of banks. The pivotal role of banks in a country's economy can never be underestimated and these banks must be strong and stable to intensify policies and efforts at strengthening the existing synergies between fiscal and monetary policies that will complement engendering economic growth and development of various sectors desiring the banking services. Incidentally, the problem of the financial stability of the banks was complex and exacerbated to such an extent that it highlighted the ineffectiveness of the banks. In addressing the problem and challenges of financial stability, this study identified stock returns as a surrogate measure of financial stability.

More so, the study employed internationalization and its proxies of foreign assets to total global assets, foreign profit earned to total global profits earned, foreign taxes to total global taxes paid and cross-border banking activities as properties in measuring internationalization as a possible attempt to decipher and mitigating the challenges of financial stability. Consequent to pooled panel data analysis, the result concluded that each of the explanatory variables had a positive effect on stock returns. The combination of the explanatory variables based on the F-statistics revealed a positive effect. The study, therefore, concluded that financial stability was positively affected by the internationalization of deposit money banks in Nigeria.

Considering the positive insignificant effects of foreign assets to total global assets and foreign taxes paid to total global taxes paid on stock returns, by implication, these results could suggest that they are contrary to the a priori expectations. It suggested that internationalization had not adequately contributed to the multinational banks' assets growth. Consequently, the study recommended that managers at the foreign branches should review their operational strategies towards contributing more effective performance in order to meet the global assets growth of the banks in the efforts to effect a significant effect on the financial stability of the banks. More, the financial policymakers and apex banks should exercise more prudential guidelines, strong monetary regulation and implementation of appropriate monetary and fiscal policies to mitigate potential risks that could affect the financial stability of the banks and the Nigerian financial system.

This study examined the effect of internationalization on the financial stability of deposit money banks in Nigeria. The study provided insight into the novelty of the significance of internationalization in the financial stability of banks in Nigeria in the emerging literature in the Nigerian and contributed to the less existing growing literature. The study encountered some limitations. First, the study considered only 8 deposit money for a period of 12 years, since only 8 of the selected deposit money banks had an authorisation licence from the Central Bank of Nigeria to operate internationalization banking services, which limited the scope of the study. Future studies could expand the frontiers by considering other sectors order than the deposit money banks. In addition, the study measured internationalization using only four variables, future studies employ additional variables.

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