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Effect of Internationalization on Earnings Per Share in Deposit Money Banks in Selected African Countries

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Abstract: Performance expectation and shareholders' wealth creation have made banks to take their banking operations beyond their immediate local environments. Research has shown that banks take advantage of crossboarder activities to improve and increase their earnings and ultimately increase shareholders' wealth maximization motive of the banks. There have been divergent results and opinions on the impact of banks' foreign operations on the total performance of the banks. Consequently, in contributing to knowledge, this study examined the effect of internationalization on earnings per share in Deposit Money Banks in slected African countries. This research examined the impact of internationalization on earnings per share in deposit money banks in Nigeria, South Africa and Kenya between 2007 and 2021 using expo facto research design. Purposive sampling technique was employed to select seventeen deposit money banks out of a population of seventy-one banks that had international operations authorization licences in the selected countries. Secondary dat were extracted from the published annual financial statements of the selected banks. The data were considered valid and reliable because of the independent opinions expressed on them by the various external auditors. The data were ananlysed using descriptive and inferential statistics. The result obtained from the multiple regression analysis suggested that internationalization exhibited a significant effect on earnings per share, (Ad jR^2 = 0.0145; $F(5, 249) = 23.54$; $p<0.05$). In addition, exchange rate significantly controlled the effect of internationalization on earnings per share (Adj. R^2 = 0.0285; $F(6, 248) = 13.14$; $p<0.05$. The study concluded that internationalization affected earnings per share in DMBs in selected African countries. The study therefore recommended that investors should be concerned and carefully evaluate the reasons for the banks going international. Also, policymakers, financial regulators and the government should not be in a haste approving internationalization banking authorizations to banks, when huge opportunities still subsist in the domestic level.

Keywords: Earnings Per Share, Shareholders, Wealth Maximisation, Deposit Money Bank, Internationalization

1. Introduction

Nigerian deposit money banks are highly laden with array of challenges and performance burden of maximizing shareholders' investment to enhance adequate returns [7].

The earning ability of the Deposit Money Banks has been on the down sloping trend and servicing its entrenched perennial dividend payment polices among the banks has now become a nightmare as the years end draws closer [17]. In an effort to establish enabling financial platform for these banks to create value for the stakeholders, various countries have instituted policies and legal frame works for the banks.

In Nigeria, the prudential regulatory guidelines and other policies as provided by the agencies saddled with the monitoring and supervision of the banks. For instance, the Banks and other Financial Institutions Act of 2020 (BOFIA), Central Bank of Nigeria Act of 2007, Nigerian Deposit Insurance Cooporation Act, Companies and Allied Matters (CAMA. 2020), the Foreign Exchnage Monitoring and Miscellaneous Promotion Act. These bodies have been saddled with the responsibility to ensure effective relations and provision for enabling environment for the banks to effectively operate in achieving set goals and value creation for the onwers [1, 29].

The South African Reserve Bank (SARB) serves as the nation's central bank. As a direct result of the extraordinary monetary and financial situations that World War I had brought about, Parliament approved a statute in 1921 known as the "Currency and Bank Act of 10 August 1920," which led to its establishment. The United States, Japan, and Java were the other three newly founded central banks; the SARB was the first outside of the United Kingdom and Europe. The national payment system, which forms the foundation of South Africa's contemporary financial system, must be secure and sound, according to the SARB. A summary of South Africa's economic position is provided by the SARB in the form of significant economic and financial statistics.

The banking regulation in Kenya is spearheaded by the Cental Bank of Kenya. Other bodies include Federal Reserve System (FRS), Office of Comptroller of the Currency (OCC), Bank Act of Kenya, Capital Market Authority and Insurance Regulatory Authority [52].

These bodies in various countries have contributed immensely to ensure the banks are properly assisted in domestic and internationalizational operations in creating enabling atmosphere for the banks to effectively operate in actualizing their profit targets in order to maximize shareholders' wealth. However, the extent to which these policies has assisted the banks in achieving set goals and the effects of internationalization on earning per share have remained uncertain. Consequently, this study examined the effect of internationalization on earning per share in DMBs listed in selected countries of South Africa, Kenya and Nigeria.

Hypotheses of the study were formulated as follows:

$H_0$1: Internationalization has no significant effect on earnings per share in DMBs in selected African countries.

$H_0$2: Exchange rate does not significantly control the effect of internationalization on earning per share in DMBs in selected African countries.

2. Review of Extant Literature

2.1. Conceptual Review

This is one major financial indicators that are popular in the literature that is used by investors. Efrat et al. [19] defined earnings per share as the proportion of the total banks' net profits allocated to each of the shareholders in line with the number of share ranking for dividends at the time. Earnings per share reveal the stake of each equity shareholder in the company's total earnings at each end of the accounting period [20]. In each end of the accounting period, the banks consider the number of shares outstanding of the banks' common stocks that are considered good and ranking for the year's dividend [21]. Earnings per share is popular among scholars as a measure of the performance and profitability of banks as it is typically employed by financial analysts, stockbrokers and other traders to estimate the financial strength of banks.

Hurtado-Torres et al. [25] reported that earnings per share is often considered to be one of the most significant variables in measuring and determining stock value as many investors prefer earnings per share as a good measure and gauge of the efficiency and profitability of banks and equally regarded as the bottom line of the banks' health condition. The resulting effect reflects whether the banks have performed well for the preceding year and is a measure of the quality of investment decisions in relative terms [22, 30]. According to Jiang et al. [31], earnings per share relates to the total combination of earnings generated by the banks' operational activities from the domestic and international operations and available to ordinary shareholders during a period to the ordinary share in issue.

Kim and Kim [34] posited that in line with International Accounting Standards (IAS 13), earnings per share requires companies or banks that were listed in their various country stock exchange or that are in the process of being listed to report earnings per share figures on the face of their financial statements. Financial indicators are an effective performance for the banks, even though the earnings per share alone as a financial indicator may not be adequate enough to reveal the comprehensive financial health condition of the banks, rather a clue to what the earnings profile for the banks [28]. Rather than an indicator of how much the banks made for each of the shareholders, investors use earnings per share as a measuring metric for assessing the corporate value of the banks, since higher earnings per share show greater value as potential investors are likely to pay more to acquire the banks share believing that the banks have higher profits in relative to share price [23, 29].

Some studies have revealed that like many other financial ratios, earnings per share is a valuable financial ratio most valuable when comparing banks' performance metrics against their competitors in other countries [2, 32]. Earnings per share are used in this study as one of the measures of value creation for the banks in relation to internationalization. The study employed earnings per share to ascertain the proportion of the combination of offshore and domestic earnings attributable to each of the ordinary shareholders for the accounting period.

$$\text{Earnings per Share (EPS)} = \frac{\text{Profit available for equity holders}}{\text{Shares in issue and ranking for a dividend}}$$

Internationalization can be defined as a diversification strategy in which a business takes its operations outside the shore of its domestic country of operations. It is a strategic diversification technique employed by management to explore foreign market with their product and services and in some instances with new products and services different from their main line of business.

In their study, Walid and Eric [79] opined that internationalization leads to better performance because it allows business organization to spread fixed costs, have a knowledge of local markets from their foreign operations experience, have access to factors of production at lower cost, subsidize their domestic operations and create opportunities for price discrimination and tax arbitrage. When business organisations increase their foreign operations, the level of their internationalization is increased and this can lead to high level of performance.

Diversification is a business strategy in which risk and expansion of banking operations are managed through the use of the same product or venturing to a new product in a new location outside the primary location of the business [27]. Rather than investing funds in a single product or services, banks explore investment in new new products or services beyond their domestic boundaries. There have been divergent opinions in literature on the impact of internationalization on banks' performance. However, Kwon and Park [38] maintained that direct relationship between diversification and internationalization.

According to Signori, San-Jose, Retolaza & Rusconi, (2021) [66], internationalization, which connotes expansion of operation internationally in the banking industry towards increasing creating wealth for the shareholders, is a possible solution to resolving the problem of shareholders wealth. Internationalization connotes the process of investing in the same or different banking services beyond the shore of the domestic market [33]. Internationalization had a positive effect on wealth maximization a significant impact on value creation. This suggest that banks can diversify strategically by investing, exploring and taking competitive advantage of the foreign market to improve their performance [35, 37]. In contrast, Omondi and Okech [52] opined that a good number of banks in developing nations have not explored the huge market in their domestic environment before going international, a decision considered myopic and hasty.

Internationalization has the tendency to erode economic value of a business and may serve as a mere show of ego without value addition to the bottom line of banks [45]. It has been discovered that so many banks take their services to foreign markets to secure their multinational customers. This create problem for the banks and reduced their group profitability, especially when the foreign branches could not break-even, let alone making profit [41, 44]. A thorough assessment of the profitability of diversifying to foreign markets should be done by the banks before the final decision to go international [45, 47].

Banking diversification is a strategy of expanding and maximizing value creation for banks. [51]. Markowitz in 1952 posited that diversification through any means could lead to the minimization of risks and at the same time maximize returns, which suggests a positive relationship between diversification and internationalization in the banking sector [50]. Banks should consider the possible value addition of internationalization, cost implication of such action, bi-lateral agreements betwteen the two countries and other exogenous factors before diversifying their business offshore. The following are the proxies of internationalization employed by the study: foreign taxes to total taxes (FXTX), foreign deposits to total deposits (FDTD), foreign earnings to total earnings, related diversification, and unrelated diversification (UDVF).

Foreign taxes is the total amount of tax paid by the foreign operation of the banks, while total taxes is the combined local and foreign (group) tax obligations paid by the banks [52, 55]. The purpose of measuring foreign taxes as a percentage of total taxes is to establish the proportion of taxes paid on international branches banking operations against the total and group taxes paid by the banks for a period under consideration. There have been diverse opinions in the literature on the impact of foreign tax obligations on the total earnings of the banks operating branches in foreign countries [49, 53, 3, 59].

The foreign deposits to total deposits is another measure used to measure the volume of foreign deposit generated by foreign branches of the banks to the total global deposits of the banks. In other words, foreign deposits is the total deposits of the internationalized banks, arising from foreign operations, while total deposits are the global deposits and the combination of domestic and all foreign branches deposits the banks have attracted to themselves over the accounting periods under consideration [59].

Foreign earnings are the earnings made by international operations of internationalized banks listed in and have their operating headquarters in Nigeria, while the total earnings are the total and group earnings of the banks listed and operating in Nigeria and foreign countries aside Nigeria alone. According to Ratten and Tajeddini [62], foreign earnings to total earnings is defined as the percentage of foreign banking operations earnings to the total and global earnings of the bank. In another words, it is the consolidation of the entire parent and other domestic and international earnings from the banking activities. Companies, including banks have been necessitated by the global and evolving trends of business transactions to operate beyond the shores of their domestic environment, creating for themselves a multinational status. [63].

Related diversification entails a strategic move by corporate organizations to diversify into the same and similar line of business [67]. According to Stoian et al. [73], related diversification occurs when companies make a diversification move into a new area that has similar characteristics in the same industry. In banking, diversification involves mixing a wide range of investment within the same portfolio in orther to reduce investment risk. Over the years, banking business have evolved into a general supermarket in Nigeria, where all sorts of banking services are traded in the same bank. Doing this, some banks have erred and have violated the regulatory and prudential guidelines [74].

The process by which banks embarked on new lines of businesses in addition to the business the companies operate in the same industry is called unrelated diversification. Unrelated diversification is a strategy involved by banks or any other outside their industry or core area of competence [75]. When banks go into unrelated core banking diversification services, like insurance underwriting and protection services, assets valuation and actuarial services, and estate and surveying of landed properties services, bureau de change services, it is called unrelated diversification. According to Tsai, Ren and Eisingerich; Tsang; and Uniamikogbo et al. [76, 77, 78], unrelated diversification occurs when banks engage in the act of carrying out some unrelated banking services, which are considered financially toxic and unethically gross deviation from the core banking services and authorized banking intermediary services by the apex bank.

2.2. Theoretical Review

Two theories were considered the most relevant to this research work:

2.2.1. Entrepreneural Value Creation Theory

The stakeholder theory was developed by Freeman in the year 1984 in an effort to expand his understanding of the other groups and stakeholders in the business organizational relationship other than the agents and shareholders. According to Avram et al. [8], the stakeholder theory was one of the products arising from Freeman's criticisms of Jensen and Mackling's lopsided attention to the agency theory that considered only the agents and shareholders. Freeman suggested that besides the agents and the principals, there are other interested stakeholders who share same interest in the well-being of companies. The stakeholder theory expressed concern of the relationships of other stakeholders far beyond the two-sided relationship between shareholders and the managers of corporate organizations to include the interest and concern of all the other categories of stakeholders aside from the shareholders like the employees of the company, the customers and clients, lenders and creditors as well, the government, trade unions, the communities where the companies operate, the media and all other who are likely to be directly or indirectly affected in the events of fortunes or misfortunes of the company [5, 6, 11].

The stakeholder theory suggested that the company is a nexus of business and also the contractual relationship between management and the other stakeholders on the other part too. Boerman and Roelfsema [12] noted that a company may not enjoy a successful and effective performance without the cooperation and involvement of the stakeholders. Borda [13] reported that every company strives to create value for all the stakeholders as one of the reasons for being in existence. The company is obligated to fulfil legal and ethical responsibilities to the shareholders as well as the society, the government, and customers in an effort to create lasting value and legitimacy in building sustainable performance of the company. Steel et al. [71]; Schwens et al. [64] noted that the long-run sustainability of wealth maximization for the shareholders and the company can never be sustained without fostering the relationship between the managers and the entire stakeholders who collectively desire constant information about the companies, the need for transparency and accountability as well as effective equity in resource distribution in the proportion of their stake in the company.

The reality of the ideology of the stakeholder theory is relevant and validated in this study as the managers are obligated to give the stakeholder factual, credible and quality information about the financial health of the company. This was essentially important since credible information is significant in helping the stakeholders take an informed decision based on the underlying realities of the health condition of the company. Investors and other interested parties constituting the stakeholder community expect non-misleading accounting information that would guide them in making useful decisions.

2.2.2. Internationalization Theory

Linder Staffan Burenstram propounded this theory in 1961. The theory centres on the desire of the local organisations to expand their business operations beyond the shores of their immediate or primary countries of business [75]. In 1961, Linder Staffan Burenstram observed that some international companies expanded their business operations and products to other countries with a view to gaining control and dominate the market [69].

The internationalization theory suggested that internationalization was one of the crucial strategies of multinational firms to seek horizontal integration globally and diversification of operations exploring other markets when it was obvious that the domestic market seem saturated and overcrowded. The internationalization of operation had been attributed to seeking international experience and exposure by some companies aimed at sustainability of its operations and to gain growth and more economic gains and value creation for the owners [72]. Internationalization theory considered the significance of diversification and taking advantage of wider spectrum of opportunities at the market space outside the locality and cross-borders for expansion, diversification of operations and products and services outside the location and nation of origin.

The appropriateness of internationalization theory to this study cannot be underrated as the theory is considered relevant and suitable, considering the relevance of internationalization to earnings and ultimately shareholders' wealth.

2.2.3. Theoretical Framework

The study adopted stakeholders' theory and internationalization theory as the underpinning theories of the study because these theories have a direct relationship with the dependent variable of earnings per share and the independent variable of internationalization.

The stakeholder theory was also selected as an underpinning theory since the companies involved in internationalization harbour the interest of a group of interested parties, who will benefit from the expansionary drive and diversification move through internationalization of the selected banks in the study based on the interest of stakeholders. The stakeholder theory tends to accommodate the interest of the banks, the depositors as well as the other parties like other companies who depend on the efficiency and effective banking activities to remain in their various sectors and industries.

Internationalization theory was considered relevant as one of the underpinning theories because of its nexus with the independent variable of internationalization and the perceived benefits from it. The urge of managers to meet their set target has led many of them to consider expanding their operations beyond their domestic boundaries and territories.

2.3. Empirical Review

Osifo and Obainoke [57] studied the influence of corporate geographical diversification of Nigerian banks to offshore banking services on corporate performance of the banks. The study employed secondary data sourced from the financial statements of DMBs selected for the study with the help of purposive sampling techniques and data sourced from the Central Bank of Nigeria Statistical Bulletin. The results of the analysis revealed that geographical diversification to internationalization had a positive significant effect on corporate performance. The study of Osifo and Obainoke [57] is in compliance with the study of Munjal and Malarvizhi [44]. The study found that there was a positive association between environmental system and financial performance of the selected and tested banks listed in India. Conversely the study of Adesina [1] is not in compliance with the study of Shin-Yung and Wei [65]. The study revealed a negative linear association between internationalization and firm performance for companies within medium reported by Tobin's Q.

Ding and McDonald [18] studied the likely impact of internationalization on economic value added of selected banks that ventured into banking international experience. The study employed an *expo facto* research design, whereas the financial statements of the banks selected for the study were employed for a period of 10 years. The study explored the use of meta-analytical review regression analysis and the result of the analysis revealed that internationalization measurements and data characteristic had a positive significant effect on economic value added (EVA) among the banks that were sampled in the study. The result derived from the study of Ding and McDonald [18] showed result in compliance with the study of Munjal and Malarvizhi [44]. The study found that there was a positive association between environmental system and financial performance of the selected and tested banks listed in India. On the contrary, the study of Ding and McDonald [18] is not in compliance with the study of Bani-Khaled et al. [9]. The panel data regression analysis revealed that social responsibility had a negative significant association with organisational performance.

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Bani-Khaled et al. [9] empirically investigated the association between social responsibility and organizational performance based on the financial and non-financial performance of the selected commercial banks listed in Amman Stock Exchange. The study employed an *expo facto* research design, using data sourced from the financial statements of the selected commercial banks in Amman for a period of 11 years covering 2008 to 2018 was employed for the study. The organizational performance was measured using return on assets (ROA), Market stock price (MSP), including Tobin's Q. The study employed descriptive statistics and inferential analysis for the study. The panel data regression analysis revealed that social responsibility had a negative significant association with organisational performance. In addition, the study found that corporate social responsibility also had a positive association with non-financial performance of the organization. The study of Bani-Khaled et al. [9] is in concordance with the study of Shin-Yung and Wei [65]. The study revealed a negative linear association between internationalization and firm performance for companies within medium reported Tobin's Q. Conversely, the result derived from the study of Bani-Khaled et al. [9] is not in concordance with the result obtained by Munjal and Malarvizhi [44]. The study found that there was a positive association between environmental system and financial performance of the selected and tested banks listed in India.

Berger et al. [10] investigated the impact of internationalization on financial performance. The study considered earnings per share, assets growth as measures of financial performance, while foreign profit over global profit was employed a measure of internationalization. The regression analysis revealed that internationalization based on foreign profits to global profits had a positive impact on earnings per share and assets growth. This study is in tandem with Purkayastha et al.'s [61] analysis which that internationalization had a positive significant effect on corporate performance of the sampled companies. Contrarily, this study done by Berger et al. [10], is not in tandem with the study done by Stoian et al. [73] which found that internationalization had a negative and insignificant effect on financial performance among the small and medium enterprises sampled for the study.

3. Methodology

This study adopted an *ex-post facto* research design. The population consisted of 71 deposit money banks listed on the floor of the three African countries of South Africa, Kenya and Nigerian Exchange Group (NEG) as at 31 December, 2021. 17 Deposit Money Banks comprised of 8 Nigerian banks, 4 South African banks and 5 Kenyan banks that have full international banking authorization by the Central banks of the three African countries were selected as the sample size for the study. Secondary data were extracted from the published financial statements of the DMBs of the selected African countries for the period of 15 years (2007-2021).

The audited financial statements of the selectable listed deposit money banks formed the source from where the data were extracted, and the researcher believed that the financial statements were prepared by these companies in line with the applicable financial reporting framework, and audited by the respective banks' statutory auditors as approved by the Securities and Exchange Commission (SEC), and the alike bodies in Kenya and South Africa, the Nigerian Exchange Group (NEG), Central Banks of South Africa, Kenya and Nigeria (CBN).

The effect of internationalization as well as the controlling effect of foreign exchange on economic value added of deposit money banks in selected African countries was investigated using regression analysis conducted through the aid of statistical software (Stata/IC 11.2). At 5% level of significance, it was expected that internationalization (foreign taxes to total taxes, foreign deposits to total deposits, foreign earnings to total earnings, related diversifications and unrelated diversifications) and the controlling effect of exchange rates (EXR) would have a positive effect on economic value added. Consequently, H_01-H_06: $\beta > 0$ = positive.

The study carried out data analysis using descriptive and inferential statistics. Adjusted R^2 enhanced the study in measuring the effect of the dependent variable (earnings per share) on the proxies of the independent variables. In other words, it considered the measurement of the proportion of the changes in the dependent variable as a result of changes in the explanatory variables of the independent variable of the study.

The models used is as follows:

Model 1:

$$EPS_{it} = \alpha_0 + \beta_1 FXTX_{it} + \beta_2 FDTD_{it} + \beta_3 FETE_{it} + \beta_4 RDVF_{it} + \beta_5 UDVF_{it} + \mu_{it}$$

Model 2:

$$EPS_{it} = \alpha_0 + \beta_1 FXTX_{it} + \beta_2 FDTD_{it} + \beta_3 FETE_{it} + \beta_4 RDVF_{it} + \beta_5 UDVF_{it}\ \beta_6 EXR + \mu_{it}$$

Where:

EPS = Earnings per share, FXTX = Foreign Taxes to Total Taxes, FDTD = Foreign Deposits to Total Deposits, FETE = Foreign Earnings to Total Earnings, RDVF = Related Diversification, UDVF = Unrelated Diversification, EXR = Exchnage Rate

α = the regression intercept which is constant, β_1-β_6 = the coefficients of the explanatory variables, μ = the error terms of the model, t = Cross-Sectional, i = Time-Series

4. Analysis, Result and Discussion

4.1. Descriptive Analysis

Table 1. *Descriptive Statistics.*

Variable	Obs	Mean	SD	Min	Max
Year	255	2014	4.32899	2007	2021
EPS	255	6.059	9.505	-14.410	116.000
FXTX	255	0.164	0.377	0.000	5.370
FDTD	255	0.135	0.172	0.000	2.470
FETE	255	0.058	0.285	-3.500	0.900
RDVF	255	0.118	0.100	0.000	0.470
UDVF	255	0.008	0.027	0.000	0.170
EXR	255	132.754	107.114	7.050	401.980

Source: Strata, Output 2023

The descriptive analysis outcome in Table 1 provides a summary of the data for each of the variables in the dataset. The dataset consists of 255 observations for the period from 2007 to 2021. The variables in the dataset include year, earnings per share (EPS), foreign taxes to total taxes (FXTX), foreign deposits to total deposits (FDTD), foreign earnings to total earnings (FETE), related diversifications (RDVF), unrelated diversifications (UDVF), and exchange rate (EXR).

Starting with the year variable in the Table, the mean is 2014 with a standard deviation of 4.32899. The minimum value is 2007 and the maximum value is 2021, indicating that the dataset covers a period of 15 years. The year variable is not a continuous variable, but rather a discrete variable that represents the year of observation. Therefore, the mean and standard deviation do not have much interpretation in this case.

The Earnings per share (EPS) variable, the mean is 6.059 with a standard deviation of 9.505. The minimum value is -14.410 and the maximum value is 116.000. The positive mean indicates that the companies in the dataset had positive earnings per share on average. However, the high standard deviation indicates that there is a significant variation in earnings per share across companies. The minimum value of -14.410 suggests that some companies had negative earnings per share during the period, which could indicate financial distress. The maximum value of 116.000 indicates that some companies had very high earnings per share during the period.

4.2. Regression Analysis

The regression analysis result of effect of internalization on earnings pers share in deposit money banks in selected African countries of Nigeria, South Africa and Kenya are as shown in the table below:

Table 2. *Regression Analysis for the Models.*

Dependent –EPS	Model 1				Model 2			
	Coeff	**SE**	**t-stat**	**Prob**	**Coeff**	**SE**	**t-stat**	**Prob**
CONSTANT	5.449326	1.030927	5.29	0.00	4.477330	0.896073	5.00	0.00
FXTX	1.601582	0.5577797	2.87	0.012	0.8193659	0.3415833	2.40	0.031
FDTD	2.019439	1.547623	1.30	0.213	1.80421	1.364574	1.32	0.207
FETE	1.876939	0.378521	4.96	0.00	1.068171	0.6105891	1.75	0.102
RDVF	-2.285102	2.932456	-0.78	0.449	-9.413912	3.050506	-3.09	0.008
UDVF	27.79913	14.53324	1.91	0.076	28.03098	13.74655	2.04	0.061
EXR					0.0151922	0.0024352	6.24	0.000
AdjR2	0.0145				0.0285			
F-Stat/Wald Stat	F(5, 14)= 23.54 (0.0000)				F(6, 14) = 13.14 (0.0000)			
Hausman Test	Chi2(5)=59.68(0.0000)				Chi2 (6) = 24.08 (0.0005)			
Testparm/LM Test	F(14, 219)=1.87 (0.0304)				F(14, 218) = 1.81 (0.0390)			
Heteroskedasticity Test	Chi2 (17)= 30511.89 (0.0000)				Chi2 (17) = 15494.68 (0.0000)			
Serial Correlation Test	F (1, 16)= 43.265 (0.0000)				F(1, 16) = 43.733 (0.0000)			
Cross sectional Dep	11.855 (0.0000)				10.580 (0.0000)			

Source: Strata, Output 2023

Models:

Model 1:

$$EPS_{it} = \alpha_0 + \beta_1 FXTX_{it} + \beta_2 FDTD_{it} + \beta_3 FETE_{it} + \beta_4 RDVF_{it} + \beta_5 UDVF_{it} + \mu_{it}$$

Model 2:

$$EPS_{it} = \alpha_0 + \beta_1 FXTX_{it} + \beta_2 FDTD_{it} + \beta_3 FETE_{it} + \beta_4 RDVF_{it} + \beta_5 UDVF_{it}\ \beta_6 EXR + \mu_{it}$$

4.3. Interpretations

Model 1 Reinstated:

$$EPS_{it} = 5.4493 + 1.6016FXTX + 2.0194FDTD_{it} + 1.8769FETE_{it} - 2.2851RDVF_{it} + 27.7991\ UDVF_{it}$$

Table 2 shows the regression output for model 1 evaluated the effect of internationalization on earnings per share of the DMBs in selected African countries. According to the results, the Foreign Taxes to Total Taxes (FXTX), Foreign Deposits to Total Deposits (FDTD), Foreign Earnings to Total Earnings (FETE) and Unrelated Diversification (UDVF) are positively related to earnings per share as shown by their coefficients FXTX = 1.6016, FDTD = 2.0194, FETE = 1.7869, and UDVF = 27.7991 respectively. However, Related Diversifications (RDVF) has negative coefficient -2.2851 indicating the variable exerts negative effects on earnings per share of the selected deposit money banks in selected African countries.

Explicitly, from the result, Foreign Taxes to Total Taxes (FXTX) and Foreign Earnings to Total Earnings (FETE) are found to be having significant effect on earnings per share of DMBs in selected African countries (t-statistics of 2.87 and p-value of 0.012; t-statistics of 4.96 and p-value of 0.00) while only the effect of Foreign Deposits to Total Deposits (FDTD), Related Diversifications (RDVF) and Unrelated Diversification (UDVF) have statistically insignificant effect on earnings per share of the DMBs in selected African countries (t-statistics of 1.30 and p-value of 0.213; t-statistics of -0.78 and p-value of 0.449; t-statistics of 1.91 and p-value of 0.076). These means that improvement in F Foreign Taxes to Total Taxes (FXTX) and Foreign Earnings to Total Earnings (FETE) causes earnings per share of the DMBs in selected African countries to improve while Deposits to Total Deposits (FDTD), Related Diversifications (RDVF) and Unrelated Diversification (UDVF) are not found to be significant drivers of earnings per share of DMBs in selected African countries.

Concerning the magnitude of the estimated parameters for the coefficients of the regression analysis, a unit increase in the change in foreign taxes to total taxes, foreign deposit to total deposits, foreign earnings to total earnings, and unrelated diversifications, will lead to 1.60158, 2.0194, 1.8769, and 27.79913 increases in earnings per share in DMBs in selected Africa countries, while a unit change in related diversifications will bring about -2.2851 decreases in earnings per share in DMBs in selected African countries.

The Adjusted R-square value of 0.0145 indicates that about 1.45% of changes in earnings per share of the DMBs in selected African countries are explained by changes in internalization of banks while the bance of 98.55 of other factors were not are captured in the model. From the result, F-statistic is 23.54, while the P-value of the statistics is 0.000 which is lower than the chosen level of significance for the study. Thus, this indicates that the independent variables jointly have a significant effect on EPS.

Strongly, the fixed effect panel regression model suggests that Foreign Taxes to Total Taxes and Foreign Earnings to Total Earnings significantly affect to EPS and the significant effects are positives. Nevertheless, the other independent variables, including FDTD, RDVF and UDVF do not have a significant impact on EPS.

At 5% level of significance of 0.05, and degree of freedom of 5, 249, the *F-Statistic* which is 23.54, while the *P-value of the F-Statistics is* 0.000, which is less than 0.05 selected level of significance. Consequent to this, the study rejected the null hypothesis and accepted the alternative. Hence the study concluded that internationalization had positive significant effect on earnings per share in DMBs in selected African countries.

Model 2 Reinstated:

$$EPS_{it} = 4.4773 + 0.8194FXTX + 1.8042FDTD_{it} + 1.0682FETE_{it} - 9.4139RDVF_{it} + 28.0310\ UDVF_{it} + 0.01519EXR_{it}$$

Table 2 also shows the regression output for model 2 that examined the controlling effect of exchange rates on the the relationship between internationalization on earnings per share of the DMBs in selected African countries; From the results and just as in the first panel of the Table 2, the Foreign Taxes to Total Taxes (FXTX), Foreign Deposits to Total Deposits (FDTD), Foreign Earnings to Total Earnings (FETE) and Unrelated Diversification (UDVF) are positively related to earnings per share as shown by their coefficients FXTX = 0.8194., FDTD = 1.8042, FETE = 1.0682, and UDVF = 28.0310 respectively. On the other hands, Related Diversifications (RDVF) has negative coefficient -9.4139 depicting that the variable has negative effects on earnings per share of the selected deposit money banks in selected African countries.

Unambiguously, when the Exchange Rate is included in our model, only Foreign Taxes to Total Taxes (FXTX) and Related Diversifications (RDVF) are found to be having significant effect on earnings per share of DMBs in selected African countries (t-statistics of 2.40 and p-value of 0.031; t-statistics of -3.09 and p-value of 0.01). Conversely, effect of Foreign Deposits to Total Deposits (FDTD), Foreign Earnings to Total Earnings (FETE) and Unrelated Diversification (UDVF) have statistically insignificant effect on earnings per share of the DMBs in selected African countries (t-statistics of 1.32 and p-value of 0.207; t-statistics of 1.75 and p-value of 0.102; t-statistics of 2.04 and p-value of 0.061). These means that improvement in Foreign Taxes to Total Taxes (FXTX) and Related Diversifications (RDVF) causes earnings per share of the DMBs in selected African countries to improve while Deposits to Total Deposits (FDTD), Foreign Earnings to Total Earnings (FETE) and Unrelated Diversification (UDVF) are not found to be significant drivers of earnings per share of DMBs in selected African countries. Focusing on the controlling variable, the coefficient of Exchange Rate (EXR) is found to be positively are significantly related to Earnings per share (EPS) (coefficient of 0.1519, t-statistics of 6.24 and p-value of 0.00. Also, it can be deduced that the inclusion of EXR significantly influence the effect of internationalization on earnings per share of the selected deposit money banks.

Concerning the magnitude of the estimated parameters for the coefficients of the regression analysis, a unit increase in the change in foreign taxes to total taxes, foreign deposit to total deposits, foreign earnings to total earnings, and unrelated diversifications, will lead to 0.8194, 1.8042, 1.068171, 28.030.98, and 0.01519 increases in earnings per share in DMBs in selected Africa countries, while a unit change in related diversifications will bring about -9.4139 decreases in earnings per share in DMBs in selected African countries.

The Adjusted R-square value of 0.0285 means that about 2.85% of variation in earnings per share of the DMBs in selected African countries are accounted for by the changes in internalization of banks while the balance of 97.15% of other factors are were not captured in the model. From the result, F-statistic is 13.14, while the P-value of the statistics is 0.000 which is lower than the chosen level of significance for the study. This indicates that the independent variables jointly have a significant effect on EPS. Alternatively, the model has some explanatory power for EPS which relatively increased after the inclusion of EXR. Convincingly, the fixed effect panel regression model suggests that Foreign Taxes to Total Taxes and Related Diversifications significantly affect to EPS; though the significant effect of FXTX is positive while that of RDVF is negative. However, the other independent variables, including FDTD, FETE, UDVF and EXR, do not have a significant impact on EPS.

At 5% level of significance of 0.05, and degree of freedom of 6, 248, the *F-Statistic* which is 2.47, while the *P-value of the F-Statistics is* 0.024, which is less than 0.05 selected level of significance. Consequent to this, the study rejected the null hypothesis and accepted the alternative. Hence the study concluded that internationalization with the controlling variable of exchange rates had positive significant effect on earnings per share in DMBs in selected African countries.

4.4. Discussion of Findings

Model 1: The model investigated the effect of internationalization on earnings per share of DMBs in selected African countries. Consequent to analysis conducted, the result were mixed: while all the variables of foreign taxes to total taxes, foreign deposits to total deposits, foreign earnings to total earnings, and unrelated diversifications, related diversification revealed a negative effect. In addition, the study found that foreign taxes to total taxes and foreign earnings to total earnings were significant, while foreign deposits to total deposits, related diversifications, and unrelated diversifications were found insignificant.

Model 2: Introduction of controlling variable of exchange rates, the study investigated the effect of internationalization on earnings per share and exchange rates in DBMs in selected African countries. From the analysis, the study reported mixed results. Foreign taxes to total taxes, and exchange rates had a positive significant effects, related diversification showed negative significant, while foreign deposits to total deposits, foreign earnings to total earnings, and unrelated diversifications showed insignificant effects.

The results concluded that internationalization had a positive significant effect on earning sper share and this result is consistent with some previous studies [4, 10, 14-18, 24, 34, 36, 39, 40, 46, 51, 52, 55-58, 60, 67, 68, 70, 73, 81]. On the contrary, some other studies had documented negative effects [9, 42, 7].

5. Conclusion and Recommendations

This study examined the effect of internationalization on earnings per share in selected African countries of Nigeria, South Africa and Kenya. Specifically, the effect of the independent variables (foreign taxes to total taxes, foreign earnings to total earnings, and foreign deposits to total deposits, related diversifications, and unrelated diversification) and controlling variables (exchange rates) on the dependent variables were established in the process.

Based on the results of the F-statistics in each of the models which showed positive significant effects, the study strongly established that internationalization had a positive significant effect on earnings per share, which is considered useful for investors and other stakeholders at all levels.

In consideration of the findings of the study, the study recommended that investors should be concerned and carefully evaluate the reasons for the banks going international. While the reason for such move should be for expand operational base and seeking for greener opportunities outside the shores of the banks, it had been alledged that some of the offshore banking activities are frequently linked to organised crime, money laundering, and tax avoidance. Also, investors should be satisfied with some of the factors associated with international banking strategic plans and diversification policies of the banks before making investments in such banks. Potential investors should consider some likely factors that could impede domestic banks going offshore like stiff international competitiveness, illiquidity, bankruptcy, country tax implications and other international risk.

The policymakers, financial regulators and the government should not be in a haste approving internationalization banking authorizations to banks, when huge opportunities still subsist in the domestic level.

The stakeholders should not be carried away by the seemingly egocentric that banks brandish that they are better and stronger by going international. The stakeholders should understanding that the size and financial stability of banks may not be measured by diversification through going offshore banking operational activities. As a matter of facts, while there is huge opportuinities seeking for greener pasture and international exposure banks could gain, yet, there are some inherent international transactional risks and international political differences that could have negative effects on the internationalized banks that hurriedly go international.

Banking sector was the focus of the study. Other sectors can be considered for further studies. The study only considered 15 years (2007-2021), future research work may considered a longer period. In the same vein, the study may be expanded in the future by considering more countries either in Africa and or other continents.

6. Contribution to Future Research

1) Investors and Shareholders: Strong information on internationalization and earning per share are vital to every shareholders and potential investors, as well as depositors. Shareholders are interested in continuous appreciation of their investment in any sector they have invested since that is the main essence of investment. This study would avail local and international investors much needed quality financial information of the abilities and capabilities of earnings of the banks and stock appreciation indices.
2) Concepts: From the conceptual perspective, the researcher carefully reviewed the concepts of the all the variables used in this study. The concepts of internationalization and earnings per share and their proxies were carefully considered in this study. All these concepts were defined and contextually explained from both the researcher’s operational angle and contextual viewpoint of other previous studies and in addition, from the prior studies opinions and positions in respect to each of the variables used in the study.
3) Empirical: In contributing to empirical literature, in this study, various empirical results were obtained from the analyses conducted, making each model unique and distinct from each other judging from the different results found from the regression analyses carried out. The empirical results obtained were analyzed with detailed syntheses using prior studies, while some of the study results were found to be consistent with some prior studies, others were found inconsistent, thereby making new contributions to the body literature in relation to inetnationalization and earnings per share in DMBs in selected African countries.
4) Academia: Studies and implication of internationalization as expounded in this study would be a useful teaching expository guide in the the field of accounting and finance. Besides, the result from this study would serve as an additional data to the existing pool of studies and also would be useful to researchers, lecturers and studies for future references in teaching and research endevours.
5) The General Populace: The general public especially the bank customers and depositors would be more informed going through this study. Apparently, the health condition of banks is significant to the general public since the bank play a significant role in the stability of the economy which will directly or indirectly affect the people and companies in general irrespective of the sector. Through banking internationalization, businesses may access a larger choice of financial and international banking services than domestic banks can. This involves access to international markets, foreign currencies, overseas

remittances and transfers, and trade financing. The general public could also benefit for their businesses by using the experience of the banks that have gone international to invest in the greatest markets throughout the world.

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