



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

**MSC IN INTERNATIONAL BUSINESS SPECIALIZED IN STRATEGIC
INVESTMENT**

**RESEARCH TITLE: OWNERSHIP AND ORGANIZATIONAL
PERFORMANCE: A COMPARATIVE ANALYSIS OF PRIVATE AND
STATE-OWNED BANKS**

BY: Mahlet Gashaw

A proposal Submitted to the Department of Management

ADVISOR: MESKEREM FEREDÉ (PhD)

January 2025

DECLARATION

This is to declare that the thesis entitled “**OWNERSHIP AND ORGANIZATIONAL PERFORMANCE: A COMPARATIVE ANALYSIS OF PRIVATE AND STATE-OWNED BANKS**”, is submitted in the partial fulfillment of the requirements for **MA degree in International Business in Addis Ababa University**, is a record of original work carried out by me and has never been submitted to any other institution to get any other degree or certificates. The assistance and help I received during this investigation have been duly acknowledged.

Mahlet Gashaw


Date: 3/19/2025

signature: 

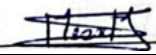
Certification

This is to certify that Mahlet Gashaw has carried out her research work on the topic entitled” **OWNERSHIP AND ORGANIZATIONAL PERFORMANCE: A COMPARATIVE ANALYSIS OF PRIVATE AND STATE-OWNED BANKS**” this work is original, and it is sufficient for the partial fulfillment of the requirements for the M.Sc. degree in International Business.

Signed by the Examining Committee:

External examine: Dr. Baymot Tadesse signature:  date: 3/19/2025

Internal examiner: Dr. Asres Abitie signature  date 19-3-25

Advisor: Dr. Meskerem Mitiku signature:  date 20-03-25

ACKNOWLEDGMENTS

I want to offer my heartfelt gratitude to Meskerem Ferede (PhD). As my advisor, you have had a significant impact on the course of my career and assisted me in overcoming many problems.

Your technical expertise, insightful feedback, and constant encouragement have been critical to the success of this Thesis. I appreciate the time and effort you have put into mentoring me and helping me grow as a scholar.

Your willingness to share your knowledge, engage in intelligent debates, and offer constructive criticism has greatly improved the quality of my study. I've learned a lot from you, and I'm grateful for the opportunity to work with such a dedicated and competent expert. This research would not have been possible without your advice and assistance. I am grateful for your contributions to this endeavor, and I hope to work with you again in the future.

Thank you for your dedication and for being an exceptional mentor.

Sincerely,

Mahlet Gashaw

Table of Contents

Contents

List of tables.....	viii
List of Figure	ix
List of Abbreviations	x
Abstract.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1. Background of the study	1
1.2. Statement of the problem	2
1.3. Research Questions.....	3
1.4. Objective of the Study	4
1.4.1. General Objective	4
1.5. Scope of the study.....	4
1.6. Significance of the Study.....	5
1.7. Definitions of Operational Terms	5
1.8. Organization of the study.....	6
CHAPTER TWO: REVIEW OF THE RELATED LITREATURE.....	8
2.1. Conceptual reviews.....	8
2.1.1 Ownership.....	8
2.1.2. Forms of Ownership	8
2.2. Theoretical Review	10
2.2.1. Agency Theory	10
2.2.2. Review of Previous Related Studies in Ethiopia	28
2.3. Resource Dependence Theory	31
2.4. Stewardship Theory	32
2.5. Organizational Performance	32
2.6. Standards for Measuring Performance	33
2.7. Ownership and Organizational Efficiency.....	34
2.7. Conceptual framework of the study.....	35
CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN	36

3.1. Research Design	36
3.2. Research Approach	36
3.3. Data Type and Source.....	37
3.4. Target Population and sample size	37
3.4.1. Target Population.....	37
3.4.2 Sample Size.....	38
3.4.3. Sampling Technique	38
3.5. Data collection Instruments	38
3.5.1 Procedure of Data Collection.....	39
3.6. Methods of Data Analysis.....	39
3.6.1. Descriptive Analysis	39
3.6.2. Pearson correlation Analysis	39
3.6.3. Multiple Regressions Analysis	39
3.7. Validity and Reliability Test.....	40
3.7.1. Validity	40
3.7.2. Trust worthiness and credibility	40
3.8. Ethical considerations	41
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS, AND INTERPRETATION	41
4.1. INTRODUCTION	41
4.2. Survey Response Rate	42
4.3. Demographic Profile of Respondents	43
4.3.1. Gender.....	43
4.3.2. Age.....	44
4.3.3. Education level	45
4.4. Descriptive Analysis	45
4.4.1. Comparing organizational performance of state owned and privately owned Banks in Ethiopia.....	52
4.5. Inferential Analysis.....	59
4.5.1. Correlation Analysis	59
4.5. The Relationship between the studying variables.....	60
4.6. Tests of Assumptions of Regression Analysis.....	60
4.5.1. Multicollinearity Test	61

4.5.2. Auto-correlation Test.....	61
4.5.3. Normality Test	62
4.5.4. Homoscedasticity	64
4.6. Multiple Regressions	66
4.7. Multiple Linear Regression Equation Interpretation	67
4.8. Hypothesis Testing Results.....	68
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS	
.....	69
5.1. Introduction.....	69
5.2. Summary of Findings.....	69
5.3. Conclusion	72
5.4. Recommendation	73
Reference	75
Appendix:.....	81

List of tables

Table 1- Response Rate of Respondents.....	42
Table 2- Reliability statistics.....	43
Table 3- Descriptive statistics for a variable return on investment.....	46
Table 4- Descriptive Statistics for a variable Return on Asset	47
Table 5- Descriptive Statistics for a variable Customer Retention	48
Table 6- Descriptive Statistics for a variable Customer Retention	49
Table 7- Descriptive Statistics for a variable risk Management.....	50
Table 8- Descriptive Statistics of Organizational performance.....	51
Table 9- Profit of selected privately owned banks and state owned banks in the year2022 and 2023.....	53
Table 10- Correlations Table	59
Table 11- Coefficients a.....	61
Table 12- Model Summaryb.....	62
Table 13- Model Summaryb.....	66
Table 14- ANOVAa.....	66
Table 15- Coefficientsa	66

List of Figure

Figure 1- Gender	44
Figure 2- Age	44
Figure 3- Educational level.....	45
Figure 4- BOA Financial Statement	55
Figure 5- Awash Financial Statement.....	56
Figure 6- Zemen Financial Statement	57
Figure 7- CBE Financial Statement	58
Figure 8- Histogram, Normality test Source:-Own survey result, 2025.....	63
Figure 9- Normality P-P plot Source: - Own survey result, 2025	64
Figure 10- P-Plot Tests	65

List of Abbreviations

M&A: Mergers and Acquisitions

CO: Community Officer

FC: Field Coordinator

MFIs: Microfinance Institutions

NGO: Non-Governmental Organization

ROE: Return on Equity

ROA: Return on Assets

SOEs: State-Owned Enterprises

POEs: Privately-Owned Enterprises

ROI: Return on Investment

YOY: Year-over-Year

Abstract

The purpose of this study was to compare the Organizational Performance of State owned and selected privately Owned Banks in Addis Ababa. The study employed explanatory research design in order to examine the effect of factors affecting organizational performance of state owned and privately owned banks and compare their organizational performance. The study also used mixed research approaches in order to organize the data needed to the research. Data was collected through survey questionnaires and interviews. Both primary and secondary methods of data collection were applied and questioner is used as a source of gathering the data. A total of 135 workers from each of the four banks i.e Bank of Abyssinia, Awash Bank, Zemen Bank, and Commercial Bank of Ethiopia were chosen. All samples were taken from the head of each banks based on their managerial roles, experiences and expertise knowledge. Both purposive and census samples were used in this study. The collected data was analyzed using descriptive and inferential statistics. The interview result showed that state owned banks had a greater performance compared to private owned banks. The reason for this are government support and access to government financial fund through National Bank. The findings of the regression analysis indicate that all the independent variables had positive effects on the dependent variable. The model summary table adjusted r-square value is 0.651 which means that 65.1. % of organizational performance of Banks was explained by the variation of the four independent variables and the other 34.9 % is due to other independent variables not included in the model and the random error. Finally, the researcher recommended to the top management of the bank to put an emphasis on effective asset management procedures, with a particular emphasis on conducting frequent evaluations of asset usage and putting performance-enhancing plans into action, and privately owned banks should improve their risk management procedures.

Key words: Ownership, State Ownership, Private Ownership, Organizational performance

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

One significant element influencing a company's health is its ownership structure (Zeitun and Tian, 2007). Private companies and partnerships perform better than public enterprises, according to certain studies. Owners' careful observation and professional employees' increased drive to acquire ownership stakes are responsible for this discrepancy. In the literature on finance and economics, ownership structure is commonly acknowledged as a key factor influencing a company's performance. Over the past few decades, Ethiopia's banking sector has seen significant structural changes. These changes include the opening of new banks, the privatization of state-owned banks, and domestic mergers and acquisitions (M&A). The governance of Ethiopian banking institutions has changed significantly as a result of these modifications. Thus, it seems sense to look into how these changes impact bank performance.

According to the researchers' analysis, political issues do have an impact on bank performance (Micco, A., Panizza, U., Yañez, M., 2007). The ownership structure of banks has changed dramatically in several countries during the last three decades due to a fresh wave of bank privatizations. Foreigners and, to a lesser extent, major domestic block holders, including local businesses and individuals, have stepped in to cut government ownership holdings in banks. As a result, the operational environment of the banking industry has undergone significant changes (Delis & Papani Kolaou, 2009).

The separation of ownership from control, a crucial research topic, served as the initial impetus for academic and practical research on the relationship between ownership structure and firm performance. This led to an ongoing debate in the commercial finance literature. For better performance, some studies support state-owned enterprises, while others support private businesses. According to research by La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishnyhave (2002), private banks generally perform better than state-owned banks. Majumdar (1998) used Data Envelopment Analysis to compare the performance of government-owned, mixed, and private businesses in India and came to the conclusion that government-owned businesses are less effective than mixed and private businesses. Conversely, private businesses are more efficient than mixed businesses.

A study by Figueira, Nellis, and Parker (2009) looked into how ownership affected bank efficiency in Latin America. . In the speedily developing markets of Ethiopia, as in countless other evolving markets, the Banks will probably play a significant role. Financial institutions are crucial for growth and effective capital allocation, according to studies (Levine 2005). Therefore, understanding the essential components for taking advantage of banks' performance and their position in expanding markets is crucial. As a result, the study looked at the performance of the two sectors (private and state-owned banks). This study compared the profitability, liquidity, solvency, and efficiency of Ethiopia's state and private banks using a numerical (quantitative) technique.

1.2. Statement of the problem

Numerous academics have studied the connection between ownership and organizational success, and they have presented their findings based on facts and figures. The topic of ownership and organizational performance has long piqued the interest of many intelligent people and been the subject of much discussion among academics. Three possible circumstances are directed by an analysis of the work done by many researchers worldwide. Some researchers have shown that private organizations do better than state-owned ones . For example, La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishnyhave (2002) discovered that private banks generally perform better than state-owned banks. Others provided proof that performance is unaffected by ownership structure.

Others verified that publicly held organizations are greater in performance. (Eg. Unal, Aktas & Acikalin (2007). The Ethiopian financial sector has not been studied to any great extent, from viewpoint of ownership and performance. What separates this study is that, the study will take a close look at the Ethiopian banking sector by developing banks data to study the performance of state-owned and privately owned banks. The exploration will predominately focus on the consequence of ownership on banks performance and provides indications in a new setting and the research has predominately focused on the effect of ownership on banks performance and provides evidences with respect to Ethiopian corporate culture. The banking sector in Ethiopia plays a crucial role in the country's economic development, yet it faces significant challenges related to ownership structures and their impact on organizational performance. With a mix of state-owned and private banks operating in Addis Ababa, there is a pressing need to understand how these different ownership models influence financial performance, customer satisfaction, and risk

management practices. Despite the growing body of literature on banking performance globally, there is limited empirical research focusing specifically on the Ethiopian context, particularly regarding the comparative analysis of state-owned and private banks.

State-owned banks, like the Commercial Bank of Ethiopia, frequently function in accordance with government directives that put the general welfare ahead of corporate profits, which may have an impact on how well they operate and respond to client demands. Private Banks, such as Bank of Abyssinia, Awash Bank, and Zemen Bank, on the other hand, might put profit maximization first, but they may also have to deal with issues like market competition and regulatory restrictions. Important problems concerning the relationship between ownership and organizational performance measurements, including as Return on Equity (ROE), Return on Assets (ROA), and customer satisfaction levels, are brought up by this contradiction. Moreover, the absence of thorough research on these topics in Addis Ababa restricts the capacity of decision-makers and banking executives to take well-informed actions that could improve the banking industry's performance. By examining the performance disparities between state-owned and private banks in Addis Ababa, this study aims to close this knowledge gap and advance our knowledge of how ownership forms affect the effectiveness and efficiency of banking operations in Ethiopia.

1.3. Research Questions

The main research question for the study is, is there a performance difference between private and state owned banks in Ethiopia? Specific questions are;

1. What is the effect of Return on investment on organizational performance?
2. What is the effect of return on Asset on organizational Performance?
3. What is the effect of customer retention on organizational performance?
4. What is the effect of operational efficiency on organizational performance?
5. What is the effect of Risk Management on organizational performance?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of this study is to analyze and compare the impact of ownership structure (private vs. state) on bank organizational performance.

1.4.2. Specific objective

1. To measure and compare the financial performance of state-owned and private banks.
2. To compare and analyze the operational efficiency of state-owned and private banks.
3. To compare and analyze the impact of ownership structure on the risk management strategies of private and state-owned banks.
4. To analyze and compare the corporate governance practices of private and state-owned banks.
5. To identify and analyze the key factors responsible for the difference in organizational performance between private and state-owned banks.
6. To find out the effect of regulatory environment on the performance of private and state-owned banks.

1.5. Scope of the study

The performance of a few private and state-owned banks that operate in Addis Ababa, Ethiopia, are the specific emphasis of this study's geographic area. The state-owned bank in the study are the Commercial Bank of Ethiopia, while the privately-owned banks will be represented by Bank of Abyssinia, Awash Bank, and Zemen Bank. A thorough examination of the banking industry is made possible by this narrow emphasis, which takes into consideration Ethiopia's particular economic circumstances, regulatory framework, and cultural elements that could affect banking performance. The study use a mixed methods approach in terms of methodology, integrating both qualitative and quantitative research methodologies.

profit margins, revenue growth, customer retention and risk management are also considered in this study. These metrics are taken from the databases and financial reports of the chosen Addis Ababa banks. Customers and banking experts to surveyed and interviewed to gather qualitative insights that give a thorough grasp of risk management procedures and customer satisfaction. This

research examine data from the previous five years as a one-time study, enabling a snapshot analysis of performance patterns and changes in the banking industry at a particular moment in time.

The findings are useful for current stakeholders and offer insightful information for future research considerations because of the temporal focus, which guarantees that the findings reflect current banking practices and difficulties in Addis Ababa.

1.6. Significance of the Study

The researcher is the first stakeholder to benefit greatly from this study. It sharpens analytical, methodological, and critical thinking abilities while improving the researcher's comprehension of the relationships between ownership structures and organizational performance in the banking industry. Furthermore, the results could lead to future research projects, consulting assignments, or financial institution jobs. This work lays the groundwork for future scholars to investigate related topics in different fields or geographical areas. It offers useful information and insights that may be applied to the analysis of ownership structure and banking performance trends. Furthermore, researchers creating their own comparative studies might use the approaches used in this work as a guide.

The results of this study is advantageous to banks that are privately and state-owned. The knowledge acquired used to direct strategy enhancements by assisting both kinds of banks in comprehending their operational advantages and disadvantages. Banks may improve their service offerings and fortify client connections by recognizing the critical elements that impact on customer happiness and retention. Additionally, banks can improve their frameworks with the help of the study's insights into risk management procedures, which would ultimately increase financial stability and regulatory compliance. All things considered, this study offers important new information that can impact banking industry practices, regulations, and future studies.

1.7. Definitions of Operational Terms

Ownership: The legal right or control over an item or entity is known as ownership, and it can take many different forms, such as state, corporate, or individual ownership. It includes the obligations and advantages that come with having such rights, impacting organizational decision-making and resource distribution (Hansmann 2000).

State Ownership: When the government or state entities possess assets or businesses, this is known as state ownership. This type of ownership is distinguished by the government's authority over the administration and operations of the business, which is intended to accomplish public policy goals and deliver public goods. State-owned businesses (SOEs) frequently work in industries like energy and transportation that are thought to be crucial for the interests of the country (Shleifer, 1998).

Private Ownership: Private ownership refers to the ownership of assets or enterprises by individuals or non-governmental entities. In this context, private owners have the authority to make decisions regarding the management and operation of their businesses, with the primary goal of maximizing profit and shareholder value. Private ownership can take various forms, including sole proprietorships, partnerships, and corporations (Berle & Means, 1932).

Organizational performance is a measure of how effectively an organization meets its goals and objectives. It encompasses various indicators, including financial metrics (such as profitability and return on investment), operational efficiency, customer satisfaction, and employee engagement. Performance can be assessed through both quantitative data and qualitative assessments, reflecting the overall health and success of the organization (Iwasaki, Ma, & Mizobata, 2022).

1.8. Organization of the study

This study is organized into **five chapters**, each of which is intended to methodically address the topics and goals of the investigation.

☛ Chapter One: Introduction

An outline of the research issue, including the problem statement, goals, and questions, is given in Chapter 1. It also draws attention to the study's importance, limits, and scope.

☛ Chapter Two: Review of Related Literature

An overview of pertinent ownership structure literature is provided in Chapter Two, along with a discussion of the distinctions between private and state ownership. In addition to outlining the theoretical frameworks directing the research and analyzing organizational performance measurements, it also identifies gaps in the body of existing literature.

☞ Chapter Three: Research Methodology

The study area of Addis Ababa, Ethiopia, described in Chapter 3, along with the research strategy and methodology.

This chapter describes how the Commercial Bank of Ethiopia, Bank of Abyssinia, Awash Bank, and Zemen Bank were chosen for the study. Along with ethical considerations, it also covers quantitative and qualitative data collection methodologies and data analysis procedures.

☞ Chapter Four: Data Presentation, Analysis, and Interpretation

The study synthesizes the qualitative findings from surveys and interviews and offers the quantitative data analysis results in this chapter. The performance indicators of the chosen banks are compared in this chapter, along with the main themes found in the qualitative data.

☞ Chapter Five: Summary, Conclusions, and Recommendations

The findings and interpretations in relation to the research topics are finally presented in Chapter five which also examines the implications for banking theory and practice. It talks about how organizational performance may be impacted by ownership configurations. Along with summarizing the main conclusions and findings from the study, this chapter also makes recommendations for banking institutions and regulators, as well as ideas for additional research.

CHAPTER TWO: REVIEW OF THE RELATED LITREATURE

2.1. Conceptual reviews

2.1.1 Ownership

It alludes to a legitimate possession right. A person who owns a business has two official rights: the ability to run the business and the ability to keep the residual earnings (net income left over after all debts have been paid). Since formal (legal) control does not equate to effective (economic) control, the term "formal" is employed. One can have complete control and residual rights in sole proprietorship, which results in complete ownership (Hansmann 2000). However, in the case of businesses, managers possess practical management, while shareholders hold formal control. A person typically lacks both residual and control rights in complex organizations, which causes principal-agent issues in businesses (Fama & Jensen 1983).

2.1.2. Forms of Ownership

Diverse arrangements of residual and control rights, along with differences in the attributes of these rights, give rise to diverse forms of ownership. An assignment of property rights is the configuration of rights. Three general categories of ownership exist.

2.1.2.1. Private ownership

Both control rights and residual rights are assigned to individuals or organizations. In private property right system, owner has both control rights and residual rights. He can exercise his control rights by using or modifying the property through development. He can exercise his residual right by selling or leasing the property. However, regulations can reduce exercise of residual and control rights. For example, zoning regulations can prohibit specific uses of the resource, altering the control rights. Tax authorities can increase residual gain (via tax credit for preservation or certain kind of development) or decrease the residual gain obtained from the resource (by imposing tax on return from the resource).

2.1.2.2. Public Ownership

Every member of the community has both residual and control rights. It is entirely owned by the public. There is no exclusivity in this open system. In a system of public property rights, no state, institution, or individual is granted exclusive rights. Thus, this system of property rights is regarded

as nonprofit. Waterways, public highways, and ocean fisheries outside internationally recognized limits are examples of public property right systems (Carroll Op.cit.). Although they have distinct differences, the public property right system and the state property right system are technically extremely similar. Public parks are the best example that can be used in this context. These parks are created by the state or municipal government for the benefit of the public. By charging an admission fee, the state might theoretically restrict public access to public parks. Parks may be considered state-owned property if the state regularly exercises this power. Parks may be considered public property if the state does not exercise this power (Alchian & Demsetz 1973).

2.1.2.3. State ownership

In the theoretical literature on the effect of government ownership on business performance, a wide range of potential outcomes are discussed. In general, these studies contend that privately held businesses are more successful and efficient than equivalent state-owned companies in competitive marketplaces (Megginson & Netter, 2001). In a similar vein, state-owned enterprises generally do badly financially, according to Najid and Abdul Rahman (2011), since they lack the necessary entrepreneurial fire and are more likely to be motivated by political factors than by financial gain.

According to Mak and Li (2001), the government usually keeps a lower eye on its investments. They argue that because state-owned businesses can easily obtain financing and are not held accountable or have their financial performance monitored, they are less likely to be motivated to adopt strong governance practices. However, some academics contend that when the government owns a majority stake in a business, it may be more inclined to closely monitor management, which reduces agency costs for other owners and increases the profitability of the enterprise (Bos, 1991).

According to Eng and Mak (2003), state-owned businesses generally have easier access to a range of funding sources than other businesses, and they also tend to lessen the problem of asymmetric information, which occurs when investors have incomplete knowledge about the firm's worth. Similarly, Najid and Rahman (2011) find that government ownership has a positive and significant impact on the performance of Malaysian enterprises. Additionally, Ang and Ding (2006) show that Singaporean government-linked businesses had greater corporate governance and higher values than nongovernment-linked businesses. However, Xu and Wang (1999) find a negative relationship between the success of Chinese enterprises and substantial government ownership.

Empirical research indicates that a certain level of government ownership enhances business success. The Kuwaiti government owns shares in many publicly traded corporations. Government ownership has a higher chance of benefiting these companies through increased funding availability, effective and close supervision, and reduced agency expenses.

2.2. Theoretical Review

There are a number of theories which are used in explaining the effect of ownership structure on firms' financial performance. This chapter is divided into two components. The theoretical segment contains relevant theories and findings from earlier research that will serve as the foundation for the study. This section covers the theories of ownership structure and how it affects a company's financial performance, including agency, stakeholders, the structure of objective function approach, and neo-classical economics. The agency, the stakeholders, the objective function structure, and neo-classical economic theory are the most significant theories that the researcher examined. a comparison between the ownership of private and public companies. Despite the fact that the first two theories, the stakeholder and agency theories—have evolved separately, they are quite complementary to one another (Freeman et al., 2004).

2.2.1. Agency Theory

Agency theory having its roots in economic theory was expounded by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976). As noted by Habbash (2010) agency theory is the most popular and has received greater attention from different academicians and practitioners in the area of finance. Jensen and Meckling (1976) defined agency relationships as a contract under which the principal engage another person or the agent to perform some service on their behalf which involves delegating some decision-making authority to the agent. So, the agency theory is based on principal-agent relationships.

The separation of ownership from management in modern firms (particularly corporations) provides the context for the functioning of the agency theory. In modern corporations the shareholders (principals) are widely dispersed and they are not They use managers (agents) to run the company on their behalf instead of being typically involved in the day-to-day management and operations of their businesses (Habbash, 2010). Therefore, the agents are hired to oversee the company's daily activities. Agent and principal conflicts arise from the division of ownership and controlling rights. The structure of the objective function method, stakeholders' theory, and agency

theory's competing interests were reconciled by explaining how the company's poorer owners and managers incur managing expenses, including incentives for managers. Principal-agent relationships provide a partial explanation of agency theory on the challenges state-owned entities experience in aligning manager incentives with established objectives.

Jensen and Meckling (1976) support that identification of right in organization is generally done through contracting, hence individual behavior in company, including behavior of manager, will depend on the nature of these contracts. These arguments is just a subset of the broader view based on agency theory literature. Other aspect related to the relation between shareholders (principals) and managements (agents) is intervention. The seminal contribution by Sappington and Stiglitz (1987) initiates the application of the theory to interventions. They argue that the main difference between private and state-owned firms centers on the ease of government intervention within firms' production activities.

The public's behavior is negatively distorted by the government's failure to commit to non-intervention or at least prudence, even though it can intervene in the public firm at a cheaper cost. Furthermore, it is presumed that the government can gather information about a state company, but a private company may be able to see a variable that the government is unable to confirm. Therefore, a variable determined by the state of nature is only symmetrically known to the principle (the government) and agent (the owner-manager) in the former situation. The premise that the costs of intervention in the public and private sectors differ can be logically extended to this point (Shapiro & Willig, 1990; Schmidt, 1996a, 1996b).

However, Jensen and Meckling (1976) clarified that state ownership would be considered inefficient since there would be no capital market oversight, which would encourage managers to put their personal interests ahead of the company's interests, according to the agency theory. Private bank managers will be subject to more intense capital market and environmental supervision, which penalizes inefficiencies and increases the economic efficiency of privately held companies (Long, 1972). Every author that was discovered made it apparent that state-owned banks' poor performance in comparison to private-owned banks was caused by issues with incentives, intervention, and information.

2.2.1.1. Managerial perspective

Given that state-owned businesses do not participate in the market like private companies do, it implies that excellent management practices are difficult to observe and insufficiently overseen under state ownership (Sheshinski and Lopez, 2003). Unlike private firm shares, residual cash flow claims are not readily transferable. As Dewenter and Malatesta (2001) point out, this reduces the residual claimant's motivation to keep an eye on management and lowers the firm's performance. The fundamental rationale for worse state-owned business (SOE) performance, according to Melitz et al. (1986), Vickers and Yarrow (1988), and Tian (2001), is that state ownership is dispersed among all members of society and that no person has the authority to sell his shares.

There are therefore few or no financial incentives to keep an eye on the management of the company. A private corporation, on the other hand, is owned by a smaller number of people, each of whom has the ability to sell their shares. Owners are therefore considerably more motivated to monitor and oversee management in order to ensure that they operate in the best interests of the principals. Since the debt of a state company is essentially a public debt that is viewed and traded under different conditions than the debt of private-owned enterprises (POEs), debtors are unable to exert a substantial amount of control over the managers in the case of SOEs (Sheshinski and Lopez, 2003). Imperfect monitoring is the primary cause of inadequate incentives, according to management.

In fact, Vickers and Yarrow (1988, 1991) acknowledged that when ownership is widely distributed, management would typically have a lot of latitude to act in its own best interests, which will reduce economic efficiency. As a result, one anticipates that publicly traded companies will be less profitable than private ones due to their lower efficiency.

2.2.1.2. Political perspective

According to the empire-building hypothesis, public managers do have a tendency to prioritize their own political status and career advancement over efficiency (Sheshinski and Lopez, 2003). According to the empire-building theory, managers often make foolish investments in new ventures, whether or whether they will be profitable, for two reasons: First, they continue to gain political advantages and a better reputation by running a larger company. Second, when it comes to soft budget limitations, the threat of insolvency is not plausible under public ownership. The

second reason why state-owned businesses perform worse than privately owned ones is supported by Kornai (1992). He contends that state-owned enterprises can borrow as much as they want without having to worry about serious financial consequences because of the lax budgetary restrictions.

State-owned businesses may also be eligible for loan guarantees, which enable them to borrow money at advantageous interest rates or even directly from the state government (Dewenter and Malatesta, 2001). The central government will be responsible for using the public funds to save the corporation in the event that any investment or project fails. In the event of a firm's bankruptcy, the government will attempt to salvage it since, in the absence of such a situation, authorities would have to deal with political expenses (such as addressing union issues and explaining to the public why the business collapsed). This is predicated on the idea that the central government will typically prevent a company from going bankrupt as long as the political cost of liquidating a state-owned business is greater than the political cost of using taxpayer funds to save the company.

Similar points are emphasized by Boycko et al. (1996), despite the authors' differing division of interest groups. The authors distinguished between shareholders (government) and state-owned company managements, as well as between shareholders and politicians. From a managerial standpoint, their primary objective is to establish an empire. Increased social welfare is what shareholders (the government and voters) want. Politicians, on the other hand, prioritize their personal interests in order to further their political careers. Developing less lucrative industries that offer substantial social benefits to the local community is, in fact, the goal of state-owned enterprises (SOEs). Therefore, by fostering the growth of industries that would have otherwise been neglected, these organizations sought to lessen market inefficiencies. As a result, many writers share this perspective on the purpose of state-owned businesses, which enables them to account for their eventual underperformance in comparison to private establishments. According to some, they also aid in preventing capital drain and unfair alliances of private organizations, once more with the goal of enhancing social welfare (Gerschenkron, 1962; Atkinson and Stiglitz, 1980; Stiglitz et al., 1993; Beck et al., 2003; Berger et al., 2005; Andrianova et al., 2006; Hakenes and Schnabel, 2006).

Generally speaking, proponents of the agency approach argued that bribery and bureaucratization in state-owned businesses can counteract societal benefits. They contend that compared to their

private counterparts, SOEs are more likely to have bureaucratization, agency problems, and subpar governance, which can result in some misallocations (Barnerjee, 1997; Hart et al., 1997).

2.2.1.3. Stakeholders Theory

Stakeholder theory is a development of agency theory, which holds that the board of directors should solely look out for the interests of shareholders. Stakeholder theory, on the other hand, broadens the agency theory's limited focus on shareholders' interests to include the interests of other persons and groups, such as interest groups pertaining to social, environmental, and ethical issues (Freeman et al., 2004). Stakeholder theory is predicated on the idea that values are an explicit and necessary component of conducting business (Freeman et al., 2004).

It invites managers to explain what unites its key stakeholders and how they all perceive the value they generate. Additionally, it forces managers to be explicit about their business practices, particularly the types of connections they need to build with their stakeholders in order to fulfill their mission. Stakeholder theory states that a company's goal is to serve and coordinate the interests of all of its stakeholders, including the government, the community, suppliers, shareholders, employees, and creditors. Habbash (2010) defines a stakeholder as any individual whose objectives are directly or indirectly related to the firm, impacted by the firm, or who has an impact on the accomplishment of the firm's objectives. Stakeholder theory states that the most successful businesses have loyal suppliers, clients, staff, and management. Stakeholder theory has drawn more attention recently than it did in the past because scholars have realized that a company's actions affect the external environment and that it must answer to more than just its shareholders (Kyereboah-Coleman, 2007). Businesses now function in society and are not only a tool for shareholders. It has obligations to the parties involved. Nonetheless, the majority of scholars contend that managers cannot realistically do this task (Sundaram & Inkpen, 2004b; Sanda et al., 2005). Not much empirical research has been done on the stakeholder theory.

According to stakeholder theory, the degree of decentralization of decision-making to business units is limited since state-controlled organizations continue to rely on the bureaucracy and the state in general (Whitley and Czaban, 1998, pp. 270). As a result, SOEs are probably going to have more formal, procedurally oriented organizational structures and be more centralized (Whitley and Czaban, 1998; Parker, 1995). Additionally, SOEs could be constrained by their organizational

culture, according to Dharwadkar et al. (2000). This restriction may limit the flexibility of the organization, which leads to a more bureaucratic structure. Accordingly, SOE organizational structures might be less organic and more mechanical (Parker, 1995).

Since some scholars contend that the best way to deal with or adjust to a tumultuous environment is through an organic organizational structure (Jennings and Seaman, 1994, pp. 460; Covin and Slevin, 1988; Burns and Stalker, 1961)). Whereas mechanistic structures are typically perceived as inflexible, formal, centralized, and bureaucratic, organic structures are described as flexible, informal, and decentralized. Adopting organic organizational structures may be more beneficial for private businesses. In order to provide the company more organizational flexibility, private owner-stakeholders can work toward objectives that reduce employment and boost capital spending (Andrews and Dowling, 1998; Megginson et al., 1994).

Because POE owner-stakeholders typically concentrate on strategic control and delegate operating control, whereas SOE owner-stakeholders tend to centralize operating control, necessitating more formal internal reporting systems, Whately and Czaban (1998) and Parker (1995) further suggest that POEs benefit from decentralization of decision making and less formality in internal reporting. Additionally, according to De Castro et al. (1996), private companies may be encouraged to use more organic organizational structures by the method of social control and disparities in funding sources. Additionally, according to stakeholder theory, stakeholders may have an impact on a company's strategic direction.

Differences in financial performance can arise simply because privately held businesses will pursue financial goals, whereas state-owned companies (SOEs) prioritize other objectives including full employment and/or increased social welfare (Estrin, 1994; Megginson et al., 1994). Additionally, Andrew and Dowling (1998) contend that in situations where the government has substantial influence over the business, managerial incentives might not coincide with state goals, which could result in agency issues once more. They further assert that SOEs typically have more employees than privatized businesses, which has a detrimental impact on performance. According to Lioukas and Kouremenos (1989, pp. 60), it would be logical to infer that the closer an organization is to the federal government, the more vulnerable it is to political influences and, as a result, the less weight given to commercial factors like profitability.

As a result, organizations may not pursue financial performance as it is not a governmental aim. Furthermore, private companies may have better financial results because the state may not accept their strategic adjustments, such as switching suppliers, introducing new, more effective technology, or altering prices (Whitley and Czaban, 1998). Furthermore, owner-stakeholders may have an impact on organizational structure, according to stakeholder theory.

Additionally, centralized control systems that are implemented to allow the state owner-stakeholder to oversee and manage the company's day-to-day operations may be a burden for SOEs. According to Whitley and Czaban (1998), private companies are more decentralized, with management having the last say in decisions rather than the owner-stakeholders. Additionally, SOEs and POEs may have different internal reporting requirements. Compared to privately held companies, SOE stakeholders might expect more frequent and thorough reports (Whitley and Czaban, 1998). The financial performance of SOEs may suffer as a result of the increased formality and expenses brought on by centralization and regular reporting obligations.

2.2.1.4. Structure of Objective Function

According to this method, the main difference between state-owned and private companies depends on their different goal functions. Profit maximization is the goal of private company owners that are only focused on profitability. The goal of state businesses, which are government property, is to satisfy the needs of the general public and government representatives. It is therefore a weighted total of bureaucratic and public welfare. According to a number of studies, public and private companies with differing goals may function just as well in the same marketplace. However, the private sector performs better when government authorities are allowed greater latitude to pursue their own goals. The public firm can take control if externalities are evident (Vickers and Yarrow, 1991).

A more complicated question is how, in an imperfectly competitive market, changes in market structure may impact the relative performance of state-owned and private companies with various types of goal functions. Duopoly (one private firm and one state firm), oligopoly (many state-owned firms, no private firms), and monopoly (one state firm) are the specific market arrangements taken into consideration. The authors outlined arguments in favor of either nationalization or privatization policies. According to Boycko et al. (1996), public enterprises are ineffective and

less lucrative because they are run to achieve specific goals, such as creating excess jobs and appeasing political parties. Furthermore, they contend that because privatization creates a rift between management and government, it becomes unaffordable for politicians to interfere in businesses to pursue their own agendas.

2.2.1.5. Neo-classical economic Theory

Neo-classical economic theory holds that market and incentive systems, not ownership, are the primary drivers of efficiency. According to this theory, it makes no difference who owns the business as long as it operates in a market that is competitive and free from obstacles to entry or exit; the owner grants management autonomy and directs them to follow market signals; and, finally, management is rewarded and punished based on performance (Nellis, 1994). According to this argument, if the aforementioned criteria are met, states can still own businesses and guarantee their success. Governments frequently prioritize commercial aims and allow managerial autonomy during fiscal crises, although dedication to managerial autonomy and the importance of commercial goals may wane as soon as the crisis passes (Kikeri et al., 1994). Although it is morally right that social goals exist, it is important to consider whether they would be better accomplished under private or public control. Ironically, private ownership of formerly state-owned businesses, without a clear emphasis on social goals, typically leads to better services and more affordable costs for the general public compared to state-owned businesses. A process of change in the organization's objectives, incentives, controls, strategy, structure, and culture is said to be initiated by privatization (Cuervo and Villalonga, 2000).

Numerous studies have looked at how ownership structure affects financial performance across a range of industries, including the global banking sector. The majority of research is done on a single country or a group of countries. Because they are the best indications of the current state of affairs, the empirical research on the impact of ownership structure on financial performance is reviewed in the section that follows, with an emphasis on more recent studies.

When Davies (1971) looked at the performance gap between state-owned and privately-owned airlines in the Australian internal flight business, the investigation into how ownership structure affects performance got underway. The primary objective of the author was to evaluate and develop the different theories and Kole and Mulherin (1997) assess how state-owned enterprises

(SOE) and private-owned enterprises (POE) operate differently within the same industry. For periods ranging from one to twenty-three years during and after World War II, the government held 35 to 100 percent of outstanding shares in a sample of U.S. firms used by the authors. Both researchers came to the conclusion that POE and SOE performed similarly. Considering the evidence from other sectors, Caves and Christensen's (1980) paper, which compares the performance of the Canadian National and Canadian Pacific Railroads after the war, is a good example of this kind of research.

The authors contend that this study offers a chance to calculate how competition might mitigate the negative effects of state ownership, and the findings indicate that competition can have a significant impact. The authors came to the conclusion that rather than their ownership structure, government or state-owned firms' inefficiency results from their exclusion from healthy competition. The performance disparities between state-owned, mixed, and privately-owned companies in the Indian market from 1973 to 1989 are also assessed by Majumdar (1996). The author's ability to pinpoint the locations where state or private ownership is more effective is limited by the data from industry surveys. However, academics report that the average efficiency score for private businesses is 0.975, which is far higher than the averages for state-owned and mixed businesses, which are 0.912 and 0.638, respectively. Other studies investigate whether ownership affects the performance of SOE and POE in markets where the two ownership arrangements compete. For instance, Vining and Boardman (1992) examined Canada's top 500 non-financial corporations in 1986. Performance is analyzed using two types of dependent variables: technical efficiency and profitability.

The results demonstrated that, in terms of profitability and efficiency, privately held businesses do better than state-owned ones. An excellent example of empirical research that has focused on more competitive market arrangements is the study by Pryke (1982), in which the author compares and analyzes the economic performance of three industries: hovercraft, airplanes, and ferries. Researchers found that private businesses performed better than their public sector counterparts in terms of profitability and internal efficiency. The greater performance of privately owned companies is also demonstrated by Tian (2001), who examines the ultimate ownership and control of 826 companies registered on the Chinese stock exchange. The author uses a five-year panel

dataset (from 1994 to 1998) and finds that businesses with the biggest shareholder bases (more than 50% of shares) are owned by

On the other hand, a study conducted in a developing country by Farooque et al. (2007) examined the connection between corporate ownership and performance in Bangladeshi listed companies using a simultaneous equation approach. According to recent research, there is a "reverse-way" causal relationship between the two documents. They discovered, using Tobin's Q and ROA, that ownership has no noticeable impact on performance in an unbalanced pooled sample of 660 enterprises. However, they did find that performance substantially undermines ownership. With very few exceptions, additional governance and control components have a major influence on performance and ownership. They concluded that while there are significant governance differences between Bangladesh and Western countries, internal governance systems are quite comparable.

A second recent study was carried out by Abdullahi et al. (2012) to investigate the financial and operational efficacy of Nigeria's privatized businesses. The data used in their study comes from secondary sources, including the Fact Book and Offer Prospectuses published by the Nigerian Stock Exchange, as well as the annual reports and financial statements of the privatized enterprises that are accessible to the public. Their analysis's sample companies were drawn from Nigeria's banking, insurance, oil marketing, and manufacturing subsectors. To verify their theories and determine whether ownership structure and financial performance are related, they employ the techniques of Megginson et al. (1994). Five years before and five years after privatization make up the analyzed period. The T-test and the Wilcoxon sign rank test are the main techniques used to check for significant changes in the variables after calculating the mean value of each variable for each firm across the pre and post privatization periods. The study's findings were not entirely consistent. After being privatized, some of the companies in the sample exhibited increases in certain measurements, while other companies showed declines in other indices. Nevertheless, the overall picture revealed an increase in profitability for at least half of the firms in its sample, despite the inconsistent conclusions. Overall, they conclude that its findings do not provide enough evidence to back up the assertion that privatization greatly enhanced all measures.

Subramanian and Swami (1994) carried out the first study to compare the performance of public and private banks in India. They looked at and compared the performance and efficiency of three

foreign banks, four private banks, and six state banks in the 1993–1994 fiscal year. The overall cost of the business and employee wages were used to assess operational efficiency. A higher level of salary per employee does not always equate to lower efficiency, according to their analysis of the firm's per employee efficiency coefficient. They found that among private-owned banks, Bank of Baroda had the highest operational profit per employee and efficiency. Indus Bank and Citibank were the private sector banks with the greatest and second-highest operational profit per employee, respectively.

Finally, the authors concluded that one of the tested private-owned banks, Bank of Baroda, outperformed the other state-owned banks, supporting the predictions of the structures of objective function approach, stakeholder's theory, and principal-agent theory.

Author Ram Mohan (2003), on the other hand, made an effort to assess the three categories of banks public, private, and foreign by utilizing actual input and output levels. He also looked at how well banks were able to maximize their profits between 1992 and 2000. His findings showed that public or state-owned banks performed significantly better than private banks, although they were identical to foreign banks.

Based on financial performance metrics, the outcome shows that, in the post-reform era, the performance of banks in the public and private sectors has converged. D'souza and Megginson (1999) evaluated the 1991–2000 performance of public, commercial, and foreign banks. The efficiency of the banking system was evaluated using the spread over working funds ratio and the turnover over staff ratio. Regarding the spread working funds ratio, commercial banks' general efficiency has declined in the post-reform era.

State-owned banks have been blamed for this decline in efficiency, whereas private and foreign banks were more effective in the 1990s. Due to the rise in the turnover over employee ratio, the turnover rate per employee at private and international banks doubled throughout this decade when compared to state-owned banks. However, his study revealed that, in contrast to private and foreign banks, the profitability of public-owned banks rose in the late 1990s. Moussa (2012) looked at a sample of 25 Turkish commercial banks between 2001 and 2010 to see how macroeconomic and bank-specific factors affected bank profitability. Foreign, private, and public banks were the three categories into which he separated those sample institutions.

Additionally, the author compares the profitability factors of banks with different ownership structures. His research examined the impact of the 2008 sub-prime mortgage crisis and the aftermath of Turkey's 2001 national crisis, and he tried to ascertain how those specific commercial banks were affected. Among public, private, and foreign banks, he found that foreign banks are unquestionably more reliable and efficient than domestic banks, and that the significant assets held by international banks in Turkey are a major factor in their success. For instance, he found that inflation, which was predicted to have a negative effect on profitability, as in the case of public banks.

Furthermore, the author found that domestic banks can sometimes benefit from bank size and managerial efficacy. He found that they could defend themselves in the case of a financial collapse or other default, even though they were not as good as overseas banks. In order to avoid deficits, the author found that foreign banks were able to resist the 2008 and 2001 crises in any way. This provides them the self-assurance to attract more customers. Even though some public and private banks are still in business, his data clearly shows that the crisis has had a severe influence on both.

The results show that state-owned banks are just as profitable and efficient as private banks, if not more so in some respects. Thus, the question of "whether to privatize banks or not?" came up. Using net profit-loss (NPL), return on assets (ROA), and return on equity (ROE) to calculate profitability, as well as comparing net profit and net asset efficiencies to total employment and total number of branches for operational efficiency, the authors have tested their theory. It was previously believed that commercial banks outperformed government banks prior to the examinations. But the results

The empirical results indicate that government banks are more profitable when net profit/loss is held constant, but no significant outcomes are obtained when standard deviation is used. Thus, the authors came to the conclusion that there were no definitive findings about the performance of state-owned and private banks from 1997 to 2006 based on proxies of profitability. The results were inconclusive since the two variables utilized to determine operating efficiency also produced contradictory findings. According to the study's conclusion, statistical analysis shows that there is little difference in the performance of state-owned banks and private banks, despite the market trend favoring the "invasion" of private banks in Turkey.

A number of previous scholars, including La Porta et al. (2002) and Barth et al. (2004), contend that government banks do more harm than good to the economy because their hidden political goals prevent them from fulfilling their projected role of economic success. The authors also suggested that there was a preconceived notion that government banks are meant to serve the sole purpose of financing economy-friendly projects, but research conducted in Turkey suggested otherwise. Chen (2005) concluded that state banks outperformed other types of banks.

However, a study conducted by Altunbas et al. (2001) in a developed nation other than the US shows that German government banks are just as effective as their private counterparts. On the other hand, study conducted by Ntiri (2010) was comparing the financial and operating performance of pre and post privatization process in Ghana. Profitability, output, capital investment, employment, leverage, dividends, and operating efficiency were the metrics that were analyzed. The researcher tested for a significant difference between pre- and post-privatization performance measures using the Wilcoxon Signed Rank Test because of the limited sample size. By comparing the average value of the performance metrics for the five years prior to and during privatization, his study calculates the change in those indicators.

. Nevertheless, the researcher was unable to locate solid proof of a notable shift in the financial and operational performance of businesses after they were privatized. Ultimately, the researcher came to the conclusion that ownership had no bearing on a company's operational or financial performance. Another study by Omran (2007) compares the pre- and post-privatization performance of privatized banks in order to assess the relative performance of state and private banks as well as the Egyptian bank privatization process. He discussed the operational and financial results of a sample of 12 Egyptian banks between 1996 and 1999, when the private sector took over from the state.

In contrast, the results show that the relative performance changes of private-owned banks were better than those of mixed banks with majority state ownership but worse than those of banks with other ownership forms (state-owned and mixed private ownership). Nevertheless, the study finds strong evidence to support the theory and previous empirical findings that banks with greater private ownership perform better, so the author reports that private banks outperform government banks. After privatization, the results show that some profitability and liquidity ratios for private-

owned banks decline significantly, but other performance measures remained essentially unchanged.

Many authors provide evidence supporting the idea that state-owned businesses are less efficient than private ones. For example, Shankar and Sanyal (2007) examine the impact of ownership, competition, and productivity on profitability and spreads in India's commercial bank sector following the 1991 reforms. Garcia-Herrero et al. (2009) found that less concentrated banking systems and less government intervention increase bank profitability and concluded that companies under government control as shareholders are valued lower than comparable companies under non-government control. Their primary findings were that global banks outperform Indian local private and state banks, and private-owned banks performed better in terms of profitability than state banks. They also discovered that profitable banks are more likely to have high spreads, a varied output, and efficient operations.

Mixed results were observed in another study conducted by Qasim et al. (2012). An attempt was made to compare the financial performance of Pakistan's public and private banks for a sample of two public-owned commercial banks and twenty-five private banks between 2006 and 2011. The researchers discovered that public and private banks are ranked differently based on different financial ratios over the study period. For example, public banks performed better than private banks based on return on equity (ROE), return on asset (ROA), breakup value per share, cash and cash equivalent deposit to total assets, and non-performing loans (NPLs) to gross advances and NPLs to equity ratios. Conversely, private banks rank first and public banks rank second based on investment to total assets, total liabilities to total assets, and advances to total assets, net interest margin, and interest expenses to total revenue, spreads, and capital ratios.

Haider et al. (2013) did a study with the core research question of whether privately owned banks outperform state-owned banks in the same country. The performance of both private and state-owned banks was investigated in order to address their study issue. 18 public and private commercial banks that functioned in Pakistan between 2005 and 2010 make up the study's sample. The data used in the study came from the financial statements of each of the banks that were included in the sample. Twelve profitability, liquidity, and efficiency ratios were employed to gauge performance. They use multiple regression analysis in SPSS to determine the relationship between ownership and performance. With the exception of the advances to deposit ratio, all

financial ratios indicated that the performance of public and private banks did not differ statistically significantly. Additionally, they discovered no real statistical differences between state-owned and privately held banks. Using several regression models, the relationship between ownership and performance yields identical T-test results..

These results are highly consistent with earlier studies, such as Micco et al. (2005) and Unal et al. (2007) that found no difference in the performance of state-owned and private-owned banks. For instance, Styrin (2005) demonstrated that there were no significant relationships between efficiency and ownership type using a sample of Russian bank data from 1999 to 2002. However, the results of Bonin et al. (2004) (quoted in Karas et al. (2010)) and Grigorian and Manole (2006) are quite different. In fact, these authors confirm that there was no statistically significant difference in the superior performance of private banks.

The most current study to examine the efficiency and soundness of twelve public and private sector banks based on market capitalization was conducted by Mishra et al. (2013). The private sector banks were at the top of the list, with the best soundness performances, according to the CAMEL technique, which was applied over a twelve-year period from 2000 to 2011. In contrast, public sector banks such as Union Bank and SBI have become less important and exhibit poor economic soundness. Conversely, they assess how the efficiency of a few Indian banks has changed between 2010 and 2012. Data Envelopment Analysis (DEA), a frontier-based non-parametric technique, gives important insights into the efficiency of various banks and puts private sector ones in a favorable position.

According to DEA results, the performance of public sector banks, such as Bank of India, Canara Bank, and Punjab National Bank, declined over the last two years of the study. In contrast, private sector banks, with the exception of Axis Bank, which was deemed completely unsatisfactory, demonstrated a notable degree of consistency in their efficiency level throughout the study period.

Savickaite and Rimkus (2011) recently conducted a study that uses capital structure, profitability, and efficiency metrics to examine the performance of major public and private organizations in the European Union. Based on observations of 10,150 private and 313 public companies from 2005 to the present, the authors conduct a comparative analysis and pose the question of whether ownership matters.

The researchers divided the sample based on the anticipated differences in performance metrics between businesses founded in the Western and Eastern European Union. In order to determine whether commonly accepted firm-specific and country-specific explanatory variables affect companies' performance under two types of ownership in the same way, the authors conducted their study in three main stages: first, they evaluated the significance of differences in performance measures between private and public entities using tests of equality; second, they conducted regression analysis to determine whether these differences are significant. Finally, they compared pre- and post-privatization values from 75 privatized companies in the EU between 2005 and 2007.

In the final step of their analysis, they found as their expectations that private ownership type was superior by analyzing the performance of privatized companies. They found that leverage, profitability, and efficiency ratios were generally lower for publicly-owned entities, indicating that ownership structure would matter. The regressions then partially explain the divergences between sub-groups, indicating different statistically and economically significant groups of variables for private and public companies. They also demonstrated that the effects of explanatory variables vary in magnitude among private and public companies, as well as between the Western and Eastern EU sub-samples, and in external cases, they even change the sign. When comparing performance metrics before and after privatization, they discovered that, albeit marginally, privatization results in reduced levels of leverage and increased profitability and efficiency.

One of the earliest cross-country studies on banks was done by Fernández et al. (2000), who looked at the relationship between ownership structure and financial performance. The goal of Fernández et al. (2000) was to look into how different bank ownership structures affect bank profitability. In order to account for unobserved national heterogeneity, they used cross-country level panel data from eight OECD nations to compare stock banks, mutual banks, state-owned banks, and savings banks structured as foundations. After controlling for risk, their findings showed that state-owned and mutual banks have better profit before taxes and higher interest margins than commercial stock banks. While the lower risk-taking of state-owned banks accounts for their higher profit before taxes, mutual banks' employment of income smoothing provisions appears to account for the same outcome. In the OECD, public banks are comparatively less efficient than private ones, according to additional research on bank profitability. After controlling for risk, their findings showed that state-owned and mutual banks have better profit before taxes and higher interest margins than

commercial stock banks. While the lower risk-taking of state-owned banks accounts for their higher profit before taxes, mutual banks' employment of income smoothing provisions appears to account for the same outcome. In the OECD, public banks are comparatively less efficient than private ones, according to additional research on bank profitability.

In Peru, the proportion of privately held assets has risen to about 60%, while in Argentina and Venezuela it has reached 50%. The global tendency of increasing output, providing more services, and lowering costs is the cause of this massive migration. The authors have attempted to compare the performance of state/private and foreign/domestically owned banks using cross-sectional data. The authors attempted to determine whether bank ownership causes any performance disparities by using a sample of 20 (twenty) Latin nations. In a study published in 2005, Marcia et al. examined the performance disparities between state-owned and privately held banks in sixteen Far Eastern nations. By using cash flow and accounting based measures of performance, they found that state-owned bank generally operate less profitably

Furthermore, the statistics indicated that the nations with the highest levels of government engagement in the banking sector also had the most substantial performance discrepancies. As a result, countries' economic and financial progress is slowed down when the state owns a larger percentage of banks. Lastly, they draw the conclusion that the more state ownership there is, the worse the bank's performance gets. Cornett et al. (2009) investigate the relationship between government ownership and involvement in a nation's banking system and bank performance between 1989 and 2004. During the Asian financial crisis, their research reveals an intriguing trend of shifting performance disparities between state-owned and privately held banks.

Prior to 2001, they discovered that state-owned banks were less profitable, held less core capital, and had higher credit risk than privately-owned banks. The performance disparities were more pronounced in nations where the banking system was more heavily influenced by the government and political corruption. Furthermore, during the four years following the start of the Asian financial crisis, from 1997 to 2000, state-owned banks' cash flow returns, core capital, and credit quality declined noticeably more than those of privately held banks, particularly in the nations most affected by the crisis. Nonetheless, throughout the 2001–2004 post-crisis period, state-owned banks caught up to privately-owned banks in terms of nonperforming loans, core capital, and cash flow returns.

The authors of the aforementioned study, Cornett et al. (2005), looked at the performance discrepancies between state-owned and privately-owned banks in sixteen Far Eastern countries between 1989 and 1998. During the sample period, they discovered that state-owned banks often perform worse than privately-owned banks in terms of efficiency and profitability, and that bank performance deteriorates with increasing state ownership. They also discovered that both state-owned and privately held banks' performance sharply declined during the Asian financial crisis in 1997 and 1998. Nonetheless, the decline in state-owned banks' performance was noticeably more pronounced than that of their competitors that were privately held.

Furthermore, they discovered that the countries with the highest levels of government participation in the banking sector had the most notable performance discrepancies. Lastly, they discover that countries' economic and financial development is slowed down when the state owns a larger percentage of banks. The results were explained by differences in company governance as well as differences in managers' goals and incentives. The primary goal of the research by Farazi et al. (2011) was to determine whether bank ownership has an impact on performance as shown by expenses, margins, profits, and loan portfolio quality. Using the Middle East and North Africa (MENA) bank-level panel dataset for the years 2001–2008, they examined the effect of ownership structure on financial performance by taking into consideration important bank attributes including

Despite their bigger size, state-owned banks perform noticeably worse, according to the paper's analysis of headline performance measures and their primary drivers. Larger loan loss provisions reflecting lower asset quality, higher costs as a result of increased employment, and a larger holding of government securities were the primary causes of the outcomes. Both operational inefficiencies and policy demands are reflected in the results. A thorough performance study of both domestic and foreign-owned banks is also included in the paper. They discovered that, despite greater costs, overseas banks outperform their domestic counterparts in terms of performance, which is fueled by larger interest margins.

Finally, because their findings supported the superior performance of private-owned banks over state-owned banks, they suggested that governments in some countries should reduce the share of state banks. This helps to clarify the mandates, improve governance, and strengthen the operational efficiency of the majority of state banks in the MENA region. Prior to this, Kobeissi and Sun (2010) examined how ownership structure affected the performance of banks in 17 MENA nations

and discovered that private banks outperform state banks in terms of returns on equity and assets. Additionally, they discovered that the performance of domestically owned banks—which includes both private and public banks—seems to benefit from the presence of foreign banks. Additionally, banks

Finally, because their findings supported the superior performance of private-owned banks over state-owned banks, they suggested that governments in some countries should reduce the share of state banks. This helps to clarify the mandates, improve governance, and strengthen the operational efficiency of the majority of state banks in the MENA region. Prior to this, Kobeissi and Sun (2010) examined how ownership structure affected the performance of banks in 17 MENA nations and discovered that private banks outperform state banks in terms of returns on equity and assets. Additionally, they discovered that the performance of domestically owned banks—which includes both private and public banks—seems to benefit from the presence of foreign banks. Additionally, banks

Second, while the recent study by Farazi et al. (2011) examined other performance metrics and attempted to explain the differences between the profitability of state and private banks from its primary determinants, namely margins, costs, employment, wages, and loan-loss provisions, Kobeissi and Sun (2010) only focused on profitability metrics.

2.2.2. Review of Previous Related Studies in Ethiopia

Geda (2006) investigates the liberalization program by comparing the sector's performance prior to and during the change. According to his study, the government's gradualism strategy and overall reform direction are encouraging given the country's financial sector's recent nascent development, the relatively good state of the existing financial institutions, and the regulating agency's limited capacity for supervision and regulation. Nonetheless, he makes the case for establishing a precisely defined liberalization timeline and looking into the prospect of working with international banks to acquire new technologies that would improve the overall and banking sector's efficiency. In a similar vein, Kiyota et al. (2007) concentrate on the liberalization of Ethiopia's financial sector, specifically mentioning the country's banking industry. Two potential barriers to Ethiopia's financial development were identified by them. One was the closed character of Ethiopia's financial system, which includes strict capital controls, a non-competitive market structure, and no international banks. The other was state-owned banks' hegemonic influence. According to their

views, the liberalization of the financial sector particularly the admission of international banks and the ensuing privatization of state-owned banks—would boost the Ethiopian economy. Similarly, Lelisa (2007) sought to evaluate how financial liberalization affected the ownership structure, market concentration, and profitability of the banking sector in Ethiopia. He discovered that, in contrast to the circumstances that existed prior to the reform period, the reform had brought about a number of noteworthy improvements in the banking sector's performance and structure. However, by forbidding foreign banks from operating and the private sector from participating in the ownership of government banks, the reform has limited the benefits that may be gained from a diversified ownership structure. Additionally, the banking sector in Ethiopia can still be identified by its market concentration towards large government-owned commercial banks and by a market with little to no competition, according to the researcher's tests using the two firm concentration ratio and HHI using total deposits, loans, capital, and assets.

Moreover, the researcher found that the profitability of the industry has also shown a tremendous improvement after the reform measure has been taken. However, the existing government banks are enjoying having the higher share of profit from the industry and still the pattern of the industry profit is following the profitability structure of the giant bank, CBE, as mentioned by him. Finally, he identified and recommended areas that need further liberalization measures so as to enhance the performance of the industry.

More specifically, Rao and Lakew (2012) examine the relationship between cost efficiency and ownership structure of commercial banks in Ethiopia using data envelopment analysis (DEA). Moreover, the study made an attempt to explore the key factors that affect the cost efficiency of the commercial banks using the Tobit model. In measuring the cost efficiency of the commercial banks the study used the inMoreover, the researcher concluded that the profitability of the industry has also showed a fantastic improvement after the reform step has been done. However, the current government banks are enjoying having the bigger portion of profit from the industry and still the pattern of the industry profit is following the profitability structure of the giant bank, CBE, as described by him. In order to improve industrial performance, he concluded by identifying and suggesting areas that require additional liberalization measures. More precisely, Rao and Lakew (2012) use data envelopment analysis (DEA) to investigate the connection between Ethiopian commercial banks' ownership structure and cost efficiency.

They discovered that, on average, state-owned commercial banks had a cost efficiency of 0.69 between 2000 and 2009, but private commercial banks had an average cost efficiency of 0.74. Ethiopian commercial banks were found to have an overall cost efficiency of 0.73. According to the Kruskal-Wallis (K-W) non-parametric test, there was no statistically significant difference in the cost efficiency of state-owned and private commercial banks. Additionally, they did not find enough statistical data to draw the conclusion that private commercial banks were more cost-effective than state-owned commercial banks. Therefore, ownership structure has no discernible impact on Ethiopian commercial banks' cost-effectiveness. Furthermore, the research has determined that market share, market concentration, bank size, loan loss reserve to total assets, capital adequacy, and return on average assets are the

Kapur and Gualu (2012) attempted to investigate the effect of ownership structure on Ethiopian commercial banks' performance in another study. From 2001 to 2008, they made use of eight Ethiopian commercial banks. Both parametric and nonparametric tests of the distinctions between banks in the public and private sectors have been used. According to their findings, public sector banks performed better in cost management metrics, whereas private sector banks performed better in terms of profitability, asset quality, and capital sufficiency. There was no discernible difference in liquidity between the public and private sector banks. On the other hand, Yaregal (2011) investigated the impact of ownership on performance from 2005 to 2010 by categorizing banks according to their ownership type.

Before evaluating the performance of Ethiopian banks, the researcher first documented the scope, theoretical justification, and measured performance of state and privately held banks worldwide. Seven of the eleven ratios used to measure performance favor state ownership, while the remaining ratios support private ownership. His empirical research unequivocally demonstrates that state-owned banks perform better than privately held banks. The researcher discovered that private banks had better tendencies than state-owned banks when it came to the growth patterns of deposits, loans, and assets.

Most recently, Eshete et al. (2013) used qualitative, descriptive, and econometric methods to evaluate the trend, character, and degree of competition in the Ethiopian banking sector. They noted that although the banking sector dominates Ethiopia's financial system, the country is one of the worlds most underbanked. Additionally, they stated that the banking sector in Ethiopia is very

lucrative, highly concentrated, and moderately competitive. They also emphasized the quasi-monopoly power seized by the state-owned Commercial Bank of Ethiopia. They suggested that the Ethiopian banking sector may be classified as incontestable in terms of contestability because it was hard to enter the market because of technological, legal, and economic considerations.

2.3. Resource Dependence Theory

Pfeffer and Salancik first put forth the resource dependency idea in 1978. Unlike agency theory, their original ideas were generated inductively from real research. Their main finding, which emphasizes the board's ability to give the company a vital set of resources, is that "when an organization appoints an individual to a board, it expects the individual will come to support the organization, will concern himself with its problems, will variably present it to others, and will try to aid it" (1978:173). When the board is seen as a company's resource, a completely different viewpoint on its role in encouraging high performance becomes possible.

"Non-executive directors can be a valuable resource for executives seeking specific skills and advice on strategy and its implementation. They can also be a great source of contacts, relationships, and information that help leaders deal with various environmental issues more effectively. These relational resources can be both symbolic and practical; the association of particular individuals with a company may enhance the perceived legitimacy or reputation of an executive team. The resource dependence principle allows us to account for the vastly disparate needs. It can still rely on its non-executive directors for expertise and experience that it cannot afford to hire on a full-time basis, while being a young, owner-managed company.

Expertise provision will need to be combined with "grown-up governance," as one of our panelists described it, if a company is publicly traded. In this case, the non-executive's value comes not only from their knowledge but also from their networks, which provide the business with easy access to new markets or funding sources, as well as from the positive effects on an individual's reputation that come from being associated with the company. More mature businesses might draw upon the non-executive as a source of relevant market or managerial experience, and board composition would hence be managed primarily in terms of the relevance for the company of the non-executive experience rather than in terms of formal independence. But even in a more mature business, the non-executive directors who are needed to manage radical processes of organizational change

might be very different from those needed to support the roll-out of a successful business model. The non-executive might be vital as a source of expertise in relation not only to the delivery of financial performance but also to the management of other key sources of business risk; for example with regulation or government policy, or consumer confidence or their knowledge of campaign or pressure groups. In summary, whereas the agency view of the non-executive emphasizes their local policing role on behalf of investors, resource dependence theory sees the non-executive primarily as a context-specific resource to support the performance of both the executives and the company.

2.4. Stewardship Theory

The motivations of senior executives are connected to a number of stewardship theory observations made by Donaldson and Kay (1976). In contrast to agency theory's pessimistic views of executives' self-interested and self-serving motivations, stewardship theory suggests that directors may have "pro-organizational" motivations. In this case, performance is driven by an executive's identification with the company's aims and objectives rather by their shared greed. Stewardship theory refutes the notion that the objectives and incentives of executives and shareholders are incompatible, arguing that since both sides have an interest in maximizing a company's long-term stewardship, they are already very compatible.

. The stewardship idea raises concerns about the possible drawbacks of a chairman and chief executive holding different roles. It indicates that the responsibilities should stay integrated in order to safeguard the power and authority of executive leadership, which is a crucial component of good performance. Stewardship theory's primary contribution is perhaps its challenging of agency theory's negative presumptions about human nature. Similar to Douglas MacGregor's distinction between theories X and theory Y managers, it implies that the assumptions made by distant parties, like as investors and regulators, about the self-interested motivations of executives, and may be the root of the governance problem rather than the executive's self-interest. It draws attention to the risk that unfavorable investor assumptions could unintentionally damage or distort a company's leadership.

2.5. Organizational Performance

The performance of the business will be contrasted with the goals and objectives. In business organizations, financial success, market performance, and shareholder value performance are the

three primary outcomes that are most commonly studied. The ability of a business to achieve objectives in a fair and effective way without pursuing clarification through analysis is known as performance. Excessive analysis or evaluation will use resources and have negative effects (Stainer, 2006).

Profits, sales, market share, productivity, debt ratios, and stock prices are all compared amongst business enterprises. Hospitals make use of occupancy rates, board certification for physicians, mortality and morbidity rates, and cost recovery. Universities employ student test results, faculty prominence, research output, and rankings published in popular periodicals. Such comparisons become a basis for evaluating executives, for making decisions about the allocation of human and other resources, for writing history, and for stimulating arrogance and shame (Sutton, 1997).

2.6. Standards for Measuring Performance

The regular, methodical gathering, analysis, and reporting of data that monitors an organization's use of resources, output, and whether particular goals were met is known as performance measurement. Program goals and objectives that are connected to a mission or purpose statement should serve as the foundation for performance measurement. Measurable results that are directly tied to certain programs must be produced by the performance measurement systems. Over time, the results serve as markers for comparing how resources are allocated. In order to encourage continuous improvement, performance evaluation evaluates the effectiveness and efficiency of resource allocation over time.

Measures must be verifiable to guarantee that their validity and usefulness are not questioned; they must also be comprehensible to minimize the likelihood of improper application or interpretation; and, lastly, they must be timely to guarantee that circumstances have not changed since the measurements were made and that they are promptly available to support management decisions, particularly those pertaining to budget preparation.

Alan Probst (2009) asserts that all metrics must be applied consistently to the strategic plan, the budget, and the current accounting and reporting systems. Making the distinction between efficacy and efficiency is crucial when evaluating performance. Efficiency is linked to cost-effectiveness, or the lowest costs for a specific production level. The ratio of total input to beneficial output or outcome is referred to as efficiency in performance evaluation. It can also mean achieving the intended effects or results with the least amount of wasted time, effort, or talent.

2.7. Ownership and Organizational Efficiency

Efficiency In comparison to private domestic banks, state-owned banks have a number of efficiency advantages and disadvantages. The measured efficiency of each ownership type represents the net effects of these relative advantages and disadvantages. In most developing host countries, foreign banks with headquarters in industrialized countries have better management competence and experience, access to capital, use of hard-information technology, and risk diversification capabilities than indigenous institutions, which lack these capabilities. However, state-owned institutions may have funding advantages due to government subsidies, but they also frequently face disadvantages due to mandates to make certain types of loans, and state-owned banks may be inefficient due to a lack of market discipline. The most common findings for developing nations are that, on average, foreign banks are more efficient than or roughly equal to private, domestic banks, both of which are typically found to be significantly more efficient on average than state-owned banks, though there are variations on all of these findings. Foreign banks also generally suffer from disadvantages like distance-related diseconomies, language and cultural barriers, and a poor capacity to access and process locally-based soft information.

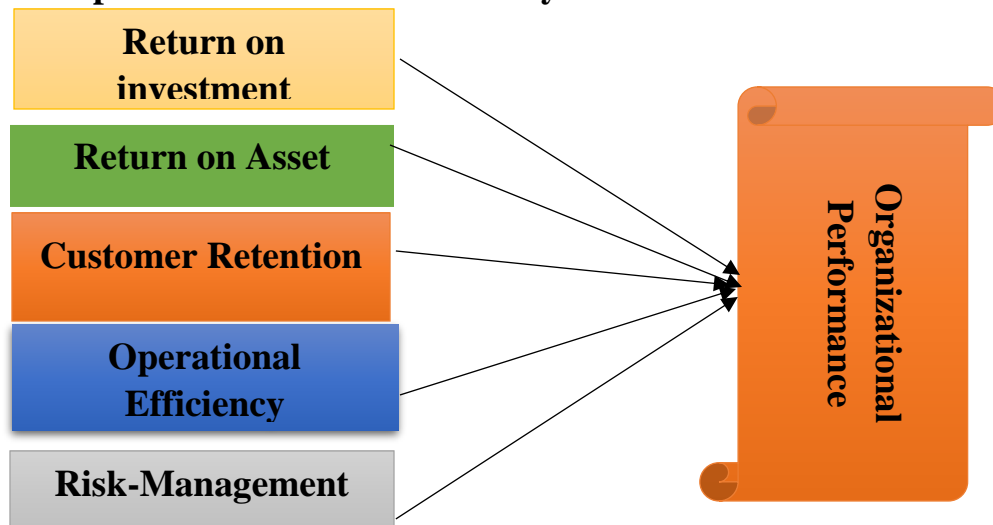
For example, according to certain studies that use data from Eastern European transition countries, international banks are generally the most efficient, followed by domestic and private banks, and finally state-owned banks (Bonin, Hasan, and Wachtel 2005a, b). Foreign banks are more cost-effective but less profit-efficient than private, domestic, and state-owned banks, according to a different research of transition countries (Yildirim and Philippatos 2003).

Foreign banks had the highest profit efficiency, followed by local and private banks, and finally state-owned banks, according to a study that used data from 28 developing countries from different areas (Berger, Hasan, and Klapper 2004). Private domestic banks outperform foreign banks in terms of cost efficiency, but both are still far more effective than state-owned banks. According to two studies that use data from Argentina (before the 2002 crisis), private domestic banks and international banks are about equally efficient and, on average, more efficient than state-owned banks (Delfino 2003, Berger, Clarke, Cull, Klapper, and Udell 2005).

Foreign banks are more profitable than private, domestic, and state-owned banks, according to a study using data from Pakistan; nonetheless, the average cost efficiency of each of these categories

is comparable (Bonaccorsi di Patti and Hardy 2005). Last but not least, an analysis of Indian banks reveals that, generally speaking, foreign banks are more effective than private, indigenous banks (Bhattacharya, Lovell, and Sahay 1997). This study will also investigate the most effective ownership structure for Ethiopian banks.

2.7. Conceptual framework of the study



Conceptual framework of the study

Based on the above conceptual framework of the study, the researcher develops the following research hypothesis.

H1. There is a positive and significant relationship between Return on Investment and organizational performance.

H2. There is a positive and significant relationship between Return on Asset and organizational performance.

H3. There is a positive and significant relationship between Customer Retention and organizational performance.

H4. There is a positive and significant relationship between Operational efficiency and organizational performance.

H5. There is a positive and significant relationship between Risk-Management and organizational performance

CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.1. Research Design

Saunders (2007) defines research design as the overarching plan for answering the research questions. Research is guided by the theoretical framework. It acts as a guide for collecting, computing, and interpreting data. Employing a mixed-methods research design, the research strategy for the study "Ownership and Organizational Performance: A Comparative Analysis of Private and State-Owned Banks" combined quantitative and qualitative research methodologies. Comparing the organizational performance of state-owned and private banks is the main goal, with an emphasis on important performance indicators including customer satisfaction, operational effectiveness, and profitability. The appropriate research design for this study is explanatory research design because this design allows the researcher to examine the effect of the independent variables on the dependent variables. Financial performance measures and surveys aimed at employee performance and customer happiness used to gather quantitative data. Interviews with bank managers and staff yield qualitative information about how customers assess operating procedures and service quality.

3.2. Research Approach

There are two types of research methods, such as qualitative and quantitative, and each is based on the researcher's choices; neither is better than the others (Ghauri and Kjell, 2005). Comparative and descriptive analysis using a mixed-methods framework would be a suitable research methodology for "Private and State-Owned Banks." This method makes it possible to systematically compare and contrast the organizational performance of state-owned and private banks. The study can successfully illustrate how ownership structure affects performance outcomes by contrasting important performance parameters including profitability (Return on Equity and Return on Assets), operational efficiency (cost-to-income ratios), and customer satisfaction levels.

In order to give the quantitative data crucial context, the descriptive and inferential statistics were used. The analysis's depth and scope will be improved by combining quantitative and qualitative methodologies; focus groups and interviews used to gather qualitative data, while surveys and financial performance measures used to gather quantitative data. This combination provided deeper insights into the organizational dynamics at work and enable a thorough knowledge of the variables influencing performance variations. Furthermore, using a cross-sectional design made

it possible to gather data at a particular moment in time, enabling a quick comparison of the chosen banks' performance. This pragmatic method works effectively for evaluating consumer perceptions and performance trends nowadays. The study intends to offer a comprehensive examination of the influence of ownership on organizational performance by employing a mixed-methods comparative and descriptive approach, providing insightful information to stakeholders in the banking industry, bank management, and policymakers.

3.3. Data Type and Source

Selected banks' financial statements and reports were used as the source of quantitative data, with an emphasis on important performance indicators including cost-to-income ratios, return on equity (ROE), return on assets (ROA), and other pertinent financial metrics. The management staff were given surveys to complete in order to determine the effect of the five independent variables on organizational performance. Open-ended question used to collect data from the bank managers and staff, which will enable a more thorough examination of management tactics, operational procedures, and customer experiences. To add context and bolster the study, secondary data sources like industry reports, regulatory filings, and scholarly literature were used.

3.4. Target Population and sample size

3.4.1. Target Population

Lavrakas (2008) defines a population as any finite or infinite collection of unique components. To characterize a population as the entirety of the objects of interest. A population is the "universe" or all of the things in any field of study, claim Zikmund (2010) and Khotari (2004). The target population for the study, "Ownership and Organizational Performance: A Comparative Analysis of Private and State-Owned Banks," will be the clients, staff, and executives of four particular Ethiopian banks: Commercial Bank of Ethiopia, Zemen Bank, Awash Bank, and Bank of Abyssinia.

Employees who are working in those banks included in this group, which offers information on overall experiences, customer happiness, and service quality. In order to evaluate internal operations, employee happiness, and views of organizational performance, employees from a variety of departments including management, support staff, and frontline service staff were also included. Last but not least, each bank's senior management and decision-makers were questioned about their perspectives on performance indicators, strategic initiatives, and how ownership structure affects operational procedures. By concentrating on these many groups within the chosen

banks, the study seeks to obtain a thorough understanding of organizational performance from a variety of angles, enabling a solid comparison of Ethiopia's state-owned and private banks.

3.4.2 Sample Size

A total of 135 workers from each of the four banks that are Bank of Abyssinia, Awash Bank, Zemen Bank, and Commercial Bank of Ethiopia were chosen. All samples were taken from the head of each banks based on their managerial roles, experiences and expertise knowledge. The four banks were selected using convenient sampling. Convenience sampling was utilized in this research as a first step to investigate a new area of study. Convenience sampling was deemed appropriate with its usefulness in providing easy access to initial data, thus allowing us to create hypotheses and gain a general idea of the subject. The outcome of this sampling method will be used to test the feasibility of a larger research, identify potential setbacks, and lay down the research plan for subsequent researches. Purposive sampling, which is deliberately picking samples with particular knowledge or experience pertinent to the study. Whereas, Simple random sampling used to select the appropriate sample for the study from each bank. A representative sample of the three private and one governmental banks from each ownership type included in the study; they were chosen based on factors like size, market share, and geographic presence

3.4.3. Sampling Technique

The study collect a range of viewpoints and guarantee equitable representation of both private and state-owned banks by choosing samples from each strata. Purpose vise sampling was used to choose participants within each bank. Finally, census was used to properly gather information and analyze the data collected from respondents. We took 38 from CBE, 32 BOA, Awash 30 and Zemen 35

3.5. Data collection Instruments

For the study, a variety of data collection instruments are appropriate. Employees' and customers' experiences, satisfaction levels, and opinions on the organization's performance was quantitatively gathered through surveys and questionnaires. These surveys may have both open-ended questions to gather more information and closed-ended questions in the form of Likert scale items to gauge things like staff happiness and service quality. Structured interviews with management staff and

chosen employees used to collect in-depth qualitative data, allowing for flexible questioning while guaranteeing that important subjects are covered.

3.5.1 Procedure of Data Collection

As per the data collection tools and techniques, questionnaire was prepared having open ended questions. These enabled respondents to respond without limit. The questions will be pre-pared based on the research questions. Then it is distributed and collected. The same went for interview. It was conducted by the researcher face to face. Related documents will be also collected.

3.6. Methods of Data Analysis

The collected data could be changed and interpreted into meaningful information. Therefore, the data was analyzed, processed, and interpreted according to the nature of the data. Statistical package for Social Science (SPSS) software employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, correlation and multiple relation analysis.

3.6.1. Descriptive Analysis

The descriptive results presented by tables, frequency distributions and percentages to present a condensed picture of the data. This was achieved through summarizing statistics, which included the mean value and standard deviation values which would be computed for each variable in the study.

3.6.2. Pearson correlation Analysis

In this study Pearson correlation analysis employed to determine the relationships between the studying variables i.e Effect of the independent variable on the dependent variable.

3.6.3. Multiple Regressions Analysis

Regress functions

The equation of multiple regressions on this study built on around the two sets of variables, namely dependent and independent variables. The basic objectives of using regression equation is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + e$$

Where Y is the dependent variable- **Organizational Performance**

α is constant

X1 is Return on Investment, x2 is Return on Asset, x3 is Customer satisfaction, X4 is operational efficiency and X5 is Risk-Management

Beta is the intercept term it refers to the coefficient of their respective independent variables which measures the change in the mean value of Y, per unit change.

3.7. Validity and Reliability Test

3.7.1. Validity

Validity is the extent to which a particular scale or index accurately captures the idea being measured. Several steps will be taken to ensure validity and reliability in the study "Ownership and Organizational Performance: A Comparative Analysis of Private and State-Owned Banks," as stated by Kothari (2004), who claims that validity aims to establish results that are related to the subject. Content validity will be used to make sure that the data collection instruments accurately represent the constructs being studied, such as digital marketing readiness and the factors that influence it.

Construct validity was assessed by contrasting the questionnaire responses with qualitative information gleaned from focus groups and interviews to ensure that the instruments measure what they are intended to. A pilot test of the questionnaires carried out to confirm reliability in order to identify any ambiguities or inconsistencies and enable revisions prior to the main study. Using standardized scales with proven reliability was also result in more consistent quantitative results. It is possible to obtain inter-coder reliability for qualitative data, which guarantees consistency in theme interpretation, by having multiple researchers independently code the same data and then compare their results. When combined, these strategies were increase the overall validity and reliability of the research findings.

3.7.2. Trust worthiness and credibility

To ensure the accuracy and consistency of the data in the study "Ownership and Organizational Performance: A Comparative Analysis of Private and State-Owned Banks," a number of strategies will be employed. Initially, triangulation will be used to compare data from many sources, such as structured questionnaires, interviews, focus groups, and document analysis. This approach helps validate findings by identifying recurrent patterns in multiple data sets and cross-referencing data. Member checking, which allows participants to review and confirm the quality of the focus group subjects and interview transcripts, will further increase the validity of the qualitative data. Furthermore, openness will be provided and external verification of the study's conclusions will

be made easier by keeping a thorough audit trail that includes Lastly, using peer debriefing meetings with coworkers or subject-matter experts can yield insightful criticism and important insights, enhancing the data's overall credibility.

3.8. Ethical considerations

To ensure the accuracy and consistency of the data in the study "Ownership and Organizational Performance: A Comparative Analysis of Private and State-Owned Banks," a number of strategies will be employed. First, triangulation will be used to compare data from many sources, such as structured questionnaires, interviews, focus groups, and document analysis. This approach facilitates the validation of results by identifying recurrent patterns in several data sets and cross-referencing information. Member checking, which allows participants to review and verify the quality of the focus group participants and interview transcripts, would further increase the validity of the qualitative data.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1. INTRODUCTION

This chapter presents the data analysis and discussion of the research findings obtained from data collected from the survey questionnaire. Responses for the measures on the questionnaire are summarized and presented using tables and charts to facilitate easy understanding. The demographic profiles of the study sample have been described using descriptive statistics and also different inferential statistics were employed in order to analyze data obtained from the survey. Accordingly, standard multiple regressions were used to measure the Effect of factors on organization on stated owned and privately owned banks. Furthermore, Pearson correlation

coefficient and Cronbach’s Alpha coefficient were used to test goodness and internal consistency of the measure.

4.2. Survey Response Rate

A Total of 135 questionnaires were administered and a total of 121 questionnaires were collected of which 3 were incomplete thus 118 questionnaires were subject for the analysis which is 90.7% response rate. According to Mugenda and Mugenda (2003) the statistically significant response rate for analysis should be at least 50%.

Table 1- Response Rate of Respondents

	Number of questionnaire	Percent
Completed	118	87.4%
Not completed	17	12.6%
Total	135	100%

Source: own survey result, 2021

The questionnaire were developed in five scales ranging from five to one; where 1 represents strongly disagree, 2 agree, 3 neutral (no opinion), 4 agree, and 5 strongly agree. To make easy interpretation, the following ranges of values were reassigned to each scale: mean scored value less than 3 considered as “Disagree”, mean scored value greater than 3 considered as “Agree” and the mean scored value equal to 3 considered as “Neutral” (cited in Yonas, 2013). Descriptive statistics were used and also correlation and regression analysis were conducted for scale typed questionnaires. In order to know the current information of the sub-city with regard to the mediating effect of employee engagement on the relationship between organizational culture and job satisfaction, the entire questionnaires used are attached at the back. You can refer from appendix part.

After coding and entry of data into SPSS version 25, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra& Birks (2007), reliability is the extent to which a measurement reproduces consistent results if the process

of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS version 25 and all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.7, and for most closer to 1. The cronbach - alpha of each scale is presented in the following table.

Table 2- Reliability statistics

No	Studying Variables	Cronbach's Alpha
1	Return on investment	.835
2	Return on Asset	.797
3	Credit Management	.831
4	Organizational efficienxe	.888
5	Risk management	.847
6	Organizational Management	.847
	Total	.866

Source: own survey result, 2025

4.3. Demographic Profile of Respondents

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, and work experience. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the proportion of males and females in the sample, range of age, and education level, so that the analysis could be more meaningful for readers.

4.3.1. Gender

In terms of gender, respondents were more of male and female are very few in number as compared to male (female 32%, male 68%). This shows that female’s employees in the banking sector mainly in the head offices of Awash Bank, Bank of Abyssinia, Commercial Bank and Zemen bank are limited compared to male management staff.

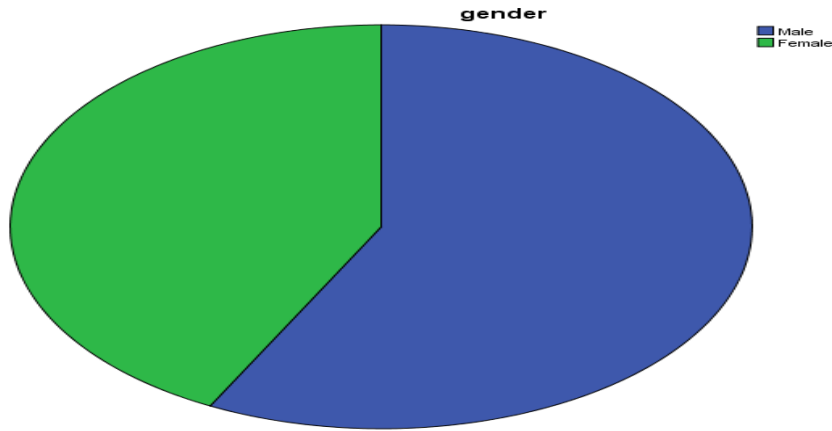


Figure 1- Gender

Source: own survey result, 2025

4.3.2. Age

Regarding the age of respondents, the sample population is largely dominated by the age group of above 50 years (38.1%) followed by the group comprise age of 41-50 years (33.1%). The remaining 17.8% and 11% were dominated by those whose age is between 20-30 years and above 31-40 years. This indicates that most of the sample populations are well experienced and equipped with high knowledge of the banking sector.

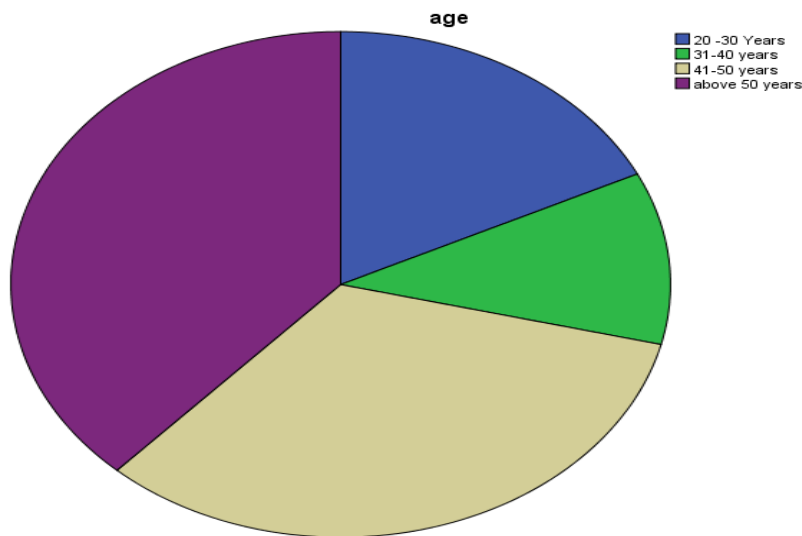


Figure 2- Age

Source: own survey result, 2025

4.3.3. Education level

In terms of education, the distribution is not very equally distributed. 13.6% of respondents have attained Diploma, 59.3% of respondent's Degree, 24.6% of respondent's Second degree and the remaining 2.5% third degree (PhD).

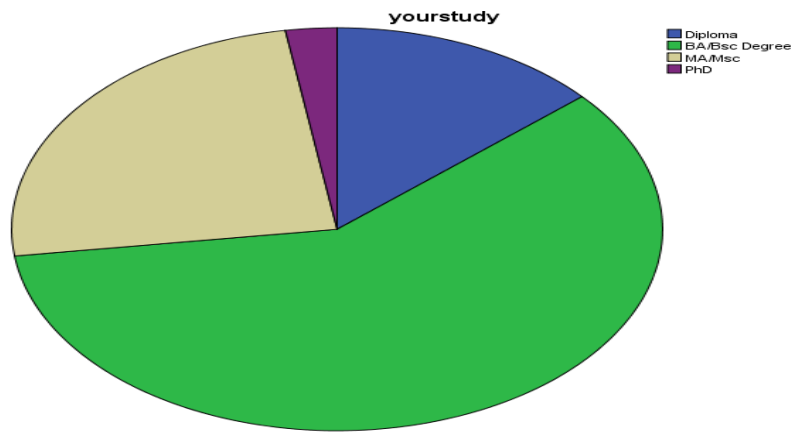


Figure 3- Educational level

Figure 4

Source: own survey result, 2025

4.4. Descriptive Analysis

Descriptive statistics describe data in terms of measures of central tendency. Descriptive statistics are the most efficient means of summarizing the characteristics of large sets of data. In a statically analysis, the analyst calculates one number or a few numbers that reveal something about characteristics of large sets of data Cooper and Emory (1995).The descriptive statics used in this study were frequency, Mean and standard deviations.

According to Aakeret al. (2004), a frequency is a report of the number of responses that a question has received. The arithmetic mean (the mean) is defined as the sum of the values in the data group divided by the number of values. The square root of the variance is called the standard deviation, the variance being similar to the average deviation in that it is based on the difference between each value in the data set and the mean of the group (Kaizmier, 1988).The standard deviation records the extent to which scores deviate from the mean.

Table 3- Descriptive statistics for a variable return on investment

	N	Mean	Std. Deviation
Our organization effectively tracks the return on investment for various projects.	118	4.36	.501
Higher ROI has a direct positive impact on our overall organizational performance.	118	4.44	.499
Management uses ROI as a key performance indicator in decision-making.	118	4.46	.517
Investments with higher ROI contribute significantly to our organizational growth.	118	4.58	.495
The focus on ROI has improved our strategic planning processes.	118	4.38	.569
Valid N (listwise)	118		

Source: own survey result, 2025

Based on replies from 118 participants, the table displays descriptive statistics for a series of assertions about the monitoring and effects of return on investment within a business. On a scale probably spanning from 1 to 5, the mean scores for each statement show a generally positive view of ROI's contribution to organizational effectiveness, with values ranging from 4.36 to 4.58. With the highest mean score of 4.58, the statement "Investments with higher return on investment contribute significantly to our organizational growth" in particular showed that respondents strongly agreed that return on investment is important for promoting growth.

The use of return on investment as a key performance indicator in management decision-making has the second-highest mean score (4.46), underscoring its perceived value in directing organizational strategies. Furthermore, the responses' standard deviations, which range from .495 to .569, are comparatively low, suggesting that participants consistently agree with these claims. The effectiveness of tracking return on investment has the lowest mean score (4.36), yet it still shows a positive outlook.

Table 4- Descriptive Statistics for a variable Return on Asset

	N	Mean	Std. Deviation
Our organization regularly monitors return on assets to assess financial health.	118	4.46	.517
A higher ROA correlates with better operational performance in our organization.	118	4.58	.495
ROA is an important metric for evaluating the effectiveness of our assets.	118	4.53	.518
Management decisions are influenced by ROA performance metrics.	118	4.35	.545
Improving our ROA has led to enhanced profitability for the organization	118	4.38	.569
Valid N (listwise)	118		

Source: own survey result, 2025

The table, which is based on input from 118 participants, shows descriptive statistics for a number of claims about the importance and tracking of return on assets in a business. The mean scores for the statements reflect a generally positive view toward return on asset's role in assessing financial health and operational performance, with values ranging from 4.35 to 4.58. Significantly, the statement "A higher return on asset correlates with better operational performance in our organization" had the highest mean score (4.58), suggesting that respondents strongly agreed that return on asset and operational effectiveness are positively correlated. In terms of assessing asset efficacy, return on asset has the second-highest mean of 4.53, which emphasizes how crucial it is to financial evaluations.

. The statement "Management decisions are influenced by return on asset performance metrics" has a little lower mean score (4.35), but it still shows that people have a positive opinion of how return on asset affects decision-making. The standard deviations, which vary from .495 to .569, indicate that respondents generally agree on the significance of return on asset across all propositions. All things considered, these figures suggest that the company regards return on asset ROA as a crucial measure of financial performance and health, and its members strongly agree that it is important for operational and strategic choices.

Table 5- Descriptive Statistics for a variable Customer Retention

	N	Mean	Std. Deviation
Our organization prioritizes customer retention strategies.	118	4.46	.517
High customer retention rates contribute positively to our financial performance.	118	4.58	.495
Satisfied customers are more likely to remain loyal to our organization.	118	4.38	.569
We measure customer retention regularly to assess organizational performance.	118	4.46	.517
Improving customer retention has a significant impact on our market position	118	4.58	.495
Valid N (listwise)	118		

Source: own survey result, 2025

Drawing from the replies of 118 participants, the table displays descriptive statistics for comments pertaining to client retention methods within a firm. The average scores, which range from 4.38 to 4.58, show a generally favorable attitude on the importance of keeping customers. The claim that "High customer retention rates contribute positively to our financial performance" received the highest mean score of 4.58, suggesting that respondents strongly agreed that there is a crucial connection between financial success and customer loyalty. The statement "Improving customer retention has a significant impact on our market position" likewise received a score of 4.58, indicating that strengthening competitive standing is a perceived importance of retention efforts. A mean score of 4.46 was found for other statements, such as "Our organization prioritizes customer retention strategies" and "We measure customer retention regularly to assess organizational performance," indicating that the organization actively monitors the effectiveness of these strategies and gives them top priority. According to the standard deviations, which fall between .495 and .569, participants generally believe that keeping customers is important. These figures collectively imply that the company understands the critical role that customer retention plays in boosting financial success and competitiveness in the market, and that its members fully agree on the importance of this factor.

Table 6- Descriptive Statistics for a variable Customer Retention

	N	Mean	Std. Deviation
Our organization consistently evaluates its operational efficiency.	118	4.55	.500
Increased operational efficiency leads to better overall performance.	118	4.49	.502
Streamlined processes have improved our organizational effectiveness.	118	4.58	.496
Management invests in initiatives aimed at enhancing operational efficiency.	118	4.37	.486
Our organization's productivity is directly linked to operational efficiency improvements.	118	4.44	.499
Valid N (listwise)	118		

Source: own survey result, 2025

Descriptive statistics for remarks on an organization's operational efficiency are shown in the table. These statistics are based on responses from 118 participants. With mean ratings between 4.37 and 4.58, the results show a generally good view of the significance of assessing and enhancing operational efficiency. The claim that "streamlined processes have improved our organizational effectiveness" had the highest mean score (4.58), indicating that respondents strongly agree that efficiency gains have a positive effect on overall effectiveness. Following closely behind, the statement "Our organization consistently evaluates its operational efficiency" had a mean score of 4.55, suggesting that respondents think the organization prioritizes regular reviews.

Furthermore, "Increased operational efficiency leads to better overall performance" received a score of 4.49, confirming the idea that improving organizational performance requires efficiency. "Management invests in initiatives aimed at enhancing operational efficiency" has a significantly lower mean of 4.37, indicating that although efficiency investment is recognized, there may be space for improvement. The standard deviations, which fall between .486 and .502, show that individuals generally agreed with these statements. According to these figures, the organization's members strongly agree that operational efficiency is important and that it is a major factor in effectiveness and performance.

Table 7- Descriptive Statistics for a variable risk Management

	N	Mean	Std. Deviation
Our organization has a robust risk management framework in place.	118	4.57	.497
Effective risk management contributes to our overall performance.	118	4.46	.517
We regularly assess risks that could impact our organizational goals.	118	4.58	.495
Management considers risk management in strategic planning.	118	4.53	.518
Our performance improves when we proactively manage potential risks.	118	4.35	.545
Valid N (listwise)	118		

Source: own survey result, 2025

Descriptive statistics for statements about an organization's risk management procedures are shown in the table. These statistics are based on responses from 118 participants. With values ranging from 4.35 to 4.58, the mean ratings show that the organization's risk management framework is generally viewed favorably. With the highest mean score of 4.58, the statement "We regularly assess risks that could impact our organizational goals" demonstrated that respondents strongly agreed that ongoing risk assessment is crucial to preserving corporate goals. Following closely behind, the statement "Our organization has a robust risk management framework in place" had a mean score of 4.57, indicating that participants think the current framework is strong and effective.

With a favorable score of 4.53, the statement "Management considers risk management in strategic planning" also demonstrated how risk considerations are incorporated into more comprehensive organizational strategies. "Effective risk management contributes to our overall performance" received a mean score of 4.46, which supports the notion that improving overall performance is mostly dependent on effective risk management. The influence of proactive risk management on performance had the lowest mean score (4.35), indicating that although this is acknowledged, there might be room for improvement. The standard deviations, which fall between .495 and .545, show that participants generally agreed with these statements.

Table 8- Descriptive Statistics of Organizational performance

	N	Mean	Std. Deviation
Overall, our organization meets its performance objectives effectively.	118	4.38	.569
The quality of our products/services positively impacts our organizational performance.	118	4.46	.517
Employee engagement contributes significantly to our organizational performance.	118	4.58	.495
Our organization adapts well to changes in the market, enhancing performance.	118	4.35	.545
Financial performance metrics (e.g., profit margins, revenue growth) reflect our overall organizational success.	118	4.35	.545
Valid N (listwise)	118		

Source: own survey result, 2025

Descriptive statistics for statements about overall organizational performance are shown in the table. These statistics are based on responses from 118 participants. The average scores, which range from 4.35 to 4.58, show a generally favorable evaluation of the many performance-related factors. The statement "Employee engagement contributes significantly to our organizational performance" had the highest mean score of 4.58, indicating that respondents strongly agreed that engaged employees are essential to achieving performance goals. In order to accomplish organizational objectives, it is crucial to cultivate a motivated workforce. The statement "The quality of our products/services positively impacts our organizational performance" came in second, with a mean score of 4.46, suggesting that respondents are aware of the positive relationship between overall performance and the quality of their products or services. This emphasizes the significance of keeping high

Although meeting goals and adaptability are seen favorably, there may be space for improvement in these areas, as indicated by the slightly lower mean scores for "Overall, our organization meets its performance objectives effectively" and "Our organization adapts well to changes in the market, enhancing performance" (4.38 and 4.35, respectively). A mean score of 4.35 was also given to the

statement about financial performance measures, indicating the perception that financial indicators are a reliable indication of organizational success. The standard deviations, which range from .495 to .569, show that individuals generally agreed with these statements. Overall, these figures indicate that the company's performance is seen favorably, with particular attention paid to the significance of employee engagement and the caliber of its goods and services.

4.4.1. Comparing organizational performance of state owned and privately owned Banks in Ethiopia

4.4.1.1. Organizational performance of state owned banks (Commercial Bank of Ethiopia)

The researcher collected financial reports from the four banks and discussed the comparison of the organizational performance of each bank below. The comparison was made based on the financial reports collected from the bank. In this research, the researcher used the year 2022-2023 financial reports to come up with the brief comparative of organizational performance of state owned and privately owned banks in the country. In comparison to the prior year, the Commercial Bank of Ethiopia's consolidated statements of profit or loss and other comprehensive income show strong financial performance for the fiscal years ending June 30, 2022, and June 30, 2023. Due to strong lending practices and efficient interest expense management, the bank's net interest revenue increased significantly. The bank is aggressively managing possible defaults in its loan portfolio, though, as evidenced by the increase in impairment losses, which points to a conservative attitude to credit risk possibly brought on by economic uncertainty.

The year's profit also demonstrated an upward trend, indicating successful cost-cutting and operational efficiency initiatives. Furthermore, the impact of currency fluctuations on the bank's overall financial condition is demonstrated by the inclusion of other comprehensive income, namely foreign currency translation adjustments. All things considered, the bank's overall comprehensive revenue shows its tenacity and capacity to create wealth in spite of economic difficulties. The Commercial Bank of Ethiopia is well-positioned for future expansion and sustainability because to its financial success.

Respondents were asked why state-owned banks has a very large profit compared to privately owned banks included in the study and their response was organized as follows.

Due to a number of interrelated circumstances, state-owned banks in Ethiopia frequently do better financially than privately held banks. First and foremost, state-owned banks get robust government assistance, such as capital infusions and guarantees, which improve their stability and permit more aggressive lending policies. They have an advantage due to their increased market share since they can take advantage of economies of scale through their well-established client bases and branch networks, which raises loan volumes and deposit levels. The profitability of state-owned banks is further increased by the possibility that they may receive preferential regulatory treatment, such as reduced reserve requirements or advantageous lending terms. Because these banks frequently support national development goals, they are able to take part in initiatives that can yield smaller short-term gains but larger long-term gains, which promotes stability and social responsibility.

Furthermore, state-owned banks can offer lower interest rates on loans since they usually have access to less expensive funding sources, such as deposits from government agencies. Compared to privately held banks, which are typically more risk adverse, their government support enables a greater readiness to undertake higher-risk loans, which could result in bigger returns. Last but not least, state banks' reputation for political stability may attract deposits and investments, strengthening their financial results. Although these benefits help state-owned banks dominate the market, they can also eventually result in problems and inefficiencies including less competition and innovation in the banking industry.

Table 9- Profit of selected privately owned banks and state owned banks in the year 2022 and 2023

Year	Bank of Abyssinia	Awash Bank	Zemen Bank	Commercial bank of Ethiopia
2022	3,516,622	5,401,862	1,518,437	16,129,354,430
2023	3,869,598	7,056,214	1,907,187	17,129,354,430

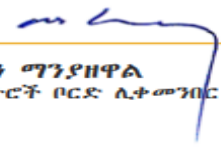
Source: owned survey result, 2025, from banks

The information supplied shows the financial results of four Ethiopian banks in 2022 and 2023: the Commercial Bank of Ethiopia, Zemen Bank, Awash Bank, and Bank of Abyssinia. With a total of almost 16.13 billion Ethiopian Birr in 2022, the Commercial Bank of Ethiopia took the lead and demonstrated its dominance in the market. Awash Bank came in second with about 5.4 billion Birr, while Zemen Bank and Bank of Abyssinia had figures of roughly 1.52 and 3.52 billion Birr,

respectively. All banks showed discernible growth in 2023. With a little increase to over 17.13 billion Birr, the Commercial Bank of Ethiopia kept its position as the leading bank. With a notable increase to over 7.06 billion Birr, Awash Bank demonstrated a solid performance and growing market share. As evidence of improving trends, Bank of Abyssinia also raised its numbers to around 3.87 billion Birr, while Zemen Bank expanded to about 1.91 billion Birr. All things considered, the data points to a sound growth trajectory for Ethiopia's banking industry, with the Commercial Bank of Ethiopia maintaining its dominant position. More competition and a more dynamic financial environment are indicated by the rise of privately held banks like Awash Bank and Zemen Bank, which may result in improved services.

አቢሲንያ ባንክ
የትርፍና ኪሳራ እና ሌሎች ገቢዎች መግለጫ
ሰኔ 23 ቀን 2015 ዓ.ም ላለቀው አመት

	ግብራሪያ	ሰኔ 23, 2015 ብር*000	ሰኔ 23, 2014 ብር*000
ከወለድ የተገኘ ገቢ	5	20,964,626	14,351,498
ሲቀነስ:- የወለድ ወጪ	6	(6,140,426)	(4,231,929)
የተጣራ የወለድ ገቢ		14,824,200	10,119,569
ከውጪ ሀገር ገንዘብ ምንዛሬ ተመን ለውጥ የተገኘ ትርፍ	7	(223,562)	(774,203)
ከአገልግሎት ገቢ		687,708	1,942,401
ከኮሚሽን ገቢ	8	731,755	974,914
የተጣራ የአገልግሎትና ኮሚሽን ገቢ		1,195,901	2,143,112
ከትርፍ ክፍፍል ገቢ	9	52,915	8,030
ከልዩ ልዩ ገቢ	10	514,764	212,959
		567,679	220,989
አጠቃላይ መደበኛ ገቢ		16,587,780	12,483,670
ሉብድር የተያዘ መጠባበቂያ	11	(960,372)	(629,802)
ለሌሎች ሀብቶች የተያዘ መጠባበቂያ	12	(107)	(12,556)
የተጣራ መደበኛ ገቢ		15,627,301	11,841,312
ለሠራተኞች ደመወዝና ጥቅማ ጥቅሞች	13	(7,434,250)	(4,389,301)
ሀልዎት ለሌላው (Intangible) ሀብት የማቋቋሚያ ወጪ	21	(63,531)	(46,562)
የቋሚ ሀብት እርጅና ተቀናሽ	23	(432,596)	(313,063)
የኢንቨስትመንት ሀብት እርጅና ተቀናሽ	20	(234)	(234)
የቤት ኪራይ ወጪ	22	(647,425)	(536,186)
ከቤት ኪራይ ጋር የተያያዘ የወለድ ወጪ	22	(17,253)	(18,897)
ሌሎች መደበኛ ወጪዎች	14	(1,801,986)	(1,882,523)
ትርፍ - ከትርፍ ግብር በፊት		5,230,027	4,654,545
ሲቀነስ:- የትርፍ ግብር መጠባበቂያ	15	(1,357,194)	(1,418,721)
ትርፍ - ከትርፍ ግብር በኋላ		3,872,832	3,235,824
ሌሎች ገቢዎች ከትርፍ ግብር በኋላ			
በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/			
በጠረታ ጊዜ ለሰራተኞች ሊከፈል የሚችል ጥቅማጥቅም	26	1,773	(67,021)
ወደፊት ሊከፈል የሚችል የትርፍ ግብር	32	(5,008)	347,819
አጠቃላይ በትርፍና ኪሳራ መዝገብ የማይካተቱ ገቢዎች/ወጪዎች/		(3,234)	280,798
የአመቱ አጠቃላይ የተጣራ ገቢ		3,869,598	3,516,622
እያንዳንዱ አክሲዮን ያስገኘው ትርፍ	28	39%	57%


መኮንን ማንያዘዋል
የዲሬክተሮች ቦርድ ሊቀመንበር


በቃሉ ዘለቀ
ዋና ሥራ አስፈጻሚ

Figure 4- BOA Financial Statement

Awash Bank S.C.
Financial Statements
For the year ended 30 June 2023
Statement of Profit or Loss and Other Comprehensive Income



	Notes	30 June 2023 ETB'000	30 June 2022 ETB'000
Interest income	5	21,934,382	14,159,649
Interest expense	6	(6,061,492)	(4,376,829)
Net interest income		15,872,890	9,782,820
Fees and commission income	7	5,605,013	4,961,459
Other operating income	8	1,249,048	1,513,673
Total operating income		22,726,951	16,257,952
Loss Allowances on Financial Assets	9, 10 & 11	(242,916)	(860,434)
Net operating income		22,484,035	15,397,518
Share of profit from associate	18	12,140	8,613
Total income		22,496,175	15,406,131
Personnel expenses	12	(9,093,592)	(5,677,133)
Amortisation of intangible assets	21	(45,247)	(34,944)
Depreciation and impairment of property and equipment	22	(447,959)	(334,501)
Interest expense on lease liability	20	(60,332)	(36,613)
Amortisation of Right of Use Asset	20	(553,086)	(400,961)
Other operating expenses	13	(2,545,445)	(1,468,828)
Profit before tax		9,750,514	7,453,151
Taxation	14	(2,756,954)	(2,111,920)
Profit after tax		6,993,561	5,341,231
Other comprehensive income (OCI) net of income tax			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Re-measurement gain/(loss) on retirement benefits obligations	26	(90,853)	(7,651)
Deferred tax (liability)/asset on remeasurement gain or loss	14	27,256	2,295
Re-measurement gain/(loss) on retirement benefits obligations (Net)		(63,597)	(5,356)
Fair value through other comprehensive income financial assets : - Unrealized gain arising from measurement at fair value-Equity Instruments		146,366	79,313
Deferred tax (liability)/asset on remeasurement gain or loss		(20,116)	(13,326)
Total comprehensive income for the period		7,056,214	5,401,862
Basic & diluted earnings per share (ETB)	29	577	570



The accompanying notes are an integral part of these financial statements.

Figure 5- Awash Financial Statement

ZEMEN BANK S.C.
**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE PERIOD ENDED 30 JUNE 2023(In Ethiopian Birr)

	Notes	30 June 2023 ETB'000	30 June 2022 ETB'000
Interest income	5	3,996,963	2,433,361
Interest expense	6	(1,366,195)	(938,259)
Net interest income		2,630,768	1,495,102
Fee and commission income	7	1,324,450	1,158,174
Fee and commission expense	7	(17,300)	(2,697)
Net fees and commission income		1,307,150	1,155,477
Other operating income	8	421,981	519,572
Total operating income		4,359,900	3,170,151
Loan impairment charge	9	(141,725)	(61,284)
Impairment losses on other assets	10	(237)	(1,921)
Net operating income		4,217,937	3,106,946
Personnel expenses	11	(954,293)	(649,461)
Amortisation and impairment of intangible assets	19	(32,224)	(24,713)
Depreciation and impairment of property, plant and equipment	20	(81,119)	(44,685)
Other operating expenses	12	(649,261)	(368,597)
Profit before taxation		2,501,041	2,019,491
Income tax expense	13a	(687,927)	(543,219)
Profit after taxation		1,813,114	1,476,272
Other comprehensive income (OCI)			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on retirement benefits obligations	26	(18,127)	(5,032)
Deferred tax (liability)/asset on remeasurement gain or loss	13	5,438	1,510
Remeasurement fair value gain/(loss) on equity investments	16	152,518	65,267
Deferred tax (liability)/asset on remeasurement gain or loss	13	(45,755)	(19,580)
		94,074	42,165
Total comprehensive income for the year		1,907,187	1,518,437
Basic and diluted earnings per share	28	430	455

The accounting policies on pages 42 to 66, and the notes on pages 67 to 120, form an integral part of the financial statements.

Figure 6- Zemen Financial Statement

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023 (IN ETHIOPIAN BIRR)

		For the Year Ended 30 June	
		2023	2022
	Notes		
Interest income	7	87,823,861,178	82,180,599,187
Interest expense	7	(45,674,380,732)	(38,713,921,403)
Net interest income		42,149,480,446	43,466,677,784
Impairment losses on financial instruments	10 & 11	(7,995,398,404)	(25,735,663,935)
Net interest income after provisions		34,154,082,042	17,731,013,850
Gain/loss on foreign currency transactions		3,309,314,832	3,695,683,736
Equity investments in associates	14	47,052,414	43,536,142
Non-interest income	8	27,736,755,393	32,077,541,394
Non-interest expense	8	(43,137,140,535)	(31,727,179,518)
Profit before tax		22,110,064,145	21,820,595,603
Income tax	25	(4,673,432,346)	(5,327,844,443)
Profit for the year		17,436,631,798	16,492,751,161
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	24	(184,982,370)	(679,867,759)
Related tax	25	55,494,711	203,960,328
- Unrealized (loss)/gain arising from measurement at fair value	25 & 34	154,836,399	122,860,391
Related tax	25	(46,450,920)	(36,858,117)
		(21,102,180)	(389,905,158)
<i>Items that are or may be reclassified to profit or loss:</i>			
<i>financial assets</i>			
Foreign currency translation differences for foreign operations		1,269,859	26,508,427
		1,269,859	26,508,427
Other comprehensive income, net of tax		(19,832,320)	(363,396,731)
Total comprehensive income		17,416,799,478	16,129,354,430

The accompanying notes are an integral part of these consolidated financial statements.

Board Chairperson

President

Figure 7- CBE Financial Statement

4.5. Inferential Analysis

4.5.1. Correlation Analysis

Correlations are the measure of the linear relationship between the variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship. As described by Andy (2006), the correlation is a commonly used measure of the size of an effect: values of ± 0.1 represent a small effect, ± 0.3 is a medium effect and ± 0.5 is a large effect. Correlation analysis does show the relationship between the variables of interest, hence to answer the proposed research questions the following correlation analysis is undertaken by the researcher.

Table 10- Correlations Table

		ROIT	ROAT	CRT	OET	RMT	OPT
ROIT	Pearson Correlation	1	.696**	.666**	.490**	.383**	.580**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	118	118	118	118	118	118
ROAT	Pearson Correlation	.696**	1	.781**	.332**	.799**	.763**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	118	118	118	118	118	118
CRT	Pearson Correlation	.666**	.781**	1	.219*	.633**	.504**
	Sig. (2-tailed)	.000	.000		.017	.000	.000
	N	118	118	118	118	118	118
OET	Pearson Correlation	.490**	.332**	.219*	1	.210*	.265**
	Sig. (2-tailed)	.000	.000	.017		.023	.004
	N	118	118	118	118	118	118
RMT	Pearson Correlation	.383**	.799**	.633**	.210*	1	.458**
	Sig. (2-tailed)	.000	.000	.000	.023		.000
	N	118	118	118	118	118	118
OPT	Pearson Correlation	.580**	.763**	.504**	.265**	.458**	1
	Sig. (2-tailed)	.000	.000	.000	.004	.000	
	N	118	118	118	118	118	118

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: own survey result, 2025

4.5. The Relationship between the studying variables

Operational Efficiency (OET), Risk Management, Return on Investment in Training (ROIT), Return on Assets (ROAT), and Customer Retention (CRT) are among the independent factors that have significant associations with the dependent variable, Overall Performance (OPT), according to the correlations table. ROIT and OPT show a moderate to significant association ($r = 0.580$, $p < 0.001$), suggesting that companies who engage in training typically see increases in overall performance. This shows that good training programs improve workers' abilities and competencies, which eventually improves organizational results.

On the other hand, ROAT and OPT have a very strong association ($r = 0.763$, $p < 0.001$), suggesting that improved organizational performance is a direct result of efficient asset management. Businesses that make the most of their assets are probably going to achieve better outcomes. Additionally, there is a substantial association between customer retention and OPT ($r = 0.504$, $p < 0.001$), highlighting the significance of preserving client loyalty as a factor in corporate success. Operational Efficiency (OET) and OPT have a weaker correlation than the other variables ($r = 0.265$, $p = 0.004$), indicating that although OET influences performance, it might not have as much of an immediate effect as customer retention, asset management, or training.

Furthermore, there is a moderate association between OPT and Risk Management Techniques (RMT) ($r = 0.458$, $p < 0.001$), which supports the idea that successful risk management procedures are critical to organizational performance. Overall, these results show that ROAT and ROIT have the strongest correlations with overall performance, even if other independent variables have a positive correlation. This emphasizes how crucial investments in training and efficient asset management are to improving organizational performance. While operational efficiency is important, it seems to have a somewhat weaker relationship with customer retention, and risk management strategies are helpful, highlighting the necessity of an all-encompassing strategy for attaining organizational success.

4.6. Tests of Assumptions of Regression Analysis

Field (2009) states that it is useful to draw conclusions about the population being studied and that it is crucial to verify fundamental assumptions while doing a linear regression. In this context, the residuals variables' homoscedasticity and multilinearity were examined for normalcy, with the following findings.

4.5.1. Multicollinearity Test

The variance inflation factor (VIF), which measures the degree of multicollinearity in regression analysis, is used in this work to test for multicollinearity. The VIF factor should preferably be near one and not more than ten. Multicollinearity does not exist, as the table below demonstrates. The degree to which the other independent variables in the model are unable to account for the variability of the designated independent variable is indicated by tolerance. An extremely tiny value (less than 0.10) suggests the likelihood of multicollinearity because it shows a high multiple correlation with other variables. According to Collinearity Statistics, the table below verifies that multicollinearity does not exist. The tolerance is above 0.1 and the VIF factor did not surpass 10, indicating that there is no multicollinearity problem.

Table 11- Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.660	2.098		1.744	.054		
	ROIT	.046	.130	.034	.354	.024	.324	3.089
	ROAT	.544	.164	.259	.398	.000	.166	6.015
	CRT	.256	.100	.240	.552	.012	.338	2.963
	OET	.046	.088	.033	.518	.005	.725	1.380
	RMT	.454	.114	.403	.995	.000	.294	3.403

a. Dependent Variable: OPT

Source: own survey result, 2025

The result shows that the tolerance value for each independent variable is (0.324, 0.166, 0.338, 0.725 and 0.294) respectively. Which is not less than 0.10; therefore, multi Co linearity assumption is not violated. This is also supported by the VIF value, which is 3.089, 6.015, and 2.963, 1.380 and 3.403 which is well below the cut-off 10 as shown in the coefficient table.

4.5.2. Auto-correlation Test

The Durbin-Watson test was performed to ascertain the autocorrelation between observations. The value of the Durbin-Watson statistic is between 0 and 4. Non-autocorrelation is indicated by a number close to 2, positive autocorrelation is shown by a value close to 0, and negative

autocorrelation is indicated by a value close to 4. Since the Durbin Watson value is around 2, at 2.215, it may be said that the assumption of independent error has most likely been satisfied.

Table 12- Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.816 ^a	.666	.651	.777	.666	44.613	5	112	.000	2.215

a. Predictors: (Constant), RMT, OET, ROIT, CRT, ROAT

b. Dependent Variable: OPT

Source: own survey result, 2025

4.5.3. Normality Test

According to Field (2009), the assumption of normalcy is crucial when employing regression in research and aids in extrapolating the analysis's findings outside of the sample. Therefore, using a P–P plot (probability–probability plot) to determine whether a distribution is normal is one of the many methods to verify the normality assumptions for linear regression analysis. Therefore, the researcher also uses a bivariate P-P plot to verify for the residuals' normality in order to validate these assumptions. A normal distribution is represented by the straight line in this plot, while the observed residuals are represented by the spots. All points will therefore lie on the line in a data collection that is fully normally distributed (Field, 2009). As a result, we can presume that the model is accurate and likely to generalize to the population because the assumptions of simple linear regression have been satisfied. The study employed both numerical and pictorial approaches to evaluate normality: Skewness and Kurtosis and the Normal Probability Plot (P-P) graph.

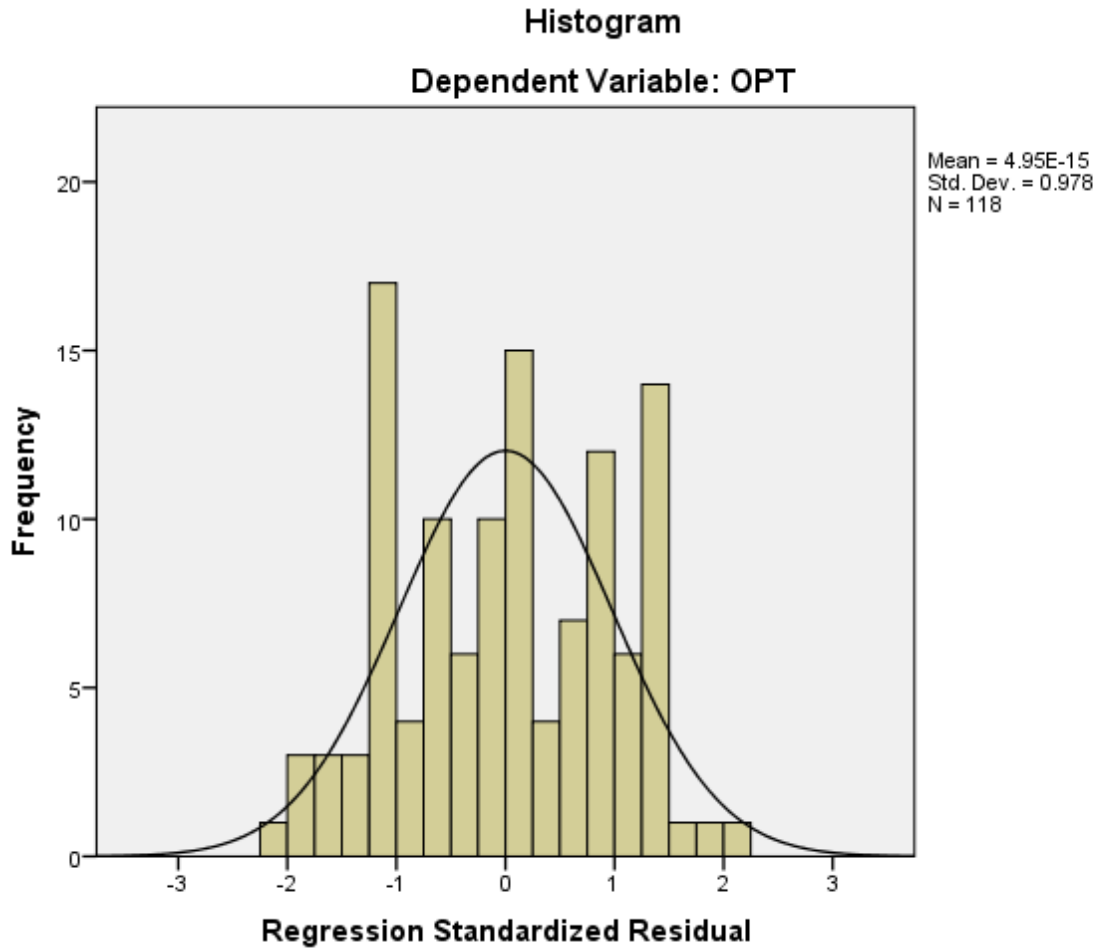


Figure 8- Histogram, Normality test Source:-Own survey result, 2025

The frequency of distribution is a normal curve, as seen in the above image, proving that the data support the normality assumption. Additionally, the bell-shaped histogram suggests that the residuals (errors or disturbances) are regularly distributed. As a result, the regularly distributed error term assumption is not broken. As seen in the normal p-plot picture, the normality assumption was also tested using the normal probability plots. The data were regularly distributed and in accordance with the normal distribution assumption, as seen by the residuals being normally distributed around their mean of zero. The normalcy assumption was validated by the p-plot figures.

Normal P-P Plot of Regression Standardized Residual

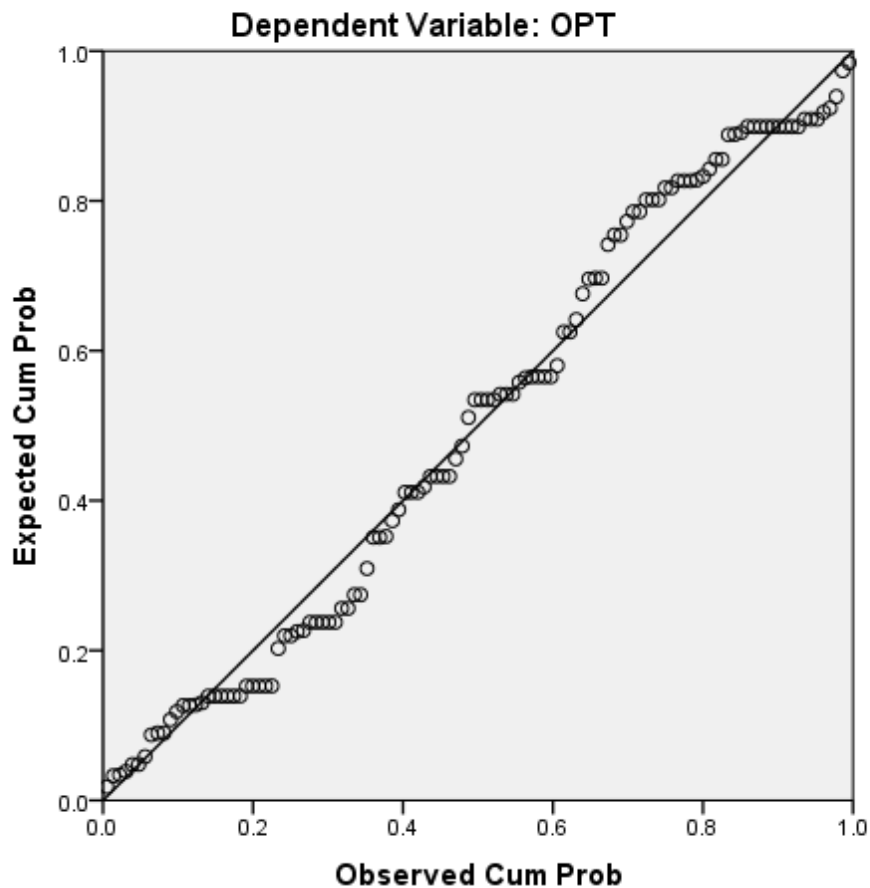


Figure 9- Normality P-P plot Source: - Own survey result, 2025

4.5.4. Homoscedasticity

The degree to which the variances of the data values for the independent and dependent variables are equal is known as homoscedasticity (Field 2009). The variance of the residual terms should be constant at every level of the predictor variables. This simply indicates that the residuals at every predictor level should have the same variance; thus, it is beneficial to verify this assumption for the regression model's fitness. According to Field (2009), the researcher plots the standardized residuals, or errors (ZRESID), on the Y axis, and the standardized predicted values of the dependent variable based on the model (ZPRED) on the X axis in order to plot the homoscedasticity analysis. The outcome is shown as follows.

According to Field (2009), if the requirement of homoscedasticity is to be satisfied, the graph of *ZRESID and *ZPRED should resemble a random array of dots uniformly distributed about zero. Similarly, as we can see in the image below, the points are uniformly and randomly distributed

across the plot, and this cloud of dots, which is arranged around zero, lacks any clear outliers. Garson (2012) asserts that homoscedasticity aids in determining if the relationship being studied is consistent across the dependent variable's whole range, and that a lack of homoscedasticity is manifested by larger errors (residuals) for certain range segments that are visible on the scatter plot.

At every value of the dependent variable, the independent variable scores should vary similarly. Along its length, the scatter plot ought to display a reasonably uniform rectangular shape. Both positive and negative values must be represented by scores below and above 0 points in the plot. Prior to doing a multiple regression analysis, it is necessary to ensure that the residuals have constant variance and that homoscedasticity the difference between the values of the observed and predicted dependent variable is normally distributed (Burns & Burns, 2008). if heteroscedasticity a violation of the assumption of homoscedasticity occurs. The graph has shown the study's homoscedasticity because the mistakes (the dots) are near the line.

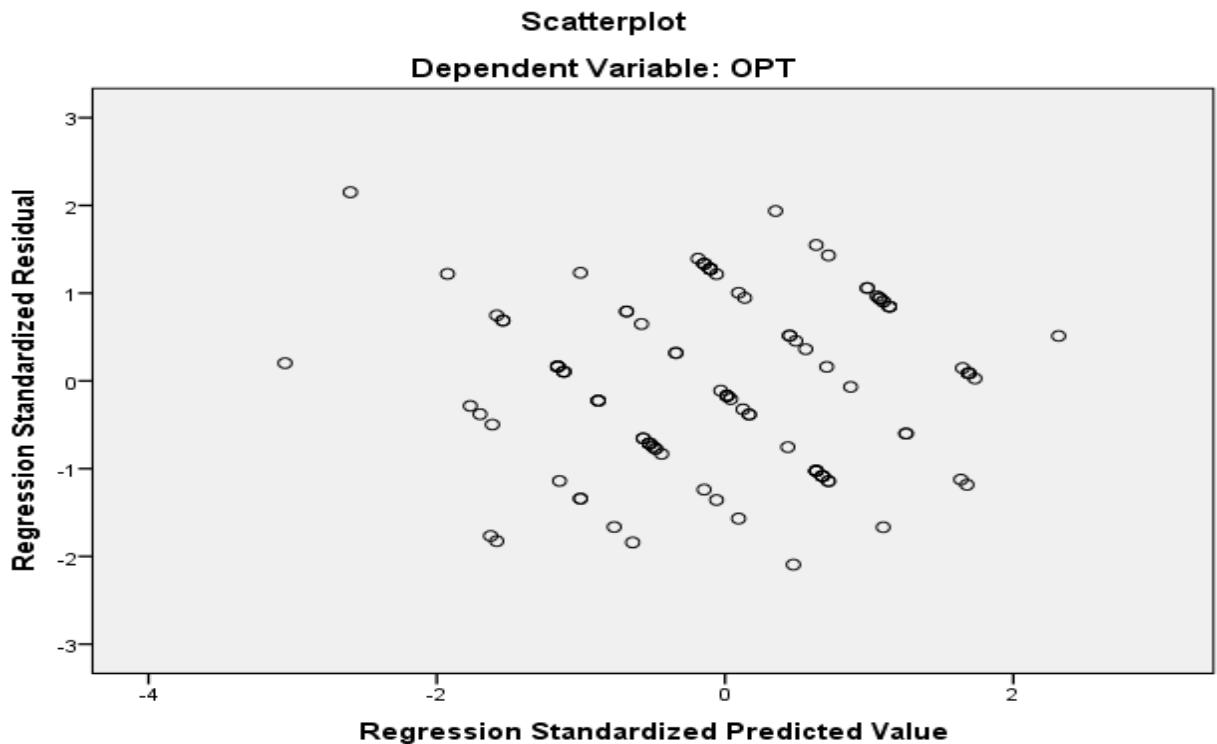


Figure 10- P-Plot Tests

Source: own survey result, 2025

4.6. Multiple Regressions

The researcher then looked at the impact of factors influencing banks' organizational performance once the study satisfied the regression assumptions. Based on the regression analysis, the researcher investigated the five hypotheses that were initially planned.

Table 13- Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.816 ^a	.666	.651	.777	.666	44.613	5	112	.000	2.215

a. Predictors: (Constant), RMT, OET, ROIT, CRT, ROAT

b. Dependent Variable: OPT

Source: own survey result, 2025

Table 14- ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	134.705	5	26.941	44.613	.000 ^b
	Residual	67.634	112	.604		
	Total	202.339	117			

a. Dependent Variable: OPT

b. Predictors: (Constant), RMT, OET, ROIT, CRT, ROAT

Table 15- Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.660	2.098		1.744	.054		
	ROIT	.046	.130	.034	.354	.024	.324	3.089
	ROAT	.544	.164	.259	.398	.000	.166	6.015
	CRT	.256	.100	.240	.552	.012	.338	2.963
	OET	.046	.088	.033	.518	.005	.725	1.380

	RMT	.454	.114	.403	.995	.000	.294	3.403
--	-----	------	------	------	------	------	------	-------

a. Dependent Variable: OPT

Source: own survey result, 2025

There is a positive and statistically significant influence, according to the results of the regression analysis of the independent factors on the dependent variable, organizational performance. The table that summarizes the model. The four independent variables' variance accounts for 65.1% of organizational performance, with the remaining 34.9% coming from random error and additional independent factors not included in the model, according to the adjusted R-square value of 0.651. As a result, the dependent and independent variables have a somewhat strong association. The independent variables' beta values are displayed in the reward dimensions coefficient table. This yields the regression equation, which is as follows:

Regression Equation

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5$$

$$Y = 3.660 + 0.046ROIT + 0.544ROAT + 0.256CRT + 0.046OET + 0.454RMT$$

4.7. Multiple Linear Regression Equation Interpretation

The findings of the regression analysis shed light on the connections between the dependent variable, overall performance, and the independent variables, return on investment, return on assets, customer retention, operational efficiency, and risk management techniques. The baseline level of Organizational performance when all independent variables are zero is indicated by the constant term, which is 3.660. With an unstandardized coefficient of 0.544 ($p < 0.001$), Return on Asset is the independent variable that significantly positively affects Organizational performance. This means that, when all other variables are held constant, Organizational performance rises by 0.544 units for every unit increase in return on asset. This implies that improved overall performance is closely linked to increased returns on assets. With a coefficient of 0.256 ($p = 0.012$), customer retention likewise shows a strong positive correlation with Organizational performance, suggesting that higher performance results are correlated with better customer retention. The coefficients for operational efficiency and return on investment, however, are 0.046 and 0.046, respectively, and neither is statistically significant at the traditional levels, indicating that these variables do not significantly affect organizational performance in this model. Additionally, with a coefficient of 0.454 ($p < 0.001$), Risk management has a strong positive effect on Organizational

performance, suggesting that good risk management practices significantly improve overall performance.

According to collinearity statistics, multicollinearity is not an issue in this analysis because all of the variables' Variance Inflation Factor (VIF) values fall below the 10-point threshold. Overall, the results show that return on asset, Customer retention, and risk management are crucial for boosting overall performance, although Return on investment and Organizational efficiency seem to have little bearing on this.

4.8. Hypothesis Testing Results

I assessed the hypothesis about the connections between the independent factors and organizational performance based on the findings of the coefficients table. According to Hypothesis 1 (H1), Return on Investment and organizational performance are positively and significantly correlated. Nevertheless, the findings showed a p-value of 0.324 and a coefficient of 0.046, which led to the conclusion that this hypothesis is not supported because the p-value is higher than the typical cutoff of 0.05.

The second hypothesis (H2) proposed that Return on Assets and organizational performance were positively and significantly correlated. A p-value of 0.000 and a coefficient of 0.544, which show a high positive correlation, support this hypothesis.

Likewise, there is support for Hypothesis 3 (H3), which postulated a strong and favorable correlation between organizational performance and Customer Retention. A substantial positive link is suggested by the p-value of 0.012 and the coefficient of 0.256. It also supports Hypothesis 4 (H4), which claimed that there was a strong and positive correlation between organizational success and operational efficiency. The results show that operational efficiency has a significant impact on organizational performance, with a p-value of 0.005 and a coefficient of 0.046. Last but not least, Hypothesis 5 (H5) suggested a strong and favorable correlation between organizational performance and Risk Management Techniques. With a p-value of 0.000 and a coefficient of 0.454, which show a strong positive correlation, this hypothesis is validated.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1. Introduction

A summary of the main findings, conclusions, and suggestions are covered in this chapter. The study's primary goal was to compare the performance of state-owned and private banks in terms of ownership and organizational performance. In order to accomplish the study's goal, pertinent literature was examined, and teachers who were actively employed at the school completed questionnaires and interviews that yielded both quantitative and qualitative data. The statistical package for social science (SPSS 26) version was used to display, analyze, interpret, and discuss the data gathered from the questionnaire. As a result, the investigation led to the following results, conclusions, and suggestions for the government and construction industry.

5.2. Summary of Findings

- This thesis carries out comparative organizational performance of state-owned versus private banks, with a specific focus on the influence of ownership structure. Applying a mixed-methods approach, combining quantitative financial data analysis with case studies, the research explores performance measures: profitability, efficiency, risk management, and corporate governance. Private banks are profitable according to the study, yet bank age does play a major role, and state-owned banks tend to be older overall. Surprisingly, state-owned banks proved to be more stable under periods of economic downturn. Other studies examine the cause of the variance in the performance, such as the regulation, different strategic objectives, and various pressures on the market. The research concludes that ownership structure is a major determinant of bank performance, with significant implications for managerial strategy and regulatory policy. The findings are informative for policymakers seeking to optimize the performance of the banking sector, particularly in the appreciation of the relationship between ownership, age, and stability.

- According to the descriptive statistics, the 118 participants had a generally good opinion on the significance of operational efficiency, risk management, customer retention, return on assets, return on investment, and organizational performance. Respondents strongly agreed that investments with higher return on investment have a substantial impact on organizational growth, as evidenced by the highest mean score of 4.58. Return on Asset was also seen favorably, with a mean score of 4.58 for the statement that linked increased operational success to higher Return on asset, highlighting its significance for financial evaluations.
- With a mean score of 4.58 for the customer retention statement, the data showed that high retention rates had a beneficial impact on financial outcomes. In order to strengthen its position in the market, participants also recognized the organization's emphasis on customer retention tactics. With the highest mean score of 4.58 in operational efficiency, respondents strongly agreed that streamlined procedures increase organizational effectiveness.
- The results of the risk management survey indicated that participants had a mean score of 4.58 for the regular evaluation of risks affecting organizational objectives, indicating that they believe their organization's risk management framework is effective. Lastly, the statement addressing the impact of employee engagement to performance obtained the highest mean score of 4.58 when assessing overall organizational performance, emphasizing its crucial significance in accomplishing goals. The low standard deviations for each measure taken together indicate that respondents generally believe that these elements are crucial for achieving organizational success.
- According to the correlations table, there are noteworthy connections between the dependent variable, overall performance, and the independent variables, return on investment in training, return on assets, customer retention, operational efficiency, and risk management techniques. Interestingly, there is a moderate to significant association between Return on investment and Organizational performance ($r = 0.580$, $p < 0.001$), suggesting that companies that engage in training see increases in overall performance. This implies that successful training initiatives improve worker abilities and skills, which eventually improves organizational results.

- On the other hand, Return on asset and Organizational performance show a strong association ($r = 0.763$, $p < 0.001$), highlighting the clear connection between improved performance outcomes and effective asset management. Businesses that make the most of their resources are probably going to succeed more. Furthermore, there is a strong association between Organizational performance and customer retention ($r = 0.504$, $p < 0.001$), indicating how crucial retaining customers is to a business's success.
- The association between Organizational efficiency and Organizational performance is smaller ($r = 0.265$, $p = 0.004$), indicating that although Organizational efficiency affects performance, it may not have as much of an immediate impact as training, asset management, or customer retention. Additionally, there is a moderate link between risk management and Organizational efficiency ($r = 0.458$, $p < 0.001$), which supports the idea that improving organizational performance requires good risk management techniques.
- The findings of the regression analysis show a strong correlation between the dependent variable, overall performance, and the independent variables, operational efficiency, customer retention, return on assets, return on investment in training, and risk management techniques. According to the model summary, the Adjusted R-square value is 0.651, which means that these independent variables account for about 65.1% of the variance in organizational performance, with other factors not included in the model accounting for the remaining 34.9%.
- A coefficient of 0.544 ($p < 0.001$) indicates that return on asset has a strong positive effect on OPT, making it stand out among the independent variables. This suggests that greater overall performance is closely associated with gains in asset returns. Additionally, Customer retention demonstrates a positive correlation with a coefficient of 0.256 ($p = 0.012$), emphasizing how crucial customer retention is to improving performance results. However, neither Return on investment nor Organizational efficiency is statistically significant, despite having coefficients of 0.046 each, suggesting that they have no discernible effect on organizational performance in this situation.
- Risk management also shows a considerable positive effect, with a coefficient of 0.454 ($p < 0.001$), highlighting the importance of good risk management techniques in raising overall performance. The analysis also demonstrates that multicollinearity is not an issue because all Variance Inflation Factor (VIF) values fall below the 10-point threshold. While

Return on investment and Organizational efficiency seem to have less of an impact in this model, the results generally highlight the crucial roles that Return on asset, Customer retention , and Risk management play in influencing organizational success.

5.3. Conclusion

In the case of the three banks i.e Commercial Bank of Ethiopia, Zemen Bank, Awash Bank, and Bank of Abyssinia. , the study was carried out to investigate the comparative study on ownership and organizational performance of state owned and privately owned banks. Thus, based on the findings summarized, the following conclusions were reached. Ownership structure plays a significant role in organizational performance in banks. While older and more market- and regulatory-constrained private banks are more profitable and efficient, motivated by market forces and shareholder pressures, state-owned banks are accompanied by higher priorities on stability and broader social goals, particularly during periods of economic downturn. Institutional age, strategic priorities, and regulatory environments are among factors contributing to these observed differences. The findings put across the merits of subtle considerations of policy in acknowledgment of distinctive strengths and contributions of each type of ownership. Ultimately, idolizing the banking industry is all about seeking to attain a holistic balance between relying on the operational efficiency of private banks and taking advantage of state-owned banks for financial stabilization for both economic and financial stability growth. This research has proved to demonstrate that structure of ownership carries immense influence upon the performance of banks. While private banks are profitable and efficient with in short period of time, driven by shareholder and market pressures, state-owned banks are forced to prioritize stability and society as a whole during economic downturns. The distinctions that are typically seen can be explained by regulatory environments, strategic goals, and the vintage of the institutions. The findings highlight the necessity for sophisticated policy considerations that are aware of the distinctive functions and excellences of the two forms of ownership. Ultimately, reforming the banking sector requires balanced policy with the efficiency of private banks and the stabilizing influence of state banks, which fosters both financial stability and sustainable economic growth.

At improving organizational performance at a few government and commercial banks, the study emphasizes the important roles that Return on Assets, Customer Retention, and Risk Management Techniques play. According to the descriptive statistics, participants strongly agreed that these

characteristics are important, and their positive effects on organizational effectiveness are regularly reflected in mean scores.

With Return on assets exhibiting the highest association with Organizational performance, the correlations show that training expenditures, effective asset management, and customer loyalty are essential for promoting performance improvements. Despite being part of the analysis, Operational Efficiency and Return on Investment in Training had a negligible and statistically insignificant impact on performance. These results are further supported by the regression analysis, which shows that the chosen independent variables account for 65.1% of the variance in organizational performance. This emphasizes the importance of concentrating on Return on asset, Customer retention, and Risk management in order to achieve improved performance outcomes. In order to promote organizational success, the research emphasizes the significance of an all-encompassing approach that places a high priority on strong risk management procedures, client retention, and efficient asset management.

5.4. Recommendation

The following suggestions are sent to the management of the three distinct banks as well as future researchers by the researcher in light of the study's findings and conclusions.

- First, banks should put an emphasis on effective asset management procedures, with a particular emphasis on conducting frequent evaluations of asset usage and putting performance-enhancing plans into action. This guarantees that resources are employed efficiently to produce improved financial results.
- Second, banks should Build and facilitate public-private partnerships to leverage the best of both models of ownership. This can involve collaborative actions in the spheres of infrastructure financing, rural development, and financial inclusion. State-owned banks need to emphasize initiatives to enhance efficiency in operations and streamline processes. This can involve investments in technology, upgrading risk management practices, and embracing performance-based systems of management. Both private and state-owned banks should invest heavily in the digitalization of their products. They will be in a position to reach more customers, as well as reduce their cost of operations.
- Third, by funding thorough risk assessment frameworks and training initiatives, banks particularly government banks should improve their risk management procedures.

- Fourth, even though it had a weaker association with performance, increasing operational efficiency is still very important. For government banks, regular process assessments that pinpoint areas for improvement can boost output and cut expenses.

Reference

- Abdullah, M., & Tursoy, T. (2021). The impact of capital structure on firm performance: Evidence from Germany. *Journal of Business Research*, 124, 123-134.
- Ajayi, O. J., Olayiwola, A. A., & Chechet, I. O. (2019). Capital structure and firm performance: Evidence from Nigeria. *International Journal of Finance & Banking Studies*, 8(1), 1-12.
- Ang, J. S., & Ding, D. K. (2006). The performance of government-linked companies in Singapore. *Journal of Corporate Finance*, 12(3), 321-339.
- Barnerjee, A. (1997). Bureaucratization and the role of the state in developing countries. *Journal of Development Economics*, 52(1), 1-30.
- Barth, J. R., Caprio, G., & Levine, R. (2004). Bank supervision and regulation: What works best?. *Journal of Financial Intermediation*, 13(2), 205-248.
- Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2003). Financial and legal constraints to firm growth: Does size matter? *Journal of Finance*, 58(1), 137-177.
- Berhe, A. (2019). The determinants of capital structure in Ethiopian commercial banks. *Journal of Finance and Accounting*, 7(1), 1-10.
- Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. New York: Macmillan.
- Bonin, J. P., Hasan, I., & Wachtel, P. (2005). Bank performance, efficiency, and ownership in transition countries. *Journal of Banking & Finance*, 29(1), 31-53.
- Boycko, M., Shleifer, A., & Vishny, R. W. (1996). A theory of privatization. *The Economic Journal*, 106(435), 309-319.
- Carroll, M. (2000). Public property rights: A perspective on the management of common resources. *Environmental Science & Policy*, 3(1), 1-10.
- Chen, K. C. (2005). The performance of state-owned banks in an emerging market: Evidence from China. *Journal of International Financial Markets, Institutions and Money*, 15(2), 239-254.

- Cornett, M. M., Guo, L., & Khaksari, S. (2009). The impact of government ownership on bank performance: Evidence from the Asian financial crisis. *Journal of Banking & Finance*, 33(1), 67-78.
- Cornett, M. M., Marcus, A. J., & Tehranian, H. (2005). The impact of state ownership on bank performance: Evidence from the Asia-Pacific region. *Journal of Banking & Finance*, 29(1), 37-61.
- Dabi, A., & Adebayo, A. (2023). Ownership structure and corporate performance: Evidence from emerging markets. *International Journal of Emerging Markets*, 18(2), 345-367.
- Davies, S. (1971). The performance of public enterprises: A review of the evidence. *Public Administration Review*, 31(3), 243-254.
- De Castro, L. M., Figueiredo, J. B., & Lima, J. A. (1996). The impact of ownership structure on the performance of Brazilian firms. *Journal of Business Research*, 36(1), 1-12.
- Delis, M. D., & Papani Kolaou, A. (2009). Bank ownership and performance: Evidence from the European Union. *Journal of Banking & Finance*, 33(3), 557-568.
- Dewenter, K. L., & Malatesta, P. H. (2001). State-owned and privately owned firms: An empirical analysis of the performance of firms in the telecommunications industry. *Journal of Economics & Management Strategy*, 10(3), 487-511.
- Eng, L. L., & Mak, Y. T. (2003). Corporate governance and agency costs: Evidence from Singapore. *Journal of Corporate Finance*, 9(5), 569-586.
- Eshete, A., et al. (2013). Competition in the Ethiopian banking sector: Trends and characteristics. [Details of publication, if available].
- Altunbas, Y., Evans, L., & Molyneux, P. (2001). Ownership and efficiency in the banking sector: Evidence from the European Union. *Journal of Banking & Finance*, 25(4), 551-581.
- Estrin, S. (1994). The role of state-owned enterprises in the transition to a market economy. *Journal of Economic Perspectives*, 8(2), 65-84.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325.

- Farazi, S., Hesse, H., & Ize, A. (2011). The impact of bank ownership on bank performance in the MENA region. *International Monetary Fund Working Papers*.
- Figueira, J., Nellis, J. G., & Parker, D. (2009). The impact of ownership on bank efficiency in Latin America. *Journal of Banking & Finance*, 33(2), 305-314.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- García-Herrero, A., Gavilán, D., & Santamaría, J. (2009). The impact of ownership structure on bank performance in China. *Journal of Banking & Finance*, 33(1), 96-105.
- Gerschenkron, A. (1962). *Economic backwardness in historical perspective: A book of essays*. Harvard University Press.
- Habbash, M. (2010). The role of agency theory in corporate governance. *Corporate Governance: An International Review*, 18(3), 289-303.
- Haider, Z., & Zaman, K. (2013). Public vs. private banks: A comparative performance analysis in Pakistan. *International Journal of Business and Management*, 8(2), 1-10.
- Hakenes, H., & Schnabel, I. (2006). The interplay of public and private ownership in the banking sector. *Journal of Banking & Finance*, 30(9), 2453-2471.
- Hansmann, H. (2000). *The ownership of enterprise*. Harvard University Press.
- Hart, O., Shleifer, A., & Vishny, R. W. (1997). The proper scope of government: Theory and an application to prisons. *The Quarterly Journal of Economics*, 112(4), 1127-1161.
- Iwasaki, I., Ma, Y., & Mizobata, S. (2022). Organizational performance and ownership structure: Evidence from Japan. *Asian Economic Policy Review*, 17(1), 45-67.
- Kapur, S., & Gualu, T. (2012). Ownership structure and performance of Ethiopian commercial banks. [Details of publication, if available].
- Kiyota, K., Peitsch, B., & Stern, R. M. (2007). The case for financial sector liberalization in Ethiopia. Working Papers 567, Research Seminar in International Economics, University of Michigan. Retrieved from [URL if available].

- Kobeissi, N., & Sun, Y. (2010). The impact of ownership structure on bank performance in the MENA region. *International Journal of Finance and Economics*, 15(3), 275-290.
- Kole, S. R., & Mulherin, J. H. (1997). The government as a shareholder: A case study of the privatization of the U.S. Postal Service. *Journal of Law and Economics*, 40(1), 1-22.
- Kornai, J. (1992). *The socialist system: The political economy of communism*. Princeton University Press.
- La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). Government ownership of banks. *Journal of Finance*, 57(1), 265-301.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (2002). Government ownership of banks. *The Journal of Finance*, 57(1), 265-301.
- Lelisa, A. (2007). The impact of financial liberalization on the banking sector in Ethiopia. [Details of publication, if available].
- Levine, R. (2005). Finance and growth: Theory and evidence. In P. Aghion & S. Durlauf (Eds.), *Handbook of economic growth* (Vol. 1, pp. 865-934). Elsevier.
- Long, N. V. (1972). The efficiency of state-owned enterprises: An empirical study. *Journal of Economics*, 5(1), 1-25.
- Majumdar, S. K. (1998). Assessing comparative efficiency of public, private, and mixed enterprises in India: A data envelopment analysis approach. *Public Administration and Development*, 18(4), 367-380.
- Mak, Y. T., & Li, Y. (2001). Determinants of corporate ownership and performance in China. *Asia Pacific Journal of Management*, 18(4), 459-479.
- Marcia, N., & others. (2005). Comparative analysis of state-owned and privately held banks in the Far East. *Journal of Banking & Finance*, 29(1), 1-20.
- Meggison, W. L., Nash, R. C., & Van R. K. (1994). The financial and operating performance of newly privatized firms: An international empirical analysis. *Journal of Finance*, 49(2), 403-452.

- Melitz, J., & Vickers, J. (1986). The efficiency of state-owned enterprises: A survey. *Journal of Economic Literature*, 24(4), 1853-1874.
- Micco, A., Panizza, U., & Yañez, M. (2005). Bank ownership and performance. *Journal of Banking & Finance*, 29(1), 1-20.
- Micco, A., Panizza, U., & Yañez, M. (2007). Bank ownership and performance. *Journal of Banking & Finance*, 31(1), 1-21.
- Mishra, A., & others. (2013). A study of bank performance in India: A comparison of public and private sector banks. *Journal of Financial Services Research*, 44(3), 293-319.
- Nellis, J. (1994). The performance of state-owned enterprises in developing countries: A review of the evidence. *World Bank Research Observer*, 9(1), 1-22.
- Ntiri, D. (2010). Pre and post-privatization performance of banks in Ghana: A comparative analysis. *Journal of Banking & Finance*, 34(2), 345-357.
- Omran, M. (2007). The impact of privatization on bank performance in Egypt: Evidence from the banking sector. *The Egyptian Center for Economic Studies Working Paper*.
- Ongore, V. D., & Kusa, G. B. (2013). Determinants of financial performance of commercial banks in Kenya. *International Journal of Economics and Financial Issues*, 3(1), 237-252.
- Pervin, M. S., & Nowreen, S. (2018). Capital structure and firm performance: Evidence from Bangladesh. *International Journal of Finance & Banking Studies*, 7(1), 1-10.
- Qasim, M., & others. (2012). Comparative financial performance of public and private banks in Pakistan. *Journal of Finance and Accounting*, 1(2), 33-45.
- Rao, P., & Lakew, A. (2012). Cost efficiency and ownership structure of commercial banks in Ethiopia: A data envelopment analysis. [Details of publication, if available].
- Savickaite, R., & Rimkus, R. (2011). Capital structure, profitability, and efficiency of public and private firms in the EU. *European Journal of Business and Management*, 3(4), 1-12.
- Schmidt, K. (1996a). The economic rationale for government intervention in markets. *International Journal of Industrial Organization*, 14(5), 619-634.

- Schmidt, K. (1996b). The role of government in firm governance: Theoretical considerations. *Journal of Law, Economics, & Organization*, 12(2), 255-292.
- Shankar, R., & Sanyal, K. (2007). Ownership, competition, and productivity in Indian banking. *Journal of Banking & Finance*, 31(5), 1497-1519.
- Shapiro, C., & Willig, R. D. (1990). On the antitrust treatment of cooperative advertising. *Journal of Law and Economics*, 33(2), 419-442.
- Sheshinski, E., & Lopez, J. (2003). State-owned enterprises: The role of ownership. *Journal of Economic Perspectives*, 17(2), 89-98.
- Shleifer, A. (1998). State versus private ownership. *The Journal of Economic Perspectives*, 12(4), 133-150.
- Sivalingam, S., & Kengatharan, L. (2018). Capital structure and financial performance: Evidence from Sri Lankan banks. *International Journal of Economics and Finance*, 10(5), 1-10.
- Stiglitz, J. E., Atkinson, A. B., & Boadway, R. (1993). The design of a tax system to promote economic growth. *Journal of Economic Perspectives*, 7(3), 3-23.
- Styrin, A. (2005). Ownership and efficiency in the Russian banking sector. *Journal of Banking & Finance*, 29(1), 77-99.
- Bao, N. V., & Long, T. V. (2021). Applying the stakeholder theory to analyze the state-owned enterprise management in Vietnam: From enterprise law to company charter and beyond. *International Journal of Entrepreneurship*, 25(6), 1-17.
- Tian, L. (2001). The impact of state ownership on the performance of Chinese enterprises: An empirical study. *China Economic Review*, 12(3), 265-287.
- Unal, H., Aktas, R., & Acikalin, S. (2007). The impact of ownership structure on firm performance: Evidence from Turkey. *Corporate Governance: An International Review*, 15(6), 1165-1178.
- Geda, A. (2006). Financial liberalization in Ethiopia: A review of the literature. [Details of publication, if available].
- Vickers, J., & Yarrow, G. (1988). *Privatization: An economic analysis*. MIT Press
- Vickers, J., & Yarrow, G. (1991). Economic perspectives on privatization. *Journal of Economic Perspectives*, 5(2), 103-120

- Vining, A. R., & Boardman, A. E. (1992). Ownership versus competition: Efficiency in public enterprise. *Public Choice*, 73(2), 205-239.
- Whitley, R., & Czaban, L. (1998). The institutional transformation of the state-owned enterprise in Eastern Europe: A comparative analysis. *Organization Studies*, 19(5), 835-855
- Alchian, A. A., & Demsetz, H. (1973). The property right paradigm. *Journal of Economic History*, 33(1), 16-27.
- Xu, L. C., & Wang, Y. (1999). Ownership structure and corporate governance in China: A comparative study. *China Economic Review*, 10(1), 35-57.
- Xu, Y., Zhang, Y., & Wang, Y. (2021). The impact of capital structure on financial performance: Evidence from China's agricultural industry. *Agricultural Finance Review*, 81(2), 234-248.
- Yaregal, A. (2011). The impact of ownership on the performance of Ethiopian banks. [Details of publication, if available].

Appendix:

Addis Ababa University
School of Postgraduate
College of Business and Economics
Department of Management

Dear Participants,

Thank you in advance for your assistance. My name is Mahlet Gashaw, and I am a student at Addis Ababa University pursuing a Master's degree in International Business Management. I am kindly request you to participate on this survey questionnaire to examine the relationship between **Ownership and Organizational Performance: A Comparative Analysis Of Private And State-Owned Banks**. Your participation in this study is completely voluntary. Your genuine response and cooperation are vital for this study and will take approximately 10 minutes. All your responses are strictly confidential and data from this research will be reported only in the aggregate. Please don't write your name anywhere on this questionnaire. Please Tick (√) where appropriate in the box. I would like to express my heartfelt gratitude in advance for your kind participation.

PART ONE: DEMOGRAPHIC DATA

1. Gender

Male Female

2. Age

20-30 31-40 41-50 Above 50

3. Educational level

Diploma BA/BSC MA/MSC PhD

4. Work Experience

1-5 years 6-10 years above 10 years

Part Two: Questionnaires on the studying variables

The following sets of statements aimed at helping to assess your feelings or perceptions of the the relations between Ownership and Organizational Performance: A Comparative Analysis Of

Private And State-Owned Banks Please place a tick (✓) or a mark (X) in the box (cell) only one choice that represents your appropriate level of agreement. Please choose only one scale

Key for scales- 1= strongly Disagree, 2=Disagree, 3= Neutral, 4= Agree, 5= strongly Agree

No	Items	1	2	3	4	5
	Return on Investment					
1	Our organization effectively tracks the return on investment for various projects.					
2	Higher ROI has a direct positive impact on our overall organizational performance.					
3	Management uses ROI as a key performance indicator in decision-making.					
4	Investments with higher ROI contribute significantly to our organizational growth.					
5	The focus on ROI has improved our strategic planning processes.					
	Return on Asset	1	2	3	4	5
1	Our organization regularly monitors return on assets to assess financial health.					
2	A higher ROA correlates with better operational performance in our organization.					
3	ROA is an important metric for evaluating the effectiveness of our assets.					
4	Management decisions are influenced by ROA performance metrics.					
5	Improving our ROA has led to enhanced profitability for the organization					
	Customer retention	1	2	3	4	5
1	Our organization prioritizes customer retention strategies.					
2	High customer retention rates contribute positively to our financial performance.					
3	Satisfied customers are more likely to remain loyal to our organization.					
4	We measure customer retention regularly to assess organizational performance.					
5	Improving customer retention has a significant impact on our market position					
	Operational Efficiency	1	2	3	4	5
1	Our organization consistently evaluates its operational efficiency.					
2	Increased operational efficiency leads to better overall performance.					
3	Streamlined processes have improved our organizational effectiveness.					
4	Management invests in initiatives aimed at enhancing operational efficiency.					

5	Our organization’s productivity is directly linked to operational efficiency improvements.					
	Risk-Management					
1	Our organization has a robust risk management framework in place.					
2	Effective risk management contributes to our overall performance.					
3	We regularly assess risks that could impact our organizational goals.					
4	Management considers risk management in strategic planning.					
5	Our performance improves when we proactively manage potential risks.					
	Organizational Performance	1	2	3	4	5
1	Overall, our organization meets its performance objectives effectively.					
2	The quality of our products/services positively impacts our organizational performance.					
3	Employee engagement contributes significantly to our organizational performance.					
4	Our organization adapts well to changes in the market, enhancing performance.					
5	Financial performance metrics (e.g., profit margins, revenue growth) reflect our overall organizational success.					

Questions for Bank Management Staff

How does the management team ensure that performance goals are effectively communicated to all staff?

What processes are in place for management to analyze performance metrics when making decisions?

In what ways do you believe training and development initiatives have impacted the performance of our staff?

Thank you!