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Research article

Internationalisation and Economic Performance: A Case Study of First Bank of Nigeria Limited (2009-2013)

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ABSTRACT

In this paper, attempt was made to examine the impact of internationalization on the performance of a parent organization, using First Bank of Nigeria Limited as the case study. The relationship between the performance of FBN Bank (UK) Ltd, a subsidiary of First Bank Nigeria, was linked to that of the parent company, First Bank Nigeria, using Return on Capital Employed (ROCE) as performance indicator. Ordinary Least Square was employed as method of analyzing the relevant data for the review period of 2009 to 2013. The period of study was carefully chosen to tally with the post banking crisis reform in Nigeria. It had earlier on been alleged that foreign bank branches, being outposts of internationalization, were money guzzlers and had nothing positive to contribute to the performance of the parent banks. The study established that internationalization and economic performance are positively related today due to the influence of information communication technology, globalization, foreign direct investment among other factors that used to constitute a hindrance to the effectiveness of internationalization.In determining the relationship between internationalization and economic performance therefore and using profitability of the very first commercial bank in Nigeria, the First Bank of Nigeria Ltd as indicator, it has been found out that there is a positive relationship between the two variables. The recommendation from the study therefore is that banks and other multinationals can improve on their overall performance by internationalizing their operations.

Keywords: Internationalisation, Profitability, Return on Capital Employed

INTRODUCTION

Internationalization and economic performance occupy a centre stage in economic discourse today because information communication technology, globalization, foreign direct investment among others have broken boundaries that were hitherto hindering the effectiveness of internationalization as a stimulus for economic performance. It is important to note that different industries make up and determine the performance of an economy some of which include, service industry such as banks, airline companies, hotels among others as well as manufacturing industry. But the focus of this study will be on service industry using a bank; First Bank of Nigeria Limited (the first bank to open shop in Nigeria under the name African Banking Corporation in 1892)as case study.

The Uruguay Rounds of the World Trade Organization (WTO) of 1986 contributes to the increasing reduction in trade barriers, improved technological innovations and the ever expanding internationalization of service firm's world-wide (Javalgi et al., 2003). It is important to note that the growth of the service sector which is the focus of this study world-wide fostered a significant need for research on international entry decisions, due to the paucity of studies addressing the internationalization of service firms (Brouthers and Hennart, 2007).

Internationalization refers to the process of increasing involvement in international operations (Asika, 2006). Internationalization, usually in form of Greenfield investment, mergers and acquisitions, licensing, franchising or other cooperative agreements, has been a major source of skills, equipment, productivity and technological transfers, majorly from developed countries (United States, Germany among others) to developing countries (Nigeria, South Africa, Ghana among others).This is based on the notion that domestic firms in developing countries benefit from international expansion through improved productivity, employment, worldwide exports and international integration (Brouthers and Hennart, 2007).

Accordingly, due to the general perceived benefits of international engagement, the past two decades have seen most developing and emerging economies changed from a radical view of foreign direct investment (FDI) and trade, towards a more friendly view, in their quest for development (Hennart, 1991). Service firms play an increasingly significant role in Nigeria economy and are expected to grow fast given the growth prospects and the various internationalization policies of the federal government.

In addition to this, the Nigeria's internationalization just began a few years ago with the advent of democracy when organisations realized world market would offer them more opportunity and unlimited scope for growth.At the early 2000s some ambitious service firms, especially Banks and Insurance institutions, began their first experiment abroad, which means Nigerian internationalization is still at its early stage (Ezeoha, 2007). However, there are no coherent frameworks that may help practitioners to gain a convergent understanding of the internationalization decisions of these service firms.

Although some scholars (Brouthers and Brouthers, 2001; Brouthers et al., 2000; Brouthers and Hennart, 2007 cited by Awolusi 2012) had developed the globalization model for service firms, those models were not fully examined in developing markets (Onafowora and Owoye, 2006). However, as the forces of globalization drive firms to expand outside their home market, a primary issue of concern is in determining when and how (mode) to enter foreign market(s). International entry decision research is important because setting the correct time and boundaries of the firm has significant performance implications (Brouthers et al., 2003).

In addition, it is also important to note that manufacturing firms were the focus of early studies on international entry research. Although studies using the foundational theoretical perspectives of manufacturing firms (Transaction Cost Analysis (TCA) (Hennart, 1991), Resource-based view (Delios and Henisz, 2000), and institutional theory (Hennart and Larimo, 1998) in the service sector abound, few of these studies have attempted to combine these perspectives (Brouthers and Hennart, 2007).

According to Brouthers and Hennart (2007) "Our knowledge about how resources influence internationalization may be advanced by studies that develop other measures of resource advantages and that combine the resource based view with other perspectives such as transaction cost or institutional theory". Hence, the relevance ofDunning's eclectic theory (Brouthers and Hennart, 2007).

Despite the long time awareness of the impact of internationalization and economic growth which can be influenced by its industry, many firms still find it difficult to acclimatize themselves with this recent trend in business especially in Nigeria, which is most times due to the size of the firm, technological availability, the firm competitive advantage (position of the firm in its industry whether a market leader or follower), its market characteristics, management attitude, profitability for foreign subsidiaries.

According to Awolusi (2012), the above mentioned factors have hindered many firms in Nigeria from participating and enjoying the benefit of internationalization and this has caused lots of set-back for them thereby affecting the

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economy at large because it is well known that one of the major means which the government generate its revenue for the development of infrastructures is through tax collection which most times is determined by the profit of the firm.A reduction in firms' ability will definitely lead to reduction in their profit making and a further reduction in government ability to generate revenue.

SIGNIFICANCE OF THE STUDY

Internationalization is not a new topic in the field of economic research, but previous works focused mainly on manufacturing companies with emphasis on FDI, Export among others. The few works on banking studied banks that were either just establishing branches in foreign countries or those whose foreign branches had not operated for a sufficiently long time to enable fair assessment of the performance of such branches and their contributions to the performance of the parent companies.

This study differs from the other ones already conducted on internationalization in banking industry because the focus of study, First Bank, embraced internationalization a long time ago through the establishment of foreign branches. Its first foreign branch became a fully owned subsidiary, FBN Bank (UK) Limited, and had operated for over twenty years. First Bank therefore has a track record of operation in the international scene to enable an assessment of its foreign subsidiary and make informed comments about the contribution of the subsidiary to its overall performance. By extension therefore, it affords us the likely impact of internationalization on banks in Nigeria when the established branches would have operated for a fairly reasonable long time.

This study also serves as contribution to knowledge, making it clear the essence of internationalization on firm growth with an effect on economic performance. In addition to this, the study throws more light on the issue of internationalization and how it can increase firm's reputation and finally it raises issues for other researchers that seek to carry out more work on this same subject matter or similar one.

Monetary authorities, investors, governments and other stakeholders are expected to find this work particularly useful for policy formulation on banks foreign branches, investment decisions, etc.

2. LITERATURE REVIEW

2.0. INTRODUCTION

This section of the study considers the conceptual framework, theoretical framework and empirical framework. .

2.1. CONCEPTUAL REVIEW

It is important to note that the potential benefit from internationalization are so many that companies in the contemporary business world seek to globalize and operate in foreign countries and region in order to exploit the opportunities they offer for increased profitability, growth and sustainability. Today the world has become a global village where products in or originating from one country or geographic region find increasing market in other countries on the globe. This is why Czinkota et al (2004) describe globalization as a business orientation based on the belief that the world is becoming more homogeneous and less distinguishable. As a result companies increasingly perform their business functions not only at home but also abroad thereby leaving business executive with no option than to follow events as they happen in other parts of the globe in order to optimize their chance for growth and sustainability.

Griffin and Putsay (2007) also stress the need for international managers to develop a thorough and sophisticated understanding of business opportunities and follow events unfolding in all parts of the globe. Johnson et al (2008) posits that many general pressures drive internationalization and also that barriers to internal trade, investment, and migration are now much lower than a few decades ago. And also that international regulations and governance have improved in such a manner that investing and trading overseas in contemporary times are much less risky relative to previous time and that improvement in communication has made the dissemination of ideas and information around much easier than ever before.

A number of concepts are key to the study and understanding of internationalization as it relates to different types of business organisations and in this particular case, service organisations like banks. These include:

Export orientation

Export-entrepreneurial orientation has been recognized to influence a firm’s choice of internationalization and export involvement. For example, Ibeh & Young(2001) found that high export-entrepreneurial firms tend to be more innovative and proactive for exporting. They also found that export entrepreneurial firms are able toadapt and develop a higher desire to initiate exporting. Kazem & Van der Heijden(2006) also found that there is a strong association between owners’ degree of entrepreneurial orientation and the firm's competitive export performance. They concluded that exporters are likely to be proactive and to take risks in their business and operational decisions than non-exporting firms.

Additionally, Francis and Collins-Dodd(2000) argued for the effectiveness of a proactive export orientation and caution againsta traditional approach in the unstable environment. They also indicated that the mostexport-successful firms are those that use more proactive as well as less traditional in theirapproaches. Inanother study, Wood and Robertson (1997) also found that, a proactive orientation wasassociated with export success. The

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entrepreneurial orientation ofthe owner/manager has also been found to have a sustainable positive relationship withperformance and competitiveness (Hult, Snow & Kandemir, 2003).

Knowledge Barriers

Previous studies have shown that export barriers have a major influence on afirm's internationalization process. Aharoni's (1966)was one of the first studies to explore export barriers. Aharoni found, among other things, that lack of knowledge is a major barrier for entry into a foreign market. In another landmark study by Bilkey & Tesar(1977), they found that firms starting export activity face difficulties in identify in gopportunities in export markets, also Suarez-Ortega (2003) identified the following as knowledge barriers: lack of awareness of export assistance available to would be exporters, lack of awareness of economic and non-economic benefits of export markets, lack of knowledge of potential markets, lack of qualified staff for export markets, and overall lack of knowledge of how to enter the export market, Suarez-Ortega (2003).

Resource Barriers

According to Suarez-Ortega (2003), internal resource constraints refer to the need for a firm to possess resources in order for it to be able to commence export activity. The following factors have been recognized as internal resource barriers: lack of financial resources such as the difficulty in obtaining the necessary funds needed to start export operations. For example, in a study of export barriers in Cyprus, Leonidou (1995) found that one of the barriers facing firms who want to export is how to get the necessary funding to finance export operations.

CONCEPT OF FIRM SIZE

The size of a firm plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment. The larger a firm is, the greater the influence it has on its stakeholders. Again, the growing influences of conglomerates and multinational corporations in today's global economy (and in local economies where they operate) are indicative of what role size plays within the corporate environment. Refocusing the importance of size in corporate discourse, Bhayani, (2010) argue that an interesting aspect of economic growth is that much of it takes place through the growth in the size of existing organizations. They citeRajan and Zingales (1995) whose study in the sample of 43 countries show that two-thirds of the growth inindustries over the 1980s, come from the growth in the size of existing establishments, while only one-thirdtrickled in from the creation of new ones. As the popularity of corporate size phenomenon continues to risewithin the external business environments, more attentions are being pushed to its real effects on the internalstructures of corporations and the specific impact on the relationship between the firm and its key stakeholders.

One of the most popular areas where the influence of firm size has been much queried is the area of practice ofcorporate finance. It would not be wrong to say that firms have been playing a central role in today's global andcapitalist world economy and their performance is one of the most important issues for many firm stakeholderssuch as shareholders, creditors, employees, suppliers and governments (Bhayani, 2010). By this reason, analyzing the factors determining firm profitability or, to put it in another way,identification of the sources of variation in firm-level profitability has been regarded as an important researchtheme.

In this context, size has been considered as a fundamental variable in explaining firm profitability by theresearchers and a number of studies investigate the effects of size on firm profitability (Serrasqueiro et al, 2008). Here, it should be stated that according to the conclusions of various studies the impacts of size onprofitability can be negative or positive (Serrasqueiro et al, 2008). Forasmuch as some authors argue that largerfirms have some advantages such as a greater possibility of taking advantage of economies of scale which canenable more efficient production (Fiegenbaum and Karnani, 1991), a greater bargaining powerover both suppliers and distributors or clients, exploiting experience curve effects and setting prices to beatcompetition (Fiegenbaum and Karnani, 1991).

It is also argued that larger firms are more stable and matureand they can generate greater sales because of the greater production capacity that will enhance capital costsavings with the economies of scale (Ravenscraft and Scherer, 1987). On the contrary, some authors claim thatsize may have no or negative impact on profitability (Shepherd, 1972), especially if growth in size causes adiseconomies of scale.

Relationship between firm size and profitability

The relationship between firm size and profitability occupy a substantial portion of economic literature. However, previous empirical investigations of the issue have yielded conflicting results. Some studies haveobtained a weak or negative relationship or none at all (Ammar et al. 2003); others have reporteda positive association (Vijayakumar and Tamizhselvan, 2010). Still others have found a positiveassociation that disappears or reverses itself among the firms with the largest assets. Besides the conflictingresults on the relationship between firm size and profitability, almost all known existing studies have focused onthe impact of the former on the latter neglecting the possibility of feedback. However, it is possible forprofitability to affect firm size and vice versa.

In another study, Serrasqueiro and Nunes (2008) investigated the relationship between firm size and performanceof small and medium sized Portuguese companies for the period 1999 to 2003. Their results indicate that there isa positive and statistically significant relationship between size and profitability of SMEs. On the other hand, forthe large Portuguese companies, they found a statistically insignificant relationship between size and profitability(Serrasqueiro et al, 2008). More recently, Lee (2009) analyzed the effects of size on profitability for over 7.000US publicly-held firms during the period 1987-2006 and he found that firm size has positive impacts onprofitability (Lee, 2009). After the above review, it is possible to say that the results of the empirical studies onthe effects of size on profitability are far from being unequivocal and this goes a long way to determine whether or not a firm will engage in internationalization.

02.1.3. CONCEPT OF INFORMATION AND COMMUNICATION TECHNOLOGY

The role of ICT is redefined as a fundamental enablerin creating and maintaining a flexible businessnetwork of inter-organizational arrangements such asjoint ventures, alliances and partnerships, long termcontracts, technology licensing, and marketingagreement (Jaiswal, 2009)..

The role of ICT in advancing the growth of nationaleconomies through enhanced efficiency andprofitability, and expanded market reach is bothundisputed and irreversible. It is to this vein thatadequate and strategic attention be placed so thatthese new opportunities provided by ICT are notlimited and accessible only to the larger corporations within national economies (APCICT; 2007). Information Technology canplay an important role in bringing about sustainableeconomic development. Richardsson et al., (2006)outlined five main areas of ICT applications insupport of firm and rural development. These are: -Economic development of product, Communitydevelopment, Research and Education, small andmedium enterprises development, andmedia.

Input of information technology on services organization

Information Technology (IT) is the automation of processes, controls, and informationproduction using computers, software and ancillary equipment (Khalifa 2000). It is a term that generally covers the harnessing of electronic technology, software applications for the information needs of a business at all levels. Ifechforeignwu (2000) ICT, which includes computers, software applications, and the internet are benefited from by every telecommunication firm. It is a key performance enabler for service firms such as banks.

CONCEPT OF RETURN ON CAPITAL EMPLOYED

The ROCE is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed. Return on Capital Employed (ROCE) is calculated as:

ROCE = Earnings Before Interest and Tax (EBIT) / Capital Employed

“Capital Employed” as shown in the denominator is the sum of shareholders' equity and debt liabilities; it can be simplified as (Total Assets – Current Liabilities). Instead of using the conventional formula, due to unavailability of sufficient data, the formula when modified is;

Profit before tax and preference dividend / equity holders fund, Nwaobia, A.N (2015).

A higher ROCE indicates more efficient use of capital. ROCE should be higher than the company’s capital cost; otherwise it indicates that the company is not employing its capital effectively and is not generating value for shareholders.

Performance is generally thought of in terms of monetary amount made or lost. Risk is generally thought of in terms of the risk of losing money. These monetary terms can also be measured in terms of returns, by dividing the amounts made by the amount of capital used to generate these amounts and are generally referred to as return on capital employed. These returns can be used to compare the returns available from different projects that the firm might have undertaken. The ROCE can also be used to compare the performance of companies within the same industry. But as for this study, the ROCE of subsidiary is to be used to know the effect that subsidiary has on the ROCE of the organization as a whole. i.e economic performance.

2.2. THEORETICAL FRAMEWORK

A large number of theories have been used to explaininternational entry decisions. Among the most commonlyapplied are transaction cost analysis (TCA), the resourcebasedview, institutional theory, and Dunning’s eclectic framework; these four theories are used as thetheoretical foundation for almost 90% of the publishedentry mode studies (Brouthers and Hennart, 2007).

Transaction Cost Analysis argues that managers sufferfrom bounded rationality, whereas potential partners mayopportunistically act if given the chance (Brouthers andHennart, 2007). The approach seeks to identify theenvironmental factors that together with a set of relatedhuman factors explain how companies can organizetransactions to reduce the costs associated with thesetransactions (Andersen, 1993). The most importantenvironmental factors are asset specificity anduncertainty; the most important human factors arebounded rationality and opportunism. Transaction-costeconomics is the modern counterpart of institutionaleconomics and relies heavily on comparative analysisBrouthers and Brouthers, 2001).

Although, many scholars contested the classic strategytheory primarily with respect to the strategy formationprocess, another field of scholars questioned the contentof especially the industrial analysis approach to strategyprescribed by Porter (1980), an IO based theory, whereprofit is explained by choice of industry and the gaining ofmarket power. These scholars sought to explain superiorperformance due to the firms’ resources and their ability to utilize these (Brouthers and Hennart, 2007). Hence, the resourcebasedtheory views internal organizational factors as thedeterminants of international business strategy andperformance (Asika, 2006).

The resource-based viewsuggests that valuable firm resources—comprisingtangible and intangible elements--are usually scarce,imperfectly imitable, and lacking in direct substitutes(Brouthers and Hennart, 2007). It is about producing themost value from one's existing capabilities and resourcesby combining these with others' sources of advantageand, in this, ensuring complementarity is paramount(Johanson, 1990).The resource-based view suggests that firms developunique resources that they can exploit in foreign marketsor use foreign markets as a source for acquiring ordeveloping new resource-based advantages (Luo, 2002).

Luo (2002) suggests that firms develop resource-basedadvantages by developing or acquiring a set of firmspecificresources and capabilities that are valuable, rareand imperfectly imitable and for which there are nocommonly available substitutes. Based originally oninternationalization theory (Johanson and Vahlne, 1977)scholars have suggested that over time firms gainexperience in foreign markets and therefore move fromsimple exporting operations to more complexorganizational structures, suggesting that internationalexperience provides some type of firm-specific advantage(Brouthers and Hennart, 2007). However, resourcebasedentry decisions research appears to be fairlylimited. The knowledge about how resources influenceinternationalization decisions may be advanced by studies that develop other measures of resourceadvantages and that combine the resource-based viewwith other perspectives such as transaction cost orinstitutional theory (Brouthers and Hennart, 2007).

In defiance to the institutional-based theoreticalperspective of international business strategies, theinfluence of the ‘‘environment’’ (Lawrence and Lorsch,1969) has long been featured in the industry- andresource-based views. What has dominated the researchis a ‘‘task environment’’ view, which focuses primarily oneconomic variables such as market demand andtechnological change (Dess and Beard, 1984). However,not until recently, scholars had rarely looked beyond thetask environment to explore the interaction amonginstitutions, organizations, and strategic choices. Instead,a market-based institutional framework has been takenfor granted, and formal institutions (such as laws andregulations) and informal institutions (such as norms andcognitions) have been assumed away as ‘‘background’’conditions.

Institutional theory suggests that acountry’s institutional environment affects firm entrydecisions because the environment reflects the “rules ofthe game” by which firms participate in a given market(Brouthers and Hennart, 2007). Research in this area hastended to concentrate on host country institutionalenvironments or differences between home and hostcountry. Typical of this research is Brouthers et al.(2002). They examined five types of risk or uncertainty:product, government policy, macroeconomic, materials,and competition. Although earlier institutional theorieshelped develop understanding of differences ininstitutional environments between home and hostcountries and how these differences might influence themode choice decision, they tend to lack a theoreticalbasis on which to select the risk factors to be included ineach study (Brouthersand Hennart, 2007). Hence, each study seems to usethose risk factors that are deemed appropriate by theauthors (Brouthers et al., 2002).

More recently, new institutional theory (NIT) has beenadopted by some scholars to help address this earliershortcoming. NIT suggests that a country's institutionalenvironment is made up of a set of three dimensions:regulatory, cognitive, and normative (Brouthers and Hennart, 2007).Closely related to these studies of institutional influencesare studies of national cultural distance. Other studiesexamine specific national cultural components and findthat cultural components such as power, distance anduncertainty avoidance influence internalization decisionsand mode of entry (Brouthers and Hennart, 2007).

In addition, Brouthers andNakos (2004) examined the impact of host countrycorruption, finding that corruption had a significantinfluence on entry mode decisions.However, the applicability of the above threeperspectives in internationalization decisions has been contested in the literature (Brouthers and Hennart, 2007).Although Johanson and Valhne (1990) questioned theapplicability of the traditional theories ofinternationalization process to a service firms, rather thanmanufacturing firms, other researchers contend thatforeign entry decisions do not differ significantly betweenhard services and manufactured goods (Ekeledo and Sivakumar, 1998). In addition,manufacturing literature provides a strong foundation forunderstanding the service industry (Boddewyn et al.,1986). Dunning (1993) proposes that the three traditionalperspectives were singly incomplete and could notadequately explain either the decision to internationalize
or the mode of international expansion (Brouthers andHennart, 2007).

As an alternative, in Dunning's eclectic theory of international production and marketing, the study identifies three components or conditions: ownership advantages, location advantages, and internalization advantages. Dunning's eclectic theory is a transaction cost-based theory that seeks to explain the transfer, internationalization, and firm-specific ownership advantages (Brouthers and Hennart, 2007), hence, the theory suggests the importance of firm- and location specific factors to explain international operations.

Dunning's (1993) eclectic or OLI (ownership, location, internalization) framework is also among the most frequently applied perspectives in international entry decision research, and can be conceptualized as a tool that combines insights from resource-based (firmspecific),institutional (location), and transaction cost(internalization) theories (Brouthers and Hennart, 2007).

2.3. EMPIRICAL FRAMEWORK

Awolusi (2012) opines thatthe purpose of Adelusi study was to investigate the Critical Influencing Factors (CIFs) ofinternationalization by Nigerian service firms, as well as, examine specific relationships between theseCIFs and Perceived International Business Performance Measure (PIBPM). A total of 567 management staff of 15 Nigerian service firms, with international presence, was randomly selected from a business-to-business database maintained by a national list provider. Using the general framework of Dunning's(1980) eclectic theory, factors manifesting PIBPM were regressed on the CIFs, manifesting successful internationalization. However, multivariate analyses was mathematically represented in a singleequation, and this equation is expected to be used by Nigerian service firms in composing strategies tooptimize their management of international entry decisions and international business performance. Overall, internationalization to significantly improve international business performance, the decision toexpand to foreign country must be based on Increasing value and number of employees, high market potential, possession of unique proprietary technology, tacit know-how, and firm reputation/ image, favorable government policies, complementary and receptive host nation's organizational structures,processes and administrative conveniences, and favourable pattern and government regulation of competition in the host nation. The model also provides predictive implications on improved international business performance, given the activities of CIFs manifesting successful internationalization.

Martijn and HeinIt (2012) opine that is well-documented that international enterprises are more productive. Only few studies have explored the effect of internationalization on productivity and innovation at the firm-level. Using propensity score matching we analyze the causal effects of internationalization on innovation in 10 transition economies. Their study distinguish between three types of internationalization: exporting, FDI, and international outsourcing. They find that internationalization causes higher levels of innovation. More specifically, their study show that (i) exporting results in more R&D, higher sales from product innovation, and an increase in the number of international patents (ii) outward FDI increases R&D and international patents (iii) international outsourcing leads to higher sales from product innovation. The study also provides empirical support to the theoretical literature on heterogeneous firms in international trade that argues that middle income countries gain from trade liberalization through increases in firm productivity and innovative capabilities.

3 RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

A research design is a plan, structure and strategies of investigation conceived so as to obtain answer to research questions (Asika 2004). It also means the structuring of investigation aimed at identifying variables and their relationship to one another. For this research work, the survey research aimed at expressing the relationship between two variables has been adopted. The usefulness of survey methodology for quantitative hypothesis testing has been extensively considered (Robson 2002).

3.2. DATA SOURCES

This research work observes a relationship between internationalization of First Bank using the return on capital employed of its foreign subsidiaries ($ROCE_{fbuk}$) and the economic performance of the First Bank using the return on capital employed of the bank as a whole ($ROCE_{fb}$). Data for the work are sourced from First Bank Annual Returns and Accounts for the period covered by the study.

ROCE is defined as

(PROFIT BEFORE TAX AND PREFERENCE DIVIDEND ÷ EQUITY HOLDER'S FUND)× 100.

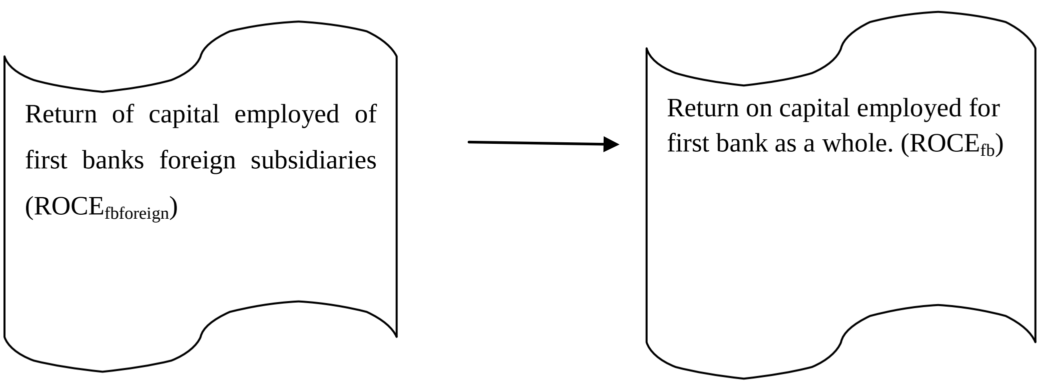
3.3. DATA ANALYSIS

The OLS method was used to estimate the parameters of the model by imputing the collated data appropriately into the E-view sstatistical package.

3.4. Conceptual model

Independent variable | Dependent variable

Internationalization | Economic performance



3.5. Model specification

$$Y = a + bx + e$$

$ROCE_{fb=}$ F($ROCE_{fbuk)}$

$lnROCE_{fb} = a_1 + lna_2ROCE_{fbuk} + u$

Where: Y = Economic performance (EP) (Dependent Variable)

a = intercept/autonomous

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b = COEFFICIENT OF IN

x = Internationalization (IN) (Independent Variable)

e = stochastic

$ROCE_{fb=}$ Return on capital employed for First bankas a whole

$ROCE_{fbuk=}$Return on capital employed for first bank's FOREIGN subsidiaries

4. DATA ANALYSIS AND PRESENTATION AND INTERPRETATION.

4.0 Introduction

This chapter presents all the data that have been collected on both dependent and independent variable (return on capital employed of First bank as a whole ($ROCE_{fb}$) and return of capital employed of First bank's foreign subsidiaries ($ROCE_{fbuk}$). It covers the empirical analysis of this study. It contains the presentation, analysis and interpretation of data collected in order to ascertain whether or not the results generated falls in line with the stated hypothesis. Econometric Views 7.1 (E-Views) analytical package is used for model estimation.

4.1 Data presentation

The data for this study are from the Annual Reports of First Bank Nigeria and its subsidiary, FBN Bank (UK) Ltd for the period 2009-2013

The relevant data are as follows:

PERIOD	NIGERIA			FOREIGN		
	PBTPD ₦ (MILLION)	EQUITY ₦ (MILLION)	ROCE %	PBTPD ₦ (MILLION)	EQUITY ₦ (MILLION)	ROCE %
2009 MARCH	53,799	337,405	15.9	3,188	64,227	4.96
2009 DECEMBER	13,297	309,558	4.3	166	24,245	0.7
2010 DECEMBER	43,188	339,205	12.7	4,000	0	-
2011 DECEMBER	259,234	365,485	70.9	10,085	27,488	36.7

2012 DECEMBER	86,177	394,533	21.84	6,594	48,481	13.6
2013 DECEMBER	87,460	383,150	22.8	8,017	52,279	15.3

Source: annual reports of First bank Nigeria and UK (2009-2013)

ROCEs for First Bank and its subsidiary, FBN Bank (UK) Ltd were computed as Follows: .

PERIOD	$ROCE_{fb}$ (%)	$ROCE_{fbuk}$ (%)
2009 March	15.9	4.96
2009 December	4.3	0.7
2010 December	12.7	0
2011 December	70.9	36.7
2012 December	21.84	13.6
2013 December	22.8	15.3

From this data, the trend shows that the return on capital employed of First Bank has neither been consistently increasing nor decreasing, it has been fluctuating over these five years. Showing a low return on capital employed at 2009 of 15.9% and a very high return as at 2011 of 70.9% and then decreasing to 22.8% in 2013. This also shows that the return on capital employed of the foreign subsidiaries also follow the same trend. This data shows that the best year for both the bank and its subsidiaries was 2011 when the return was highest.

4.2 Results of the Empirical Analysis

The empirical analysis of this study was carried out with E-Views 7.1. An ordinary least square regression was run and it showed the relationship between $ROCE_{fbuk}$ and $ROCE_{fb.}$ The t- statistics was tested at 5% level of significance.

Regression result:

Dependent Variable: LNROCEFB
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNROCEFBUK	0.643127	0.091471	7.030964	0.0059
C	1.629237	0.223777	7.280615	0.0053

R-squared	0.942786	Mean dependent var	2.939342
Adjusted R-squared	0.923714	S.D. dependent var	1.003240

S.E. of regression	0.277094	Akaike info criterion	0.560251
Sum squared resid	0.230342	Schwarz criterion	0.404026
Log likelihood	0.599372	Hannan-Quinn criter.	0.140959
F-statistic	49.43446	Durbin-Watson stat	1.595635
Prob(F-statistic)	0.005911		

Source: computation from E-views software

Variable	T-calculated	T- tabulated
$\ln ROCE_{fbuk}$	7.030964	2.015

N-k =6-1= 5

5(0.05)

t-stats @ 5% level of significance

7.030964 > 2.015

Interpretation of Results

The results of the analysis conducted showed a positive relationship between the performance of the subsidiary and that of the parent company, using ROCE as the performance measurement, The significance of the relationship between the two variables was tested at 5% level. This result shows that the t-calculated 7.03 is greater than the t-tabulated 2.015, which means that there is significant relationship between internationalization and economic performance of the organisation in view. We can also deduce that the $ROCE_{fbuk}$ has a significant effect on $ROCE_{fb}$.

This result also shows the R squared to be 0.942786 which means that 94% of the dependent variable is explained by the independent variable. The R squared shows the goodness of fit of the model. With this our A-priori expectation was met.

5 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter covers the summary of findings from the empirical analysis of the data used, conclusion and recommendations of this research study in which we compared the profitability of First bank's foreign subsidiaries to the overall profitability of First Bank to find out the effect of internationalization and its effect on economic performance.

5.1. Summary of Findings

As stated earlier, the objective of this research study was to test for the relationship between internationalization and economic performance using First Bank of Nigeria as a case study. It was discoverded that;

- This study shows that there is a positive and significant relationship between internationalization and economic performance.
- There is a significant relationship between the profitability of the First Bank's foreign subsidiary and the profitability of the First Bank as a whole.
- There is a positive relationship between the return on capital employed of foreign subsidiaries of First Bank and the return on capital employed of First Bank as a whole.
- Unlike the popular opinion that overseas branches of Nigerian banks are potential waste pipes, the period immediately after the banking reform of 2008 witnessed a positive contribution by First Bank Nigeria subsidiary, FBN Bank (UK) to the overall performance of First Bank Nigeria and the First Bank Group.
- The main issue confronting the performance of an overseas branch of a Nigerian bank is usually the ability of the bank to overcome its own internal limitations, settle down for business in the country of its choice and operate with sufficient capacity to generate good returns.

5.2. Conclusion

This research work studied the effect of internationalization on economic performance. Using annual data on return on capital employed from both First Bank's foreign subsidiaries and First Bank as a whole (2009-2013), this research work has been able to prove that involvement in international activities has a positive effect on the economic performance of a firm. Therefore, the suggested recommendations below should be taken into account to help firms increase their profitability.

5.3. Recommendations

The following are recommendation for the Management of organisations, especially service organisations, intending to embrace internationalization.

- The management of a firm should have positive attitude towards the firm's involvement in international dealings or activities by increase in the quantum of investments in foreign subsidiaries, personnel and other resources deployed for the purpose of increasing level of employment and profitability.
- First Bank should be more involved in international activities to increase their marginal profitability. The empirical analysis from this work reveals a positive contribution of foreign subsidiaries to the bank's overall performance. We believe this scenario holds for other Nigerian banks.

- Banks that desire to venture into overseas operations should put in place thoroughly reviewed business plans that aim at operating to match and beat competition with resultant effect of positive returns and value additions to its shareholders.
- Regulatory authorities should avoid a generic distaste for overseas expansion by Nigerian bank. Rather, reaction to such requests should be borne out of thorough review of the business plans of the applicant bank.
- Likewise, the regulatory authorities should adopt more receptive policies towards foreign banks intending to open shops in Nigeria to deepen competition and strengthen overall contribution of banking to the growth and development of the economy.
- It is believed that the results above hold sway for other service firms such as insurance and telecommunication. They should be able to improve on their overall performance through internationalization as well.

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