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Managerial Ownership and Financial Performance of Listed Deposit Money Banks In Nigeria.

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Abstract

This study investigates the effect of managerial ownership on the financial performance by listed deposit money banks in Nigeria from 2016-2025. Using panel data from ten banks, the research examines three proxies for managerial ownership: the percentage of shares held by executives, changes in managerial ownership over time, and the number of shares owned by executives, with Return on Equity (ROE) as the measure of financial performance. The analysis employed descriptive statistics, correlation analysis, and panel regression techniques. The results reveal that the three measures of managerial ownership have statistically insignificant effects on ROE. The study concluded that managerial ownership does not significantly influence the financial performance of Nigerian deposit money banks within the period under review. This suggests that other factors, such as regulatory oversight and macroeconomics conditions, may play more critical roles. Recommendations include adopting holistic corporate governance mechanisms and advising investors to consider a broader range of performance indicators.

Keywords: Managerial ownership, percentage of shares held by executives, overtime, return of equity, financial performance

1. Introduction

Financial performance has become a critical concern for shareholders because it reflects management's effectiveness in utilizing investor funds to generate returns (Ismaila & Tanko, 2023). Moreover, it underpins a firm's sustainability and attractiveness to investors and other stakeholders (Ismaila & Tanko, 2023). Globally, ownership structure has been linked to firm performance, with debates around its role in ensuring long-term viability. Studies by Rahman & Farida (2015) and Akinleye & Olaniyi (2023) highlight that ownership patterns can influence managerial control and firm outcomes, while Kirimi et al. (2022) suggest that structured ownership can enhance performance and governance effectiveness.

Banks and financial intermediaries play a central role in the emergence of global financial crises. These crises often stem from the decline in asset quality, fraudulent reporting practices, and weak adherence to corporate governance standards, frequently driven by flawed credit management. Consequently, the public and investors often view the board of directors as primarily accountable for corporate failures in both developed and developing economies.

The impact of managerial ownership on the financial performance of listed deposit money banks in Nigeria has been the subject of several studies. Additionally, there have been limited studies conducted in Nigeria on the financial performance of listed deposit money banks recently. This study therefore aims to investigate the influence of managerial ownership on the financial

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performance of listed deposit money banks in Nigeria, with specific attention on the following objectives:

- i. To assess the impact of the percentage of shares held by executives on the return on equity (ROE) of listed deposit money banks in Nigeria.
- ii. To determine the effect of changes in managerial ownership over time on the return on equity of listed deposit money banks in Nigeria.
- iii. To examine the influence of the total number of shares owned by executives on the return on equity of listed deposit money banks in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Managerial Ownership

Managerial ownership refers to the proportion of a company's equity held by its managers (Ibrahim, 2012). Beyond increasing a firm's equity base, managerial ownership serves as an incentive mechanism, aligning managers' interests with those of the organization. It is commonly measured using the natural logarithm of equity held by managers as shareholders.

Managerial ownership specifically denotes the equity stake held by a company's executives, directors, and top management. Agency theory posits that managers directly involved in the firm's operations tend to act in ways that maximize shareholder value (Jensen & Meckling, 1976; Ullah, Fida & Khan, 2012). Managerial ownership can curb managerial misuse of resources, reduce the likelihood of wealth expropriation, and limit non-value-maximizing behaviors. However, as managerial shareholding increases, control can shift from external shareholders to managers, potentially leading to managerial entrenchment, where executives have unchecked decision-making power.

2.1.2 Percentage of Shares Held by Executives

The proportion of company shares owned by executives represents a vital component of corporate governance and financial strategy, as it indicates the degree of alignment between managerial and shareholder interests. When executives maintain a substantial equity stake, their personal financial outcomes are closely linked to the firm's long-term performance, which can reduce conflicts of interest between management and shareholders. However, an excessively high ownership concentration may result in managerial entrenchment, where executives prioritize personal gains over shareholder value. This relationship has been widely studied, with scholars highlighting both its benefits and potential risks for corporate performance and strategic decision-making.

High executive ownership also carries implications for minority shareholders. Claessens et al. (2000) explain that concentrated ownership in family-controlled or founder-led firms may enable "tunneling," whereby resources are redirected for personal benefit at the expense of minority investors. Therefore, while a reasonable level of managerial shareholding aligns interests and strengthens governance, excessive concentration can undermine transparency and corporate accountability.

2.1.3 Change in Managerial Ownership

Managerial ownership represents the proportion of company shares held by executives, directors, and senior management. Over time, fluctuations in this ownership can substantially impact corporate governance, strategic decisions, and overall firm performance. Such shifts may result from regulatory adjustments, evolving market conditions, corporate growth, or strategic



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realignments. Understanding these changes provides insight into how ownership structures develop and the implications for both management and shareholders.

In the early stages of a firm, particularly in startups and privately held companies, managerial ownership is generally high. Founders and key executives often retain significant equity stakes, aligning their interests with long-term organizational success.

2.1.4 Number of Shares Owned by Executives

The absolute number of shares held by executives serves as a key measure of corporate governance, reflecting the alignment between management and shareholder interests and providing incentives for performance. Executives with significant shareholdings are generally more committed to long-term value creation, as their personal financial success is tied directly to the firm's performance. Conversely, minimal ownership may indicate misalignment, with executives potentially focusing on short-term gains or personal benefits over sustainable corporate growth.

2.1.5 Financial Performance

Financial performance represents the ability of a firm to effectively utilize its available resources to generate revenue and achieve strategic objectives (Leah, 2008). A primary goal of any organization is to enhance its performance, which involves leveraging resources to gain a competitive advantage (Iswatia & Anshoria, 2007). Firm performance can be assessed through both financial and non-financial indicators. Financially, performance is reflected in the company's statements and key monetary metrics, while non-financial measures focus on factors such as effective human resource utilization and operational efficiency (Aulia & Gandakusuma, 2019).

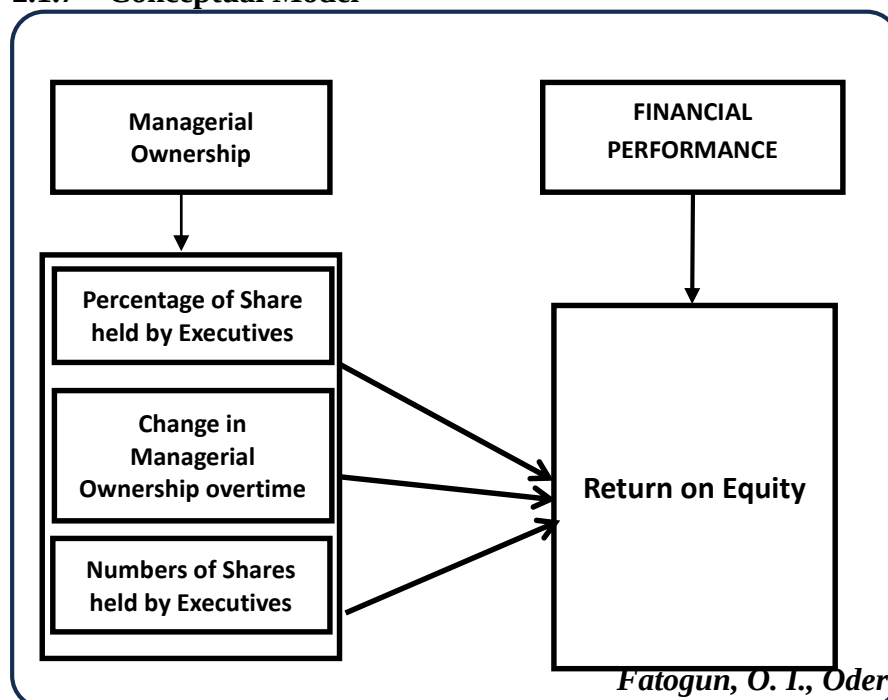
2.1.6 Return on Equity (ROE)

Return on Equity (ROE) is a key measure of financial performance, indicating the rate of return generated on shareholders' equity (Fernando, 2023). ROE assesses how effectively management utilizes the capital invested by shareholders to generate profits. It is calculated as the ratio of net income to shareholders' equity:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

ROE=Shareholders' EquityNet Income.

2.1.7 Conceptual Model



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Figure 1. Conceptual Model

Source: Researchers' Design (2026).

2.2 Theoretical Framework

2.2.1 Agency Theory

Agency Theory, developed by Coase (1960), Jensen and Meckling (1976), and Fama and Jensen (1983), assumes a relationship between principals, such as shareholders, and agents, such as a firm's senior management. In this relationship, the principal delegates work to an agent. The theory addresses two key issues: first, the agency problem, which arises from a conflict of interest between a company's management and its stockholders, and second, the differences in risk tolerance between the principal and the agent. There are two main agency relationships in a firm that often conflict: those between the company's management and stockholders, and those between the stockholders and debt holders.

2.2.2 Signaling Theory

Signaling Theory assumes an understanding of why certain signals are reliable while others are not in terms of decision-making. The theory examines the quality and reliability of accounting information sent by a bank to users, helping potential investors make informed decisions. Signals generated by a firm are the outcomes of its operating activities and inform investors about the bank's future prospects. The theory assumes that managers and shareholders of a bank differ in access to vital operational information. Some information can be accessed by managers, while shareholders do not have access to such information.

2.3 Empirical

Hassan and Tanko (2024) analyzed the impact of ownership structure on the financial performance of listed deposit money banks in Nigeria from 2013 to 2022, using multiple regression techniques. The study involved 24 banks and considered four independent variables: institutional ownership, foreign ownership, concentrated ownership, and managerial ownership. The dependent variable was return on assets. The results indicated that institutional ownership had a significant negative impact on financial performance, while foreign ownership had an insignificant negative effect. Concentrated ownership positively and significantly affected financial performance, and managerial ownership had a positive but insignificant impact. The researchers recommended that banks ensure an optimal proportion of institutional ownership to avoid adverse effects on returns on assets. Additionally, regulators should develop policies clarifying the role of foreign investors in strategic decision-making. Increased concentrated ownership could enhance monitoring motivation, and policymakers should adopt managerial ownership policies that limit the proportion of equity held by bank managers.

Austin and Ifeanyi (2023) examined the effect of ownership structure on the financial performance of selected quoted consumer goods firms in Nigeria over a period of twelve years. The study adopted an ex-post facto longitudinal/panel research design. The population consisted of all fifteen consumer goods firms listed on the Nigerian Exchange Group as of 31 December 2022. Data were sourced from the annual reports of the selected firms, and Panel Ordinary Least Squares (POLS) and Granger Causality techniques were used for analysis. Results from the Granger Causality test revealed that ownership structure, when controlled for firm size, had no significant effect on return on assets, return on equity, net profit margin, or gross revenue of the firms. The study



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recommended that board executives should not be encouraged to hold large shareholdings, as this negatively affects return on assets. Furthermore, board appointments should be based on experience rather than personal relationships to enhance performance impact.

The following hypotheses were formulated as a result of the inconsistency in the findings of the prior studies:

- H0₁:** The percentage of shares held by executives has no significant effect on the return on equity of listed deposit money banks in Nigeria.
- H0₂:** Changes in managerial ownership over time have no significant effect on the return on equity of listed deposit money banks in Nigeria.
- H0₃:** The number of shares owned by executives does not significantly affect the return on equity of listed deposit money banks in Nigeria.

3. METHODOLOGY

Research Design This study adopted an ex post facto research design and evaluated panel data for ten selected consumer goods companies over a ten-year period. The population of this study is thirteen (13) listed deposit money banks on the Nigerian Exchange Group, ten (10) listed deposit money banks were selected as the sample. The study adopted a simple random sampling technique to ensure that each bank in the population had an equal chance of being included in the sample. This study relied on secondary data collection methods. Data were sourced from the annual reports of the selected listed deposit money banks over a period of ten years (2016 to 2025), multiple regression analysis was employed to investigate the relationship between managerial ownership and the financial performance of the listed deposit money banks in Nigeria.

$$ROE = f(PSE, CMT, NSE) \quad \text{ROE} = \alpha + \beta_1 PSE + \beta_2 CMT + \beta_3 NSE + e$$

Where:

ROE = Return on Equity

PSE = Percentage of Shares held by Executives

CMT = Change in Managerial Ownership over Time

NSE = Number of Shares Owned by Executives

α = Constant term

$\beta_1, \beta_2, \beta_3$ = Coefficients of the explanatory variables

e = Error term

4. RESULTS AND DISCUSSION

4.1 Presentation of Results

Table 1 Descriptive Analysis



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Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability	Sum	Sum Sq. Dev.	Observations
ROE	16.90828	15.29165	53.12000	2.510400	9.551570	0.977988	4.202916	21.97019	0.000017	1690.828	9032.017	100
PSE	1.271796	0.353200	19.43350	0.000000	3.058846	4.675107	26.48462	2662.308	0.000000	127.1796	926.2974	100
CMT	27.02050	0.514150	747.0588	97.34930	111.0342	3.643093	20.71513	1528.810	0.000000	2702.050	12205.30	100
NSE	3.65E+08	97863222	5.62E+09	0.000000	9.01E+08	4.504271	24.80363	2318.968	0.000000	3.65E+10	8.04E+19	100

Source: E-Views Output, 2026

Interpretation of Descriptive Statistics

The descriptive statistics provide a summary of the central tendency, dispersion, and distribution shape for the variables under study:

Return on Equity (ROE): The mean ROE is 16.91%, indicating that, on average, the listed deposit money banks generated a 16.91% return on shareholders' equity over the period. However, the standard deviation of 9.55 and the range between the minimum (2.51%) and maximum (53.12%) highlight significant volatility in profitability across the banks and years.

Managerial Ownership Variables (PSE, CMT, NSE): These variables exhibit non-normal distributions: **Percentage of Shares held by Executives (PSE):** The mean is 1.27%, but the median is only 0.35%, and the maximum is 19.43%. The high positive skewness (4.68) indicates that a few executives hold a very large percentage of shares, while most hold very little or none.

Change in Managerial Ownership (CMT): The mean (27.02) is much higher than the median (0.51), and the standard deviation (111.03) suggests the presence of extreme outlier values.

Number of Shares Owned by Executives (NSE): Shows a similar pattern of skewness and extreme values, highlighting inequality in share distribution.

Normality Test: The Jarque-Bera test probabilities of 0.0000 for all variables reject the null hypothesis of normality, confirming that none of the variables are normally distributed.



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Table 2 Unit Root Test Results (ADF)

Null Hypothesis: The variable has a unit root

Level	ROE	PSE	CMT	NSE
With Constant — t-Statistic	0.0936	0.0039	0.0290	0.0039
Probability	0.9557	0.6498	0.2608	0.6587
Result	n0	n0	n0	n0
With Constant & Trend — t-Statistic	0.3384	0.0002	0.1090	0.0002
Probability	0.9425	0.0223	0.0676	0.0136
Result	n0	**	*	**
Without Constant & Trend — t-Statistic	0.7647	0.2407	0.0012	0.2408
Probability	0.9059	0.2241	0.0397	0.2401
Result	n0	n0	**	n0

Interpretation

The Augmented Dickey-Fuller (ADF) test was conducted to check for unit roots, which indicate non-stationarity in time series data.

At levels, the null hypothesis of a unit root cannot be rejected for all variables (ROE, PSE, CMT, NSE), as the p-values exceed 0.05 across all specifications (with constant, with trend, and without constant & trend). This indicates that all variables are non-stationary in their original form.

At the first difference, the variables become stationary, confirmed by significant p-values for d(PSE), d(CMT), and d(NSE) at the 5% and 1% levels. d(ROE) is stationary at the 10% level under the "Without Constant & Trend" specification.

This suggests that the data became mean-reverting and stable after differencing, satisfying a key requirement to avoid spurious regression results. For this study, the analysis proceeds with level data as specified in the model, but interpretation should be approached with caution due to the initial non-stationarity.



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Table 4.1.5: Hausman Test

Test / Item	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.780362	3	0.0324

Variable	Fixed	Random	Var (Diff.)	Prob.
PSE	4.092736	0.890281	1.780114	0.0164
CMT	0.001924	-0.000490	0.000001	0.0206
NSE	-0.000000	-0.000000	0.000000	0.0139

Source: E-Views Output, 2026

Interpretation: The Hausman test yields a p-value of 0.0324, which is less than 0.05. This leads to the rejection of the null hypothesis that the Random Effects model is efficient. Therefore, the Fixed Effects model is selected as the appropriate and consistent estimator for this analysis.

Model Statistics:

Statistic	Weighted	Unweighted
R-squared	0.127883	-0.066142
Adjusted R-squared	0.100629	—
S.E. of regression	7.397691	—
Sum squared resid	5253.680	9629.415
F-statistic	4.692316	—
Prob(F-statistic)	0.004217	—
Durbin–Watson stat	0.555022	0.302813

Source: E-Views Output, 2026

Interpretation

Model Fit:

The weighted R-squared of 0.128 suggests the model explains only about 12.8% of the variability in ROE, which is relatively weak.

The unweighted R-squared is negative (-0.066), indicating the model performs worse than simply using the mean of ROE to predict values.

Individual Variables:

PSE (Percentage of Shares held by Executives): Coefficient = 0.890, $p = 0.7740 \rightarrow$ statistically insignificant.



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Conclusion:

The Random Effects model provides further evidence that PSE, CMT, and NSE are not significant predictors of ROE for Nigerian deposit money banks. The poor model fit and statistical insignificance reinforce the decision to rely on the Fixed Effects results for policy and research interpretation.

Table 4.1.8 Residual Cross-Section Dependence Test

Test	Statistic	d.f.	Prob.
Breusch–Pagan LM	191.0560	45	0.0000
Pesaran Scaled LM	14.34157	—	0.0000
Pesaran CD	13.10422	—	0.0000

Source: E-Views Output, 2026

Interpretation

Cross-Section Dependence:

All three tests—the Breusch-Pagan LM, Pesaran scaled LM, and Pesaran CD— have p-values = 0.0000, which are far below the 0.05 significance level. This leads to the rejection of the null hypothesis of no cross-sectional dependence.

4.2 Interpretation of Result

The Hausman test indicated that the Fixed Effects model is the appropriate specification for this analysis. The results of the Fixed Effects regression are as follows:

Variable	Coefficient	Std. Error	t-Statistic	P-value
C (Constant)	18.949	0.8605	22.021	0.0000
PSE	4.093	3.367	1.215	0.2275
CMT	0.002	0.0069	0.278	0.7817
NSE	-0.00000002	1.20E-08	-1.662	0.1001

Interpretation of Coefficients:

Constant (C):

The baseline ROE, when all managerial ownership variables are zero, is approximately 18.95%, which is statistically significant ($P = 0.0000$).

Percentage of Shares held by Executives (PSE):

Positive coefficient (4.093) suggests that a one-unit increase in the percentage of shares held by executives is associated with a 4.09 unit increase in ROE.

Overall Model Performance:



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The model is statistically significant (F-statistic = 7.332, P = 0.0000), explaining approximately 50.3% of the variation in ROE ($R^2 = 0.503$).

4.3 Discussion of Findings

The results indicate that all three measures of managerial ownership—PSE, CMT, and NSE—have statistically insignificant effects on the Return on Equity (ROE) of listed deposit money banks in Nigeria. This finding is consistent with prior empirical studies, such as Hassan and Tanko (2024) and Austin and Ifeanyi (2023), which also reported an insignificant relationship between managerial ownership and financial performance measures (ROA and ROE) in the Nigerian banking and consumer goods sectors.

S/N	Hypothesis	P-value	Significant / Insignificant	Decision
1	There is no significant effect of the percentage of shares held by executives on the return on equity of listed deposit money banks in Nigeria.	0.2275	Insignificant	Accept
2	Change in managerial ownership over time has no significant effect on the return on equity of listed deposit money banks in Nigeria.	0.7817	Insignificant	Accept
3	There is no significant effect of the number of shares owned by executives on the return on equity of listed deposit money banks in Nigeria.	0.1001	Insignificant	Accept

4.3 Summary of Findings

Based on the analysis and hypothesis testing, the study found the following;

The percentage of shares held by executives (PSE) has no significant effect on the return on equity (ROE) of listed deposit money banks in Nigeria.

Changes in managerial ownership over time (CMT) have no significant effect on the ROE of listed deposit money banks in Nigeria.

The number of shares owned by executives (NSE) has no significant effect on the ROE of listed deposit money banks in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The findings suggest that in the highly regulated Nigerian banking sector, other factors such as regulatory policies, macroeconomic conditions, and additional corporate governance mechanisms (e.g., board independence, audit quality) are more potent drivers of profitability than managerial ownership alone. The theoretical expectation of interest alignment between managers and shareholders, as proposed by Agency Theory, was not supported by empirical evidence in this specific context.

5.2 Recommendations

Based on the above findings and conclusions, the following recommendations are proffered:

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Boards should not rely solely on managerial ownership as a strategy to enhance performance. Emphasis should be placed on a holistic corporate governance structure that includes strong board independence, effective audit committees, and transparent reporting practices. Performance incentives for executives should be multi-faceted, incorporating both financial and non-financial metrics, rather than being primarily tied to equity ownership.

Future studies should employ techniques to handle multicollinearity, such as ridge regression or using a composite index for managerial ownership instead of separate, highly correlated variables. Researchers should include control variables like firm size, leverage, and GDP growth to isolate the effect of managerial ownership more clearly. Exploring alternative measures of financial performance (e.g., Tobin's Q) and investigating potential nonlinear relationships between managerial ownership and performance could also yield different insights. Finally, expanding the scope to include other sectors or a longer time frame could improve the generalizability of the findings.

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