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MANAGERIAL OWNERSHIP IDENTITY AND RETURN ON EQUITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT
This study investigated the effect of managerial ownership identity on return on equity of listed deposit money banks in Nigeria. The study employed an ex-post facto research design. The population of the study was fourteen (14) listed deposits money banks in the Nigerian Exchange Group and ten (10) listed deposit money banks was used as sample size employing purposive sampling technique. The data used in the study was secondary data and it was sourced from annual reports and statement of accounts of the selected firms between 2016 and 2023. The study utilized descriptive statistics, unit root test, diagnostic tests, Hausman Test and Panel Least Square (PLS) regression technique with the help of E-view 10 while the Moderated Multiple Regression (MMR) techniques were used for the purpose of moderating variable analysis with the help of SPSS. The results revealed that the effect of managerial ownership identity on return on equity of listed deposit money banks in Nigeria is positive. The study generally concluded that the effect of managerial ownership identity on return on equity of the studied deposit money banks (DMBs) is positive and insignificant for the time frame investigated. The study recommends amongst other that the managerial investors should have a long-term investment horizon, which aligns with the goal of improving return on equity over time.

Keynote: Managerial Ownership Identity, Return on Equity, Financial Performance

Introduction
Financial performance refers to a firm’s use of its available resources in the generation of revenues (Abi et al., 2024). The long-term survival of any business outfit is dependent on its financial standing. Performance of firms is of vital importance for investors, stakeholders and economy at large (Akinleye & Adebusoye, 2023). To the investors, the return on their investments is highly valuable, and a well performing business can bring high and long-term returns for their investors. Furthermore, financial profitability of a firm will boost the income of its employees, bring better quality products for its customers, and have better environment friendly production units. Consequently, more profits will mean more future investments, which will generate employment opportunities and enhance the income of people (Major, 2019; Onuora et al., 2022)
Ownership identify is one of the factors that influences financial performance. The company's ownership structure shows that distribution of ownership rights among shareholders, which reflects the control, decision-making, and governance of the company (Hayva & Herry, 2024; Serly et al., 2023). The ownership structure in this research includes foreign ownership and institutional ownership. Ownership by institutions such as insurance companies, banks, and investment firms increases the effectiveness of supervision. Proportion of shares held by institutional investors is usually quite large, so they are effective in controlling the company's financial decision-making. It is known that institutional investors are a group of investors with extensive experience and business networks, which allows them to analyze and evaluate decisions and business portfolios made by management (Bokpin & Arko, 2024). This encourages managers to continue to show good performance in front of shareholders. Foreign ownership is a concentration of ownership that emphasizes transparency and legitimacy, encouraging companies to make decisions that strengthen their trustworthiness and compliance (George et al., 2024). Foreign investors not only improve the company's financial performance with stricter supervision but also motivate managers to improve

management. In addition, foreign investors often bring new technology that can reduce operational costs, thereby having a greater positive impact on the company.

Hypotheses

The hypotheses to be investigated in the study are as follows:

H_{01}: The effect of managerial ownership identity on return on equity of listed deposit money banks in Nigeria is not significant

Managerial ownership Identity

Managerial identity refers to the proportion of pieces held by interposers and block holders, with interposers pertaining to the company's officers and administrators. The separation of power and control can conduct to conflicts of interest between directors and shareholders. Adding managerial authority matches administrators' and shareholders' interests. According to Muhammad et al (2018), management authority is defined as the circumstance in which the company's operations possess pieces in the same proportion as the company's shareholders. In other words, the number of pieces owned by identities who take the firm and represent the shareholders mirrors the number of pieces held by identities who take the company and represent the shareholders. As directorial authority grows, so does the alignment of interests between directors and shareholders (Dhaliwal et al., 2021).

Diantimala and Amril (2018) explain that managerial ownership motivates company managers to improve company performance and manage debt efficiently, which in turn can reduce conflicts of interest and positively impact overall shareholder profits. With this ownership, managers will try to be careful in carrying out their duties because having shares in the company means they will also bear losses if their actions are detrimental to the company. The impact of the manager's performance will be more optimal.

Directors' ownership can also be referred to as Managerial ownership or insider ownership. It is the proportion of shares that is owned by the executives. Managerial ownership as explained by the agency theory is one of the techniques used to reduce agency problems. According to Jensen and Meckling, (1976), managerial ownership is applied to improve the value of the firm attained through an increased financial performance. The separation of ownership and control is a subject of concern to many researchers as empirical studies show mixed findings on the relationship between managerial ownership and financial performance. According to the convergence-of-interests hypothesis, an increase in managerial ownership can reduce agency problems drastically (Jensen & Meckling, 1976). However, the entrenchment hypothesis proposed that a higher level of management ownership in a firm decreases the firm's performance associated with more voting power by executives to control strategic decision-making (Demsetz, 1983). Empirical results have established that management ownership has a positive impact on financial performance. For example, Alabdullah (2018) found that an increase in management ownership positively impacted on firm's performance in Jordan. This finding was also echoed by Al-Sa'eed (2018), Westman, (2011), Hoang, et al, (2017). A more recent study by Galego, et al, (2019) agreed with the earlier findings that increasing the executive shareholding increases financial performance. In addition, a study by Al Farooque et al, (2019) found that managerial ownership exerted a positive effect on financial performance in Thai firms. Further Alhassan and Mamuda (2020), observed that management ownership is a structure that supports both the interests of shareholders and managers to enhance performance of a firm. In contrast, other studies supported the entrenchment hypothesis, that is, management ownership negatively relates to firm's performance Demsetz (1983), Morck, et al, (1988), Weisbach and Fama, (1983). Griffith, (2002) and Khan, et al (2014) found a significant and negative relationship between managerial ownership and commercial banks' financial performance in United States of America and Australia. Further, Alipour, and Amjadi, (2011), established a significant negative effect of managerial ownership on bank performance.

Based on the literature reviewed, this study examined the role of management ownership in the performance of listed entities in Nigeria. The indicators of directors' ownership identity include size of the board, the gender mix of the board of directors and the age of the various directors that makes up the board.

Return on Equity (ROE)
The Return on Equity of a firm is essentially the ratio that measures the rate of return that the owners of common stock of a company receive on their shareholdings (Fernando, 2023). It is a measure of financial performance calculated by dividing net income by shareholders' equity. Fernando, (2023) further stated that Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders. ROE is considered a gauge of a corporation's profitability and how efficient it is in generating profits. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing. Mathematically, Return on Equity = Net Income or Profits/Shareholder's Equity (Fernando 2022). The denominator is essentially the difference of a company's assets and liabilities. It is the amount left over if an organization decides to settle its liabilities at a given time.

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on Equity is a ratio that provides investors with the insight into how efficiently a company (or more specifically, its management team) is managing the equity that shareholders have contributed to the company (Byukusenge & Muiruri, 2021). It is about the earning capacity by using shareholder's funds. It is the responsibility of managers to effectively manage the equity. ROE explains net earnings by using the equity given by the shareholders. It also indicates the portion of total assets provided by shareholder equity. Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits. ROE is especially used for comparing the performance of companies in the same industry (Ahmed & Mallick, 2019). ROE considered as an important measure profitability of the company. The higher values generally mean that the company is effective in the generation of income on the new investments. Investors should be compared to the return on the rights of shareholders of different companies, as well as the verification of the trend in the rules of engagement with the passage of time. However, only relying on the return the rights of shareholders and make investment decisions are not safe. The management can be affected in unclear way, for example, when the use of debt financing to reduce capital, there will be an increase in the return on equity even if remain fixed income (Pham et al., 2019).

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Amahalu et al., 2017). The denominator for ROE is equity, or more specifically shareholders' equity. Shareholders equity is assets minus liabilities on a firm's balance sheet and is the accounting value that is left for shareholders should a company settle its liabilities with its reported assets. The return on equity can be used internally by a company or can be used by an investor to evaluate how well the company is turning a profit relative to its stockholder's equity. ROE is more than a measure of profit; it's a measure of efficiency. A rising ROE suggests that a company is increasing its ability to generate profit without needing as much capital. It also indicates how well a company's management is deploying the shareholders' capital. ROE is calculated as: Return on Equity = profit after taxes/Shareholder's Equity.

Managerial Ownership identity and financial performance
Conversely, management ownership can be a risky venture because management may have a tunnel vision of improving profitability hence, they are prone to carrying out creative accounting activities

such that their profitability goals are risky, short term and at variance with the long-term objectives of the organization and its other owners. Okewale et al. (2020) studied the impact of managerial ownership on financial performance of listed food and beverage quoted companies in Nigeria. The source of the data was secondary and the method of data analysis was multiple regressions while the sample size was seventeen (17) foods and beverages manufacturing companies. The study disclosed that managerial ownership had an insignificant positive impact on financial performance.
Laiho (2011) acknowledged that managerial ownership is the insider holdings by the board of directors and the management team. Andow and David (2022) expressed that managerial ownership is the percentage of shares owned by a firm's management that is, the composition of board members, CEO and top management. Balatbat et al. (2023) affirmed that managerial ownership is the percentage of shares owned by the managers in a corporation. However, the proxies for managerial ownership have either been the number of shares held by the executive directors or the number of shares held by the managing director. The managerial ownership is a technique to boost transparency because doing so will inspire managers to perform better, which will benefit the business and lead to goal congruence. Greater managerial ownership will encourage management to be more committed to enhancing their performance since management must satisfy the desires of shareholders who are none other than himself. This is because the advantages of those decisions will be passed directly to management, decision-making will be more cautious.
Biswas et al. (2020) indicated that this can results from the presence of voting power, which is known as the imposition of immunity, which is caused by a sufficiently high level of managerial ownership that ensures the continuation of the position in the future. However, empirical studies disclosed that managerial ownership is measured in the current study as the ratio of total shares held by directors to total shares outstanding (Alzoubi, 2022; Amran & Che Ahmad, 2023; Aygun et al., 2022; Kamran & Shah, 2021; Masmoudi et al., 2018; Mustapha & Che Ahmad, 2021; Ramadan, 2020; Ali et al., 2021; Alves, 2022).

Stakeholder Theory

The stakeholder theory was developed by Freeman (1984) to explain the main reason that firms exist in order to serve the interest of those with a stake in the future of the organization and not the interest of the shareholder. Seemingly, Philips et al. (2023) affirmed that stakeholder theory explained clearly the morals and values as major characteristics of managing firms, and that attention to the interests and well-being of those who can help or prevent the achievement of corporate objectives is the main issue of the theory. Ostensibly, Binh and Anh (2023) disclosed that the stakeholder theory is a management theory that explained the morals and values in organizations as well as the responsibilities of managers to balance the interest of shareholders and stakeholders. Onyema and Major (2021) stated that a stakeholder is any individual, group or organization that has interest in an entity and can be, or is affected by the actions, policies and objectives of the organization.

Adeboyegun et al. (2020) advanced that stakeholders consist of creditors, directors, employees, government, owners, suppliers, unions, and the community from which the entity draws its resources. The stakeholder theory can be examined from two approaches. Onyema and Major (2021) depicted these approaches are descriptive stakeholder approach and normative stakeholder approach. Kaczmarek et al. (2018) revealed that the descriptive stakeholder theory identifies and classifies the different constituents of an entity without assigning any value statements regarding the legitimacy of their claims or power. Defond and Lennox (2021) averred that the normative stakeholder theory grants stakeholders intrinsic value claims due to the moral rights of any person affected by organizational conduct.
Onyema and Major (2021) stressed that the main issues of the normative stakeholder theory is the consideration of the rights and duties of the various actors involved and how a fair balance of interests of different stakeholders can be achieved. The research study investigated by Freeman et

al (2020) cited in Onyema and Major (2023) stated that the stakeholder theory is a combination of four ideas: (1) The separation fallacy which explain the fallacious belief that business and ethics are separate; (2) the open question argument which claims that it always make sense to ask whose interest, values and rights are improved or hindered by any business decisions; (3) the integration thesis which claims that it makes no sense to talk about either business or ethics without talking about the others as well and (4) the responsibility principle which claims that individuals usually want to accept responsibility for the effects of their actions on others. Some scholars have criticized stakeholder theory as a result of several limitations. Sundaram and Inkpen (2022) criticized the theory for adding complexity to management of organizations by making them responsible to a group of stakeholders.

Research Design

This study adopted ex-post factor research design. This method is suitable for the study because it is not possible to directly manipulate or control any of the independent variables as the events have already taken place and therefore the research is being conducted after the fact. Hence, ex-post factor research design was adopted because it helps this study to explain the effect of the independent (explanatory) variable on the dependent variable.

Population of the Study

The accessible population is the population to which the researcher has access to during the investigation. The population of the study consisted of fourteen (14) deposit money banks listed on the floor of the Nigerian Exchange Group as at 31st December 2023

Table 1 Listed Deposit Money Banks in Nigeria.

S/N	Name of Banks
1	Access Holdings Plc
2	Eco Bank Transnational Incorporation
3	FBN Holdings Plc
4	FCMB Group Plc
5	Fidelity Bank Plc
6	Guaranty Holding Company
7	Jaiz Bank Plc
8	Stanbic IBTC Holdings Plc
9	Sterling Bank Plc
10	Union Bank Plc
11	United Bank for Africa
12	Unity Bank Plc
13	Wema Bank Plc
14	Zenith Bank Plc

Source: NGX, 2024

Sample Size and Sampling Technique

To ensure a representative subset of the population, a simple random sampling technique was employed. The study used ten (10) deposit money banks from the pool of fourteen (14) identified in the Nigeria Exchange Group on the basis of length of existence and data availability. This study utilized purposive (Judgmental) sampling technique.

Sources of Data

This study employed secondary sources of data collection. The data were obtained from the annual reports and accounts of the sample banks and Nigerian Exchange Group (NGX) Fact Book in order to achieve the objectives of the study. This is due to the fact that corporate annual reports of listed companies were readily available and easily accessible.

Description and Measurement of Study Variables

Table 2: Operationalization of study variables

S/no	Variables	Type	Measurement	*A priori* expectation	Source / reference
1.	Return on Equity (ROE)	Dependent variable	Profit after tax/ total equity	Neutral	Eissa, et al (2018), Panigrah, et al (2014)
2.	Earnings per share EPS (EPS)	Dependent variable	Net Profit / Total Number of Shares	Neutral	Alkurdi, et al (2021); Onuora, Fabian, & Joshua, (2022).
3.	Managerial Ownership Identity (MOWN)	Independent variable	Number of shares held by CEOs, directors, and their immediate family members divided by the number of total outstanding shares	+	Abi et al (2024), Niluthpaul & Khaled (2023), Al-Sa'eed, (2018)
4.	Foreign Ownership identify (FOWN)	Independent variable	Number of shares owned by foreigners divided by the number of total outstanding shares	+	Meng, et al (2019), Jafari et al (2023), Akinleye & Adebusoye (2023)
5.	Firm Size (FS)	Moderating variable	Natural log of total assets	+	Khamis, et al. (2015), Niluthpaul & Khaled (2023),

Overall Source: Author compilation (2024)

Method of Data Analysis

This study adopted descriptive statistics, unit root test, diagnostic tests and Panel ARDL model technique with the help of E-view 12 while the Moderated Multiple Regression (MMR) techniques were used for the purpose of moderating variable analysis with the help of SPSS. First, Microsoft Excel was employed to interpolate the raw data extracted based on the variables adopted for this study and the formula to be apply in calculating the measurement. Secondly, the data analysis was executed in three distinct stages. Firstly, a univariate (or descriptive) analysis was executed, followed by bivariate analysis and lastly, multivariate analysis.

Results

$H0_1$ The effect of managerial ownership on return on equity of listed deposit money banks in Nigeria is not significant.

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Table 4.3 disclosed the coefficient and t-Statistics of the estimated marginal effect of managerial ownership (MOWN) on return on equity (ROE) of listed deposit money banks in Nigeria for both short run and long run. The coefficient and t-statistics of managerial ownership (MOWN) and return on equity (ROE) was 3.559159 and 1.023258, indicating that managerial ownership (MOWN) positively affects return on equity (ROE) of listed deposit money banks in Nigeria for both long run and short run. This positive effect is significant for long run but insignificant for the short run since the absolute value of P-value (0.0010) was less than 0.05 in the long run and (0.3127) was greater than 0.05. This simply indicated that the null hypothesis (**H_{01}**) is accepted and the alternate hypothesis (**H_{a1}**) was rejected when evaluating short run while the null hypothesis (**H_{01}**) is rejected and the alternate hypothesis (**H_{a1}**) was accepted when evaluating long run. Therefore, it was concluded that the effect of managerial ownership on return on equity of listed deposit money banks in Nigeria is positive and statistically insignificant in the short run while the effect of managerial ownership on return on equity of listed deposit money banks in Nigeria is positive and statistically significant in the long run.

Test of Hypotheses
Effect of Managerial Ownership Identity on Return on Equity (ROE)
Table 4.3 disclosed the coefficient and t-Statistics of the estimated marginal effect of managerial ownership (MOWN) on return on equity (ROE) of listed deposit money banks in Nigeria for both short run and long run. The coefficient and t-statistics of managerial ownership (MOWN) and return on equity (ROE) was 3.559159 and 1.023258, indicating that managerial ownership (MOWN) positively affects return on equity (ROE) of listed deposit money banks in Nigeria for both long run and short run. This positive effect is significant for long run but insignificant for the short run since the absolute value of P-value (0.0010) was less than 0.05 in the long run and (0.3127) was greater than 0.05. This simply indicated that the null hypothesis (H_{01}) is accepted and the alternate hypothesis (H_{a1}) was rejected when evaluating short run while the null hypothesis (H_{01}) is rejected and the alternate hypothesis (H_{a1}) was accepted when evaluating long run. Therefore, it was concluded that the effect of managerial ownership on return on equity of listed deposit money banks in Nigeria is positive and statistically insignificant in the short run while the effect of managerial ownership on return on equity of listed deposit money banks in Nigeria is positive and statistically significant in the long run.
. This result is not in line with appropriate expectation that a higher level of directors' ownership in a firm increases the firm's performance associated with more voting power by executives to control strategic decision-making (Demsetz, 1983). The result tallies with the findings of several studies among who are Orbunde et al. (2021); Ismail and Ali (2020); Ironkwe and Emefe (2019); Ohiani et al, (2018); Berke-Kerga et al. (2017) and Guner (2015). Also, Daniel et al. (2021), Okewale et al. (2020), Hamza and Suman, (2018) found directors' ownership identity to have a positive and insignificant effect on ROE. The finding is not in concordance with the studies by Umar and Binta (2022); Alkurdi et al, (2021; Balagobei and Velnampy (2017) and Angolo (2017).

Conclusions
This study investigated managerial ownership identity and return on equity of listed deposit money banks (DMBs) in Nigeria. Based on the data analysis, discussion of findings, and summary of findings above, the study concluded that Managerial ownership identity positively affects return on equity of listed deposit money banks in Nigeria for both short run and long run.

Recommendations
Based on the findings of this research work, it is recommended that:
1) The managerial investors should have a long-term investment horizon, which aligns with the goal of improving return on equity over time. This long-term perspective can help management focus on sustainable growth and value creation, rather than short-term gains.
2) Firms should gradually decrease proportion of ownership concentration as it negatively affects financial performance by increasing agency problems in the firm.

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