



MANAGERIAL OWNERSHIP AND VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examined the effect of managerial ownership on the value of listed deposit money banks (DMBs) in Nigeria from 2014 to 2023. Firm value was measured by share price, while managerial ownership was measured by the total ordinary shares owned by managers and directors within the company, divided by total equity shares in the company. Using a panel dataset sourced from the annual reports of the 12 out of 14 listed DMBs on the Nigerian Exchange (NGX), this study employed a fixed effects regression model. The findings revealed a significant negative effect of managerial ownership on firm value. This supports the entrenchment hypothesis, which suggests that excessive managerial ownership can reduce accountability and lead to self-serving behavior, ultimately diminishing firm value. Based on the findings, the study recommended that the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC) establish optimal ownership thresholds to prevent managerial entrenchment.

Keywords: banks, managerial ownership, ownership structure, firm value, Nigeria

1. Introduction

Firm value is the price that investors are willing to pay for a firm's equity shares and can be measured by the market price of a firm's stock or Tobin's Q (Indy et al., 2023). Investors typically seek high-value companies that ensure business continuity and provide stable returns. Managerial ownership, which is the proportion of a firm's shares owned by its managers, plays a role in aligning the interests of management with those of shareholders, thereby influencing the firm's value. This relationship has been discussed in corporate governance literature, yielding varying results based on different institutional contexts, market structures, and governance frameworks (Jensen & Meckling, 1976; Morck et al., 1988).

Managerial ownership is significant in shaping firm value, as it aligns managers' interests with those of shareholders, motivating them to make decisions that enhance shareholder's value (Atawnah et al., 2024). Managers with substantial ownership stakes are more likely to practice effective risk management, adopting conservative approaches to avoid excessive risk-taking. Furthermore, higher levels of managerial ownership often lead to improved financial performance because managers are incentivized to boost operational efficiency, foster innovation, and make informed strategic decisions (Ningrum & Khomsiyah, 2023; Perwito et al., 2023).

Additionally, managerial ownership can help mitigate agency costs by aligning incentives with shareholders, thus reducing conflicts of interest and self-serving behaviors (Benson & Davidson, 2009). However, it is crucial to maintain a balance in managerial ownership levels to avoid potential conflicts of interest that could undermine firm value. Firms must carefully determine the optimal level of managerial ownership to maximize its positive impact on firm value while minimizing possible drawbacks.

The principal-agent problem, as outlined by agency theory, arises from the separation of ownership and control in modern corporations. Jensen and Meckling (1976) argued that when managers hold significant shares of their firms, their decisions are more likely to maximize shareholder wealth, as their personal wealth is directly linked to the firm's performance. However, excessive managerial ownership can entrench management, reduce accountability, and negatively impact firm value (Stulz, 1988). This creates a non-linear relationship between managerial ownership and firm value, commonly referred to as the "convergence of interests" and "entrenchment effects."

This study aims to investigate the effect of managerial ownership on the value of listed deposit money banks in Nigeria. To guide the analysis, it was hypothesized as follow:

H₁: managerial ownership does not have a significant effect on the value of listed deposit money banks in Nigeria.

This study is motivated by the significant decline in the value of Deposit Money Banks (DMBs) in Nigeria. The 2008-2009 global financial crisis led to a sharp decline in firm values across various sectors, eroding investor confidence in the Nigerian stock market. After a strong performance from December 2005 to March 2008, the market turned bearish in April 2008 and has struggled to recover since (Njiforti, 2015). The Covid-19 pandemic further worsened this situation, with the Nigerian Exchange (NGX) All Share Index (ASI) dropping 13.1% in January 2020 and reaching 24,930.88 by June 26, 2020. This decline has prompted discussions about its causes, particularly the ineffectiveness of the corporate governance system and ownership structure in particular.

Furthermore, while studies in developed markets have extensively examined this relationship, the Nigerian context offers unique insights due to differences in market efficiency, ownership structures, and regulatory frameworks (Ujunwa, 2012; Ogege & Boloupremo, 2014).

The significance of this research lies in its potential to inform policymakers, regulators, and corporate managers. By understanding the implications of managerial ownership on firm value, regulators, such as the Central Bank of Nigeria (CBN), can develop governance frameworks that optimize performance while minimizing agency conflicts. Likewise, the findings could assist investors in evaluating the governance practices of Nigerian banks, ultimately influencing their investment decisions.

This study covers the period from 2013 to 2023, focusing on 14 listed deposit money banks in the Nigerian Exchange Group (NGX) as of December 2023. It excludes mortgage banks, microfinance banks, and investment firms. The chosen time-frame is based on the availability of recent data for Nigerian banks. Limiting the study to listed deposit money banks from 2013 to 2023 is driven by the availability of reliable data for conducting a thorough analysis. This time-frame also coincides with important regulatory changes and economic events within Nigeria's banking sector.

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Nigerian banking sector is integral to the economy, by providing liquidity and financial stability. It operates within a regulatory framework established by the Central Bank of Nigeria (CBN) and is influenced by reforms aimed at enhancing corporate governance and mitigating systemic risks (CBN, 2014). However, governance challenges, including agency conflicts, continue to affect performance and investor confidence. These challenges raise questions about how managerial ownership influences the valuation of deposit money banks in Nigeria.

The rest of this paper is structured as follows: Section 2 reviews the relevant literature and theoretical foundations; Section 3 outlines the research methodology; Section 4 presents the results and discussions; and Section 5 is the conclusion and recommendations.

2. Literature Review

This section discusses the conceptual issues relating to firm value and ownership structure and value of firms. The section begins with the definition of firm value and managerial ownership. This is followed by theoretical review and a review of relevant empirical studies.

Independent Variable

Managerial
Ownership

Control Variable

Return on
Equity

Dependent Variable

Firm Value

Figure 1: Conceptual Framework

Source: Researcher's Compilation, 2026

Conceptual Review

Firm Value

Firm value refers to the measure of a company's success and prosperity, which is closely related to the price of its shares. Firm value is an investor's perception of the level of success of a firm, closely related to the price of its shares (Dewanti, 2019). It is an unbiased and reliable metric that stakeholders, shareholders, potential investors, and managers use to assess the performance and operations of an enterprise. Thus, Fedorovich and Fedorovich (2020), defined firm value as a comprehensive and unbiased measure of the operations and strategic performance of an enterprise.

The value of a firm reflects its growth potential and is influenced by factors such as ownership structure, political connections, investment decisions, funding decisions, and dividend policies. The determination of firm value is crucial for various purposes, including sale, merger, and identifying sources of value creation (Triani & Tarmidi, 2019). The creation of value by a firm is dependent on the existence of asymmetries between the firm and other firms, and cooperative game theory provides the basis for analyzing these relationships.

Firm value also refers to as market value or enterprise value, represents the overall worth of a company in the financial markets. It is calculated by considering the market capitalization of its equity (stock) and the total value of its debt. In essence, firm value reflects investors' perception of a company's future cash flows, growth potential, risk factors, and other relevant financial metrics. The market capitalization accounts for the value of a company's outstanding shares of stock, which are traded on the stock exchange. The total debt includes the company's liabilities, such as bonds and loans. By combining equity and debt, firm value provides a holistic view of a company's economic standing and its ability to generate returns for investors.

Managerial Ownership

Managerial ownership refers to the proportion of a company's shares that are owned by its managers. It is a measure of the extent to which managers have a financial stake in the company they manage. Studies have shown that managerial ownership can have various effects on a company. It can decrease agency problems caused by the separation of ownership and control, as stated by Eersteling (2016). In the case of Japanese firms, managerial ownership has been found to be positively associated with the cost of debt, indicating that prospective bondholders use this information to anticipate a firm's future agency cost of debt (Shuto & Kitagawa, 2010).

In the context of company performance, managerial ownership has been found to have a positive effect on company value Hidayat (2023) and a mediating effect on the indirect relationship between managerial ownership and firm value (Uzliawati & Yulianto, 2023). However, the impact of managerial ownership on company value may be weakened or strengthened by other factors such as profit management (Ayem, 2023).

Managerial ownership is the ratio of management and directors' shareholding to the total outstanding shares of a particular firm, often referred to as insider ownership. It is defined as the sum total of shares owned by the chief executive officers and other executives expressed as a percentage of the company's total outstanding shares. The relationship between managerial ownership and financial reporting quality has been examined in several studies, with (Adebiyi & Olowookere, 2016) establishing that managerial ownership enhances financial reporting quality, reducing the motivation to manipulate financial statements.

Managerial ownership is viewed as a wielding force that aligns the interests of shareholders and management (Jensen & Meckling, 1976). When managers own significant shares in a company, they act differently. The convergence of interest hypothesis states that managerial ownership will always align with the interest of shareholders and can prevent management from engaging in opportunistic behavior. Managerial ownership can have a positive impact as management would be motivated to adhere to the code of corporate governance for full disclosure and transparency in their activities (Mubaraq et al., 2021; An, 2015).

Managerial ownership can also depend on voting rights associated with equity shares. Some managers may have more powers due to their stake in voting power due to the amount of share held by them, which can affect managerial control. The level of managerial ownership may vary significantly from one firm to another and may also depend on industrial norms and national corporate governance practices. The relationship

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between managerial ownership and the company can be complex and influenced by other factors such as the nature of the company's ownership structure.

In this study, managerial ownership is measured as the total number of equity shares both direct and indirect shares held by all managers and directors in the company divided by the total number of equity shares in the company. Managerial ownership can bring benefits to companies in terms of increased management involvement and motivation, improving the relationship between management and shareholders, and increasing management transparency and accountability.

Theoretical Review

Agency theory, developed by Jensen and Meckling in 1976, has been widely adopted but has limited success in predicting phenomena. The theory assumes self-interested rationalism, which may not always be accurate. A reformulation of agent behavior is proposed, incorporating the socio-environmental context, leading to different outcomes (Xiangyu, 2021).

Agency theory is a management theory that explains the relationship between a company's owners and its managers. It posits that the managers of a company, who are the agents, may not always act in the best interests of the owners, who are the principals (Payne & Petrenko, 2019). This is because the managers may have different goals and incentives than the owners. The theory suggests that the owners can align the interests of the managers with their own interests by designing appropriate ownership structures and incentive systems. Agency theory is a theory that focuses on the relationship between a principal and an agent, and it offers unique insights into information systems, incentives, and risk. Agency theory is a theoretical framework that explains human agency by integrating elements of various social science theories.

A study by Ang et al. (2000) found that agency costs are higher when an outsider rather than an insider manages the firm. They also found that agency costs are inversely related to the manager's ownership share and increase with the number of non-manager shareholders. Another study by Jensen and Meckling (1976) provides measures of absolute and relative equity agency costs for corporations under different ownership and management structures.

In general, the owners (shareholders) have the expectation that the agents will act and make decisions in the in their interest, but on the contrary, the agent may focus on self-interest, neglecting its primary of making decisions in the best interests of the principals. The agency theory will help understands the principal and agent role in the study as ownership is assumed to be the principal while the board of director and executive managers that are responsible to run the firm. Ownership structure becomes relevant in agency theory, because of the emphasis on the conflict caused by the difference of interest between management and shareholders. The agency theory will be used in this study to explain the direct relationship between ownership structure and firm value.

Empirical Review

Wu et al. (2024) examined the impact of environmental, social, and governance (ESG) performance on firm value, with a focus on the moderating role of ownership structure. Using panel data from Chinese manufacturing firms, they found that executive ownership and institutional ownership positively influence firm value, while ownership concentration and equity balance have no significant impact. Their findings suggest that managerial ownership can enhance firm value when aligned with ESG performance.

However, the study is limited to China's manufacturing sector, which may reduce generalizability to other industries and regions

Atawnah et al. (2024) examined the impact of managerial ability on firm value, offering a new perspective beyond traditional governance theories. Using a dataset covering multiple firms across various industries, the authors employed panel data regression analysis to assess the relationship between managerial ability and firm performance. Their findings indicate that firms with highly skilled managers tend to achieve higher firm value due to better strategic decision-making and risk management. However, the study may have limitations in measuring managerial ability comprehensively, as such assessments often rely on proxies that may not fully capture managerial competence. Additionally, the study's applicability to firms in different regulatory environments or economic conditions remains an area for further exploration.

Rahmawati and Garad (2023) investigated the impact of managerial ownership, leverage, and dividend policy on free cash flow and firm value in the Indonesian Manufacturing Industry from 2014 to 2020. The study, involved 33 sample companies and 198 data samples, and uses a stepwise regression approach. The results showed that managerial ownership has a significant negative effect on firm value, while leverage does not. Dividend policy has a positive effect on firm value, while free cash flow has a positive effect. The study suggests that managers tend to be opportunistic, leading to high institutional ownership interference in the manufacturing industry in Indonesia. High dividend payments can signal positive signals, potentially increasing stock prices. The findings highlight the importance of understanding the relationship between managerial ownership, leverage, and dividend policy in the Indonesian manufacturing industry.

Triyana and Sutrisno (2023) studied the impact of financial performance on firm value, focusing on infrastructure companies listed on the Indonesia Stock Exchange. The study used multiple regression analysis to analyze 15 companies over a four-year period. Results showed that profitability had a significant positive effect on firm value, while leverage had a negative effect. Liquidity had no effect on firm value. Managerial ownership moderated the relationship between liquidity and firm value, but not between Debt Equity Ratio and profitability to firm value. The study shows the importance of understanding the relationship between financial performance and firm value in the context of infrastructure companies.

Indriawati et al. (2023) empirically assessed the effect of managerial ownership and leverage on firm value and to the role of profitability in strengthening or weakening the effect of Managerial ownership and leverage on firm value. The sampling procedure was purposive sampling filter rule; 27 manufacturing companies listed on the Indonesia Stock Exchange in the Consumer Non-Cyclical sector for the 2018–2021 period. A moderated regression analysis was used to test the research hypothesis. The results of the study prove empirically that before the interaction of profitability as moderating variable, managerial ownership does not affect firm value and leverage affects firm value. Profitability is not able to moderate the effect of leverage on firm value, but profitability is able to moderate the effect of managerial ownership on firm value.

Haron and Othman (2021) examined the impact of derivatives as a risk management strategy on the value of Malaysian firms and the interaction effect between derivatives and managerial ownership. The study surveyed 200 nonfinancial firms from 2012 to 2017 using the generalized method of moments (GMM). Firm value was measured

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using Tobin's Q with return on assets (ROA) and return on equity (ROE) as robustness checks. The study found evidence of the positive influence of derivatives on firm value, as proposed by the hedging theory. However, the study concluded that managers less hedge when they owned more shares due to the negative interaction between derivatives and managerial ownership on firm value. This suggests that hedging decisions among managers in Malaysian firms do not subscribe to the managerial aversion theory. The study has important practical implications for managers and investors, including the importance of risk management using derivatives to increase firm value, the influence of derivatives and managerial ownership on firm value, and the quality of reporting on derivatives exposure by firms in line with required accounting standards.

Falade et al. (2021) investigated the mediating effect of dividend payment policy on the relationship between managerial ownership and firm value of listed manufacturing companies in Nigeria. The research, focusing on ten firms listed on the Nigeria Stock Exchange (NSE) from 2010 to 2019, found that managerial ownership had an inverse and significant effect on firm value, while dividend payout ratio and leverage ratio had direct and significant effects. The study also found that dividend payout through managerial ownership indirectly contributed 33.1% to managerial ownership. The findings suggest that managerial ownership and dividend payment policy partly contribute to firm value, with dividend payment policy playing an indirect role through increased managerial ownership. The study recommends organizations to review their dividend payment policy and ensure dividends are paid as due. Additionally, managers of listed firms are advised to take more long-term loans for capital projects.

Agusmadi (2020) examined the impact of managerial, institutional, and audit committee ownership on the firm value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2011- 2015. The research, a hypothesis testing study, used 145 observation data from 29 firms. The results showed that managerial ownership, audit committee, and corporate social responsibility disclosure significantly impacted firm value. These variables had positive effects on firm value, while institutional ownership had no significant impact. Moderation testing revealed that corporate social responsibility disclosure did not influence managerial ownership's firm value. However, the influence of institutional ownership and audit committee on firm value allowed the use of corporate social responsibility disclosure as a moderation variable

Ryan et al. (2011) examined the influence of managerial ownership on firm performance through capital-structure choices, using a sample of China's civilian-run firms listed on the Chinese stock market between 2002 and 2007. The empirical results demonstrate a nonlinear relationship between managerial ownership and firm value. Managerial ownership drives the capital structure into a nonlinear shape, but in an opposite direction to the effect of managerial ownership on firm value. The results of simultaneous regressions suggest that managerial ownership affects capital structure, which in turn affects firm value. The findings imply that the "interest convergence" and "entrenchment" effects of managers' behaviour in terms of managerial ownership can also explain the agency-relevant situation of China's civilian-run firms. This study's result is limited in Nigeria as the results are not recent and the setting is the Chinese market which differs in many aspects from Nigeria.

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3. Methodology

This section discusses the methodology for this study. The section covers the research design for the study, population and sample of the study, model specification, sources and methods of data collection, variables definition, measurement and sources, methods of data analysis and diagnostic checks. This study adopts longitudinal research design to establish causal effect of managerial ownership on value of DMBs.

The population of this study will consist of all the fourteen (14) DMBs on listed on the Nigerian Exchange (NGX) as at 31st December 2023.

Table 1

Population and Sample Size of the study

SN	Deposit Money Banks	Year of Listing	Sample Selected
1	Access Bank Plc.	1998	Selected
2	Ecobank Transnational Incorporated	2006	Not-selected
5	Fidelity Bank Plc	2005	Selected
3	First Bank Holding	1969	Selected
4	First City Monumental Bank	2004	Selected
6	Guaranty Trust Holding Company Plc	1996	Selected
7	Jaiz Bank Plc	2017	Not-selected
8	Stanbic IBTC Holdings Plc	2005	Selected
9	Sterling Bank Plc.	1983	Selected
10	Union Bank Nig.Plc.	1970	Selected
11	United Bank for Africa Plc	1970	Selected
12	Unity Bank Plc	2005	Selected
13	Wema Bank Plc.	1974	Selected
14	Zenith Bank Plc	2004	Selected

Source: Nigerian Exchange Group (2023)

To ensure that the required data is available for all this study throughout the period, only twelve (12) DMBs were used as the sample size. Jaiz bank was excluded in the sample for two reasons: first, it was listed after the base year hence does not have the required data for the entire study period, secondly, the financial reporting style different because it is a non-interest bank. Ecobank Transnational Incorporated was also excluded from the sample since its presentation currency in some years is the US dollar. The list of the sampled banks is presented in Table 1.

This study adapts Ali et al. (2018) model. Ali et al. (2018) original model is as presented in equation 1: $TBQ_{it} = \beta_0 + \beta_1 MSH_{it} + \beta_2 ROE_{it} + \beta_3 FirmSize_{it} + \beta_4 SHHKSC_{it} + \varepsilon_{it}$ (1)

Where: TBQ =Tobin's Q; MSH = Management Shareholding; Firm Size = Firm Size; SHHKSC = Shanghai Hong Kong Stock Connect. The model was modified to suit the objective of this study as shown in equation 2: $FV_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 ROE_{it} + \varepsilon_{it}$ (1)

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Where: β_0 = constant; $\beta_1 - \beta_2$ = coefficients; i = firm's script; t = years script; ε = error term. All other variables are as defined in Table 2.

This study employed the use of secondary data which was collected from the annual reports of the sampled DMBs in Nigeria from 2013-2023. The data was entered into the spreadsheet to make data in a format suitable for analysis. The advantage of this source of data collected is that, data used can be verified and all the reports are audited by an external auditor. Three variables were used in this study; managerial ownership is the independent variables share price is used as the dependent variable to represent firm value, while return on assets is employed as control variable. The definition, measurement and sources of these variables is shown in Table 2 the variables, their proxies, definition, measurement and sources.

Table 2

Variables Definition, Measurement and Sources

Variable	Proxy	Measurement	Sources
<i>Dependent Variable</i>			
Firm Value	FV	Market value of ordinary shares	Ajekwe and Ibiamke (2017), Welc (2014).
<i>Independent Variable</i>			
Managerial Ownership	MO	Total equity shares both direct and indirect held by managers and directors within the company divided by total equity share in the company.	Adebiyi and Olowookere (2016),
<i>Control Variable</i>			
Profitability	ROE	Operating profit less preference dividend divided by shareholder's equity	Nguyen et al. (2021)

Source: Field Survey, 2025

This study employed descriptive statistics and multiple regression for data analysis and test of hypotheses. The analysis was carried out using Stata version 17.0. The t -statistics from the regression will be used for testing the hypotheses in this study at 0.05 level of significance.

Heteroscedasticity was tested in this study using white test. The study employed robust standard errors approach to correct problem. Multicollinearity assumption was also checked using Pearson correlation coefficient and Variance Inflation Factor (VIF). Correlation coefficients above 0.7 suggest possible multicollinearity. VIF of greater than 10 is a serious cause for concern and evidence that there is multicollinearity problem (Bowerman & O'Connell, 1990; Myers, 1990).

Hausman test was conducted to decide between fixed or random effect models since the data is panel in nature. The fixed effects regression model was favoured from the test and was used accordingly.

4. Results and Discussions

This section presents the results of descriptive statistics, robustness tests and regression analysis and interpreted and discussed them accordingly.

Descriptive Statistics

Table 3 presents the descriptive statistics for the key variables in the study: Firm Value (FV), Managerial Ownership (MO), and Return on Equity (ROE), based on 120 observations. These variables are analyzed to understand their distribution, variability, and potential implications for the study.

Table 3

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FV	120	9.941	11.86	.5	47.148
MO	120	.097	.165	0	.854
ROE	120	.152	.231	-.012	2.256

Source: Stata Result Output, 2025

The mean value of FV, measured by the market price of shares, is 9.941, with a standard deviation of 11.86. This high standard deviation suggests substantial variability in the market value of the firms included in the sample, indicating a wide range of firm sizes or market performance. The minimum FV is 0.5, while the maximum is 47.148, showing that some firms have significantly higher market prices than others. Such variation may stem from differences in firm-specific factors like profitability, growth opportunities, or industry dynamics. The large gap between the mean and maximum values suggests that few firms have much higher market values than the rest.

Managerial ownership (MO) has a mean of 0.097, indicating that, on average, managers own approximately 9.7% of their firms. The standard deviation is 0.165, reflecting significant variation in ownership structures across the sample. While some firms have very little managerial ownership (less than 0.0001%), others exhibit high levels, with MO reaching a maximum of 85.4%. This wide range highlights differing ownership structures, which could have implications for firm performance and value. A closer look at the data might reveal clusters of firms with distinct ownership patterns, such as family-owned firms or firms with dispersed ownership.

The average ROE is 0.152, meaning that the DMBs in the sample generate a return of approximately 15.2% on their equity, a measure of profitability. The standard deviation of 0.231 indicates moderate variability in profitability across firms. Notably, the ROE ranges from a negative value of -0.012 to a maximum of 2.256, indicating that while most banks are profitable, some experience losses and others achieve exceptionally high profitability. This range suggests a mix of underperforming and outperforming firms, which could reflect differences in operational efficiency, financial leverage, or market conditions.

Variance Inflation Factor

In this analysis from Table 4, both MO and ROE have VIF values of 1.023, confirming a very low correlation between them.

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Table 4
Variance Inflation Factor

	VIF	1/VIF
MO	1.023	.977
ROE	1.023	.977
Mean VIF	1.023	.

Source: Stata Result Output, 2025

The VIF is a statistical measure used to detect multicollinearity in regression models, which occurs when independent variables are highly correlated, distorting coefficient estimates. In this model, MO and ROE are the independent variables, while FV, measured by the market price of shares, is the dependent variable. A VIF value of 1 indicates no multicollinearity, values above 5 suggest moderate multicollinearity, and above 10 indicates severe multicollinearity. The low VIF values indicate that MO and ROE provide distinct information about FV, ensuring reliable coefficient estimates that can be interpreted independently. Additionally, this low multicollinearity enhances model stability and reduces the chances of inflated standard errors.

Panel Effect Test

Hausman test result ($\chi^2 = 42.53$, $p < 0.0000$) confirms that the fixed effects model is the appropriate choice for analyzing the effect of managerial ownership on firm value. The Hausman test was used to determine whether a fixed effects (FE) model or a random effects (RE) model is more appropriate. A significant test result suggests that the random effects model is inconsistent and that the fixed effects model should be preferred.

Time fixed effect test was also conducted to evaluate whether the inclusion of year dummies improves the model. The results indicate that time-fixed effects are statistically significant ($F(9, 97) = 3.81$, $p = 0.0004$), rejecting the null hypothesis that all year dummies jointly equal zero. This finding suggests that firm value is influenced by time-related factors, such as macroeconomic conditions, industry-wide shocks, or regulatory changes.

Consequently, omitting time-fixed effects could lead to omitted variable bias, potentially distorting the estimated relationship between managerial ownership, return on equity, and firm value. Given this result, year-fixed effects were incorporated into the regression model to account for these unobserved time-specific influences, ensuring a more robust estimation.

The Modified Wald test for group wise heteroskedasticity was conducted to assess the presence of heteroskedasticity in the fixed effect model. The test yielded a chi-square statistic of 117112.62 with a p-value of 0.0000, indicating strong evidence of heteroskedasticity across firms. To address this issue, the clustered standard errors which accounts for both heteroskedasticity and within-group correlation was employed.

Regression Results

Based on the diagnostic checks the fixed effect model was run to show the effect of managerial ownership on firm value while controlling for unobserved heterogeneity. The fixed effect model results are presented in Table5.

Table 5

Fixed effect linear regression

FV	Coef.	t-value	p-value	Sig
MO	-16.345	-4.34	0.000	***
ROE	28.757	2.94	0.004	***
Constant	7.16	4.17	0.000	***
R-squared	0.366			
F-test	19.322			
Prob > F	0.000			
Number of obs	120			

Source: Stata Result Output, 2025

Results in the regression model from Table 5 explains 36.6% of the variation in firm value, as indicated by the R-squared value of 0.366. The F-test statistic (19.322, $p < 0.001$) suggests that the model is fit, meaning that at least one of the independent variables has a significant impact on firm value.

The coefficient of managerial ownership (MO) is -16.345, with a t-value of -4.34 and a p-value of 0.000, which is highly significant at the 1% level ($p < 0.01$). This suggests that an increase in managerial ownership is associated with a significant decrease in firm value. This negative significant effect of managerial ownership on value of DMBs in Nigeria aligns with Rahmawati and Garad (2023) and Falade et al. (2021). These results are contrary to Wu et al. (2024) who found a positive significant effect of managerial ownership on firm's value, and Idriawat et al. (2023) and Agusimadu (2020) who found no significant effect between managerial ownership and firm value.

The negative relationship aligns with the entrenchment hypothesis, where excessive managerial ownership may lead to self-serving behavior, reduced accountability, and inefficient decision-making (Aguir et al., 2021; Fareeha et al., 2023; Ogabo et al., 2021). This finding implies that beyond a certain level, managers with substantial ownership stakes may prioritize personal control over shareholder wealth maximization, leading to a decline in share prices.

As managerial ownership increases beyond a certain point, managers may become entrenched and less responsive to shareholders. Managers with significant ownership may secure their positions, limit external monitoring, and make decisions that prioritize personal interests over maximizing shareholder value. For instance, managers may be investing in projects that enhance managerial control (e.g., empire building) but reduce firm value. High managerial ownership can also reduce external accountability since large managerial stakes make it harder for other shareholders to challenge decisions.

Return on equity (ROE) has a positive and statistically significant effect on firm value. The coefficient for ROE is 28.757, with a t-value of 2.94 and a p-value of 0.004, indicating that higher profitability is strongly associated with increased firm value. This finding is in line with Triyana and Sutristio (2023) who also observe that performance has a positive and significant effect on firm value. This result supports the idea that firms with higher profitability generate stronger returns for investors, which is reflected in higher share prices. The large coefficient suggests that profitability is a major driver of firm value,

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reinforcing the notion that financial performance plays a crucial role in shaping investor expectations and market valuation.

5. Conclusion and Recommendations

This study examined the effect of managerial ownership on value among listed DMBs in Nigeria. The findings revealed that managerial ownership has a significant negative effect on firm value, suggesting that as managerial ownership increases, firm value declines. This supports the entrenchment hypothesis, where excessive managerial ownership leads to reduced accountability, self-serving behaviours, and inefficient decision-making. Managers with substantial ownership stakes may prioritize personal control over maximizing shareholder wealth, thereby negatively impacting firm value.

Conversely, ROE has a strong positive effect on firm value, reinforcing the notion that profitability remains a key driver of market valuation. Based on the findings, this study concluded that managerial ownership has an effect on the value of listed DMBs in Nigeria.

Emanating from the conclusion, this study recommends that regulators, particularly the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC), should establish optimal ownership thresholds to prevent excessive managerial control that could entrench management and reduce accountability.

Also, to align managerial interests with shareholder value, firms should adopt equity-based compensation strategies (e.g., restricted stock and performance-linked stock options) rather than excessive direct managerial ownership. These recommendations, if implemented, will enhance corporate governance practices, improve firm valuation, and ensure the long-term sustainability of Nigeria's banking sector.

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