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Moderating effect of managerial ownership on board characteristics and financial  
performance of quoted commercial banks in Nigeria

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## **Abstract**

*This study examined the moderating effect of managerial ownership on the relationship between board characteristics and financial performance of quoted commercial banks in Nigeria and the study was grounded in Resource Dependence Theory. The study adopted an ex post facto research design using secondary data extracted from the annual reports of thirteen quoted commercial banks over a ten-year period. Board characteristics were proxied by board size, board independence, board gender diversity, board financial expertise, board meeting frequency and foreign board membership, while return on assets (ROA) was used as a measure of financial performance. The study employed a dynamic panel estimation technique to account for endogeneity and firm-specific effects. Specifically, the interaction between board independence and managerial ownership shows a negative and statistically significant effect, suggesting that higher levels of insider ownership may weaken the monitoring effectiveness of independent directors. Similarly, the interaction between board financial expertise and managerial ownership reveals a strong negative and statistically significant relationship with performance, implying that an overconcentration of financial expertise, when combined with managerial ownership, may limit strategic flexibility. Conversely, other interaction effects are statistically insignificant. The interaction between board size and managerial ownership is negative but insignificant, indicating no substantial joint influence on performance. The interaction between board gender diversity and managerial ownership is positive but insignificant, suggesting a weak complementary effect. Likewise, board meeting frequency interacting with managerial ownership shows a positive but insignificant effect, while the interaction with foreign board membership is negative and insignificant. The study concludes that managerial ownership significantly influences the effectiveness of board governance mechanisms and recommends optimal ownership levels, stronger board independence, and improved utilization of board expertise.*

**Keywords:** Financial Performance; Board Independence; Board Size; Gender Diversity; Managerial Ownership.



## **Introduction**

The financial performance of Nigeria's quoted commercial banks has been a central focus for regulators, investors, customers and academics alike due to the sector's systemic importance and its vulnerability to both internal governance weaknesses and external shocks. Nigeria's banking industry, which holds over 60% of the nation's financial system assets and remains a key driver of economic activity, has recently experienced a restoration of profitability following the turbulence of the COVID-19 pandemic, foreign exchange volatility, high inflation and declining asset quality in preceding years (Central Bank of Nigeria [CBN], 2024). For example, aggregate industry profitability returned to positive territory in 2024, with several major banks collectively reporting multi-trillion-naira profits, signaling an ongoing recovery in earnings performance (CBN, 2024). Yet, despite regulatory reforms and improved headline financials, inconsistency in individual bank performance persists, which suggests that internal governance dynamics particularly at the board level remain a pivotal factor influencing outcomes.

Corporate governance structures, especially board characteristics such as board size, board independence, gender diversity, financial expertise and meeting frequency, are widely theorised to influence firm financial performance. Agency theory posits that boards with strong monitoring capacity mitigate managerial opportunism and enhance firm value (Jensen & Meckling, 1976; Fama & Jensen, 1983). In contrast, resource dependence theory argues that board diversity and expertise provide valuable resources, networks and knowledge that improve strategic decision-making and performance (Pfeffer & Salancik, 1978). Empirical studies in developing economies have produced mixed evidence on these relationships. Some evidence suggests that increased board independence and gender diversity enhance performance outcomes, while other research shows weak or negative effects, particularly in contexts where board roles are largely ceremonial or compliance-driven (Adegbe & Adeniji, 2021; Adams & Ferreira, 2009).

While extant research advances understanding of board effects on performance, many studies overlook the role of ownership structure specifically managerial ownership as a potential moderator that conditions how board characteristics translate into performance outcomes. Managerial ownership describes the proportion of a firm's equity held by executives or board members who are involved in the day-to-day management of the bank. Theoretical perspectives on managerial ownership offer competing predictions. On the one hand, increased managerial



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ownership is expected to align managers' interests with those of outside shareholders, reducing agency costs and promoting value-maximising decisions (Jensen & Meckling, 1976; Morck, Shleifer & Vishny, 1988). On the other hand, excessive managerial ownership can lead to entrenchment, where dominant managers protect their positions and resist effective oversight, undermining both board monitoring and performance (Shleifer & Vishny, 1997).

In Nigeria's banking context, where regulatory enforcement is strong but heterogeneous across institutions, the role of managerial ownership in shaping governance effectiveness has not been sufficiently examined. Many quoted commercial banks retain significant insider shareholdings by executive directors, founder families or long-standing managers, which may either strengthen or weaken governance mechanisms depending on the institutional context (Uwuigbe, 2022). At the same time, Nigeria's adoption of the 2018 Nigerian Code of Corporate Governance and renewed emphasis on board fit-and-proper requirements by the Central Bank of Nigeria have elevated expectations for board effectiveness, yet concerns persist about the actual strategic influence of boards in performance outcomes (FRCN, 2018; CBN, 2023).

Empirical studies focusing on Nigerian banks frequently report heterogeneous results. For example, some evidence indicates that board independence and gender diversity are positively associated with profitability, while other studies find insignificant or negative effects once firm size, capital adequacy and macroeconomic conditions are controlled (Adegbe & Adeniji, 2021; Uwuigbe et al., 2020). However, most of these studies treat board attributes in isolation and do not consider how different ownership configurations such as high managerial equity may amplify or attenuate their effects. This omission creates a significant methodological and theoretical gap because governance effectiveness may vary depending on whether managers have substantial ownership stakes that influence their risk preferences, strategic focus, or responsiveness to monitoring.

Moreover, Nigeria's banking sector is characterised by ongoing structural reforms, including recapitalisation requirements and heightened supervisory scrutiny aimed at enhancing resilience in the face of economic volatility. These reforms increase the strategic importance of board oversight and the alignment of interests between management and shareholders (CBN, 2023). Yet, without a clear understanding of how managerial ownership interacts with core board characteristics to influence performance, regulators and practitioners lack evidence-based guidance on optimal governance configurations that align managerial incentives with



shareholder welfare and institutional stability. Therefore, there is a compelling need for empirical investigation into whether and how managerial ownership moderates the relationship between board characteristics and financial performance of quoted commercial banks in Nigeria.

### **Hypotheses**

**H<sub>01</sub>:** Managerial ownership has no significant effect on the financial performance of quoted commercial banks in Nigeria.

**H<sub>02</sub>:** Managerial ownership does not significantly moderate the relationship between board independence and the financial performance of quoted commercial banks in Nigeria.

**H<sub>03</sub>:** Managerial ownership does not significantly moderate the relationship between board size and the financial performance of quoted commercial banks in Nigeria.

**H<sub>04</sub>:** Managerial ownership does not significantly moderate the relationship between board gender diversity and the financial performance of quoted commercial banks in Nigeria.

**H<sub>05</sub>:** Managerial ownership does not significantly moderate the relationship between board financial expertise and the financial performance of quoted commercial banks in Nigeria.

**H<sub>06</sub>:** Managerial ownership does not significantly moderate the relationship between board meetings and the financial performance of quoted commercial banks in Nigeria.

**H<sub>07</sub>:** Managerial ownership does not significantly moderate the relationship between foreign board members and the financial performance of quoted commercial banks in Nigeria.

### **Literature Review**

#### **Concept of Financial Performance**

In contemporary times firm performance is seen to be an important concept frequently used as a dependent variable in strategic management research. Diverse scholars have different definitions of firm performance. Taouab and Issor (2019) affirmed that business performance as appraised by academicians and managers is a crucial issue nowadays as regards the economic milieu. Financial performance refers to the measure of a company's success and profitability based on its financial statements and key financial indicators (Aluko et al., 2022; Asubiojo et al., 2023; Boluwaji et al., 2023; Dagunduro et al., 2022; Kolawole et al., 2023). It



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assesses the ability of a company to generate revenue, manage expenses, generate profits, and create value for its shareholders and other stakeholders (Umukoro et al., 2019).

### **Concept of Board Characteristics**

Board characteristics are widely understood in corporate governance literature as the definable structural and compositional attributes of the board of directors that influence how effectively a board performs its oversight, advisory, and strategic functions. According to Jensen and Meckling (1976), who laid the foundation for modern corporate governance research, the board of directors is a critical governance mechanism through which the interests of shareholders and managers are aligned to reduce agency problems. Pathan and Faff (2013) described board composition, including the balance between executive and non-executive directors, as a determinant of boards' strategic performance, noting that boards with a greater proportion of non-executive directors are better positioned to challenge managerial decisions. From a resource dependence perspective, Pfeffer and Salancik (1978) described board characteristics as the means by which firms access external resources, networks, and critical information; they argue that such characteristics improve organizational legitimacy and strategic adaptability by linking the firm to its broader economic environment.

### **Managerial Ownership**

Managerial ownership, facilitated by control instruments like dual-class shares, can give rise to the entrenchment problem, which allows controlling shareholders to retain control (voting rights) while holding a minimum stake in their ownership (cash-flow rights) (Zerni et al., 2010).<sup>1</sup> With such instruments, entrenched managers can make decisions that provide them with all the benefits while bearing only a small fraction of the costs incurred by those decisions.<sup>2</sup> These problems become more pronounced in jurisdictional environments where companies are predominantly controlled by family members, including Indonesia (Claessens et al., 2002). Emerging markets such as Indonesia can become a unique setting to further examine whether it is the alignment or entrenchment effect that holds given the particular contexts characterized by family ownership, inadequate corporate governance, and weak legal systems.



### **Empirical Review**

Ofoegbu, et al. (2023) analyze the impact of board independence on firm value using a panel of listed Nigerian firms spanning 2014–2021. Through fixed effects regressions with Tobin's Q and market capitalization as dependent variables and a suite of controls, they find a positive and robust relationship between board independence and market value. The study makes an important local contribution by showing that the monitoring hypothesis holds in Nigeria; however, its inclusion of multiple sectors weakens conclusions specific to commercial banks, which are subject to prudential regulation and distinct risk exposures. The authors attempt to mitigate endogeneity by lagging regressors, but stronger identification strategies (for example, instruments, natural experiments, or difference-in-differences) would increase causal credibility.

Okafor and Emeh (2023) examined the impact of board size on the financial performance of listed manufacturing companies in Nigeria. The main objective of their study was to determine whether the number of directors on a company's board has a significant influence on performance indicators such as return on assets (ROA) and return on equity (ROE). Covering the period between 2012 and 2021, the study employed secondary data extracted from the annual reports of 15 manufacturing firms listed on the Nigerian Exchange Group. The authors adopted a panel data regression model, incorporating both fixed and random effects, with the Hausman test guiding model selection. The results revealed that board size had a positive and statistically significant effect on ROA but showed no significant effect on ROE. The researchers concluded that moderately larger boards could enhance strategic decision-making due to diverse perspectives, but excessively large boards might lead to coordination problems. A critique of the study is that, although it provided evidence supporting the resource dependence theory, the scope was limited to manufacturing firms, making its generalizability to other sectors uncertain. Furthermore, the study did not control for the possible moderating effect of board independence, which could have provided deeper insights.

Ibrahim and Musa (2024) analysed the effect of board gender diversity on financial performance in the Nigerian oil and gas sector over the period 2013 to 2022. Using both accounting-based measures (ROA, ROE) and market-based measures (Tobin's Q), the study found that gender diversity was positively related to Tobin's Q but showed no significant relationship with ROA and ROE. The authors argued that investors may perceive gender



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diversity as a signal of progressive governance and long-term strategic thinking, thereby boosting market valuation, even if short-term profitability remains unaffected. They recommended that corporate governance codes in Nigeria include specific targets for female representation on boards to enhance both market perception and operational performance over time.

Boadi (2023) investigated how financial expertise on banking boards affects risk management and performance in Ghanaian banks. Using data from 2013 to 2021 and employing a difference-in-differences approach (exploiting regulatory reforms that required greater board expertise), the study showed that banks which increased their number of financial expert directors saw significant improvements in net interest margins and lower non-performing loan ratios. The study's natural experiment design strengthens causal inference, and its focus on African banks increases relevance. However, Ghana's regulatory environment and banking market structure differ from Nigeria, and interpretation for Nigerian banks requires caution. The study also highlights outcomes related to stability and lending health rather than traditional performance metrics like ROA.

Muhammad et al. (2021) assesses Moderating effect of Managerial Ownership Structure on the relationship between Assets Quality and Financial Performance of Listed Deposit Money Banks in Nigeria for the period of 2011-2019. The population of the study is fifteen (13) listed deposit money banks in Nigeria. Assets Quality analyses as the independent variable was proxy with Non-Performing Loan, Loan Growth rate, Loan Loss and return on asset was used to proxy financial performance, while Managerial ownership structure as the Moderating Variable. Data were collected from secondary source through the annual reports of the banks for the period under study and the data was analysed using multiple panel regression techniques. The findings reveal that Managerial ownership structure has a positive and significant effect on financial performance, while the non-performing loan has a significant negative relationship with financial performance respectively. This study concluded the interaction between managerial ownership structure and financial performance was found to be positive and significantly influencing financial performance. This means that managerial ownership structure can control the financial performance of banks, it is recommended among others, Managerial shareholders shouldn't be part of credit committee that issue out loan to customers. Furthermore, the banks should effectively review and implement management risk



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framework in order to reduce the proportion of non-performing loan attributed to listed deposit money banks in Nigeria.

## **Theoretical Framework**

### **Resource Dependence Theory**

Resource Dependence Theory (RDT) was first articulated by Jeffrey Pfeffer and Gerald R. Salancik in their seminal work *The External Control of Organizations: A Resource Dependence Perspective* (1978). At its core, RDT posits that organizations are deeply embedded in an external environment from which they must secure critical resources such as capital, information, legitimacy, and social networks to survive and thrive. Pfeffer and Salancik (1978) argued that organizations cannot operate in isolation; instead, they depend on external actors and must consequently structure internal governance to manage resource dependencies and reduce environmental uncertainty. Other scholars have complemented the original resource dependence framework by exploring how specific board characteristics influence resource acquisition. For instance, Millstein (1992) emphasized the board's role in maintaining credibility with external stakeholders, while Lorsch and MacIver (1989) argued that independent directors enhance access to diverse networks and reduce reliance on internal managerial resources. These contributions reinforce the idea that board composition such as diversity, expertise, and external connections can shape how effectively a firm navigates its environment (Daily, et al., 2003).

In the context of corporate governance, RDT has been widely applied to board research. Adams and Ferreira (2009) found that boards with diverse skill sets and independence from management enhanced monitoring and strategic performance. Similarly, Post, et al. (2011) show that gender diversity on boards improves firm reputation and opens access to broader stakeholder networks, which can strengthen competitive positioning. Studies focused on emerging markets emphasize the crucial role of board composition in resource acquisition under conditions of institutional weakness and market volatility (Daily, et al., 2003; Boyd, 1990). For example, board independence and foreign director representation have been shown to facilitate access to international markets and advanced financial practices, which is consistent with RDT predictions (Nekhili, et al., 2017).

The relevance of RDT to banking governance is particularly strong because banks operate in tightly regulated environments characterized by rapid technological change, risk intensity and



systemic interdependencies. In such settings, board attributes such as financial expertise, independence and external networks are vital channels through which banks secure regulatory goodwill, investor confidence and strategic partnerships that support growth (Pathan & Faff, 2013). Nigerian studies have also acknowledged the relevance of board external linkages. Uwuigbe, et al. (2020) found that board independence and board diversity influence financial performance in Nigerian deposit money banks, suggesting that the board’s composition can shape how effectively banks manage external pressures and resources. Similarly, Adegbie and Adeniji (2021) reported that board competence and diversity influence bank performance outcomes, indicating that governance structures matter for resource management and strategic alignment in Nigerian contexts.

### Methodology

The study employed an ex-post facto research design, which is appropriate given that it relied entirely on secondary data obtained from the annual financial reports and accounts of quoted industrial goods companies in Nigeria. The population of this study comprised the thirteen commercial banks quoted on the floor of the Nigerian Exchange Group (NGX) as of 2024. The study employed the dynamic panel regression technique for data analysis.

$$ROA_{it} = \alpha ROA_{it-1} + \beta_1 MOWN_{it} + \beta_2 BIND_{it} * MOWN_{it} + \beta_3 BSIZE_{it} * MOWN_{it} + \beta_4 BGD_{it} * MOWN_{it} + \beta_5 BFE_{it} * MOWN_{it} + \beta_6 BM_{it} * MOWN_{it} + \beta_7 FBM_{it} * MOWN_{it} + \mu_t + \varepsilon_{it} \dots v$$

Where:

$B_{SIZE_{it}}$  = Board Size of company t as i in time t

$B_{IND_{it}}$  = Board Independence of company t as i in time t

$B_{GD_{it}}$  = Board Gender Diversity of company t as i in time t

$B_{FE_{it}}$  = Board Financial Expertise of company t as i in time t

$B_{M_{it}}$  = Board Meetings of company t as i in time t

$B_{M_{it}}$  = Foreign Board Members of company t as i in time t

$MOWN_{it}$  = Managerial Ownership of company t as i in time t

$B_0$  = constant

$\beta_1 - \beta_7$  = coefficient of the parameter estimates.

$\varepsilon_{it}$  = Error term of company i in time t



**Table 1: Measurement and Model Specification**

Variables	Measurements	Source
Financial Performance	Profit after Tax to Total Assets	Tyas and Khafid, (2020). Jibril et al. (2023)
Board Independence	The percentage of independent directors to the total number of directors on the board of a company.	Allegrini and Greco, (2013); Odewale, (2020); Uwuigbe and Ajibolade, (2013)
Board Size BS	Defined and measured as total number of directors on the board	Odewale, (2020); Uwuigbe and Ajibolade, (2013)
Board Gender Diversity	Gender diversity is the proportion of the number of females to total board size	Guping et al., (2020); (Lee-Kuen et al., 2017); (Arora, 2021)
Board Financial Expertise	Measured by the proportion of financial expertise to the total board members.	Kakanda, et al., 2018
Board Meetings	The number of annual meetings held by a bank's board.	Al-Absy and AlMahari (2023) (Abdeljawad and Masri, 2020) Alaa et al. (2019)
Foreign Board Members	The percentage of board members who have a foreign nationality to the board size	Alaa et al. (2019)
Managerial Ownership	Proportion of managers' shares to total shares	Almudehki and Zeitun, (2012); Fauzi and Musallam, (2015)

**Source:** Researcher Compilation, 2026

## Results and Discussion of Findings

**Table 1: Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	130	.0830365	.1145287	-.04254	.4998495
BFSIZE	130	13.44615	3.327269	6	21
BIND	130	.6139643	.1225591	.3571429	.9375
BGD	130	.1830661	.1010913	0	.4545455
BFE	130	.1055523	.0296446	.0526316	.1818182
BM	130	3.992308	.6987936	3	5
FBM	130	.0873983	.1032768	0	.4166667
MOWN	130	.0740062	.0530363	0	.3897

**Source:** Eviews Output, 2026

Table 1 for descriptive statistics show that the average return on assets (ROA) is about 0.083, indicating moderate profitability among the sampled quoted commercial banks in Nigeria. The variability in ROA suggests differences in performance across banks, which may reflect variations in governance effectiveness and exposure to macroeconomic conditions. The mean



board size of approximately 13 members shows that Nigerian banks maintain relatively large boards, consistent with governance expectations for complex financial institutions. Board independence has a mean value of 0.614, indicating that independent directors constitute a substantial proportion of board membership, which aligns with regulatory governance standards. Gender diversity remains low, with an average value of 0.183, suggesting limited representation of women on bank boards. The mean value of board financial expertise is 0.106, implying that only a small proportion of directors possess specialised financial knowledge. Board meetings average about four per year, showing compliance with governance requirements but limited variation in board activity. Managerial ownership averages 0.074, indicating low insider ownership concentration, which may weaken or moderate interest alignment between managers and shareholders as suggested by agency governance perspectives advanced by Jensen and Meckling (1976).

**Table 2: Covariance Analysis**

	ROA	BSIZE	BIND	BGD	BFE	BM	FBM	MOWN
ROA	1.0000							
BSIZE	-0.2880	1.0000						
BIND	0.1840	-0.3842	1.0000					
BGD	0.3257	0.1383	-0.0741	1.0000				
BFE	0.0312	-0.1969	-0.0734	0.1379	1.0000			
BM	0.0383	-0.1919	0.1777	-0.2158	0.0840	1.0000		
FBM	-0.3496	-0.0625	0.0545	-0.3028	-0.0813	-0.1122	1.0000	
MOWN	-0.0335	0.0379	0.0070	-0.1047	-0.0134	-0.0325	0.0344	1.0000

**Source:** Eviews Output, 2026

The correlation results show that board size (BSIZE) has a negative relationship with return on assets (ROA), suggesting that larger boards may be associated with lower profitability in Nigerian commercial banks, possibly due to coordination and communication challenges within large governance structures. Board independence (BIND) exhibits a positive correlation with ROA, indicating that a higher proportion of independent directors may improve monitoring effectiveness and enhance financial performance. Gender diversity (BGD) also shows a positive relationship with ROA, implying that greater female representation on boards may contribute to better strategic decision-making and risk management. Board financial expertise (BFE) has a weak positive correlation with ROA, suggesting that the presence of financially knowledgeable directors may support performance, although the relationship is not strong. Board meetings (BM) show a weak positive association with ROA, indicating that meeting frequency alone may not significantly drive profitability without quality deliberation.



Foreign board membership (FBM) is negatively correlated with ROA, suggesting that higher foreign director representation may not necessarily translate into improved performance in the Nigerian banking context. Managerial ownership (MOWN) shows a weak negative correlation with ROA, indicating that insider ownership may not strongly influence profitability.

**Table 3: Regression Results**

System dynamic panel-data estimation	Number of <u>obs</u>	=	117			
Group variable: ID	Number of groups	=	13			
Time variable: Year	<u>Obs</u> per group:	min =	9			
		avg =	9			
		max =	9			
Number of instruments =	52	Wald chi2(8)	= 755.49			
		Prob > chi2	= 0.0000			
One-step results						
	ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
	ROA					
	L1.	.9410545	.0373558	25.19	0.000	.8678385 1.014271
	MOWN	.9943682	.3788205	2.62	0.009	.2518937 1.736843
	BSIZEMOWN	-.0135774	.0123308	-1.10	0.271	-.0377454 .0105906
	BINDMOWN	-.736435	.2730975	-2.70	0.007	-1.271696 -.2011737
	BGDMOWN	.2253505	.3255608	0.69	0.489	-.412737 .863438
	BFEMOWN	-3.709481	.9441857	-3.93	0.000	-5.560051 -1.858911
	BMMOWN	.0034536	.0444517	0.08	0.938	-.0836701 .0905773
	FBMMOWN	-.1500509	.3813701	-0.39	0.694	-.8975225 .5974208
	_cons	.002821	.004963	0.57	0.570	-.0069063 .0125483

Source: Eviews Output, 2026

The system dynamic panel-data estimation using the Generalized Method of Moments (GMM) reveals strong persistence in financial performance among quoted commercial banks in Nigeria. The lagged dependent variable ( $ROA_{t-1}$ ) is positive and highly significant ( $\beta = 0.9411$ ,  $p < 0.01$ ), indicating that current profitability is strongly influenced by past performance. This suggests a high degree of performance inertia in the Nigerian banking sector, where historical operational efficiency, asset quality management, and established market position continue to shape current financial outcomes. This finding aligns with modern corporate governance literature which argues that firm performance in financial institutions tends to exhibit dynamic stability over time (Al-Absy & AlMahari, 2023; Adewara et al., 2023).

Managerial ownership (MOWN) shows a positive and statistically significant effect on ROA ( $\beta = 0.9944$ ,  $p = 0.009$ ), suggesting that higher insider ownership strengthens alignment



between management and shareholders. This result supports the alignment hypothesis of agency governance theory, which argues that ownership participation by managers reduces agency conflict and promotes value-maximizing behaviour. Recent empirical studies between 2020 and 2025 have reported similar findings, indicating that managerial ownership can improve decision quality, strategic commitment and risk management efficiency in emerging banking markets (Aginam & Obi-Nwosu, 2024; Boluwaji et al., 2023).

The interaction between board size and managerial ownership (BSIZEMOWN) is negative but statistically insignificant ( $\beta = -0.0136$ ,  $p = 0.271$ ), implying that the joint effect of board size and managerial shareholding does not significantly influence profitability. This suggests that expanding board membership does not necessarily strengthen the performance impact of managerial ownership, possibly due to coordination inefficiencies or diluted monitoring effectiveness (Awotomilusi et al., 2023).

The interaction between board independence and managerial ownership (BINDMOWN) is negative and statistically significant ( $\beta = -0.7364$ ,  $p = 0.007$ ). This result indicates that high managerial ownership may weaken the positive monitoring role expected from independent directors. From an institutional governance perspective, excessive insider ownership may reduce the authority of independent board members, thereby limiting their oversight effectiveness. Recent studies have also reported similar patterns, suggesting that ownership concentration can sometimes undermine external monitoring mechanisms in developing economies (Adewale & Rahman, 2023).

The interaction between board gender diversity and managerial ownership (BGDMOWN) is positive but statistically insignificant ( $\beta = 0.2254$ ,  $p = 0.489$ ). This implies that although gender diversity may contribute positively to governance quality, its moderating interaction with managerial ownership does not significantly influence performance. This finding is consistent with studies that argue gender diversity improves board cognitive diversity only when female representation reaches a critical threshold (Adams & Ferreira, 2009; Adewara et al., 2023).

Board financial expertise interacted with managerial ownership (BFEMOWN) has a strong negative and statistically significant effect on ROA ( $\beta = -3.7095$ ,  $p < 0.01$ ). This unexpected result suggests that excessive concentration of financial expertise within boards combined with high managerial ownership may promote overly conservative risk behaviour or strategic rigidity, which can reduce short-term profitability. This supports emerging evidence that



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governance expertise does not automatically translate into performance improvement in volatile emerging markets (Al-Absy & AlMahari, 2023; Arora, 2021).

The interaction between board meeting frequency and managerial ownership (BMMOWN) is positive but insignificant ( $\beta = 0.0035$ ,  $p = 0.938$ ). This suggests that meeting intensity does not meaningfully enhance performance when managerial ownership is considered. Modern governance literature argues that the quality of board deliberations is more important than the number of meetings held annually (Asubiojo et al., 2023).

Finally, the interaction between foreign board membership and managerial ownership (FBMMOWN) is negative but statistically insignificant ( $\beta = -0.1501$ ,  $p = 0.694$ ), indicating that foreign director participation does not significantly influence performance through managerial ownership channels. This may reflect contextual and institutional differences between Nigeria and advanced economies, where international board experience is more strongly linked to performance outcomes.

The results suggest that managerial ownership plays a significant moderating role in shaping the relationship between governance characteristics and bank performance. The findings highlight that ownership structure can strengthen or weaken board effectiveness depending on the governance attribute involved. These results are consistent with contemporary corporate governance research which emphasizes institutional context in evaluating governance-performance relationships in emerging markets (Adegboye & Omah, 2022; Aginam & Obi-Nwosu, 2024).



### **Conclusion and Recommendations**

Based on the empirical findings of this study, it can be concluded that financial performance of quoted commercial banks in Nigeria exhibits strong persistence, as indicated by the significant positive effect of lagged return on assets. This implies that historical profitability, operational efficiency and established market positioning play important roles in shaping current performance outcomes in the Nigerian banking sector. The study also reveals that managerial ownership has a significant positive direct effect on financial performance, suggesting that insider equity participation enhances alignment between managerial decisions and shareholder interests. This supports the alignment perspective of agency governance theory, which argues that ownership participation reduces agency conflicts and promotes performance improvement.

However, the moderating effects of managerial ownership on board characteristics produced mixed results. The interaction between board independence and managerial ownership was negative and significant, indicating that high managerial ownership may weaken the monitoring effectiveness of independent directors. Similarly, the interaction between board financial expertise and managerial ownership is negative and statistically significant, suggesting that excessive concentration of financial expertise combined with high insider ownership may encourage conservative or rigid strategic behaviour that reduces profitability. Other interaction terms, including board size, gender diversity, board meetings and foreign board membership, were statistically insignificant, implying limited moderating influence of managerial ownership on these governance attributes.

In line with the study findings, it is recommended that regulatory authorities and bank management should promote governance structures that support effective but practical board independence rather than symbolic compliance. Since board independence moderated by managerial ownership negatively affected performance, banks should ensure that independent directors possess adequate authority, technical competence and access to strategic information to enhance monitoring effectiveness.

Given the positive direct effect of managerial ownership on performance, banks should maintain moderate insider ownership levels that encourage managerial commitment without promoting entrenchment. Excessive managerial control should be avoided because it may weaken the oversight function of independent directors.



Furthermore, the negative interaction effect between financial expertise and managerial ownership suggests the need for balanced board composition. Banks should integrate financial experts into specialized committees such as risk management and audit committees to ensure that technical knowledge supports strategic decision-making rather than promoting excessive risk conservatism.

Although other governance interactions were insignificant, banks are encouraged to maintain optimal board structures by avoiding unnecessarily large boards, promoting meaningful gender diversity, and improving the quality rather than the frequency of board meetings. Board training programmes should also be strengthened in emerging areas such as fintech innovation, digital banking and risk management to enhance governance effectiveness.

Regulatory agencies such as the Central Bank of Nigeria should continue monitoring governance practices to ensure that ownership structure and board composition contribute positively to financial stability and sustainable performance.

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