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ESTIMATED EFFECT OF BANK MANAGEMENT ON SHAREHOLDERS' WEALTH OF QUOTED COMMERCIAL BANKS IN NIGERIA.

BY

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Abstract

This study examined the effect of bank management on shareholders' wealth maximization of quoted commercial banks in Nigeria. Cross-sectional data were sourced from annual reports of the quoted commercial banks. Shareholders' wealth was the proxy for the dependent variable, while liquidity management, assets management, credit management, and risk management were proxies for independent variables. Panel data regression was used as a method of data analysis. Findings of the study revealed that the fixed effect model shows that the independent variable explains 89 percent of the variation in the return on equity. The F-statistics and the F-probability validate that the model is significant. The beta coefficient shows that all the independent variables have a positive effect on return on equity except liquidity management. From the findings, the study concludes that bank management has a significant relationship with shareholder wealth maximization of commercial banks in Nigeria. The study recommends that regular review of asset liability management policies and tools should be done by the bank's board of directors to ensure that they are in line with market developments in the asset liability management process. All banks should institute a sound risk asset and liquidity management system that will guarantee the quality of their earnings from loans and advances, avoid non-performing loans and advances and enhance the quality of their earnings.

***Keywords**: Bank Management, Shareholders' Wealth, Commercial Banks, Risk Management, Liquidity Management, Credit Management.*

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INTRODUCTION

The application of management concepts in piloting the affairs of organizations helps guide, explain, predict, and influence organizational behaviour. These behaviours may take the form of human or material resources, and in either case, the organization's goals and objectives are affected. It therefore behooves any organization, whether public or private, to manage the concept in its operations (Tetteh, 2012). Bank management is the deliberate, concerted effort of a bank to plan, organize, direct, control, and coordinate economic resources to ensure a healthy balance sheet. From this definition, it means that the balance sheet of a bank should be a measure for ascertaining the realization of the bank's goals and objectives. It depicts whether a bank is performing well or not, especially when one item (in the balance sheet) is related to the other.

The normative approach to the role of banks suggests that banks meet the expectations of the banking public (Ezirim, 2005). Banking is an economic activity that deals with the intermediation of funds between the surplus units and the deficit units of an economy and the channeling of such resources to profitable investment. Banking also enhanced business activity by accepting and safeguarding money owned by other individuals and entities, and then lending out this money to earn a profit (Khusi, 2020). A sound, profitable, well-managed, and well-functioning banking system contributes to the stability of the financial system and thereby promotes economic growth. Therefore, to be attained, banks must pursue related regulations and guidelines (Olalere & Wan, 2016). More so, banks are classified as a dominant financial institution; their stability is important to the growth of the economy. Furthermore, effective management of business organizations and the occasional disasters associated with life itself, together with political and social disruptions, are examples of the risks that a society is exposed to. However, it is not possible to totally eliminate these risks, but the probability of a loss can be reduced by changing some of the circumstances relating to a loss. Therefore, banks need to manage the various types of risk effectively at their disposal, such as credit, liquidity, and operations risk, through better planning and well-organized risk management techniques. Eichler (2022) argued that the key to effective risk management plays a crucial role in any company's pursuit of financial stability and superior performance. Lending operations of banks have the inherent risks of possible loan losses, that is, (credit risk), but by taking the risk, banks can charge a premium for their risk-taking activities and earn profits. Risks are, therefore, a source of profits to the bankers.

Shareholders' wealth can be assessed at both the macro and micro levels. At the macro level, it plays a vital role in management decisions, asset composition, ownership structure, and capital structure. Maximizing shareholders' interests is a key management responsibility that requires strategic and tactical planning, such as determining an optimal capital mix. Corporate organizations set financial goals and strategies that reflect their mission and long-term plans, balancing conflicting and competing interests. The main objectives generally focus on four fundamental goals: maximizing corporate profitability, maximizing returns on investment, promoting corporate growth, and ensuring the availability of funds (Pandey, 2005). Common ratios used to evaluate a business's performance include growth and profit measures, such as return on assets (ROA), return on equity (ROE), return on investment (ROI), revenue growth, return on sales (ROS), market share, stock price, liquidity, sales growth, and operational efficiency. ROE and ROA are especially useful indicators for assessing the financial performance of commercial banks (Maria et al., 2002).

Factors that determine deposit money banks have been well examined in the literature. There are different strands of studies on the factors that determine the performance of deposit money banks. Some authors examined how monetary policy affects deposit money banks' performance, while others focused on macroeconomic variables and deposit money banks' performance. Poudel (2012) studied the factors affecting commercial banks performance in Nepal between 2001 and 2012 and used a linear regression analysis technique, Saeed and Zahid 2016) studied the impact of credit risk on profitability of the commercial banks and the result showed that credit risk indicators had a positive association with profitability of the banks, Alalade, Binuyo & Oguntodu (2014) examined the impact of managing credit risk and profitability of banks in Lagos state, Ogboi and Unuafe (2013) concluded that bank's financial performance had been affected by sound credit risk management and capital adequacy while Gambo, Ahmad and Muhammad (2017) examined the relationship between bank specific and macroeconomic determinant of non-performing loans in Nigerian deposit money banks over the period of 5 years 2010 to 2014). This study examined the effect of management on the shareholders' wealth maximization of quoted commercial banks in Nigeria.

LITERATURE REVIEW

Credit Management

Credit management is the set of procedures banks adopt to mitigate or reduce the negative effects of credit risk. A comprehensive credit risk management structure is vital because it helps increase revenue and survival. According to Odusanya et al. (2018), sound credit-giving is one of the most essential principles that strengthen financial institutions in their financial standing. This researcher stressed that sound credit giving establishes credit limits as well as develops a credit-granting process for approving new credits. Credit plays a vital part in the economic growth and development of a country. These roles credit plays can be categorized into two: it enables the transfer of funds to where it will be most effectively and efficiently used, and secondly, credit economizes the use of currency or coin money, as granting of credit has a multiplier effect on the volume of currency or coin in circulation. Credit management encompasses the entire process of lending, from inquiring about potential borrowers to recovering the amount granted. Idowu and Ighosewe (2020) noted that, in the banking sector, credit management is concerned with activities such as accepting applications, loan appraisal, loan approval, monitoring, and recovery of non-performing loans. Harrison (2021) described credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification, and credit reporting.

Aruwa and Musa (2014) viewed credit management as simply the means by which an entity manages its credit sales. It is a prerequisite for any entity dealing with credit transactions since it is impossible to have a zero credit or default risk. Musyoki and Kadubo (2012) opined that credit management greatly influences the success or failure of commercial banks and other financial institutions. This is because the failure of deposit banks is influenced to a large extent by the quality of credit decisions and thus the quality of the risky assets. He further notes that credit management provides a leading indicator of the quality of a deposit bank's credit portfolio. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. To minimize exposure to bad debt, over-reserving, and bankruptcies,

companies must have greater insight into customer financial strength, credit score history, and changing payment patterns.

Liquidity Management

Liquidity management has assumed a strategic position within the bank management hierarchy due to its critical nature, highlighted by recent market turmoil. It is the core function of revenue generation, lending, and payment. The success of any bank depends on the level of liquidity sufficient to manage its operations. Inefficient liquidity management results in serious impairment of banking functions and a contagious effect on the economy. A bank is set to be liquid if it stores sufficient liquid assets and cash, together with the ability to raise funds quickly from other sources to enable it to meet its payment obligations and financial commitments promptly. Bank for International Settlements (2008) defined liquidity as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk arises from the fundamental role of banks in the maturity transformation of short-term deposits into long-term loans. The term liquidity risk includes two types of risk: funding liquidity and market risk. Funding liquidity risk is the risk that the bank will not be able to meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm. Market liquidity risk is the risk that a bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption. Liquidity risk can be measured by two main methods: liquidity gap and liquidity ratios. The liquidity gap is the difference between assets and liabilities at both present and future dates.

Risk Management

Risk management is a systematic process of understanding, evaluating, and addressing risks to maximize the objectives and ensure the sustainability of organizations, individuals, and communities. It also enables the organization to be aware of new possibilities. In effect, risk management requires an informed understanding of relevant risks, an assessment of their relative priority, and a rigorous approach to monitoring and controlling them. It is indeed the practice of identifying potential risks in advance, analyzing them, and taking precautionary steps to reduce or curb the risk. In finance and business terms, when an organization makes an investment decision, it exposes itself to a number of financial risks. The quantum of such risks

depends on the type of financial instrument. The financial risks might be in the form of high inflation, volatility in capital markets, recession, bankruptcy, and so on. In order to minimize and control the exposure of investments to such risks, bank managers and investors resort to the practice of risk management. Tsevisani (2007) holds the view that the interaction between human factors and tangible aspects of risk highlights the need to focus closely on human factors as one of the main drivers for risk management: a change driver that comes first of all from the need to know how humans perform in changing environments and in the face of risks.

Asset Liability Management

Asset liability management, ALM, is defined by different scholars, such as Charumathi (2008), who defined ALM as a dynamic process of planning, organizing, coordinating, and controlling the assets and liabilities; their mixes, volume, maturities, yield, and costs to achieve a specified net interest income (NII). In other words, it deals with the optimal investment of assets in view

of meeting current goals and future liabilities. It is related to the management of the risks associated with liquidity mismatch, interest rates, and foreign exchange movements.

Therefore, ALM is concerned with an attempt to match assets and liabilities in terms of maturity and interest rate sensitivity to minimize interest rate and liquidity risks (Zawalinska, 1999). It is therefore appropriate for institutions (banks, finance companies, leasing companies, insurance companies, and others) to focus on asset-liability management when they face financial risks of different types. Asset liability management includes not only a formalization of this understanding, but also a way to quantify and manage these risks. Further, even in the absence of a formal asset liability management program, the understanding of these concepts is of value to an institution as it provides a truer picture of the risk/reward trade-off in which the institution is engaged (Fabozzi and Kanishi, 1991).

As part of an investment strategy in financial accounting, ALM is the activity of controlling financial risks brought on by discrepancies between assets and liabilities. Asset allocation and management, equities, interest rate, and credit risk management are all included. An ALM strategy frequently matches assets passively with liabilities (completely hedged) and fully manages surpluses. Njogo (2014) ALM is the process through which a company manages its balance sheet to account for various risks, including interest rate and liquidity risk. Asset and liability management is used to assess and minimize some of these risks by making the right decisions. It is used to identify and control risks encountered by organizations while managing risks. They added that finance, capital planning, profit planning, and growth projection are also included in the scope of asset liability management functions. Harold described asset-liability management (ALM) as a proactive process involving the joint and concurrent management of assets and liabilities to measure, monitor, and control the effects of fluctuating interest rates on income, asset values, liquidity, and regulatory capital in the John Bricks & Associates report from 2014.

Capital Adequacy Management

Capital refers to the amount of equity to absorb any loss that the bank may experience. It is the major component of the financial sector to meet its short and long-term obligations (Kosmidou, 2009). and also capital is one of the factors that affect the level of bank profitability, the capital structure of banks is highly regulated because most of bank failure is reduced by capital and it prevent from financial loss because capital is the financial strength of a bank (Kamau, 2009), Capital adequacy is the capital expected to maintain balance with the risks exposure of the financial institution such as credit risk, market risk and operational risk, to absorb the potential losses and protect the financial institution‘s debt holder. Meeting the statutory minimum capital requirement is the key factor in deciding the capital adequacy, and maintaining an adequate level of capital is a critical element.

There is a general agreement that capital requirement is required to reduce moral hazard the debate is on how much capital is enough, bankers believes that its difficult to acquire additional equity and higher requirement restrict their competitiveness and that high capital leads to failure because a firm with high capital is risk averse which means they are afraid of risk and they didn’t take risk and profitable investment opportunity also .because always highly profitable business is risky, however mostly highly capitalized banks has lower cost of bankruptcy and vice versa, lower need external funding or finance which is difficult (Koch, 1995). The regulatory

authorities have set specific measures of the capital adequacy position of Banks, which is the Capital Adequacy Ratio (CAR). The directive clearly sets out the computation mechanism and the conversion factors for both on and off-balance sheet items and strictly sets out that all banks are not to maintain their capital level below 8% of their risk-weighted assets.

Asset Quality Management

A bank asset is another variable that affects the profitability of banks. A loan is a major asset of a commercial bank and a major source of income. The quality of the loan portfolio has a direct effect on bank profitability. The highest risk facing a bank is the losses derived from delinquent loans (Dang & Uyen, 2011). Thus, nonperforming loan ratios are the best proxies for asset quality. Different types of financial ratios are used to study the performance of banks by different scholars. It is the major concern of all commercial banks to keep the amount of nonperforming loans at a low level. This is so because high nonperforming loans affect the profitability of the bank. Thus, low nonperforming loans to total loans show the good health of the portfolio of a bank. The lower the ratio, the better the bank performs (Sangmi & Tabassum, 2010). Asset quality is a sign for the liquidation of a bank, the bank insufficient asset quality means it will have increase its bad debt losses, Non-performing loan and Profitability are inversely related the bank should maintain credit risk management and safeguard the bank's asset to minimize the risk and to be profitable and stable in the business, As cited in (Anjili,2014) credit risk is one of the factor that affect the Profitability of banks because credit risk is depend on the quality of asset in the bank .so the quality of asset is determined by the level of risk .poor asset quality and low level of liquidity are the major causes of bank failure. The asset quality measures an ability to manage credit risk for a bank or financial institution. The asset quality reflects the composition and productivity of the assets. Thus, asset quality has a direct impact on the profitability of a bank. As per Yuqi (2006), in terms of risk, poor asset quality is the major cause for banks' poor profitability. It is evaluated by understanding the performance of asset categories and estimating future performance, factoring in the likely distribution of the assets in the future. The bank's experience of loan loss, provisions/ write off, loan recovery rate, ability to reduce nonperforming assets, and extent of weak assets are analyzed in this regard (Financial Management and Analysis of Projects 2006).

Income Management

Uzhegova (2010) stated that the decline of interest in the bank forces the bank to find another source of finance or source of revenue this concept of revenue leads to portfolio theory which states that the firm can minimize the risk by diversifying their portfolio there is a debate about the benefit and cost of diversification in banking some believes that diversification provide stable income and also noted that as a result of activity diversification, the economies of scale and scope caused through the joint production of financial activities leads to increase in the efficiency of banking organizations, The product mix reduces the risk because income from other sources is not related to the source so diversification should provide to income and stable profit. Senyoet al (2015) stated that the conventional wisdom in the banking industry is that earnings from fee-based products are more stable than loan-based earnings, and that fee-based activities reduce bank risk via diversification, in fact interest income remains the highest contributor to bank Profits non-interest sources of revenue play an augmenting role in times where there are shortfalls in interest revenue. (DeYoung and Rice 2004), banks are increasingly exploiting nontraditional sources of generating income, to the extent that in recent times, almost half of

banks' incomes in the US are obtained from nontraditional activities, and this reflects not only a diversification of banks into nontraditional activities, but also a shift in the way banks earn money.

Shareholders' Wealth Maximization

The shareholder wealth maximization (SWM) principle states that the immediate operating goal and the ultimate purpose of a public corporation is and should be to maximize return on equity capital. Shareholder wealth can be defined, at any time, as the market capitalization of the public corporation. This market capitalization is the number of equity shares outstanding multiplied by the share price at the time of calculation. Market capitalization is an estimate, by capital markets, of the net worth of the firm. The market capitalization reflects the firm's tangible assets plus the future expected residual revenues, which may be distributed as dividends or kept as retained earnings. The estimate thus includes the future expected dividend stream. Higher earnings per share (EPS) of common stock (i.e., equity) will tend, ceteris paribus, to increase the market price of each share (and thus the market value of the firm) and to permit, in principle, either additional investments in profitable projects or higher dividends.

A problem inherent in the market cap definition is that it involves an artificial dimension of subjective valuation by buyers and sellers. There can be artificial bubbles, particularly for real estate and commodities. In a bubble, the price-to-earnings ratio rises, often rapidly. The shareholders' wealth maximization principle effectively encourages investors to demand, and management to supply, actions that will increase share price over time. There is a significant difference between these management actions and the process of subjective valuation in capital markets. Free cash flow, defined as net operating cash flow minus capital investments, occurs in product markets, and management has direct control of decisions affecting free cash flow, which is then available to exploit opportunities to enhance shareholder value. *Real* free cash flow is more difficult to manipulate than accounting profit. But capital markets independently evaluate the estimated worth of free cash flow, earnings per share, or any other relevant measure. This evaluation process might be influenced by management actions and information, but it is not under the direct control of management.

How to define the shareholders' wealth maximization norm as a specific corporate objective and how to measure that objective concretely in order to show an increase or decline in wealth remains a matter of disagreement. There are three different approaches to thinking about measurement: accrual accounting, cash flow, and market value added. The traditional profit-maximization model of the firm embeds the accrual concept of net income (i.e., profit). Accrual profit is a declaration, in accordance with accounting principles, of the difference between revenues and expenses over an accounting time period (such as a quarter or a year). Accounting declaration is subject to manipulation of revenues, expenses, and net income. The wealth of an investor is more related to cash flows than to accrual profits. The cash-flow model of the firm uses free cash flow computed as net operating cash flow less capital expenditures without respect to specific accounting time periods. One can think of a cash flow return on investment. This real measure avoids accounting distortions or manipulations. Free cash flow can also be computed as net income plus amortization and depreciation, less changes in working capital, less capital expenditures.

Commercial Loan Theory

This theory originated in England during the 18th century. It is also referred to as the real bills doctrine and is of English origin. Historically, liquidity management focused on assets and was closely tied to credit policies. Before 1930, the commercial loan theory encouraged banks to make only short-term, self-liquidating loan facilities. Such loans closely matched the maturity of bank deposits and enabled banks to meet deposit withdrawals with funds from maturing loans. Logical basis of the theory: Commercial bank deposits are near-demand liabilities and should have short-term self-liquidating obligations (Emmanuel, 1997). Bankers long ago recognized the advantage of making self-liquidating loans (otherwise known as real bills, or claims on real resources) in order to resolve the liquidity and earning problems. A loan was considered self-liquidating if it was secured by goods in the process of production or by finished goods in transit to their final destination for resale. The loan could be repaid after the goods were sold. Loans of this type could ensure the banks' continuous liquidity and earn profits. This meant that liquidity and earnings were simultaneously gained. However, no loan is truly automatically self-liquidating, because there may not be a ready market for the goods produced. Therefore, Banks that limit themselves to making self-liquidating loans are considered to subscribe to the commercial loan theory of bank management. This practice led to the development of the commercial bills' doctrine or commercial loan theory (Emmanuel, 1997). The commercial loan theory suffers from the fallacy of composition. Such a system can keep one bank liquid, but if all other banks follow this procedure, then the overall liquidity needs will not be met during times of financial crisis. Thus, a credit facility secured by goods cannot be repaid if the goods cannot be sold off or if the customer takes a loan to buy the goods. The banking system is no more liquid or less liquid than it was before the transaction. In the absence of a central bank as lender of last resort, which stands ready to supply needed liquidity to the system as a whole, the real bills doctrine is incomplete. Although commercial loans continue to be an important component of banks' asset mix, the development of other uses of their funds has caused the operating methods of modern banks to change significantly (Guthua, 2013).

Liquidity Preference Theory

This concept was first expressed by Keynes (1989). This theory is also known as the liquidity preference hypothesis. The idea of this theory is that investors include a premium with longer maturities because they would prefer to hold cash, which entails less risk. When the investment is more liquid, it is easy to sell or convert into cash with minimum risk; then, the demand for money increases and decreases depending on the interest rate. When the interest rate decreases, people demand more money to hold until the interest rate increases, and vice versa. Financial institution that lend out credit to borrowers must ensure the borrower's ability to pay the debt on time when borrowers are not able to pay the money on time this result credit risk this may prevent the firm from investing in profitable investment that promises higher returns in future so before giving out credit to the firm it is important to know the credit worthiness of the firm to decrease the credit risk. (Jappelli and Pagano, 2002) The significance of this theory is that firms should maintain an optimum level of liquidity to able to grasp opportunity that promise higher return in the future and Firm's works towards the balance through proper management of their asset and liability to achieve capital requirement and future higher return investment which means to be profitable and stable in the sector its necessary to manage and coordinate asset and liability, for finance sector it is a key tools to achieve efficiency and growth.

Portfolio Theory

This theory has a part in investing a portfolio model of asset diversification to alleviate the financial loss, since a clear portfolio prevents the firm from financial loss, as the risks are minimized by portfolio assets. This might negatively affect the liquidity position of a financial institution. However, a well-defined portfolio prevents the firm from sustaining total loss since the risks are minimized by the portfolio of assets invested by the firm(Markowitz,1952). As cited on Obari (2015), Black et al. (1972) argued that portfolio diversification and the desired portfolio composition of commercial banks are results of decisions taken by the bank management. The ability to attain maximum profits depends on the feasible set of assets and liabilities determined by the management and the unit costs incurred by the bank for producing each component of assets, This means that the firm can limit the volatility of the firms' portfolio to improve its performance by spreading the risks among different types of securities that do not always behave the same way.

The optimal holding of each asset in a wealth holder's portfolio is a function of policy decisions determined by several factors, such as the vector of rates of return on all assets held in the portfolio, a vector of risks associated with the ownership of each financial asset, and the size of the portfolio, according to the Portfolio Balance Model of Asset Diversification. It suggests that bank management decisions are what led to portfolio diversification and the desired portfolio composition of commercial banks. Additionally, the potential to achieve maximum profits is based on the management-determined feasible set of assets and liabilities, as well as the unit expenses incurred by the bank for creating each asset component (Nzongang & Atemnkeng, 2016). Asset-liability management, though not a new planning tool, has developed from the straightforward notion of maturity matching of assets and liabilities of diverse time horizons into a framework that encompasses complex ideas.

Liability Management Theory

Redington (1952) and Haynes & Kirton (1952) are well-known supporters of the philosophy of liability management. They examined the assets and liabilities of a life insurance fund as well as the financial structure of a life office in general. Their specific issue was how to allocate the assets in a way that made them as susceptible to external factors (usually the effects of changes in the market rate of interest) as possible, while affecting both the assets and the liabilities. Redington (1952) adopted the word immunization to specify the investment of the assets in such a way that the business is immune to general change in the rate of interest". Haynes & Kirton (1952) similarly used the insulation. It is amazing how essential findings were shared by both authors. In their key findings, both writers concurred. According to this approach, reserve funds may be borrowed on the money market as needed. According to the notion, a bank can maintain reserves by accumulating more liabilities from other sources. These sources include issuing time deposits, borrowing from other commercial banks, borrowing from the central bank, raising capital through the sale of shares, and reinvested earnings. This theory acknowledges that a bank's asset structures have a significant role to play in supplying it with the liquidity it requires. The strategy is seen as being more aggressive than the other approaches since it increases the chances of generating money to carry out appealing investments.

Empirical Review

Ariyo, Onileowo, and Oke (2020) conducted a study titled 'The impact of financial planning on the financial performance of small-scale business firms in Ekiti state'. The financial planning

variables were risk management, cash budgeting, and cash control. The study employed a survey research design. The sample comprised 150 respondents from 15 SMEs. The data collection instrument was a questionnaire. The data were analyzed using descriptive statistics and multiple linear regression. The results showed that the variables of risk management, cash budgeting, and cash control were positively associated with financial performance.

Somathilake and Pathirawasam (2020) conducted a study titled 'The effect of financial management practices on performance of SMEs in Sri Lanka'. The study specifically examined the influence of working capital management practices, investment appraisal practices, capital structure management practices, financial reporting & analysis practices and accounting information system practices on the performance of SMEs. The sample comprised 245 SMEs across the manufacturing, service, and trade sectors. The study relied on primary data from a structured questionnaire. The data were analyzed using Pearson correlation and multiple regression techniques. The results of the study revealed a positive relationship between financial management practices and the performance of SMEs.

Cheluget and Morogo (2017) investigated the 'Effect of financial management practices and project performance in Uasin Gishu County, Kenya'. The study adopted the ex post facto research design. The sample comprised 87 top management employees from 31 projects in Uasin Gishu County. The study utilized primary data collected using a structured questionnaire. Multiple regression analysis was used to analyze the data. The results showed a positive influence of budgeting and financial reporting on project performance. Muneer, Ahmad, and Ali (2017) conducted a study titled 'Impact of financial management practices on SMEs profitability with moderating role of agency cost'. The study employed a survey research design and the sample comprised two hundred SMEs from Faisalabad Pakistan. The study used primary data predominantly which were analyzed using descriptive analysis and Partial Least Square (PLS) Structural Equation Model (SEM) for hypothesis testing. The study finds a positive relationship between financial management practices and SMEs' profitability; however, agency cost as a moderator does not affect this relationship.

Harrison (2021) conducted a study, 'Effects of selected financial management practices on financial performance of commercial banks in Kenya'. The study employed a descriptive research design. The census sampling technique was employed, and 43 commercial banks were chosen. The study relied on secondary data obtained from audited annual financial reports. The data were analyzed using Pearson correlation and regression analysis to examine the relationship between the financial management practices and the financial performance of the commercial banks. The study found a positive relationship between liquidity and financial performance; a positive link between capital structure management and financial performance; and a positive influence of credit risk management on financial performance. Similarly, working capital management had a positive impact on financial performance. In conclusion, all the variables had a statistically significant positive effect on financial performance. Nyakundi (2021) conducted a study titled 'Financial planning practices and financial performance of manufacturing companies listed in Nairobi Securities Exchange, Kenya'. The study adopted a causal research design. The sample comprised nine (9) manufacturing companies. The study used secondary data from published financial statements of the firms. The study period spanned from 2015 to 2019. The data were analyzed using the Pearson correlation coefficient and multiple regression techniques.

The results showed that debt management had a weak, insignificant, and negative relationship with financial performance. The study finds that long-term investment and net worth had a significant positive effect on financial performance.

Ibrahim and Mustapha (2019) examined the impact of financial control mechanisms on the profitability of performance: A case of manufacturing firms in Nigeria. They find a significant positive relationship between financial control mechanisms and firms' profitability. Odongo (2018) conducted a study on the effects of financial management practices on the financial performance of large construction companies in Nairobi, Kenya. The study revealed that financial reporting, working capital management, internal control, and financial planning positively affect the financial performance of construction companies in Kenya. Musah, Gakpetor and Pomaa (2018) conducted a study financial management practices, firm growth and profitability of small and medium scale enterprises (SMEs), the results revealed a positive association between the four components of financial management practices (working capital management practices, capital structure management, accounting information and financial reporting practice and the use of capital budgeting techniques have significant and positive effect on the profitability and growth of SMEs. Mwaura (2013) conducted a study on the effect of financial planning on the financial performance of automobile firms in Kenya. The results showed that financial planning measures such as earnings before interest and tax and the capital employed, which comprises fixed assets and working capital, had an impact on the financial performance proxied as return on capital employed. In spite of the purported advantages of financial management practices, Okafor and Onebunne (2019) claimed that there is a lack of information concerning the adoption rates of different financial management strategies in Nigeria and the effect they have on the general performance of deposit money banks. Financial management practices of Nigeria's commercial banks, according to Lucky & Nwosi (2020) corroborated with the assertion of Okafor & Onebunne (2019), still have room for improvement.

Jayasinghe and Sugathadasa (2022) examined ‘The impact of financial planning and control on the financial performance of small and medium-scale businesses in the Badulla District’. The study employed a survey research design and a random sample size of 200 SMEs utilized. The study utilized questionnaires for collecting quantitative primary data from respondents. The data were analyzed using the Pearson correlation coefficient and multiple regression. The results showed a significant positive effect of risk management, cash control, and cash budgeting on ROA and ROE. Muiruri and Mutswenje (2022) assessed the ‘Financial management practices and financial performance of dairy firms in Kiambu County, Kenya’. The study specifically examined the impact of budgeting practices, fixed assets management, credit management practices, and managerial capabilities on dairy firms’ financial performance. The study adopted the descriptive research design. The sample comprised 74 staff from the finance department of 17 dairy firms operating in Kiambu County. The study relied on primary data from a structured questionnaire. The data were analyzed using correlational and multiple regression analysis. The results showed that budgeting practices, fixed assets management practices, and credit management practices had a significant influence on the financial performance of dairy firms in Kiambu County. However, the latter had a negative influence on firm performance.

Mang'ana, Ndyetabula, and Hokororo (2022) undertook a study titled ‘Financial management practices and performance of Agri-SMEs in Tanzania: A Structural Equation Modeling

Analysis'. The study employed the survey research design. The sample comprised 427 SMEs in Tanzania's agricultural sector. The study relied on primary data, which were analyzed using Structural Equation Modeling (SEM). The findings from the empirical analysis revealed that working capital management practices and financing management practices have a significant positive influence on financial and organizational performance, while the accounting, financial reporting practices, and capital budgeting management practices have an insignificant influence on Agri-SMEs performance. Gamlath (2022) examined the impact of financial management practices on the financial performance of small and medium plantation companies in the Kalutara District, Sri Lanka. The study utilized the survey research design data and the sample comprised 40 SMEs selected using a purposive convenience sampling method. The data for the study were generated from a questionnaire. The data were analyzed using correlation and regression analysis. The results revealed that working capital management practices, capital structure, management practices, and financial reporting and analysis practices significantly affected financial performance.

Mwosi and Mpora (2022) conducted a study titled 'Financial management practices and small-scale businesses' profitability, from the viewpoint of Kabale Municipality, Uganda'. The study adopted descriptive and correlational research designs, and the sample size comprised 390 small-scale businesses. The study used a multiple regression analysis to estimate how financial management practices impact profitability. The research showed that working capital management had a positive effect on profitability, while cash management had a positive, but non-significant effect on the profitability of small-scale businesses in Uganda. Okeyo and Kaplelach (2022) studied 'Financial management practices and financial performance of selected small and medium enterprises in Mombasa County, Kenya'. The study employed a survey research design and a random sample size of 62 respondents. The study utilized questionnaires for collecting quantitative primary data from respondents. The data were analyzed using descriptive statistics with the aid of SPSS. The results showed that the SMEs have incorporated financial management practices into their operation. Financing practices and liquidity practices had positive effects on the financial performance of SMEs, while investment practices had negative effects on financial performance.

Ochi, Idiege, and Bassey (2021) undertook a study titled 'Contemporary financial practices and going concern of manufacturing corporations in Nigeria'. The study utilized a cross-sectional survey research design. The sample comprised 123accounting and finance employees. The study relied on primary data obtained from a structured questionnaire. The data were analyzed using multiple regression techniques. The results revealed that the two main financial management practices adopted by manufacturing companies hada significant effect on sales. Hussain and Stanikzai (2021) examined 'The effects of financial management practices on SMEs' financial performance: Evidence of Nangarhar, Afghanistan'. The study adopted the survey approach and a final usable sample of 287 respondents from small and medium enterprises of the service sector. The study relied on primary data, which were analyzed using descriptive, correlation, and regression analyses. The results revealed that financial management practices such as Accounting Information Systems (AIS) and Working Capital Management (WCM) have a significant positive effect on financial performance (FP), while Financial Information Systems (FIS) did not.

Odongo (2018) conducted a study titled 'Effects of financial management practices on financial performance of large construction companies in Nairobi County, Kenya'. The study adopted the descriptive research design. The sample comprised one hundred and thirty-nine construction companies. The study utilized primary data from a questionnaire. The data were analyzed using multiple regression techniques. The results revealed that financial reporting, working capital management, internal control, and financial planning positively affect the financial performance of construction companies in Kenya. Musah, Gakpetor, and Pomaa (2018) conducted a study titled 'Financial management practices, firm growth and profitability of small and medium scale enterprises (SMEs)'. The study employed a survey research design, and the sample comprised 100 SMEs in Accra, Ghana. The study utilized primary data collected through the administration of a questionnaire. The data were analyzed using descriptive statistics and Pearson correlation analysis. The results revealed a positive association between the four components of financial management practices (working capital management practices, capital structure management, accounting information and financial reporting practice, and the use of capital budgeting techniques and fixed assets management) and the profitability and growth of SMEs.

Omoboga and Okibo (2016) conducted a study on the 'Effects of financial planning practices on the growth of small manufacturing firms in Kisii County, Kenya'. The study specifically examined the extent to which cash processing, cash control, and cash budgeting affect the growth of small manufacturing firms in Kenya. The study employed a descriptive survey design. The study relied on primary data from the respondents obtained via questionnaires. The data were analyzed using the Pearson correlation coefficient, and the result showed that cash control, cash budgeting, and cash processing exert a significant influence on the growth of small manufacturing firms. Rauf (2016) conducted a study on the financial management practices in small and medium-sized enterprises: Empirical evidence from the district of Ampara in Sri Lanka. The study specifically examined the extent to which working capital management is practiced in the SMEs, evaluated the extent of adoption of financial planning and control measures in the SMEs, and assessed the level of application of the total quality management system in SMEs. The study relied on primary data gathered from a questionnaire from six owners of SMEs purposively chosen for the study. The data were analyzed using correlation and regression analysis. The study finds that financial planning and control had a significant negative relationship with financial management practices, while working capital management and total quality management system had a positive significant relationship with financial management practices.

Sa'eed, Gambo, Inuwa, and Musonda (2020) conducted a study on the 'Effects of financial management practices on technical performance of building contractors in northeast Nigeria'. The purpose of this study is to assess the effects of financial management practices of small-scale building contractors on the technical performance of the contractors. The study adopted the survey research design, and the sample of contractors in northern Nigeria was utilized for the study. The primary data were analyzed using multiple regression techniques. The results showed a positive effect of financial management practices on technical performance. Ali (2019) examined 'The impact of financial planning and financial performance-Case study commercial banks, Mogadishu, Somalia'. The variables in the study were focused on organization goals, allocation of resources, and the risk management effect on the financial performance of banks. The study employed the descriptive survey research design. The author utilized a census-

sampling technique, and the entire target population of one-hundred forty-three (143) finance managers was drawn as the sample. The study used questionnaires to collect data and analyzed them using the Pearson correlation technique. The results showed a positive relationship between organizational goals and financial performance; a positive relationship between resource allocation and financial performance; and finally, a positive relationship between risk management and financial performance.

Selvanayaki (2016) conducted a study titled 'Financial management practices and profitability of modern rice milling firms in Kangayam Cluster, Tamil Nadu'. The sample comprised 40 firms selected using a simple random sampling method, and primary data were collected. The data on the financial performance were obtained from the records maintained by the firms for three financial years, from 2011-12 to 2013-14. The data were analyzed using factor analysis and multiple regression analysis. The results showed significant differences among the fully and partially modernized rice milling firms in the preparation of cash budgets, setting up credit policies, preparation of inventory budgets, review of inventory turnover, and capital budgeting in investment analysis and accounting practices. Yensu, Yiadom, and Awatey (2016) conducted a study titled 'Financial management practices and profitability of business enterprises in Obuasi Municipality, Ghana'. They employed a survey research design and collected data from ninety-eight enterprises in the Obuasi Municipality (Ghana). The study focused on two financial management practices, namely, working capital and capital budgeting management. The primary data were analyzed using descriptive statistics and multiple regression techniques. The results revealed that working capital management has a positive and significant effect on the profitability of business enterprises, but capital budgeting management has a negative relationship with the enterprise's profitability.

Uduwaka and Dedunu (2019) conducted a study titled 'The effect of financial management practices on financial performances of small and medium enterprises in Sri Lanka (with special reference to Gampaha district)'. The study focused on the following financial management practices: working capital management practices, investment management practices, financial planning practices, financial reporting and analysis practices, and accounting information systems. The financial performance was measured through return on assets and return on investment. The study sample comprised 60 SMEs, and the study relied on primary data obtained from a structured questionnaire distributed among SME owners. The data were analyzed using correlation and multiple linear regression techniques. The result showed a significant positive effect of working capital management practices on financial performance. Ibrahim and Mustapha (2019) examined the 'Impact of financial control mechanisms on profitability performance: A case of manufacturing firms in Nigeria'. The study employed the survey (cross-sectional) design, and the sample comprised 5 employees randomly selected from twenty-five firms. The study relied on primary data obtained from a structured questionnaire. The data were analyzed using a one-sample t-test and Pearson's Product-Moment Correlation. They find a significant positive relationship between financial control mechanisms and firms' profitability performance.

METHODOLOGY

The study adopted the use of an ex-post facto research design. Ex post facto research design is a scientific approach to deductive research, which does not allow a researcher the ability to manipulate the variables, as their occurrences have already been recorded. Alternatively, it can

be viewed as a quasi-experimental study examining how an independent variable, present before the study, affects a dependent variable. The area of the study is Nigeria, as the study focuses on quoted commercial banks on the Nigerian Exchange Group (NGX) as of 1st June 2022. The commercial banks belong to the financial services sector of the Nigerian Exchange Group (NGX). The focus on banks coincides with the need to ascertain such evidence from commercial banks operating in the country. The population of the study comprises fourteen (14) commercial banks quoted on the Nigerian Exchange Group (NGX) as of 31st December, 2022, previously Commercial Banks by the Central Bank of Nigeria. Additionally, Jaiz Bank and Ecobank Transnational Incorporated were excluded for their dissimilarity from others, while Unity Bank was excluded due to the inappropriate behaviour of its dataset. The sampling technique employed in the study is the purposive sampling technique, 11 commercial banks were selected using the sampling technique from the total population for the period of 10 years.

Model Specification

SHWM= f (CM, RM, LM, AM) (1)

Transforming equation 1 to econometrics form, we have:

SHWM $=\alpha_o + \alpha_1 CR + \alpha_2 RM + \alpha_3 LM + \alpha_4 AM + \mu$ (2)

Where:

SHWM = Shareholders' wealth maximization

CM= Credit management

AM = Assets management

LM = Liability management

CM = Capital management

$\alpha_{0,}\beta_{0,}$ $\chi_{0,}$ = Regression Intercept

μ = Error term

A priori Expectation of the Result

The elasticity parameter, also known as the a priori expectation of the variables, proposes that an increase in the independent variable, bank management, increases shareholders' wealth maximization, and an increase in performing loans will increase profit. Therefore, it can be mathematically stated as follows: $-\alpha_1, \alpha_2 < 0, \alpha_3 > 0$.

Data Analysis Method

The method of data analysis used in this study was the panel data multiple linear regression using the Ordinary Least Squares (OLS) method. The study adopts the panel data method of analysis, including fixed, random effects, and the Hausman Test. This approach, which is a quantitative technique, includes tables and tests of the hypotheses formulated using ordinary least squares regression analysis at 5% level of significance. To avoid spurious regressions, the study tests for stationarity at different levels in the variables making up the model. Other tests that will be carried out on the model include the test of Normality, Durbin Watson Test of serial correlation, test of heteroskedasticity, and test of model specification to achieve the objectives of our study, as well as answer the research question and hypotheses. Moreover, to undertake a statistical evaluation of our analytical model, to determine the reliability of the results obtained, and the coefficient of correlation (r) of the regression, the coefficient of determination (r^2), the Student's T-test, and the F-test will be employed. Fixed Effect, Random Effect, and FGLS Ordinary Least Squares (OLS) are usually used to estimate the parameters of a single equation model. Besides, the estimator yields estimate that are best, linear, and unbiased estimators (BLUE) with the

desirable properties of consistency, efficiency, and being unbiased. However, these properties are made possible after all the assumptions of the OLS method have been satisfied (Ifuero and Chijuka 2014). By following the path of (Jim, Eric, Tom, and Choi 2006) in estimating the equation for the study, the Feasible Generalized Least-Squares (FGLS) procedure was used in confirming further the output of the FE model instead of applying the method of ordinary least squares (OLS) because estimators of the former (FGLS) are more efficient with a large sample.

Pooled Regression (OLS) Model (PRM*)*: is equally known as the constant coefficient model (CCM). It is the simplest among the three models in panel data analysis. However, it disregards the space and the time dimensions of the pooled data. In a situation where there is neither significant cross-section unit nor significant temporal effects, one could pool all of the data and run an ordinary least squares (OLS) regression model.

Fixed Effects (FE) Model: In the FE technique, the slope coefficients, are constant but the intercept, varies across space i.e. the intercept in the regression model is allowed to vary across space (individuals). This is a result of the fact that each cross-sectional unit may have some special characteristics. The FE technique is very suitable in cases where the individual-specific intercept may be correlated with one or more regressors (independent variables). To take into cognizance of different intercepts, the mean differencing or dummy method is usually employed based on which is found more suitable. It is known as the least-squares dummy variable (LSDV) model in cases where dummy variables are used. This is another way of calculating within estimate, most especially when the number of observations (*N*) is not relatively large. The major disadvantage of the LSDV model is that it significantly reduces the degrees of freedom when the number of cross-sectional units, *N*, is very large. In this case, *N* number of dummies is introduced, which will help to reduce the common intercept term.

Random Effect (RE) Model: the RE technique, which is equally known as the Error Components Model (ECM), is an alternative to FE technique. Basically, the RE estimator assumes that the intercept of an individual unit is a random component that is drawn from a larger population with a constant mean value. The individual intercept is then expressed as a deviation from this constant mean value. One major merit of the RE over the FE is that it is economical (parsimonious) in degrees of freedom. This is because one does not have to estimate *N* cross-sectional intercepts, but only the mean value of the intercept and its variance. The RE technique is suitable in cases where the (random) intercept of each cross-sectional unit is uncorrelated with the regressors. Since there is no significant correlation between the unobserved units of observation, specific random effects, and the regressors, the RE model may be more appropriate.

ANALYSIS AND DISCUSSIONS OF FINDINGS

Table 1: Choice of the appropriate model

Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.637258	(13,122)	0.0838
Cross-section Chi-square	22.513416	13	0.0479
Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	32.006244	4	0.0008

Source: Computed from E-view statistical package

To make a choice between the fixed effects model and the random effects model, we utilized the Hausman test as shown in the table above. The hypotheses of the test are as follows: The fixed effects model is more appropriate than the random effects model. As the result found that the results of this test were significant (p-value = 0.0008 and 0.0465). Hence, we reject the null hypothesis and conclude that the fixed effects model is the most appropriate of the three models.

Table 2: Bank Management and shareholders wealth of Commercial Banks: The Pooled effect Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	0.033225	0.030754	1.080337	0.2819
RM	0.025498	0.030429	0.837965	0.4035
LM	-0.027124	0.030108	-0.900869	0.3693
AM	0.028328	0.030706	0.922567	0.3579
C	11.51824	0.852135	13.51693	0.0000
R-squared	0.049023	Mean dependent var		13.08821
Adjusted R-squared	0.020846	S.D. dependent var		3.213415
S.E. of regression	3.179745	Akaike info criterion		5.186540
Sum squared resid	1364.955	Schwarz criterion		5.291599
Log likelihood	-358.0578	Hannan-Quinn criter.		5.229233
F-statistic	1.739824	Durbin-Watson stat		1.941022
Prob(F-statistic)	0.144828			

Source: Computed from the E-view statistical package

The objective of this study is to examine the effect of bank management on the shareholders wealth maximization of quoted commercial banks using cross sectional panel data. Results in the above table prove the evidence in the effects of bank management on the shareholders wealth maximization of quoted commercial. From the pooled regression results, the independent variables can explain 4 percent variation on the return on equity. The F-statistic and Probability shows that the model is not significant in affecting changes on the dependent variable. The Durbin Watson statistic is greater than 1.941022 but less than 2.00, which prove the absence of positive serial auto correlation. The β coefficient shows that all the independent variables have positive effect on shareholders wealth except liquidity management.

Table 3: Bank Management and shareholders' wealth maximization: The fixed effect Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	0.042286	0.030800	2.372932	0.0003
RM	0.021068	0.030986	4.679909	0.0000
LM	-0.029099	0.030784	-0.945262	0.3464
AM	0.024987	0.030396	4.822040	0.0000
C	11.50897	0.857467	13.42207	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.890287	Mean dependent var		13.08821
Adjusted R-squared	0.777458	S.D. dependent var		3.213415
S.E. of regression	3.086454	Akaike info criterion		5.211444
Sum squared resid	1162.196	Schwarz criterion		5.589655
Log likelihood	-346.8011	Hannan-Quinn criterion.		5.365138
F-statistic	8.686513	Durbin-Watson stat		2.240948
Prob(F-statistic)	0.000009			

Source: Computed from the E-view statistical package

The fixed effect model shows that the independent variable explains 89 percent variation in the return on equity. The F-statistics and the F-Probability validate that the model is significant. The

β coefficient shows that all the independent variables have positive effect on shareholders wealth maximization except liquidity management. The results corroborate the findings of Landskroner and Paroush (2011) that a high level of liquidity a bank holds, that is a bank's holding of a stock of high quality liquid assets (liquidity warehouse), indicates a capacity to meet liquidity needs and take advantage of business opportunities. However, such assets are generally associated with lower returns; thus, too much liquidity will reduce profitability.

The results also correspond and consistent with the findings reported by Habtamu (2012), and Thornton and Philip (1992). However, it contradicts findings of Boadi (2015) and Kosmidou (2008), who found that commercial banks profitability responds positively to changes in the banks' liquidity positions. In the case of Kosmidou (2008), contradiction may be brought by the fact that he used a measure of Liquidity ratio different from what the researcher has used. He used liquid assets to customer and short term funding, while the researcher used liquid assets to total assets. Liability management has a negative and statistically significant influence on banks return on equity. This indicates that holding high levels of investment will have a negative effect on banks' profitability. So, with all other factors held constant, an increase in bank investment held by banks will lead to a decrease in banks profitability. The study, however contradicts findings of Kosmidou (2008) and Alkassim (2005), who found a positive and significant impact of capital on ROA. This contradiction might be explained by the fact that, though both researchers still used capital adequacy ratio as one of the proxies of regulatory variables, they calculated the ratio as equity to total assets while the researcher used the International Monetary Fund (IMF) calculation of total qualifying capital to risk weighted assets.

Table 4: Bank Management and Shareholders' Wealth Maximization of Commercial Banks: The Random Effect Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	0.037905	0.030341	1.249329	0.0037
RM	0.023231	0.030279	0.767204	0.4443
LM	-0.028126	0.030019	-0.936965	0.3504
AM	0.026597	0.030111	0.883290	0.3786
C	11.51252	0.887166	12.97674	0.0000
	Effects Specification			
			S.D.	Rho
Cross-section random			1.038718	0.1017
Idiosyncratic random			3.086454	0.8983
	Weighted Statistics			
R-squared	0.553819	Mean dependent var		8.962433
Adjusted R-squared	0.325784	S.D. dependent var		3.092163
S.E. of regression	3.052039	Sum squared resid		1257.517
F-statistic	1.919697	Durbin-Watson stat		2.087787
Prob(F-statistic)	0.110690			
	Unweighted Statistics			
R-squared	0.348834	Mean dependent var		13.08821
Sum squared resid	1365.226	Durbin-Watson stat		1.939459

Source: Computed from the E-view statistical package

From the random effect model, the independent variables can explain 55 percent of the variation in the return on equity. The F-statistic and F-probability reject the significance of the model. The β coefficient shows that all the independent variables have positive effect on return on equity

except investment management. The T-Statistics and probability value prove that credit management is significant while the other variables are not significant in the model. The findings in this study show that all the variables have a negative effect on the return on equity of Nigerian commercial banks. This implies that an increase in the liability of commercial banks will lead to a significant decrease in the profitability of commercial banks in Nigeria. This finding contradicts the objectives of bank management and bank management theories, such as commercial loans theory, shiftability theory the negative effect of the variables can be traced to insider dealing in the banking sector, poor management policies, such as assets and liability mismatch. These findings confirm the findings of Landskroner and Paroush (2011) that a high level of liquidity a bank holds, that is, a bank's holding of a stock of high-quality liquid assets (liquidity warehouse), indicates a capacity to meet liquidity needs and take advantage of business opportunities. However, such assets are generally associated with lower returns; thus, too much liquidity will reduce profitability. However, the findings contradict the findings of Boadi (2015) and Kosmidou (2008), who found that commercial banks' profitability responds positively to changes in the banks' liquidity positions. In the case of Kosmidou (2008), contradiction may be brought by the fact that he used a measure of Liquidity ratio different from what the researcher used. He used liquid assets to customer and short-term funding, while the researcher used liquid assets to total assets and the findings of Kosmidou (2008) and Alkassim (2005), who found a positive and significant impact of capital on ROA. This contradiction might be explained by the fact that though both researchers still used capital adequacy ratio as one of the proxies of regulatory variables, they calculated the ratio as equity to total assets while the researcher used the International Monetary Fund (IMF) calculation of total qualifying capital to risk weighted assets.

Table 5: Bank Management and Shareholders Wealth Maximization of Commercial Banks: The correlation matrix

Probability	SHWM	CM	RM	LM	AM
SHWM	10.25228				
	1.000000				
CM	8.161163	206.2977			
	0.177458	1.000000			
	2.118275	-----			
	0.0359	-----			
RM	7.466623	134.3347	172.5128		
	0.177543	0.712082	1.000000		
	2.119327	11.91443	-----		
	0.0359	0.0000	-----		
LM	3.305427	129.3183	101.8295	164.5199	
	0.080484	0.701946	0.604441	1.000000	
	0.948547	11.57770	8.913035	-----	
	0.3445	0.0000	0.0000	-----	
AM	4.614371	49.04256	48.24245	30.88035	91.51389
	0.150646	0.356930	0.383950	0.251669	1.000000
	1.790124	4.488633	4.884798	3.054762	-----
	0.0756	0.0000	0.0000	0.0027	-----

Source: Computed from E-view statistical package

From the table, all the variables are positively correlated to return on equity of the commercial banks. The highest correlation is indicated between risk management and shareholders' wealth maximization of the quoted commercial banks by 8.161163.

Conclusion

This paper examined the effect of bank management on shareholders' wealth maximization of commercial banks in Nigeria. Specifically, the paper examined the effect of credit management, liquidity management, risk management, and assets management on the shareholders' wealth maximization of quoted commercial banks in Nigeria. The study focuses on fourteen (14) quoted commercial banks as of 31st December, 2024. Data were obtained from the annual reports of the sampled commercial banks within the reviewed periods. The fixed effect model shows that the independent variable explains 89 percent of the variation in shareholders' wealth maximization. The F-statistics and the F-Probability validate that the model is significant. The β coefficient shows that all independent variables have a positive effect on shareholders' wealth maximization except liquidity management.

Recommendations

i. To enjoy equity trading, the management of sampled commercial banks ensures that they are equity-intensive. Asset liability management policies and tools should be reviewed regularly by the bank's board of directors to ensure they are aligned with market developments in the asset liability management process.

ii. To optimize current asset, management of sampled commercial banks must, as a matter of prominence must reduce toxic assets resulting from high non-performing loans. On the regulatory side, as indicated by the results that holding of too much customer deposit lead to lower profitability, management of commercial banks should formulate measures of managing customer deposit to avert the negative effect on profitability.

iii. To reduce the negative risk associated with high gearing, management of the sampled commercial banks should seek for optimal debt holding. The regulatory authorities should ensure tight monitoring of the activities of the banks to avoid financial distress. This will also guarantee transparency in their financial reporting to the stakeholders in the banking industry.

iv. All banks should institute sound risks asset and liquidity management system that will guarantee the earnings quality of their loans and advances, avoid non-performing loans and advances and enhance the quality of their earnings. This will have positive effect on profitability.

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