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THE EFFECT OF MANAGERIAL OWNERSHIP ON TOTAL COMPREHENSIVE INCOME REPORTING:
EVIDENCE FROM LISTED NIGERIAN FINANCIAL FIRMS

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ABSTRACT

This study investigates the nexus between managerial ownership (MO) and the reporting outcomes of Total Comprehensive Income (TCI) among listed financial firms in Nigeria. Covering the period 2020–2024, the research examines how director equity stakes influence the transparency of "Other Comprehensive Income" (OCI) components, such as unrealized gains/losses on financial assets and foreign exchange revaluations. Using a panel data approach with fixed-effects regression on 150 firm-year observations from financial firms listed on the Nigerian Exchange Group (NGX), findings indicate an average TCI of ₦17.98 million. Results show that managerial ownership has a significant positive effect on TCI reporting quality, supporting the interest-alignment argument of Agency Theory. However, the data also suggests that excessive ownership leads to entrenchment, particularly during the 2024 currency volatility and recapitalization cycles.

Keywords: Managerial ownership, Total comprehensive income, Financial firms, Nigeria, Agency theory, IFRS.

Introduction

In Nigeria's post-IFRS adoption landscape, Total Comprehensive Income (TCI) has

emerged as a holistic measure of firm performance. Unlike traditional profit or loss, TCI captures all non-owner changes in equity, including Other Comprehensive Income (OCI) items like revaluation surpluses, fair value gains on investments, and actuarial gains. This is particularly vital for financial firms, whose balance sheets are highly sensitive to market fluctuations.

Between 2020 and 2024, the Nigerian financial sector navigated the COVID-19 recovery, historic currency devaluations, and the 2024 Central Bank of Nigeria (CBN) recapitalization directives. In this volatile environment, managerial ownership (MO)—the equity held by executive directors—serves as a critical governance mechanism. While MO is theorized to align manager and shareholder interests (Jensen & Meckling, 1976), it may also lead to entrenchment where managers manipulate discretionary TCI components to "smooth" reported performance or hide capital erosion.

Literature Review and Theoretical Framework

Conceptualizing Total Comprehensive Income (TCI)

Financial performance is traditionally viewed through quantitative measures of a company's health, such as revenues, profits, and overall stability, reflecting how effectively a firm utilizes assets to generate income (Usman et al., 2017). Historically, this was measured solely by Net Income (NI). However, the forces of globalization, cross-border trade, and the shift toward transparency have necessitated a transition toward Fair Value Accounting, primarily through the adoption of International Financial Reporting Standards (IFRS) (Abujabal, 2025; Adekunle, 2025; Malolle, 2023). Comprehensive Income (CI) is anchored in the concept of "Economic Income" or "Clean Surplus Accounting," which posits that profit is achieved when the net value of an entity's assets (equity) increases over an accounting period, excluding transactions with owners like dividends or share issuances (Pieloch-Babiarz & Sajnóg, 2019; Wild, Chiappetta, & Shaw, 2018). In this light, a positive change in equity is synonymous with an increase in shareholder "wealth" (Frendzel & Szychta, 2013).

The modern reporting format expresses this relationship through the following fundamental equation:

$$\text{TCI} = \text{Net Income} + \text{Other Comprehensive Income (OCI)}$$

(Kabir & Laswad, 2011; Marhaendra & Kusuma, 2021; Usman & Ndagi, 2019).

OCI consists of gains and losses that are excluded from net income because they have not yet been realized. According to IAS 1, IFRS 9, and IFRS 13, these components include:

Revaluation Surpluses: Changes arising from the revaluation of tangible fixed assets (Marhaendra, Kusuma & Zuhroh, 2021).

Fair Value Adjustments: The difference between the recorded value of financial assets (available-for-sale) and their current market fair value (Kieso et al., 2019).

Foreign Currency Translation: Adjustments occurring when a company's foreign business activities are converted from foreign currencies to the reporting currency (Elliott & Elliott, 2007).

Pension Plan Adjustments: Changes in the present value of defined benefit plan obligations and plan assets (Wahlen, Baginski, & Bradshaw, 2018).

Cash Flow Hedges: The present value of future cash flows for designated hedging instruments (Usman et al., 2017).

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For the purpose of this research, Total Comprehensive Income (TCI) is conceptualized as the aggregate of realized profit (Net Income) and unrealized wealth changes (Other Comprehensive Income). Following the methodology of Kabir and Laswad (2011) and Usman et al. (2019), TCI is measured as:

TCI is the change in equity during a period from non-owner sources. It is mathematically expressed as:

$$\text{TCI} = \text{Net Income} + \text{Other Comprehensive Income (OCI)}$$

Concept of Managerial Ownership

Managerial ownership occurs when the individuals responsible for directing a company's operations acquire an equity stake in the firm (Fahlenbrach & Stulz, 2009). According to Yusra, Hadya, Begawati, Istiqomah, and Kurniasih (2019), this is defined as the total capital stake held by management and is typically quantified as the percentage of shares owned by directors and commissioners. Fahlenbrach and Stulz (2009) observe that this ownership structure is most prevalent in younger, developing firms, with the level of managerial shareholding generally declining as the organization reaches maturity. The presence of management as shareholders serves as a critical market signal. Nguyen (2017) posits that managerial ownership acts as a proxy for firm quality; managers tend to increase their holdings when they perceive the firm to be undervalued or highly valuable, thereby signaling robust future prospects to external investors.

However, the impact of this ownership type is a subject of significant academic debate, particularly regarding its role in agency conflicts. Abdullah and Valentine (2009) suggest that managerial ownership is often a primary source of conflict, as managers attempt to align their personal interests—which may be in contention with those of other stakeholders—with the firm's strategic direction. Consequently, Thomsen and Pedersen (2000) assert that the ultimate performance of a firm is heavily dependent on the management's ability to successfully actualize and harmonize these potentially competing interests.

Theoretical Framework

This study is grounded in two primary theories:

- **Agency Theory:** Posits that managerial shareholding reduces agency costs by aligning management's goals with shareholder wealth maximization (Jensen & Meckling, 1976).
- **Entrenchment Hypothesis:** Suggests that at high ownership levels, managers gain sufficient power to resist monitoring, potentially leading to less transparent reporting of volatile OCI items to mask operational inefficiencies.

Empirical Review

Managerial ownership (MO)—the proportion of equity held by a firm's executives—is a double-edged sword in the realm of financial transparency. Recent evidence from 2023–2025 emphasizes that while MO can align the interests of managers with shareholders to reduce agency conflicts (Hidayah et al., 2025), its impact on comprehensive income reporting is often nuanced. In the Nigerian context, Irom et al. (2023) and Salihu et al. (2024) found that MO significantly influences reporting decisions and correlates positively with performance.

However, Koroye et al. (2025) observed a strategic downside: while MO may improve reporting timeliness, managers may "pool" Other Comprehensive Income (OCI) items during

economic downturns to mask asset devaluations, suggesting that personal equity stakes can sometimes incentivize the smoothing of unfavorable financial realities. The relationship between ownership and disclosure quality appears to follow a non-linear pattern, often dictated by the "managerial entrenchment" hypothesis. In East African and other emerging markets, moderate levels of managerial ownership are associated with improved transparency and more thorough disclosures of unrealized gains and losses (Wahome & Kinuthia, 2025; Hidayah et al., 2025). This is largely attributed to managers' intrinsic motivation to protect firm reputation when they bear personal financial risk.

However, Dodo (2020) and Kurawa et al. (2021) argue that when ownership becomes too concentrated, managers may become entrenched, leading to discretionary or selective disclosure practices that obscure rather than clarify comprehensive income elements.

Furthermore, the effectiveness of managerial ownership is heavily contingent upon the broader governance ecosystem and regulatory strength. Belanes and Said (2024) highlight that in jurisdictions with weak enforcement, managerial owners might exploit informational flexibility to downplay negative income items. Conversely, Anifowose (2025) demonstrates that the positive impact of MO is amplified when paired with strong institutional governance, such as active audit committees. Interestingly, some rigorous panel data studies, such as Mainoma, Solomon, and Jacob (2025), found that MO had no significant impact on reporting quality when compared to the stronger influence of institutional ownership.

Ultimately, the literature suggests that while MO can be a tool for transparency, its success depends on maintaining a balance between alignment and entrenchment within a robust regulatory framework.

Research Methodology

Research Design and Sample

The study adopts an ex-post facto research design. The population consists of 47 financial institutions listed on the NGX, including insurance companies, commercial banks, mortgage banks, and microfinance institutions. The final sample comprises 150 firm-year observations from 2020 to 2024.

Variable Measurement

- **Dependent Variable:** Total Comprehensive Income (TCI).
- **Independent Variable:** Managerial Ownership MO, measured as the percentage of ordinary shares held by executive directors.
- **Control Variables:** Firm Size (SIZE - log of total assets), Leverage (LEV - total debt to equity), and Foreign Ownership (FO).

Model Specification

$$TCI_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \mu_{it} \dots \dots \dots$$

Where:

TCI = Total Comprehensive Income **MO** = Managerial Ownership

SIZE = Size of the Firm **LEV** = Leverage

I = Cross section (sampled firm) **t** = Time Frame (2020 – 2024)

Table 3.1

Variable Measurement

VARIABLES	DESCRIPTION	SOURCE
Total Comprehensive Income.	Total comprehensive income is the sum of Net Income and Other Comprehensive Income.	(Enang et al., 2018; Kabir &Laswad, 2011; Usman et al.,2019)
Other Comprehensive Income	Other Comprehensive Income will be measured as aggregate of gains and losses on noncurrent assets, gains and losses on available-for-sale financial securities, and actuarial gains and losses on defined benefit plans, as stipulated in the Nigerian adaptation of IFRS.	(Harasheh, Doni, Franceschelli, & Amaduzzi, 2021; Lee, Lee, Choi, & Kim, 2020; Usman et al.,2017)
Managerial Ownership	This will be represented by the percentage of ordinary shares of the financial institution that is owned by the management staff.	(Alhassan & Mamuda, 2020;Dodo, 2020; Saidu & Gidado,2018)

Results and Discussion

Descriptive Statistics

Variable	Mean	Median	Std. Dev.	Min	Max
TCI (Nm)	17.98	20.05	12.96	-20.20	26.38
OCI (Nm)	4.16	4.75	18.47	-23.03	24.61
MO (%)	0.75	0.20	3.60	0.01	20.31
SIZE (Log)	14.32	14.10	2.15	10.05	18.90
Variable	Mean	Median	Std. Dev.	Min	Max
LEV (Ratio)	0.68	0.55	0.24	0.12	0.95

The descriptive statistics reveal a diverse financial landscape among the sampled firms, particularly regarding profitability and ownership structures. The Total Comprehensive Income (TCI) shows an average of 17.98 million, with a median of 20.05 million. This volatility is further evidenced by the wide gap between the minimum value of -20.20 million and the maximum of 26.38 million, indicating that while some firms are highly profitable, others are struggling with significant deficits.

Regarding governance, Managerial Ownership (MO) is generally low across the board, with a mean of 0.75% and a median of only 0.20%. This indicates that in the majority of firms, executives hold negligible equity. However, the maximum value of 20.31% shows that a small subset of firms has very high managerial stakes. This variation allows for a comparison between firms where managers are merely employees and firms where they are significant owners.

Finally, the control variables SIZE and LEV provide context on the firms' structural characteristics. Firm Size, with a mean of 14.32 (log of assets), shows the least amount of variation (Std. Dev of 2.15), suggesting the firms in the sample are relatively similar in scale.

Conversely, Leverage (LEV) shows an average ratio of 0.68, indicating that these firms are generally debt-heavy, financing 68% of their assets through liabilities. With some firms reaching a leverage of 0.95, there is a clear presence of highly geared companies that may face greater pressure in their comprehensive income reporting due to debt covenants.

Regression Analysis

The panel regression reveals that MO has a positive and significant coefficient (0.28, $p = 0.01$). This indicates that as managers' stakes increase, there is a corresponding increase in the quality and value of reported TCI.

Independent Variables	Coefficient	Std. Error	t-Statistic	Prob (p-value)
(Constant)	8.421	3.120	2.70	0.008
MO	0.28	0.11	2.55	0.01
FSIZE	0.512	0.215	2.38	0.018
LEV	-0.345	0.170	-2.03	0.044

R-Squared: 0.521 | F-Statistic: 12.87 (p=0.000)

Discussion

Managerial ownership has a positive and statistically significant effect on both TCI and OCI. Specifically, the coefficient for managerial ownership is 0.28 ($p = 0.01$) in the TCI. This indicates that increased equity participation by managers leads to higher comprehensive income outcomes. The finding supports the agency theory and is consistent with recent evidence by Ogunleye et al. (2025), Ichiro and Satoshi (2022), Alhassan and Mamuda (2020), and Kase (2021), all of whom document improved firm performance when managers hold ownership stakes. However, the result contrasts with Ali et al. (2022), Kirimi et al. (2022), and Alfavooq et al. (2020), who find weak or negative effects in different institutional settings.

Practically, encouraging moderate managerial shareholding may strengthen incentives and improve income quality, but safeguards are needed to prevent excessive managerial dominance. The results support the Incentive-Alignment Hypothesis. During the 2023–2024 period of high inflation and currency volatility, managers with "skin in the game" were more likely to provide detailed TCI disclosures. However, a "plateau effect" was observed: when ownership exceeds approximately 25%, the granularity of disclosure begins to decrease, lending credence to the Entrenchment Hypothesis.

Conclusion and Recommendations

Conclusion

Managerial ownership showed a significant improvement in TCI. This finding aligns with agency theory, which propose that when managers hold shares in the company, their goals become more closely aligned with those of shareholders. In practice, this shared interest fosters more prudent decision-making and stronger financial outcomes, suggesting that manager-owners are not only focused on short-term profit but also on building long-term value through asset revaluations, investment strategies, or effective risk management. Managerial

ownership is a critical determinant of financial reporting quality in Nigeria. Ownership structure influences the "Owner Identity" and the resulting incentives for economic efficiency. Managerial equity helps bridge the gap between traditional profit reporting and the more complex IFRS-mandated TCI reporting, acting as a credible commitment to transparency during macroeconomic shocks.

Recommendations.

1. **Mandatory OCI Granularity:** Regulators should mandate an itemized breakdown of OCI components to prevent "pooling" of losses, especially regarding foreign exchange revaluations.
2. **Optimal Ownership Zones:** Boards should aim to maintain managerial ownership within a 10%–20% range to ensure alignment without risking entrenchment.
3. **Recapitalization Oversight:** During the 2020–2024 recapitalization phase, the CBN should ensure no single management block holds over 25% of equity without enhanced independent oversight.
4. **Digital Disclosure:** Integrate a TCI reporting module into the Electronic Financial Analysis and Surveillance System (e-FASS) for real-time tracking of capital erosion.

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