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DETERMINANTS OF VALUE CREATION AND APPROPRIATION BY BANK: STAKEHOLDERS' THEORY PERSPECTIVE

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ABSTRACT

his study, determinants of value creation and appropriation by bank, was conducted to determine the variants of stakeholders that affect the way the organisation behave and deplore the analysis of banks to capture all of them, rather than confining the analysis towards satisfying only the shareholders. Five theories were reviewed and the existing productivity model developed by Harberger in 1999 was regressed on data obtainable on eight major stakeholders to confirm the apriori expectation that a direct relationship is expected of both value creation and value appropriation. The study revealed that out of all the independent variables, management executive wages (eE), have the greatest impact on Total Cash created by financial institutions in Nigeria. It is therefore recommended that monetary authorities must revisit the guidelines on the operation of deposit money banks in Nigeria with a view to reducing cost, most especially salary of management executive, thereby increasing total value creation by the banks.

KEYWORDS: Value creation, value appropriation, stakeholder, value retention, shareholder

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INTRODUCTION

This paper hopes to review the relevant literatures on the value creation and appropriation from stakeholders' theory point of view. As background information, focus on measurement and determinants of corporate performance have always been proxied by ROA, ROE, ROI and Tobin's Q [34] but increased research reflects increased pressure on firms, banks inclusive, to remain viable especially in today's competitive and global operating environment [2]. It is because of the need to remain viable that we intend to consider what will make a firm to remain viable through value creation (input) and at the same time for it to remain competitive and play within the global operating environment that we intend to consider the various angles by which a firm could satisfy those within that environment, hence stakeholders' satisfaction, through value appropriation (output). This paper therefore provides the opportunity to measure bank performance from the angle of stakeholders as against the traditional measurement tools. The ultimate goal of creating value for shareholders instead of stakeholders may not materialise unless the right employees are selected, developed and rewarded; credit lenders receive consistently interest payment and paid the principal as at when due; government is compensated for its role at ensuring peaceful business environment and the society is provided with employment and other social amenities by the firm, hence stakeholder perspective should be used to study a firm behaviour and value should be created not only for one group of stakeholders since the interest of the stakeholders are inextricably linked [25]. We review below some of the important concepts on the topic.

Value creation means the amount of wealth generated by producing or delivery goods or services at a cost that is lower than what consumers actually pay. Value is created when the revenue generated from a firm's operation is greater than the cost of purchased inputs or components used to generate output and value is destroyed if otherwise [6]. Conversely, value is appropriated when the amount of value is distributed to stakeholders and the balance retained in the firm. This presupposes that value creation can be measured by summing up factor payments such as labour wages, depreciation, rental, net income after tax, all tax payments, and value retained [10]. The value referred to is therefore value created for all stakeholders of a firm and not necessarily shareholders value. Value creation means different things to different people. To customers, it is products or services that are consistently used; to employees, it means being treated with respect, being involved in decision making, excellent reward opportunities and continuous training and development; to investors, both shareholders and credit lenders, it means delivering consistently with high returns on investment. From the whole of this arises that the real contour of value continues to pose problem of order definitional and semantics [7]. Many studies have been carried out on value creation and how the value should be captured by a firm's stakeholders [23; 24]. Tailored towards [14] productivity model, [24] provided a methodology that presented three categories of stakeholders: labour, shareholders and government, while [23] also provided a payment identity that equated a firm's total revenue to the sum of payments to labour, credit lenders and suppliers.

Recent researches have revealed more stakeholder groups than those stated above. Before considering other classification of stakeholders it is pertinent to define what stakeholder means according to literature: The concept was first introduced in 1963 but was widely used until popularised by Freeman [9] where he defined stakeholders as those groups without whose support the organisation would cease to exist. These are the persons and groups that affect, or are affected by, an organisation's decisions, policies and operations. Donaldson and Preston [8] provided two models of input-output and stakeholder model respectively for grouping stakeholders in a firm. While the input-output consists of investors, suppliers, employees and customers; the stakeholder model is made up of eight parties as having interest in the firm: these are investors, employees, suppliers, trade associations, government, customers, political group and communities. This latter grouping is consistent with Corporate Report 1975 grouping of 7-user group of accounting information: Equity investor; loan creditor; employees; analyst; business contact; government and public. [15] classified stakeholder into market and non-market stakeholders. They regard market

stakeholders as those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services; for this reason they are regarded as primary stakeholders. Those in this group are employees; distributors, wholesalers, retailers; customers; suppliers; creditors and shareholders. By contrast, the nonmarket stakeholders are people or groups who-although they do not engage in direct economic exchange with the firm-are nonetheless stakeholders of business and are called secondary stakeholders. This group includes the communities; governments; activist group; media; business supports and the general public. They warned that the firm must avoid stakeholder coalitions, as they may form coalitions when their interests are similar which they can also use to derail the firms' objective if their interests are not met.

To this end the firms value are created by the various stakeholders as customers, suppliers, shareholders, employees, the community, government and part of the value is re-invested in the company for growth and expansion. The fact that different classifications come up from various researches reveal that each author view's the concept from narrow scope thus creating challenge as to how to appropriately define and measure firm's value, bearing in mind several stakeholders with diverse and conflicting interests.

THEORETICAL FRAMEWORK

In this paper we hope to consider five relevant theories relating to the topic. These are classical theory; agency theory; resource base view theory stakeholder theory and equity theory. The classical view is that firm should maximise profit as confirmed by Hayek [15], the only specific purpose which a firm ought to serve is to secure the highest long-term return on capital. This assertion was supported by Freidman [11], there is one and only one social responsibility of a business and this is to use its resources and engage in activities designed to increase its profits as long as it stays within the rules and game. Samuels and Wilkes [32] assert that as an economic unit, a firm has both short and long term objectives to achieve: in the short run, a firm should think in terms of making money for its owners and it should make efforts to keep the company liquid so that its future can be guaranteed and in the long run, they should be encouraged to continue their investments by getting rewards that are at least as great as can be obtained elsewhere. This classical theory assumes that firms are rational and are only to maximise the wealth of the shareholder, but wealth maximisation of the shareholders is a parochial way of viewing the objective of a firm, hence the gap in this theory.

The urge to separate ownership from management obliterates the classical view of firm's profit maximisation. Since ownerships are spread in large firms, agency theory was developed to explore the relationship between managers (as agent) and owners (as principal) and it is expected that managers will act and make decisions on behalf of the owners [30]. Often times, manager's interest are at variance with that of the owners, hence agency problem arises. Agency theory was developed by Jensen and Meckling [18]. According to them the principals can assure themselves that agents will make optimal decisions on their behalf if appropriate incentives and monitoring arrangements are made. Other authors have queued behind this [13]. According to Atanda [2], short term profit maximisation goal should not be the only behavioural premise of a firm; rather, it should be the maximisation of any other quantities such as meeting the needs and interests of all stakeholders, hence managers should regard themselves as trustees and exercise their powers for the benefit of all stakeholders; adjudicating their conflicting claims because the interest of the shareholders is one out of the varieties of competing interests that a manager must mediate.

Resource based theory can be linked to Penrose [26], [31], [4] and [27]. The theory regards a firm as a collection of unique resources and capabilities that provide the basis for the strategies that are the primary sources of earnings. According to Hamel and Prahalad [12], a firm with a relatively small amount of resources but with high ambition can leverage its resources to achieve greater output for its smaller inputs and with increased effectiveness, the resources that will be available to the firm can be larger. This theory contrast with Donaldson and Preston [8] input-output model and Michael Porter's Five forces model. Porter (1980)

argued that it is the industry structure within which a firm competes and how the firm positions itself against that structure that determines how profitable the firm will be. However the theory of resource-based emphasises the internal capabilities of a firm in formulating strategies to achieve sustainable competitive advantage in its market and industry. While this theory of resource based is grounded in internal capability, Porter's forces model focus firm's external competitive environment. Barney [4] is emphatic on the fact that all resources that a firm has access to may not be strategically relevant because some may prevent the firm from conceiving and implementing valuable strategies. Some of the resources may even lead to firm to inefficiency and ineffectiveness. It can then be concluded that, though the existence of resources is vital, their efficient combination to provide firm with competencies or strategic capability to mix resources in order for it to compete more successfully in the markets, matter a lot.

Stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business and rejects the separation thesis that assumes that ethics and economics can be neatly and sharply separated [9]. The focus of his theory is articulated in two core questions of what is the purpose of a firm? And what responsibility do managers of firms have to stakeholders? The first question propels firms forward and allows them to generate outstanding performances [10]. The second question pushes the managers to articulate how they want to do business and specifically the kind of relationships they want to create with their stakeholders. This theory also expects manager to develop and run their firms in a way that is consistent with the demands of the theory i.e. stakeholders' value rather than shareholder's value maximisation. This was supported by Samuel and Wilkes [32] when they affirmed that a firm has responsibility towards its stakeholders and each of these interest groups sees the role of the company in a slightly different ways. Jensen [17] was of the view that the long run value of a firm cannot be maximised if the varied interests of its stakeholders are ignored. He is of the view that none of the stakeholder is superior to another and that value created by a firm gives managers a way to assess the trade-offs that must be made among the competing stakeholders' interest.

Equity theory supports the stakeholder theory by stating that stakeholders do not only evaluate the size of the value created that is distributed to them but also consider the value appropriated to other stakeholders [16]. According to Atanda [2], this made stakeholders to assume the presence of relative justice in the exchange process such that the absence of relative justice can produce negative sentiments and behavioural responses. However relative justice is a subjective concept that varies from one firm to the other hence the need to examine and measure how modern business appropriate economic value in order to respond to stakeholders' needs and interests in an effective and equitable manner. This concern was as a result of the relationship that influences the way a business is governed and its short and long term survival, hence it can be inferred that satisfaction of the interests of stakeholders of a firm, in form of economic value created that is distributed to them, does affect its value creation potentials.

Even though all afore-listed five theories are relevant to the study, the most relevant of all is the stakeholders' theory because of the fact that existence of strong relationships between a corporation and its stakeholders creates an asset that adds value [15]

LITERATURE REVIEW

Performance of business entity using financial parameters as the basis is paramount to the entity's health and long term survival. This was affirmed by [3] when they posited that firm's high performance reflects its effectiveness and efficiency in the management of its resources for operational, investment and financing activities. While there exists a large and growing body of theoretical and empirical literature on financial performance of companies, it is inconclusive on both the measurement and determinants of firm's financial performance [22]. Past studies have proxied the financial performance of firms by ROA, ROE, ROI and Tobin's Q [34]. These studies remain inconclusive on which of these proxies is theoretical and/or empirically the best measure of a firm's financial performance. They also failed to consider the analysis from the few points of

other stakeholders aside from the shareholders and possibly the loan creditor group. This study hopes to address some of these deficiencies.

In the classical and traditional view of a firm, the shareholder view of the company is important, and the company has a binding fiduciary duty to put their needs first, to increase the value for them. Stakeholder theory instead argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, government bodies, political association, trade associations and trade unions. Competitors are also considered as they have capacity to affect the firm and other stakeholders. The nature of what is a stakeholder is highly contested [26], with hundreds of definitions existing in the academic literature [27]. The stakeholder view of strategy integrates both a resource-based view and a market-based view and adds a socio-political level, this is the reason why Micheal Porter's Diamond model that recognises PESTEL (Political, Economic, Social cultural, Technological, Ecological and Legal) Analysis to satisfy all stakeholders of any firm.

Many authors have written on stakeholder theory but R. Edward Freeman is the father of this theory, as his work, Strategic Management: A Stakeholder Approach is widely cited in the field as being the foundation of stakeholder theory. As popular as the theory is, it has some authors that favour it and also some that have criticised it. Those in support of the theory, with some modifications are Donaldson and Preston [8]; Mitchell, Agle and Wood [28]; Friedman and Miles [26] and Phillips [28]. Few of those critics are Blattberg [5] and Mansell [25].

Donaldson and Preston agree with the theory but only extended it by pointing out to the fact that it has multiple distinct aspects that are mutually supportive. These are descriptive (approach used in research to describe and explain the characteristics and behaviour of firms); instrumental (use of empirical data to identify the connection between the management of stakeholder groups and the achievement of corporate goals) and normative approach. Mitchell, et al. derive a typology of stakeholders based on the attributes of power – the extent a party has means to impose its will in a relationship; legitimacy – socially accepted and expected structures or behaviour and urgency – time sensitivity or criticality of stakeholder's claims. Friedman and Miles explore the implications of contentious relationships between the stakeholders and organisation by introducing compatible/incompatible interests and necessary/contingent connections as additional attributes with which to examine the configuration of these relationships. Robert Allen Phillips distinguishes between normatively legitimate stakeholders (those to whom an organisation holds a moral obligation) and derivatively legitimate stakeholders (those whose stakeholder status is derived from their ability to affect the organisation).

Charles Blattberg has criticised stakeholder theory for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other. He argues that this is a product of its emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between stakeholder interests. He recommends conversation instead and this leads him to defend what he calls a 'patriotic' conception of the corporation as an alternative to that associated with stakeholder theory. But Mansell [25] in criticising the theory states that by applying the political concept of a 'social contract' to the corporation, stakeholder theory undermines the principles on which a market economy is based.

EMPIRICAL REVIEW

Muhammad [24] in his work: Bank-related, Industry-related and Macro-economic Factors Affecting bank profitability: A case of the UK where he investigated the impact of the variable on bank profitability, using

fixed effect model. The regression and correlation analyses were performed on empirical (secondary) data on the bank for 2006 to 2012 from bank-scope and data-stream data bases. Based on regression analysis internal factors, such as capital, loan, bank size, deposits and liquidity are positively correlated with both profitability indicators (ROA and ROE) and interest rate has a positive impact on bank profitability whereas GDP and inflation have a negative impact.

He therefore conclude that large banks with extensive assets, capital, deposit, loans, equity and macro-economic factors as interest rate, economic growth and low inflation rate can achieve safety and competitive advantage and thus can achieve higher profitability. He recommended that his findings can help UK banks, govt, investors, policy makers and shareholders for decision making and improving the performance of financial institutions in the future. It is however discovered that since the study was done during 2008 financial crises the conclusions reached by him cannot be generalised for the normal period when there is no financial crises. His contribution to knowledge was a globalised one when one considers his statement: 'based on slightly negative correlation of bank size and deposits with bank profitability, it can be said that UK banking sector experienced a considerable decline in deposits, hence reducing banking operation in 2008.

Ayako, *et.al.,* [3] conducted their research on determinants of the Performance of Firms listed at Nairobi Stock Exchange (NSE), the objective was to determine the factors that affect the performance of 41 non-financial companies listed on the Nairobi Stock Exchange. Both descriptive statistics, correlation analysis and panel multiple regression analysis were adopted and Panel data were extracted from published annual reports of companies using Empirical model. Hausman test results suggested the application of a random effects model for ROA and a fixed effect model for ROE. The empirical results of the estimation of both ROA and ROE show that corporate governance was statistically significant in determining the performance of firms. The leverage of the firm also had the expected negative sign and was statistically significant in explaining the performance of companies. Firm size and liquidity were however found to be statistically insignificant in determining the performance of these firms. They therefore concluded that: (i) Firms with big board sizes are more likely to report higher ROA compared to firms with small board sizes (ii) Board independence has a significant effect on firm performance as their Independence normally affect ROA and ROE positively (iii) liquidity has no significant effect on firm performance and (iv) firm Size has an insignificant effect on firm performance, hence bigger firm do not outperform smaller firms.
They recommended that: (i) firms should have an optimal board size so as to improve on their financial performance (ii) the number of non- executive directors should be increased to make for higher independence of the board (iii) firms should improve their investment opportunity to grow their profits. The need to extend the analysis at cross-country level such as those within East African Countries could throw more light on the deficiency in the conclusions.

Pierce and Kendrick [29] in Leicester Business School, De Montfort University, UK carried out a case study on a firm in South Africa: Performance Management: A case study in a Stakeholder Economy. The work is a practical application of stakeholder theory on a firm Fika (a pseudonym) medium size company of 1,600 employees and turnover of SAR 1.5bn) based at various sites in South Africa but with market spread across sub-Saharan Africa and Europe. The method adopted was field research through assessment of local stakeholder context by interview and phenomenological inquiry. Primary data were adopted and customised stakeholder models to represent findings at interview include BBBEE scorecard (SA Dept of Trade and Industry, 2004); balanced scorecard (Kaplan and Norton, 1992) and Shareholder model (based on agency theory with a singular focus, PBIT). The application of the models exposed weakness in company's value creation process but by accommodating monitoring requirements of the host, weaknesses were exposed in the construction of the model itself. The case demonstrates how profit motive can be reconciled with wider social responsibility. Obligations to stakeholder become a constraining framework within which firms compete for investment. It was the conclusion that within the national polity there should be a level playing field and at the international level in an era of globalisation, the treatment of respective stakeholder groupings influence national competitiveness. It was therefore recommended that company should trade-off short run profit maximisation for sustainable development. The gap in the study is in the recommendation and we think that there should a link between various notions of business value, economic growth and a nation's wealth, the limitation of value added as an integrating mechanism require exploration in this regard.

Atanda [2] in his work: Value Creation and Appropriation of firms: Concepts, Theories and Methodology used stakeholder theory to explain the concept of value creation. He explained that

combination of models and incremental method can be used to measure value created, value distributed and value retained. He suggested the use of panel data and adopted productivity model imposed on the work of Lieberman and Balasubramanian [23]. He concluded that since traditional accounting metric have some limitations and since investors do not value accounting earnings but cash that is truly generated from a firm's operation, a quantity that denotes value to diverse stakeholders of a firm should be used to measure firm value. He therefore recommended that conceptual and theoretical discussion in the study should provide background for researches into area of corporate sustainability. Nevertheless, his study only provide the model that equates value creation and value appropriation, there was no hypothesis tested to validate this assertion. His contribution was in the area of theory and methodology as the methodology presented would provide an avenue for measuring the value created and value captured by different stakeholders. They can also be used to develop a suitable framework into researching on value creation and appropriation by a firm.

All the above empirical studies adopted the old and traditional methods of analysing financial statement by considering only the shareholders, except the last author, Atanda, who only provided the model for conducting the analysis from the view point of the stakeholders. The model in his study limited itself to labour (management executive and other labour), shareholders (debt and equity owners), suppliers for raw materials, government, community (CSR) and retention in the business. However, he was incapacitated by inability to gather data on the demand curves for the firm's product or services and the quantities of the materials or components supplied to the companies under review. The fact that he failed to test his model on any particular firm is a deep gap on his work and this form the basis of this present work as the study continues from where he stopped.

HYPOTHESIS

Ho Value creation has no relationship with value appropriation

H1 Value creation and value appropriation relate together

METHODOLOGY

RESEARCH DESIGN

This study adopted an explanatory non-experimental research design to investigate determinants of value creation and appropriation by banks. Explanatory research seeks to establish causal relationship between variables [23]. According to Kerlinger and Lee [21] an explanatory non-experimental research design is appropriate where the researcher is attempting to explain how the phenomenon operates by identifying the underlying factors that produce change in it, in which case there is no manipulation of the independent variable. The emphasis of this paper is on equation models that allow the estimation of economic value created, the value distributed to stakeholders and the value retained by a firm using value added statement of UBA, GTB, First Bank, Zenith Bank and Standard Chartered Bank Plc for the financial years 2005 and 2014.

EMPIRICAL MODEL

The classical theory, in particular productivity model developed by Harberger [14], recognised factors of production as labour (L), capital (K) and material (M) and the stakeholders that provide them to be labour, shareholder and suppliers respectively are used to model value created and appropriated by the firm. The model develops a payment identity that a firm's total revenue must be equal to the sum of payments to stakeholders at any point in time, that is

$$pY = wL + rK + mM \quad \text{(i)}$$

where, p = price of the firm's product; Y = total output of the firm; w = wage rate; L = number of employees; r = rate of interest; K = capital employed by the firm; m = price of bought in materials or components and M = quantity of bought in material or components.

Since stakeholder theory supported by resource based theory, recognise multiple stakeholders – firm can operate in capital, product and factor markets. Further expansion can be in term of labour classification into management executive and other labour and capital employed into debt and equity capital. Our equation can then be expanded as follows:

$$pY = eE + wL + rK + mM + dD + tG + cS + bR \quad \text{(ii)}$$

where e = average compensation payable to management executive; E = number of management executive; d = dividend per unit of ordinary share; D = number of ordinary shares issued and paid for that rank for dividend during the year; t = tax rate; G = tax base of government at all level; c = average amount spent per project by a firm on CSR; S = number of CSR jobs embarked upon by a firm; b = retention rate and R = after tax earnings of the firm.

Since value added is the difference between what customers paid for firm's products and the costs of bought-in components, equation (ii) can be modified by subtracting mM from both sides as follow:

$$pY - mM = eE + wL + rK + dD + tG + cS + bR \quad \text{(iii)}$$

The left hand side of the equation (pY – mM) represents the economic value (EVA) created by the firm denoted by V, while the right hand side represents the appropriation of the value among stakeholders. Hence

$$V = pY - mM \quad \text{(iv)}$$

and

$$V = eE + wL + rK + dD + tG + cS + bR \quad \text{(v)}$$

While equation (iv) represents value creation, equation (v) is value appropriation thus confirming the fact that the two equations are two sides of a coin (Bowman and Ambrosini, 2000). Since we are talking about equation of value creation and value appropriation here, we tend to use this believe as the apriori expectation that a direct relationship is expected of both value creation and value appropriation in this study.

DATA COLLECTION

The study utilized panel data which consist of time series and cross-section data. The data for all the variables in the study were extracted from published account of UBA, GTB, First Bank, Zenith Bank and Standard Chartered Bank covering the years 2005 to 2014. The financial statements from which the data were extracted include the income statement, statement of financial position and notes to the account, most especially the Value Added Statement.

Data Presentation and Analysis

We intend to test our sole hypothesis using equation (ii) of our model:

$pY = eE + wL + rK + mM + dD + tG + cS + bR$ using regression and correlation analysis, since our objective is to test relationships. We therefore use $pY = f(eE + wL + rK + mM + dD + tG + cS + bR)$ (vi)

To make the data adjustable to econometric principle we introduce unknown parameters $\beta o - \beta 8$ and error term μ. We then make use of:

$$pY = f(\beta o+\beta 1eE+\beta 2wL+\beta 3rK+\beta 4mM+\beta 5dD+\beta 6tG+\beta 7cS+\beta 8bR)+ \mu \quad \text{(vii)}$$

Ordinary Least Square (OLS) technique of data analysis was employed to estimate the specified model equation. An econometric software: E-views, was used to regress the formulated model which incorporated panel data on relevant variables from 2005 to 2014. (R-squared); T-statistic, F-ratio, Durbin Watson (D-W) statistic, Standard error of coefficients (SER) were carried out to assess the relative significance of variables under review. The evaluations were based on the statistical significance of the estimated coefficients using 5% level of significance.

REGRESSION RESULT

Dependent Variable is Value creation (pY)

Variables	Coefficient	Standard Error	t-Statistic
Constant	154.5120	215.0800	0.718393
eE	1.255262	0.032124	39.075312
wL	22.72303	14.55436	-1.561252
rK	2.077123	3.751715	-0.553646
mM	3.111121	2.578921	-1.236781
dD	2.459861	4.125467	1.523172
tG	5.624317	3.673241	-2.347621
cS	2.378962	3.765982	1.237865
bR	1.347612	0.026580	13.123567

R-squared = 0.995255; Adjusted R-squared = 0.994418
D-W Statistics = 2.895210; F-ratio = 1188.669

ANALYSIS OF REGRESSION RESULT

The details obtained are appropriately presented below for the purpose of easy and vivid interpretation:

$$pY = f(\beta o+\beta 1eE+\beta 2wL+\beta 3rK+\beta 4mM+\beta 5dD+\beta 6tG+\beta 7cS+\beta 8bR)+ \mu$$

(i) Standard error: Note that $\Sigma(\beta 1\ \beta 2\ \beta 3\ \beta 4\ \beta 5\ \beta 6\ \beta 7\ \beta^8) < ½\ \beta o$

(ii) T statistic

Level of significance = 5% or 0.05
Degree of freedom V = n-k
where n = number of observation which is 26
k = number of variables which is 9
Therefore V = 26 – 9 which is 17
Degree of freedom (DF) = 17
For the two tail test, the critical value of T statistics at t tabulated
T = 0.05@17 DF = 2.11
From the estimated result:
T cal (pY) = 7.078120 > Ttab 2.11
T cal (βo) = 0.718393 < Ttab 2.11
T cal (β1eE) = 39.07531 > Ttab 2.11
T cal (β2wL) = -1.561252 < Ttab 2.11
T cal (β3rK) = -0.553646 < Ttab 2.11

T cal (β4mM)= -1.236781 < Ttab 2.11
T cal (β5dD) = 1.523172 < Ttab 2.11
T cal (β6tG) = -2.347621 < Ttab 2.11
T cal (β7cS) = 1.237865 < Ttab 2.11
T cal (β8bR) = 13.123567 > Ttab 2.11

(iii) F statistic

From the regression result, F statistic calculated = 75.18379
Given the degree of freedom V = 17
Level of significance = 0.05
T tabulated @ 5% significant level with 17 DF = 2.70
Hence, F cal which is 1188.669 > f tabulated 2.70

INTERPRETATION OF MODEL ESTIMATION RESULT

It could be inferred from the earlier presented regression results that the eight endogenous variables i.e. Management executive, other Staff, Shareholders, Material Bought in, Debt owners, Government, Communities and Reserves were able to explain 99% of the systematic variations in Total Value Created by the banks during the period under review i.e. 2005 to 2014. This is indicated by the high value of R squared of 0.995255.

Also the goodness fit of the overall model is indicated by the high value of the adjusted coefficient of determination R squared of 0.994418, which implies that the overall model is a good fit and that just about 0.558% of the systematic variation in the dependent variable (pY) were left unexplained by the independent variables, which is attributable to other random factors represented by the error term μ.

Moreover, an examination of the standard error shows that β1 (wages and allowances payable to Management executive) is the most statistically significant of all the coefficient of independent variables (Management executive, Staff, Shareholders, Material Bought in, Debt owners, Government, Communities and Reserves). Similarly, the t statistics attests that the coefficient of Management executive is the highest of all the independent variables that is statistically significant in causing much variation in the value of dependent variable, value creation, during the reference period.

Furthermore, the result of the F statistics that gives the value of F cal to be 1188 is equally significant. This further justifies that the exogenous variables (βo+β1eE+β2wL+β3rK+β4mM+β5dD+β6tG+β7cS+β8bR+ μ) contribute significantly to the variation in the dependent variable pY.

However, the Durbin Watson statistic that assumes the value of 2.895210 indicates that there is absence of positive auto correlation among the values in the residual model.

Summarily, at 5% level of significance, the calculated value of f-statistics is greater than the corresponding value from f-table. Thus the null hypothesis is rejected and the alternative validated, which implies that value appropriation, represented by stakeholders listed, have significant impact on the entire value created by the banks under review.

CONCLUSION AND RECOMMENDATION

Conclusion

The study revealed that out of all the independent variables Management executive wages (eE) have the greatest impact on Total Cash created by financial institutions in Nigeria. It is therefore concluded that most financial institutions' fortunes are being flying out of their vault through salary and other perquisites payable

to the top management staff. In the spirit of current of salary cut, to bring back the economy, it is not a bad idea for the executive concerned to also fall in line with that policy. Furthermore, monetary policy maker must identify the specific risks financial institution management executive face within the context of the economy so as to deal with those risks correctly and pave way for improved wealth creation.

Recommendation

Based on the finding of this study, it is recommended that:

- Monetary authorities must revisit the guidelines on the operation of deposit money banks in Nigeria with a view to reducing cost, most especially salary of management executive, thereby increasing the total value creation by the banks;
- Nigerian banks should focus on the development of decision models in treasury and funds management for policy makers and senior management so as to ensure desired goal of improving value creation;
- As a result of the fierce competition in the banking industry and also with new innovation and technologies coming up within short periods, banks should adopt more scientific techniques, to improve their quality and productivity, while at the same time, stay in time with new technologies in the industry;
- In order to achieve desired goals and objectives, while at the same time, remain profitable and strong, banks should be able to structure their assets and liabilities in such a manner that their current obligation will be met, as at when due and at the same time, remain profitable, thereby boast total value creation by the bank.

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