

# PORTFOLIO MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED DEPOSITS BANKS IN NIGERIA

BY

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## ***Abstract***

*This study addresses the effect of portfolio management on the performance of chosen deposit money banks recorded on the Nigeria stock exchange more than a ten-year time frame (2013 - 2022). The study specifically investigates the connection between capital sufficiency proportion, liquidity proportion, non-performing loan proportion, and return on asset of the chosen DMBs. This study used an ex post facto research design. the population of the study were all the Deposit money banks that are listed on the Nigeria Stock Exchange (NSE). Purposive sampling was used I selecting ten deposit money banks. A subset of Nigerian deposit money banks' annual reports served as the secondary source of data for this study. The data structure contains a cross section and time series due to the presence of many banks at various time frames, resulting in panel data. data collected were analyzed using a multiple regression model. Hausman test statistics was also employed to determine which of the resulting fixed and random models is the most appropriate. The result indicates that jointly the independent variables (CAR, LR and NPL) have significant relationship with the dependent variable (ROA). In line with the findings the study concludes that, there is a significant relationship between portfolio management and performance of the selected DMBs. based on the conclusion, the study recommended that, Depository cash banks ought to lessen the quantity of non-performing credits by further developing staff impressive skill, reinforcing an expected level of effort and fortifying their control measures.*

**Keywords:** portfolio management, non-performing credits, Depository cash banks, liquidity proportion

## **1. INTRODUCTION**

Portfolio management includes dealing with the cash of individual under the master direction of portfolio administrators. Portfolio the executives is vital methodology in dealing with an arrangement of business firms to accomplish greatest returns. Portfolio the executives permits project supervisor to have an all-encompassing perspective on their undertaking against each other in a concentrate framework (Denjamin and Mutyungi, 2018) . Despite the fact that portfolio the executives has been far and wide by and by for a really long time with its impact of monetary execution researchers in the field have been shockingly in various towards the point , as the number distributions in the previous many years managing the subject is restricted and disconnected (Alaaeddin and Mohammed,2015). Latest examinations are centered on the decision among inactive and dynamic Portfolio the executives. Given the hypothetical outcome and exact outcome in Malkiel (2003), it appears to be that latent administration is the better decision in the single and multi-period Portfolio setting. Portfolio the executives regularly focus on assortment of people protections by reasonable financial backer in such a way that a gamble and return on a thing in the portfolio are improved. Each reasonable financial backer tries to

accomplish two things all the while (augmenting returns and limiting rate). This suggests that the portfolio board is only a demonstration of their proficiency in handling stock items, such as how carefully they choose and collaborate to achieve a balance between capital contributed and returns obtained on that speculation at the lowest possible cost or risk associated with that endeavor.

As indicated by Jenkinson (2008), Banks are presented to an enormous number of dangers which include: liquidity risk, credit risk unfamiliar trade risk, market risk, premium gamble among others. These risks must be all around oversight to guarantee their endurance and productivity. Banks are supposed to have credit organization division that guarantees legitimate upkeep and organization of credits. The significance of solid credit and liquidity risk the board for building quality advance portfolio is of central significance of execution of store cash banks as well as by and large economy. The developing load of concentrates in bookkeeping, money and financial aspects, highlights the disappointment in acknowledge risk the board as one of the primary wellspring of banking area emergencies which potentially prompted monetary disappointment experienced previously, including 2001 worldwide monetary emergencies (Fofack,2005).

### **Statement of the Problem**

The Nigeria banking industry assumes an essential part in the country's monetary turn of events, working with monetary intermediation and cultivating financial development. Be that as it may, lately, the area has confronted different difficulties, including macroeconomic variances, administrative changes and expanded rivalry. In the midst of these difficulties, recorded store cash banks in Nigeria have been endeavoring to keep up with and work on their monetary execution to meet partners assumptions and guarantee long haul supportability (CBN, 2021).

Regardless of the meaning of portfolio the board in molding the monetary exhibition of banks, there is restricted experimental proof well defined for the Nigerian setting. While certain examinations have inspected the effect of individual monetary proportions on bank execution (Ibenta,2015,Okpala and Ezeoha, 2018).there remaining parts an exploration hole in understanding the aggregate impact of Portfolio the executives works on, including capital sufficiency proportion, liquidity proportion and non-performing credit proportion on the in general monetary execution of recorded store cash banks in Nigeria. The absence of extensive examination in this space limits the capacity of partners including policymakers ,financial backers and bank leaders to pursue informed choices with respect to portfolio the executives techniques and their expected ramifications on monetary results .Moreover ,given the unique idea of the financial area and the changing administrative climate, refreshed and context-explicit experiences are fundamental for guaranteeing dependability and sustainable development in the Nigerian financial industry.

Consequently this examination concentrate on look to address this hole by researching the effect of portfolio management on the performance of chosen deposit money banks recorded on the Nigeria stock exchange more than a ten-year time frame (2013 - 2022). The review will investigate the connection between capital sufficiency proportion, liquidity proportion, non-performing loan proportion, and return on asset of the chosen DMBs.

## **2. LITERATURE REVIEW**

### **Concept of portfolio management**

The Venture The board Affiliation (2018) characterized a portfolio as an assortment of undertakings or projects used to structure and oversee speculations at a hierarchical or functional

level to improve key productivity or functional effectiveness. The affiliation additionally noticed that the portfolio can be overseen at a hierarchical or utilitarian level. Dayana and Alana (2021) portray a portfolio as the all-out assortment of monetary resources of an individual or organization. This can incorporate government securities, securities, stocks, shared reserves, land, digital forms of money, and so on. Also, different collectibles. A portfolio implies an assortment of ventures that are not really held in a solitary record. Blomquist and Muller (2004) characterize a portfolio as an association (impermanent or progressing) in which tasks are overseen together to oversee interfaces, focus on assets among undertakings and consequently decrease vulnerability.

### **Active Portfolio Management**

Hayes (2015) characterized dynamic portfolio the board as the course of decisively trading stocks and different protections to beat the more extensive market. Dynamic portfolio the executives includes endeavors to beat the exhibition of a record by trading individual stocks and other tradable resources. Resource directors by and large utilize different quantitative and subjective ways to deal with assistance gauge potential venture returns. Sam Bourgi (2019) states that "Dynamic portfolio the board requires an elevated degree of market information. A functioning portfolio supervisor generally makes progress toward better returns, very much like an investor. Dynamic portfolio the executives includes continually assessing the market to purchase resources when they are underestimated and sell them when they are exaggerated. This approach requires quantitative market investigation, expansive difference and a comprehension of the business cycle. The greatest benefit of dynamic techniques is the potential for market-beating returns.

### **Passive Portfolio Management**

Inactive portfolio the executives doesn't battle to beat the market in light of the fact that its advocates stick to the effective market speculation. All in all, they accept that the subtleties are constantly reflected in the worth of the basic resource. Financial backers hoping to limit risk frequently favor latent methodologies. One of the least demanding ways of carrying out a uninvolved strategy is to put resources into a rundown that tracks the everyday market investigation or some other market record. Low expenses are the principal benefit of detached money management, as this approach is maybe the least expensive to execute. Inactive methodologies have additionally been displayed to deliver major areas of strength for reliably term benefits. One of the hindrances of detached financial planning is the eagerness to be protected, and different inconveniences of an inactive venture technique include: the expense of capital when financial backers provide up their capacity to acquire market-beating returns, and the powerlessness to safeguard against risky dangers as the financial backer basically pursues the market. rather than supporting against instability.

### **Discretionary Portfolio Management**

The discrete technique for portfolio the board gives the record director exhaustive data about his client's speculation choices. The manager settles on all the trading decisions for their clients and utilizations their thought process is the best methodology. This sort of approach is just for individuals who have broad information and comprehension of ventures. Clients who utilize autonomous administrators feel sure about designating their speculation decisions to experts. Andy (2021) depicts optional portfolio the board as a cycle where the portfolio director plays a specialist part in monetary navigation. He settles on venture choices in view of the speculation needs of financial backers. A discretionary portfolio chief additionally does all the composition

and filling. The primary benefit of optional financial planning is that you pass on all speculation decisions to the experts. This makes life significantly more straightforward, particularly assuming you consent to trade offers from your supervisor. Assuming you like to flaunt your speculations, optional records may not be appropriate for you. Assuming expense is additionally an issue, free records can overpower. Since free chiefs charge greater expenses for their administrations.

### **Non-discretionary portfolio management.**

A non-optional portfolio supervisor is basically a monetary expert. They give you the upsides and downsides of putting resources into a specific market or approach, however won't execute it without your assent. This is the essential change between a non-discretionary strategy and a discretionary technique. The primary benefit of non-optional money management is that it gives you admittance to a monetary expert without surrendering command over your venture decisions. The principal inconvenience is the need to rapidly concentrate the portfolio under new economic situations. Assuming that your chief requirements your endorsement prior to trading specific resources, this could set you back. Andy (2021) portrays non-optional portfolio the board as an interaction where the portfolio supervisor acts just as a specialist for whom the speculations are great and unrewarding. Furthermore, the financial backer goes with a choice

**Capital Adequacy**

Capital sufficiency proportion (Vehicle) is otherwise called money to take a chance with proportion (weighted). The resource proportion is the proportion of a bank's funding to risk. Public controllers screen a bank's Vehicle to guarantee it can retain a sensible measure of misfortunes and meet administrative capital necessities. It is a proportion of a bank's capital. It is communicated as a level of the bank's gamble weighted credit positions. The reason for implementing directed levels of this proportion is to safeguard contributors and advance the solidness and proficiency of monetary frameworks around the world. Two kinds of capital are estimated: Level 1 capital, which can assimilate misfortunes without the bank halting exchanging, and Level 2 capital, which can retain misfortunes in the event of liquidation, in this way offering less assurance to contributors. . Capital Sufficiency Proportion (Vehicles) is a proportion of a bank's center capital, communicated as a level of its gamble weighted resources. Dissolvability proportion is a proportion that decides the bank's cash-flow to cover time liabilities and different dangers, for example, credit risk, functional gamble, and so on.

### **Liquidity Ratio**

Liquidity proportions are essential monetary pointers used to survey an organization's capacity to rapidly meet its transient commitments. These pointers assume a vital part in surveying the monetary condition and dissolvability of the organization. They empower financial backers, leasers and partners to pursue informed choices by investigating an organization's liquidity position. You can quantify its capacity to deal with unforeseen monetary difficulties and continue without a hitch. The liquidity proportion shows the organization's capacity to reimburse transient leasers from its money assets. It comes from isolating the aggregate sum by the transient credits. It shows how frequently current liabilities are covered with cash. a worth more noteworthy than 1.00 means completely covered. Liquidity proportions measure how rapidly resources can be transformed into money to pay an organization's transient commitments. The accompanying pointers can be utilized to quantify the liquidity of an organization. The liquidity proportion can be estimated by partitioning the credits and advances by the complete equilibrium for a specific period (yearly span is utilized in this review) and is signified as "LQR".

### **Financial Performance**

Benefit alludes to an organization's capacity to keep up with its benefits many years. Pandey (2011) characterizes benefit as the contrast among incomes and costs throughout some undefined time frame (typically one year). Benefit is the eventual outcome of an organization and it has no future on the off chance that it can't create adequate benefit. A bank's productivity shows the way that well the bank is getting a profit from its capital. It likewise shows the generally monetary state of the bank throughout some undefined time frame and assists with looking at changed banks in various financial areas simultaneously. Bank brings about broad, can be perceived by its soundness and productivity. Security alludes to its gamble variables and productivity alludes to monetary execution. Thus, assuming that this study is characteristic of the bank's presentation. This is in light of a legitimate concern for the bank's productivity. As a singular bank, to all the more likely comprehend its activities, it would be essential to begin with the pay explanation, which portrays the types of revenue and costs that reflect benefit. Throughout the long term, a few essential proportions of banking efficiency have been made, many banks have attempted to survey monetary execution utilizing a few markers like profit from resources (ROA), return on value (ROE), net revenue pay (NIM). Those exhibition measures incorporate proficiency. They don't just discuss benefit as a flat out esteem, yet about productivity, which estimates effectiveness (OBI-NWOSU et al 2017), Godwin and Solace 2015). Workneh (2015). sehrish et al 2011. These are proportions which as indicated by Workneh (2015) are essentially proportions of two monetary accounting reports or monetary estimations. These proportions structure pointers with the goal that we can comprehend how well we are doing monetarily. For instance, ROA estimates the board's capacity to create pay utilizing the organization's current resources. Banies primary fluid resources are credits and advances, the more advances and advances they provide for borrowers, the more benefit they make (Solomon, 2012). Experts measure the advancement of banks in light of their capacity to utilize these resources. This is one motivation behind why we picked ROA as the presentation measure in this examination. Return on Resources (ROA) is the proportion of pay to add up to resources. This is presumably the main proportion while looking at the productivity and working limit of banks, as it shows the profit from resources claimed by the bank. Despite the fact that ROA gives great data about the productivity of the bank and its exhibition during the revealing time frame.

### **Theoretical Review**

This study is grounded on the modern portfolio theory. A monetary theory plans to boost the normal return of a portfolio for a given measure of portfolio risk, or comparatively to limit risk at a given degree of anticipated return, via cautiously picking the proportions of different settings. In spite of the fact that MPT is generally utilized by and by in the monetary business and a few of its creators won a Nobel Remembrance Prize for its hypothesis. As of late, the fundamental suspicions of MPT have been generally addressed, for instance in the field of social financial matters. MPT is a numerical definition of the idea of speculation expansion, which plans to choose a bunch of venture resources with lower risk than any single resource. That this is conceivable should be visible naturally in light of the fact that the worth of various sorts of resources frequently change in contrary directions (Merton, 1973), for instance to the degree that stock costs move uniquely in contrast to security markets. A pool of the two sorts of resources can hypothetically confront less all out risk than independently. Be that as it may, expansion lessens risk, despite the fact that resource returns are not entirely corresponded, regardless of whether they are emphatically related, in fact MPT models resource returns as a regularly circulated capability (or on a more regular basis, circularly disseminated irregular factors). Characterizes risk as the standard deviation of return and models a portfolio as a weighted blend of resources with the end goal that the portfolio return is a weighted mix of resource returns. By consolidating various resources whose profits are not impeccably emphatically connected, MPT

means to decrease the complete difference of portfolio returns. MPT likewise accepts that financial backers are levelheaded and markets are effective.

Subsequently, the cutting edge portfolio hypothesis, otherwise called mean-fluctuation examination, in view of the investigation of Markowitz (1953), is as per the following: All financial backers are proficient financial backers, financial backers follow Markowitz's concept of the effective outskirts and decide to put resources into portfolios on the cutoff. Financial backers loan or acquire cash at the gamble free rate: this rate stays fixed for any measure of cash. Additionally, while picking speculations, the time skyline is no different for all financial backers, the financial backer makes some equivalent memories skyline for the chose ventures. All resources are endlessly distinct: this implies that offers can be purchased in portions and an offer can be limitlessly detachable. No assessments and exchange costs: Duties and exchange costs are accepted to no affect financial backers' outcomes. All financial backers have similar likelihood of results while deciding the normal return, it is accepted that all financial backers have a similar likelihood of the outcome and there is no expansion. Capital business sectors are by and large not impacted by expansion since there is nothing of the sort in the capital market. . Hypothesis There is likewise no mispricing in the capital market. It is expected that the market is effective and that there is no mispricing on the lookout.

### **Empirical Review**

Fubara and Agundu (2021) concentrated on "Essential Portfolio The board Model, Contemporary Prerequisites for Recorded and Unlisted Organizations in Nigeria". The review analyzed 44 recorded and unlisted organizations in Nigeria. Venture, portfolio risk, return, situation procedure were utilized as factors, 44 recorded and unlisted organizations were considered. The exploration uncovered that the standards for choosing an organization's portfolio are conventional. Organizations face challenges discriminatingly, putting resources into emotionally characterized other options, venture risk is plainly obvious. Moreover, the review presumed that the homogeneity of portfolio parts in the momentary through allure adversely influences venture returns in the long haul.

Sarah (2020) examined the effect of advance portfolio the executives on the monetary execution of business banks. The primary goal of the review was to evaluate what credit portfolio the executives means for the result of the Kigali-Rwanda boycott. The review utilized a subjective and unmistakable methodology, the example size is 51 representatives who were chosen utilizing purposive inspecting strategies. A poll, a meeting guide and a report were utilized for information assortment, while the investigation depended on a graphic factual strategy. The perceptions uncovered that BK inspects the client base and the reliability of the organization, as well as the particular standards that the client should meet prior to getting the offered credit office. The effect of borrower-explicit variables on BK's monetary not entirely settled by the credit period, and that implies the period during which credit was conceded at BK. The interest charged by BK can influence the result of the advance. The impacts of the gamble investigation of the decision on BK's monetary outcomes show how BK moves credit takes a chance from its asset report to insurance agency to recuperate advances, the exchange of credit risk increments monetary dependability, got obligation commitments and protections resources help BK proactively. Dealing with BK's portfolio, and credit subordinates is as yet a little however quickly developing business sector. Respondents further affirmed that the monetary execution of Bank of Kigali relies upon successful administration of the advance portfolio.

### **3. METHODOLOGY**

This study used an ex post facto research design, which is essentially a category of research. Deposit money banks that are listed on the Nigeria Stock Exchange (NSE) were chosen for this study as the population of the study. There are 32 quoted deposit money banks on the Nigeria Exchange Group Portal. The study looked at ten deposit money banks: Access Bank Plc, Citi Bank Plc, Eco Bank Plc, Fidelity Bank Plc, First City Monument Bank Plc, First Bank of Nigeria Limited, Guaranty Trust Bank Plc, Union Bank of Nigeria Plc, United Bank for Africa Plc, and Zenith Bank Plc.

For a ten (10) year period between 2013 and 2022, a subset of Nigerian deposit money banks' annual reports served as the secondary source of data for this study. The data structure contains a cross section and time series due to the presence of many banks at various time frames, resulting in panel data.

With the help of E-view (Version 13), the data collected from the annual reports of the chosen deposit money banks in Nigeria were analyzed using a multiple regression model. Hausman test statistics was also employed to determine which of the resulting fixed and random models is the most appropriate. This approach was chosen because to its efficiency, ease of interpretation, and ability to reduce incorrect sum of squares. Theoretically, portfolio management ought to have a favorable impact on the financial results of Nigeria's listed deposit money banks. Consequently, based on this information, the study's prior expectation can be expressed mathematically as follows:  $\beta_1 - \beta_3 > 0$ . This indicates that the variables' coefficients ought to be higher than zero. If not, the proxy does not live up to the a-prior expectation.

### **Model Specification**

The multiple regression model was utilized to analyze the acquired data, with the financial performance—which is represented by the return on asset values—serving as the study's dependent and explanatory variable. The capital adequacy ratio, liquidity ratio, and non-performing loan ratio—which will act as the independent variable and explanatory variables for this study—serve as proxies for portfolio management in deposit money institutions.

Model specification (in implicit form):

$$Y = f(x)$$

$$F(x) = \beta_0 + \beta_1 + \beta_2 + \beta_3 \dots \beta_n + e$$

Where  $n=3$  independent variables for this study.

For this Study (In explicit form)

$$\text{Financial Performance} = f(\text{portfolio management})$$

$$\text{Return on Asset} = f(\text{Capital adequacy ratio, Liquidity ratio, Non-performing loan ratio}).$$

$$ROA_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 LQR_{it} + \beta_3 NPLR_{it} + \mu_{it}$$

The model can then be written as:

Where:

ROA = Return on Asset

CAR = Capital adequacy ratio

LQR = Liquidity ratio

NPLR = Non performing loan ratio

$\beta_0$  = Constant term

$\beta_1 - \beta_3 =$  Coefficient of independence variables

$\mu =$  Error term

## 4. RESULTS AND DISCUSSION

### e: E Views 9.0 (2024)

Joint description of the variables of measurements was analyzed in table 4.1.1 Average Return on Asset per time on yearly basis for the selected performance of the quoted DMBs was 0.024691 with predictor variables CAR, LR and NPL averaging 0 0.180861, 1.152392 and 0.064490 respectively for the period of ten years for the selected ten (10) DMBs. Minimum and maximum values of the respective response and predictor variables were also captured over time, including their variation to the averages. From Skewness statistic, it indicated that all the variables were positively skewed. Kurtosis statistic reviewed that Return on Asset (ROA) and Liquidity Ratio (LR) were leptokurtic (fat tailed) in nature. The Jarque-Bera statistic using its probability value showed that all the variables were normally distributed except Return on Asset (ROA) and Liquidity Ratio (LR). However, normality test also confirmed that the data set for study are not normally distributed with Jarque-Bera 26.73786 and p-value 0.000002 which is less than 5% level of significance as evidenced in figure 4.1

**Table 4.2: Fixed Effect Model**

Dependent Variable: ROA

Method: Panel Least Squares

Date: 10/04/24

Time: 17:09

Sample: 2013 2022

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

**Source: E Views 9.0 (2024)**

### Table 4.3: Random Effect Model

Dependent Variable: ROA

Method: Panel EGLS (Cross-section random effects)

Date: 10/04/24 Time: 17:10

Sample: 2013 2022

Periods included:10

Cross-sections included: 10

Total panel (balanced) observations: 100

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Source: E Views 9.0 (2024)

### Table 4.4: Hausman Test

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Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.701814	3	0.0008

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Source: E Views 9.0 (2024)

The result of the p-values of the model as show in table 4.4 indicated that the p-value is less than 5%, hence the regression result was made using the outcome of the random effect model.

### Hypotheses Testing

The hypotheses of this research work were tested using t-test of the significance of linear regression model extracted from the parameter estimates in table 4.2.

#### Hypothesis One

$H_{01}$ : Capital Adequacy Ratio has no significant effect on the return on asset of quoted DMBs in Nigeria

$H_{i1}$ : Capital Adequacy Ratio has significant effect on the return on asset of quoted DMBs in Nigeria

Parameter estimate of relationship between Capital Adequacy ratio and Return on Asset on table 4.2 with t-statistic of 1.439166 and an associated P-value of  $0.1537 > \alpha = 0.05$  implies that we reject  $H_{i1}$  and conclude that Capital Adequacy Ratio has no significant effect on the return on asset of quoted DMBs in Nigeria

#### Hypothesis Two

$H_{02}$ : Liquidity Ratio has no significant effect on the return on asset of quoted DMBs in Nigeria

$H_{i2}$ : Liquidity Ratio has significant effect on the return on asset of quoted DMBs in Nigeria

Parameter estimate of Liquidity Ratio has no significant effect on the return on asset of selected DMBs in Nigeria with t-statistic value of -1.937595 and associated P-value of  $0.0559 > 0.05$  indicates the rejection of  $H_{i2}$ . This implies that Liquidity Ratio has no significant effect on the return on asset of quoted DMBs in Nigeria

#### Hypothesis Three

**$H_{03}$ :** Non-Performing Loan has no significant effect on the return on asset of quoted DMBs in Nigeria

**$H_{i3}$ :** Non-Performing Loan has significant effect on the return on asset of quoted DMBs in Nigeria

Parameter estimate of Non-Performing Loan has no significant effect on the performance of selected DMBs with t-statistic value of 0.461420 and associated P-value of  $0.6456 > 0.05$  indicates the rejection of  $H_{i3}$ . This implies that Non-Performing Loan has no significant effect on the return on asset of quoted DMBs in Nigeria

## **Discussion of Result**

Table 4.2 reports the result of the regression analysis. The coefficient of determination ( $R^2$ ) reveals that 82.04% of the variation observed in dividend policy is accounted for by the explanatory variables (CAR, LR and NPL). The adjusted  $R^2$  moderated this to 79.56% after adjusting for the loss of freedom, an indication that there are other variables apart from the explanatory variables that might have been responsible for systemic variation in the dependent variable (ROA). This percentage is moderate and shows a good fit of the regression line, evidence that the predictive ability of the model is strong. The result indicates that jointly the independent variables (CAR, LR and NPL) have significant relationship with the dependent variable (ROA) with an F-statics that tested the overall significant of 33.10747 and p-value of  $0.0000 < 0.05$  level of significance. Assessing the level of contribution of individual explanatory variables, the Beta Coefficient is positive for CAR (1.439166) and NPL (0.461420), while LR (-1.937595) exhibit negative Beta Coefficient. This proved that duo variable as positive effect except LR that has negative effect on performance of the selected DMBs. The Durbin-Watson (0.813152) result showed that there is no evident of serial correlation among the variables.

## **5. CONCLUSION AND RECOMMENDATIONS**

The analysis of the result revealed that there is a significant relationship between portfolio management and performance of the selected DMBs. This is evidenced from F-statistic result that tested the overall behavior of all explanatory variables with the probability lesser than the 5% level of significance. From the result, the following conclusions can be declared:

- i. Capital Adequacy Ratio has no significant effect on return on asset of the selected DMBs in Nigeria
- ii. Liquidity Ratio has no significant effect on return on asset of the selected DMBs in Nigeria
- iii. Non-Performing Loan has no significant effect on return on asset of the selected DMBs in Nigeria

## **RECOMMENDATION**

Based on the result and conclusion, the following recommendation was drawn:

- i. Depository cash banks ought to lessen the quantity of non-performing credits by further developing staff impressive skill, reinforcing an expected level of effort and fortifying their control measures.
- ii. Policymakers and government organizations that direct the financial area in Nigeria and give an administrative climate that upholds the portfolio the executives of store banks. This ought to include a multidisciplinary approach by all partners to survey guidelines, investigate influences and eventually modify them in light of results.

- iii. Custodians should continuously gauge the gamble and return related with holding fluid resources concerning profit from speculation, while capital proportions should be continually checked to guarantee an ideal blend that conveys the best re-visitation of partners.

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