Financial Management and Profitability of Selected Deposit Money Banks in Ogun State, Nigeria

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Abstract
This study examined the financial management and profitability of selected deposit money banks in Ogun state, Nigeria. The major aim of the study was to find empirical evidence of the relationship between capital structure management and profitability, and how capital structure affects the profitability of selected deposit money banks. The study adopts an ex-post facto research design. Five (5) deposit money banks in Ogun state were selected for this study and they are Access Bank Plc, First Bank Plc, Guaranty Trust Bank, United Bank of Africa, and Zenith Bank Plc. The data used for the study were obtained from online annual financial report of the Selected banks covering a period of 2015 –2019. The data obtained were analysed using descriptive and inferential statistics. The findings of the study show that all explanatory variables show a moderate mean and acceptable standard variability. Similarly, R^2 0.8799307, =F-value = 42314.635; P<0.05 = ROA, R^2 = 0.96714366, F-value = 68.24986; P<0.05 = ROE indicates a significant positive relationship between capital structure and profitability because their proxy bank ROA and ROE showed a significant relationship with the explanatory variables. The study concluded that there is a positive significant relationship between capital structure management and profitability and that capital structure affects the profitability of the selected deposit money banks. It was recommended that management of the selected deposit money banks pay greater attention to those factors that determine their optimal capital structure and optimise the level of profitability of their core business operations and therefore, the wealth of shareholders. And that deposit money banks should develop stringent measures aimed at curtailing the problem associated with their non-performing loan, provision for loan, liquidity ratio, and inflation rate in order to improve their profits.

Keywords: *Financial management, Organizational profitability, Capital structure, Deposit money banks*

Introduction

Financial management practices play a vital role in the growth of organisations. The determination of profit margins and investment appraisals increase the business's performance (Butt, Rehman, & Hunjra cited in Wasonga, Omillo, Kimutai, & Omwenga, 2020). Financial management practices provide insightful information that firm owners or managers use investment decisions, compute accurate tax information and make decisions (Jindrichovska, 2013 cited in Wasonga et al., 2020).

Organisations rely on financial information generated by businesses to determine their credit-worthiness. They also use information gathered from business concerning financial management to formulate tax and economic policies for business organisations and computation of the organisation's profitability. Financial management being a critical component plays a very important and pivotal role on the overall business growth (Nthenge & Ringera, 2020). Financial management practices normally are measured using different capital structures (Yogendrarajah, Kengatharan, & Suganya, 2019). Financial management is the cornerstone in the sustainability and profitability of business including cash flow control and capital investment with proper record management in these areas. However, ineffective financial management has been singled out as one of the key causes of the myriad of underlying problems that bedevil small and medium enterprises (Jindrichovska, 2013 cited in Wasonga et al., 2020). Most of the practitioners who commence a business enterprise fail to undertake important financial matters that are very critical in the business. This is because they lack the requisite knowledge about recording financial transactions in addition to the compilation, proper analysis and interpretation of financial statements. In some instances, organisations tend to lean extensively towards other fields of business like human resource management, sales, purchases and inventory at the expense of managing finances.

A study in South Africa by Kwame (2020) states that major cause of failure in the organisation is the use of financial management practices in a careless manner. The author further shows that it does not matter if the organisation is using its internal manager or a hired manager, if the decisions made concerning the management of finance are wrong, then most definitely the profitability of the company will be negatively affected. The other cause of lower productivity is the inefficient management of finance. Lakew and Rao (2014) cited in Akinyi, Nambuswa, & Namusonge (2020) asserts that when a manager lacks knowledge when it comes to managing the finance in an effective manner, then the profitability of the company will lower. Uncertainty of the organisation environment makes a company to depend much on equity and keep high liquidity which are some of the attributes that negatively affect the performance of an organisation.

In Nigeria, Kieu cited Akinyi et al., (2020) conducted a study on business and found out that effective practices such as financial reporting and analysis, managing of the working capital, accounting information system, managing fix assets, good planning of finance and good profitability in financial attributes like the company activities and liquidity have a significant effect on the performance of the company.

Financial management remains a key pillar for any organisation wishing to have sound perform well financially including the company. Organisations which demonstrate financial management skills in their daily operations are on the right path to better financial performance. To remain relevant in today's business environment, wise decision-making is very critical to the success of businesses. Organisations need to have effective financial management as well as information technology (IT) skills to help them in making effective financial decisions. Despite the role plays by financial management in organisations, financial mismanagement has caused a gross decline in the profitability of some organisations especially the banking sector and this has invariably results in panic as they seemingly approach distress.

Purpose of the study

This study sought to establish the relationship between financial management and profitability of deposit money banks in Ogun state, Nigeria. The specific objective was to determine the effect of each of the components of capital structure (non-performing, loans and advances, provision for loan losses, capital adequacy, liquidity ratio, interest

rate, inflation rate) on the profitability of deposit money banks.

Research hypotheses

Ho1: There is no significant relationship between non-performing loans and the profitability of deposit money banks (ROA, ROE).

Ho2: There is no significant relationship between loans and advances and the profitability of deposit money banks (ROA, ROE).

Ho3: There is no significant relationship between provision for Loan losses and the profitability of deposit money banks (ROA, ROE).

Ho4: There is no significant relationship between capital adequacy and advances and the profitability of deposit money banks (ROA, ROE).

Ho5: There is no significant relationship between liquidity ratio and the profitability of deposit money banks (ROA, ROE).

Ho6: There is no significant relationship between interest rate and advances and the profitability of deposit money banks (ROA, ROE).

Ho7: There is no significant relationship between inflation rate and advances and the profitability of deposit money banks (ROA, ROE).

Literature Review

Pecking Order Theory

The pecking order theory of capital structure as introduced by Donaldson (1961) is among the most influential theories of corporate leverage. It goes contrary to the idea of firms having a unique combination of debt and equity finance, which minimize their cost of capital. The theory suggests that when a firm is looking for ways. This theory stated that companies prefer internal financing (income, amortisation) and only in a situation when internal cash flow is insufficient for activity financing, they reach for external capital (loans, credits. e.t.c). To serve as a last resort, companies launch own external financing, for instance conducting shares issuance. Pecking Order theory tries to capture the costs of asymmetric information which states that companies prioritize their sources of financing (from internal financing to equity) according to the principle of least effort, or of least resistance, preferring to raise equity as a financing means of last resort. Hence, internal funds is used first, and when that is exhausted, debt is issued, and when it is not sensible to issue any more debt, equity is issued.

Profitability

Profitability has been described in different ways. Hofstrand (2009) describes profitability as either Accounting Losses (Net Income) or Economic Profits. Accounting Profit offers a short-term view of business profitability, while economic losses provide a longer-term view of revenue. The profitability of a bank entails the capability to generate income that surpasses liability (Olagunju, Adeyanju, David & Oluwayinka, 2012). Potential investors are concerned with the bank dividend and the appreciation in the market price of the stock so they pay more attention to the profitability ratios. Low-profit margin would discourage the investors from investing, as such managers are interested in measuring the operating performance in terms of profitability so that effective management could be in place to build the confidence of the potential investors in order to ensure success and the survival of the banking business. Also, equity investors are more concerned with the bank's ability to generate, maintain and increase income, the stakeholders expect the banks to increase lending in order to give them maximum return on money invested while the depositors expect the banks to keep much idle cash in order to meet their demand (Ibbih, 2018).

According to Machdar Abebe, and Abera (2019), profitability is the ability to make a profit from all the business activities of an organisation, company, firm, or enterprise. It reveals how efficiently the management can make a profit by using all the resources available in the market. Nibedita (2018) postulated that profitability is the ability of a given investment to earn a return from its use, but that profitability is not synonymous with the term, efficiency, rather, profitability is an index of efficiency to guide management for greater performance. The study further argued that profitability is one of the most important objectives of financial management since one goal of financial management is to maximise the owner's wealth and profitability is a very important

determinant of performance. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Similarly, the study by Derbali and Jamel (2018) asserts that profitability is the ability to earn a satisfactory income. The study further avers that as a goal, profitability competes with liquidity for managerial attention for the reason that liquidity assets, although important, are not the best profit producing resources. Cash, for example, means purchasing power but a satisfactory profit can be made only if purchasing power is used to buy profit-producing (and less liquid) assets, such as inventory and long-term assets.

Bank's profitability is of vital importance to investors, stakeholders and the economy at large. The profitability of banks lies in their ability to achieve its objectives using its available resources. The available resources such as money, men, machines, capabilities, and skills need proper appraisal and evaluation which is done systematically in determining the achievements of the company's objectives (Amelia, 2002). For financial institutions like banks, the indicators of their profitability are cost-to-income ratio, return on asset (ROA), return on equity (ROE), interest rate spread etc. This is because they are the most sustainable measure of efficiency and they are also suitable in revealing how effectively and efficiently a bank utilises the total asset at its disposal. Bank profitability of an organisation does not just play a function raising the market value of that particular organisation but also direct development of the financial sector which finally leads to success of market specifically, for banking business and its function as an engine of financial development. In relation to this work, ROA and ROE are used to represent profitability.

Capital structure

An efficient capital structure management is a vital component of the success and survival of any business enterprise in terms of both profitability. For banks to grow and survive, they usually operate in a very competitive atmosphere both at a national and global level to expand their operational horizons for new investment opportunities (Noorani & Panahi 2013). Capital structure decision is one of crucial decision since the profitability of an enterprise is directly affected by such a decision. Kajananthan (2012), Velnampy & Aloy Niresh (2012) indicates that the successful selection and use of capital is one of the key elements of firms' financial strategy and that profitability should be re-invested into the business for its' survival (Velnampy, 2006), where, profitability is the most prominent issues in the world of corporate finance literature, and the ultimate goal for any firm is to maximise profitability. Banks also extend liquidity on demand to depositors via current accounts and loans to their customers through different forms of credit (Kashyap, Rajan, & Stein 1999). Capital structure decision is the mix of equity and debt that a firm uses to finance its business operations (Damodaran, 2001). Generally speaking, capital structure of a firm denotes its mix of Debt-Equity Ratio, i.e., how much debt and how much equity the firm uses or proportion of various other long term sources of funds used to finance a firm's investment and operating activities. The capital structure of a given firm reflects its financing decisions. The proportion of the various sources of funds depends upon their cost structure, their availability and the amount of funds required by the firm.

The objective of capital structure decisions is the judicious use of different sources of long term funds such that the overall cost of capital of the firm is optimised, thereby maximising the value of the firm and its shareholders. In other words, by capital structure decisions, firms aim at minimising their cost of capital. The capital structure at which the overall cost of capital of the firm is minimum is known as optimal capital structure. An appropriate capital structure is a critical decision for any business organisation.

Chiang Yat Hung, Chan Ping Chuen Albert & Hui Chi Man Eddie (2002) show the inter-relationship between profitability, cost of capital, and capital structure among property developers and contractors in Hong Kong. The data for the study was collected from data stream, an electronic financial database. The analysis of the study shows

that gearing is positively related to asset but negatively with profit margins.

Empirical Review

A number of studies have been conducted on financial management using capital structure as yardstick across different sectors of the economy with mix results. For instance, Ebaid (2009) analysed the impact of capital structure decision on firm performance. Data of 64 listed firms on the Egyptian stock exchange market for 1997 – 2005 period was used. Multiple regressions analysis was used and the results raged from a weak to no impact. Also, Farhad & Aliasghar (2013) examined the relationship between capital structure and profitability using data from 252 non-financial companies in the period from 1999 to 2008 in Tehran Stock Exchange. The study found a positive association between the return on equity (ROE) and short-term debt. This suggests increasing short-term debts with low interest rate will lead to increase in profitability. Furthermore, the results revealed a negative association between ROE and long-term debt. So, when firms increase long-term debts, this results to decrease in profitability. The conclusion of the results shows a positive relationship between ROE and total debt.

Mehdi, Farimah, Forough, Seyed & Jamshid (2013) examined the relationship between the capital structure and the profitability of pharmaceutical 30 top Iranian companies in Iran. The financial data were gathered for the period of 2001-2010. The study stated that funding combination is the most important issue for the companies while they know the amount of required capital. In the study, the net margin profit and debts to asset ratio were used as indicators of profitability and capital structure, respectively and sales growth was used as a control variable. Their results showed that there was significant negative relationship between the profitability and the capital structure which means that the pharmaceutical companies have established a Pecking Order Theory and the internal financing has led to more profitability.

Chhapra & Asim (2012) measured capital structure determinants in textile industry in Pakistan for the period of 2005-2010. The results revealed that fixed assets and leverage were negatively related; large firm size had no significant impact on leverage. Whereas, profitability also revealed that there was no significant effect on financial leverage. In addition, there was negative relationship between leverage and taxes of firms. Ramadan and Ramadan (2015) employed capital structure variables that included short-term debt to total assets, long-term debt to total assets and total debts to total assets on the performance of Jordanian firms. The study employed pooled ordinary least squares and realised a negative impact of capital structure variables on return on equity using data of seventy-two firms for the period 2005 – 2013. Furthermore, in banking industries, Goyal (2013) also investigated the impact of capital structure on profitability of public sector banks in India listed on national stock exchange during 2008 to 2012. Panel data and multiple regression models were used to find out the association between capital structure characteristics and banks performance in the context of India. The findings of study validated a strong positive dependence of short term debt to capital (STDTC) on all profitability measures (ROA, ROE and EPS). Whereas, long term debt to capital (LTDTC) & TDC having a negative relationship with return on assets (ROA), return on equity (ROE) and earnings per share (EPS). Firm size (SIZE) experienced an optimistic connection with variables (ROA, and EPS) and negative with ROE. Assets growth (AG) proposed a positive relationship with return on asset
and return on equity and earnings per share.

Mendell, Sydor, and Mishra (2006) conducted a cross sectional study by using a sample of 20 forest industry firms traded on a US stock exchange for the years 1994-2003. Through regression analysis, the study found a negative relationship between profitability and debt. Muhammad Muzaffar Saeed et al (2013) analysed the impact of capital structure on performance of Pakistani banks. The study extended to empirical work on capital structure determinants of banks within country over the period of five years from 2007 to 2011 by utilising data of banks listed at Karachi stock exchange. Multiple Regression Models are applied to estimate the relationship between capital structure

and banking performance. Performance is measured by return on assets, return on equity and earnings per share. Determinants of capital structure include long term debt to capital ratio, short term debt to capital ratio and total debt to capital ratio. They found that the study validated a positive relationship between determinants of capital structure and performance of banking industry.

Umar, Zaighum, Saeed & Muhammad (2012) used data on 100 listed firms over a period of 2006–2009 and observed a significant positive association between the performance of a firm and capital structure. They used ROA, Earnings Per Share (EPS) and net profit margin as proxies to measure the performance and short-term debt obligations to total asset (STDTA), long-term debt obligations to total asset (LTDTA), and total debt obligations to total asset (TDTA) as the capital structure variables. The authors claimed, on the basis of exponential generalised least squares approach, that their findings support the trade-off theory.

Skopljak (2012), using data of Australian 15 Deposittaking Institutions (ADIs) over the period 2005 – 2007, study the effects of capital structure on performance in the financial sector in Australia, discovered a robust relationship between capital structure and firm's performance. He discovered that at relatively low levels of leverage an increase in debt leads to increased profit efficiency hence superior bank performance; at a relatively high level of leverage, increased debt leads to decreased profit efficiency as well as bank performance. The implications of this finding is that there is an optimal level of debt and that a bank can help optimize the performance of management and general bank performance by simply choosing a capital structure which optimizes managerial incentives while keeping financial distress relatively low.

Salteh, Heydar , Elham, Vahid, Taghizadeh & Mohsen. (2012) investigated the impact of capital structure on the performance of the profitability twenty-eight firms from Tehran stock exchange. The study employed data for 2005–2009 and realised positive impacts of capital structure variables such as long-term debts to total assets, short-term debt to total assets and total debt to total assets on the performance proxies of return on equity and Tobin's Q. Al-Taani (2013) investigated the relationship between capital structure choices with the profitability of Jordanian firms. He employed data from 2005 to 2009 and realised no statistically significant association between capital structure (debt ratio) and profitability (*ROA*). Abor (2005) investigated the relationship between capital structure and profitability of listed firms on the Ghana Stock Exchange (GSE) during a five-year period (1998-2002). Panel data methodology and regression analysis were used in the estimation of functions relating the return on equity (ROE) with measures of capital structure. And, the finding revealed a significantly positive relation between the ratio of short-term debt to total assets and ROE. However, a negative relationship between the ratio of long-term debt to total assets and ROE was found. This implies that an increase in the long-term debt position is associated with a decrease in profitability. With regard to the relationship between total debt and return rates, the results show a significantly positive association between the ratio of total debt to total assets and return on equity.

Gill, Amarjit, Nahum Biger, & Neil Mathur, (2011) examined the effect of capital structure on profitability by examining the effect of capital structure on profitability of the American service and manufacturing firms. The study used a sample of 272 American firms listed on the New York Stock Exchange for the years (2005-2007). They applied correlations and regression analyses to estimate the functions relating to profitability that were measured by return on equity with measures of capital structure. Empirical results show a positive relationship between debt to total assets and profitability and between total debt to total assets and profitability in the service industry. Also, the findings of the study show a positive relationship between debt to total assets and profitability in the short-run, long-term debt to total assets and profitability, and between total debt to total assets and profitability in the manufacturing industry.

Noulas and Genimakis (2011) explore the capital structure assurance of firms recorded on the Athens Stock Exchange, utilising both cross-sectional and

nonparametric measurements. The initial segment of their investigation evaluates the degree to which influence relies on a more extensive arrangement of capital structure determinants, while the last gives proof that capital structure changes essentially over a progression of firm characterizations. Their outcomes archive experimental regularities as for elective proportions of obligation that are predictable with existing speculations. Especially, their outcomes bolster the hierarchy speculation. Khan (2012) studied the relationship of capital structure decisions with the firm's performance using 36 engineering firms in Pakistan listed on the KSE as sample for the period 2003 -2009 using the panel econometric technique, Pooled Ordinary Least Square regression. His findings show that financial leverage measured by short term debt to total assets (STDTA) and total debt to total assets (TDTA) has a significant negative relationship with the firm's performance measured by Return on Assets (ROA), Gross profit margin (GM) and Tobin's Q.

Methodology

This study adopts an ex-post-facto research design. Descriptive and inferential statistics were used to analyse the effect of capital structure management on deposit money banks' profitability in Ogun state, Nigeria, with inclination on five purposively selected deposit money banks which are: Access Bank Plc, First Bank Plc, Guaranty Trust Bank, United Bank of Africa, and Zenith Bank Plc. The data used for the study were obtained from online annual financial report of the selected deposit money banks and cover a period of of 5 years (2015 - 2019).

The secondary sources were chosen because of their credibility at producing available, sufficient, accurate, and reliable data over the primary data. Furthermore, the study made use of an econometric procedure in estimating the relationship between independent and dependent variables. The summary of statistics was carried out with the aid of the Statistical Package for Social Science (SPSS). In this study, two profitability indicators, ROA and ROE, were chosen as dependent variables. They are the measures of banks' profitability in this study. They refer to how much profit firms earn based on their asset investments, and how effectively managers use investors' funds. The independent variables are non-performing loans (NPL), loans and advances (LAD), Provision for Loan losses (PLL), capital adequacy (CAQ), liquidity ratio (LQR), interest rate (INT), inflation rate (IFR) and are the determinants of capital structure.

The functional relationship between financial management and profitability is as follows:

$ROA_x = f(NLP_x\ LAD_x\ PLL_x\ CAQ_x\ LQR_x\ INR_x\ IFR_x)$ …….i

$ROE^{\chi} = f(NLP_x\ LAD_x\ PLL_x\ CAQ_x\ LQR_x\ INR_x\ IFR_x)$ ……ii

Financial management practice $= \beta_0 + \beta_1$ Profitability…… iii

Where:

ROA = Return on Asset; ROE = Return on Equity; NPL= Non-performing loans; LAD = Loans and advances; PLL = Provision for Loan losses; CAQ = Capital Adequacy; LQR = Liquidity Ratio, INT=Interest rate; IFR = Inflation rate; β_0 = Constant parameter/Intercept; μ = Error Term; $\beta_1 - \beta_7$ = Coefficients of independent variables.

The simple regression linear form is specified below:

$P^{\chi} = \beta_{0+} \beta_1 NLP + \beta_2 LAD + \beta_3 PLL + \beta_4 CAQ + \beta_5 LQR + \beta_6 INR + \beta_7 IFR + \mu_x$……iv

Empirical Findings and Discussion

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation	Min	Max
ROA	1.6242908	0.701212	0.231	4.18
ROE	20.94627	8.021377	6.721	50.842
NPL	0.957457	0.09276	0.734899	1.078158
LAD	0.863224	0.102122	0.583631	0.990158
PLL	0.153765	0.097765	0.012621	0.42149
CAQ	4.997808	0.759409	2.242006	7.067551
LQR	12.28931	4.862728	3.404455	34.24
INR	0.306056	0.142126	0.036054	0.948017
IFR	6.815344	0.610166	5.549638	7.7645

Table 1 presents the variable considered in this study. According to Table 1, the mean ROA of the sample deposit money banks is 1.6242908 which means that the sampled banks earned a return of 1.62% of total assets with the highest value of 4.18 and the lowest value of 0.23 where standard deviation, which reflects the variability involved is 0.701212. Similarly, the mean value of ROE is 20.94627 and standard deviation of 8.02 which indicates a reasonable deviation amongst the tested banks. This means that the sampled banks had a return of 20.94% of total equity with the minimum value of 6.72 and maximum of 50.84.

For the explanatory variables of interest, that is, NPL, LAD, PLL, CAQ, LQR, INT, and IFR. The observed mean of these variables are of NPL, LAD, PLL and CAQ are 0.957457, 0.863224, 0.153765 and 4.997808 respectively, and the standard deviations of 0.09276, 0.102122, 0.097765, and 0.759409 respectively, which suggest that these banks operate with a significant level of debt, and there is also a low deviation from the mean value. Furthermore, the observed mean of LQR, INT, and IFR are 0.306056, and 6.815344 respectively with their standard deviation as 0.142126 and 0.610166 respectively. Amongst the bank specific control variables, in the case of liquidity, it was assumed that the firms with low liquidity will experience high profitability while those with high liquidity will low profitability. In this case, we observed a mean value of 12.28931 a minimum value of 3.404455 with a maximum value of 34.24 and a standard deviation of 4.862728. The average interest rate of the sample deposit money banks is observed to be 0.306056. It confirms a moderate level deviation of 0.142126, minimum value of 0.036054 and maximum value of 0.948017 respectively. Last variable, inflation rate has a mean of 6.815344 a standard deviation of 0.610166 over the period of 2014–2018.

Table 2. Pooled Regression Result showing the relationship between the independent variables and the dependent variable

Dependent Variable: ROA				
Least Square Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
NPL	-12.6520284	5.8116432	2.3947154	0.03476
LAD	7.069535	2.3214235	2.7840736	0.00253
PLL	5.8572734	0.0308913	274.25717	0.0000
CAQ	0.2579621	0.1238061	2.2919556	0.04884
INR	0.2978459	0.1797477	1.8227297	0.12749
IFR	-0.068761	0.0565961	-1.214943	0.2651
C	-4.3559901	3.3093665	-1.4478871	0.2056
R-squared	0.8799307	Mean dependent var		35.517405
Adjusted R-squared	0.8139021	S.D. dependent var		71.931299
F-statistic	42314.635	Durbin-Watson stat		2.0658693
	0.000000			

Source: Author's computation using SPSS.

Table 2 presents regression results showing the relationship between the independent variables and the dependent variable. It shows the results of the tested hypotheses 1-7 with respect to ROA. The value for the coefficient of non-performing loan (NPL) (i.e, β_1) is -12.6520284. This implies that holding all other factors constant, a unit increase in non-performing loan (NPL) will lead to a -12.65 decrease in return on asset, the value for the coefficient of loan and advances (LAD) (i.e β_2) is 7.069535, implying that holding all other factors constant, a unit increase in loan and advances (LAD) will lead to 7.069 increase in return on asset. The value for the coefficient for provision for loan losses (PLL) (i.e β_3) is 5.8572734, this implies that holding all other factors constant, a unit increase in provision for loan losses (PLL) will lead to a 5.85 increase in return on asset. The value for the coefficient for capital adequacy ratio (CAQ) (i.e, β_4) is 0.2579621, this implies that holding all other factors constant, a unit increase in capital adequacy ratio (CAQ) will lead to 0.257 increase in return on asset. The value for the coefficient of liquidity ratio (LQR) (i.e, β_5) is -1.7915315, this implies that holding all other factors constant, a unit increase in liquidity ratio (LQR) will lead to 1.791 decrease in return on asset.

The value for the coefficient of interest rate (INR) (i.e, β_6) is 0.2978459, this implies that holding all other factors constant, a unit increase in interest rate (INR) will lead to a 0.297 increase in return on asset. The value for the coefficient for inflation (INF) (i.e β_7) is -0.068761, this implies that holding all other factors constant, a unit increase in Inflation rate (INF) will lead to a 0.068 decrease in return on asset while the constant intercept, β_0 is -4.3559901 which is c and it represents return on asset without the explanatory variables.

R-squared (R^2) of 0.8799307 indicates the percentage of variation in return on asset explained by the explanatory variables (non-performing loans, loans and advances, provision for loan losses, capital adequacy, liquidity ratio, interest rate, and inflation rate). By implication, the Adjusted R-squared value of 0.8139021indicates that about 81.3% of the total variation in return on asset is accounted for by the explanatory variables, while 18.7% is explained by other factors outside the model. This represent a good model fit.

The F-value (42314.635) is significant at a 0.5 level significant which shows that non-performing loan, loan and advances, provision of loan losses, capital adequacy ratio, liquidity ratio,

interest rate and inflation rate jointly influenced the profitability of deposit money banks. It can be concluded that non-performing loan, loan and advances, provision of loan losses, and capital adequacy ratio in combination significantly affect the profitability of selected deposit money banks in Ogun state. However, a closer look at the results on the table show that non-performing loan, liquidity ratio and inflation rate have negative effect on profitability of selected deposit money banks.

Table 3. Pooled Regression Result showing the relationship between the independent variables and the dependent variable

Dependent Variable: ROE				
Least Square Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
NPL	-0.06609	0.04108	-1.76963	0.13871
LAD	0.385999	0.068267	6.21962	0.000000
PLL	-0.02212	0.000158	-0.82967	0.5071
CAQ	0.033157	0.000635	0.273327	0.88737
LQR	0.047678	0.005273	9.945032	0.000000
INR	0.003417	0.000922	4.077292	0.00198
IFR	-0.01146	0.00029	-1.75266	0.14245
C	-0.07132	0.016969	-4.62335	0.00066
R-squared	0.96714366	Mean dependent var		0.022955
Adjusted R-squared	0.95155611	S.D. dependent var		0.015099
F-statistic	68.24986	Durbin-Watson stat		2.055198
	0.000000			

Source: Author's computation using SPSS.

Table 3 presents regression results showing the relationship between the independent variables and the dependent variable. It shows the results of the tested hypotheses 1-7 with respect to ROE. The value for the coefficient for the non-performing loan (NPL) (i.e, β_1) is -0.06609. This implies that holding all other factors constant, a unit increase in non-performing loan (NPL) will lead to 6.60% decrease in return on equity (ROE), the value for the coefficient of loan and advances (LAD) (i.e, β_2) is 0.385999, this implies that holding all other factors constant, a unit increase in loan and advances (LAD) will lead to 38.59% increase in return on equity (ROE). The value for the coefficient for provision for loan losses (PLL) (i.e, β_3) is -0.02212, this implies that holding all other factors constant, a unit increase in provision for loan losses (PLL) will lead to 2.21% decrease in return on equity (ROE), the value for the coefficient of capital adequacy ratio (CAQ) (i.e, β_4) is 0.033157, this implies that holding all other factors constant, a unit increase in capital adequacy ratio (CAQ) will lead to a 3.31% increase in return on equity (ROE). The value for the coefficient for liquidity ratio (LQR) (i.e β_5) is 0.047678, this implies that holding all other factors constant, a unit increase in liquidity ratio (LQR) will lead to a 4.76 increase in return on equity (ROE).

The value for the coefficient for interest rate (INR) (i.e, β_6) is 0.003417, this implies that holding all other factors constant, a unit increase in interest rate (INR) will lead to 0.34% increase in return on equity (ROE). The value for the coefficient for inflation (INF) (i.e. β_7) is -0.01146, this implies that holding all other factors constant, a unit increase in Inflation (INF) will lead to a 1.14 decrease in return on equity (ROE) while the constant intercept, β_0 is -0.071 which is c and it represents the return on asset (ROA) without the explanatory variables. R-squared (R^2) of 0.96714366 indicates the percentage variation in return on asset (ROE) explained by the explanatory

variables (It can be concluded that non-performing loan, loan and advances, provision of loan losses, and capital adequacy ratio in combination significantly affect the profitability of selected deposit money banks in Ogun state. However, a closer look at the results on the table show that non-performing loan, liquidity ratio and inflation rate have negative effect on profitability of selected deposit money banks.). This implies that given the adjusted R-squared value of 0.95155611, the combine explanatory variables accounted for about 95.1% of total variation in return on equity (ROE) while 4.9% is explained by other factors outside the model. An indication of strong model fit.

The F-value (68.24986) is significant at a 0.5 level of significance suggests that all the explanatory variables jointly influenced the dependent (ROE). Therefore, it can be inferred that non-performance loan, loan and advances, provision for loan losses, capital adequacy ratio, liquidity ratio and interest rate significantly influenced the profitability of the selected deposit money banks in Ogun state. However, the result show that non-performing loan, provision for loan losses and inflation rate reduces return on equity. This implies that the three dimensions of capital structure reduce the profitability of the selected deposit money banks in Ogun state.

The findings of this study indicate that efficient financial management practices have effects on the profitability of selected money banks in Ogun state, Nigeria. The research used some relevant measures of capital management structure to assess the profitability of deposit money banks.

The regression coefficient revealed a significant correlation between non-performing loans (NPL), loans and advances (LAD), provision for loan losses (PLL), capital adequacy (CAQ), liquidity ratio (LQR), interest rate (INT), inflation rate (IFR) and bank profitability measured by return on assets (ROA) and return on equity (ROE). However, the results of the study revealed that non-performing loan (NPL), liquidity ratio (LQR) and inflation (INF) lead to decrease in return on equity (ROE). This implies that those factors have negative effects on the profitability of selected deposit money banks within the period under investigation.

Conclusion and Recommendations

This study focused on the capital structure and profitability of listed deposit money banks in Nigeria with the aim of ascertaining the relationship between the capital structure and profitability of those selected deposit money banks. The findings of this study show that there is positive significant relationship between capital structure management and profitability and that capital structure affects the profitability of selected deposit money banks in Ogun state. However, non-performing loan, liquidity ratio and have negative influence on the ROA and ROE, hence the profitability of the banks. Therefore, there is a need for these banks to improve on their non-performing loan, liquidity ratio and inflation so that they can as well contribute positively and significantly to the overall profitability of banks.

In line with the findings of this study, the following recommendations were made: Deposit money bank managers should seriously prioritise the implementation of efficient capital structure practices and observing robust and effective funding decisions when formulating the organisation's strategies. Also, management of the selected deposit money banks pay greater attention to those factors that determine their optimal capital structure and optimise the level of profitability of their core business operations and therefore, the wealth of shareholders. Furthermore, banks management should give due consideration to reduce their debts in a way that reduce its negative impact on profitability of core business operations, and increase loan advances keeping the profitability of their loan portfolio in line with prescribed objectives and hence generate more interest income from loan advances.

An appropriate mix of capital structure should be adopted in order to increase the profitability of banks. The top management of every banking firm should make prudent financial decisions in order to remain profitable and competitive

Similarly, banks should focus critically on loans and advances by developing strategies and observing monetary policies and framework that will curtail the problem of non-performing loan, provision for loan losses, liquidity ratio, and inflation rate.

Moreover, deposit money banks should develop stringent measures aimed at curtailing the problem associated with their non-performing loan, provision for loan, liquidity ratio, and inflation rate in order to improve their profits.

Finally, banks should incorporate the risk of inflation (in terms of purchasing power) in their operational activities to enable them to make returns.

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