Effect of Liquidity on Financial Performance of Quoted Deposit Money Banks in Nigeria

Ogbodo, Okenwa Cy 1, Ngwu, Martin Uchechukwu 2

Department of Accountancy Nnamdi Azikiwe University, Awka.
Department of Accountancy Nnamdi Azikiwe University, Awka.

ABSTRACT: The maturity mismatch between short-term deposits and long-term loans offered by deposit money banks exposes them to liquidity risk. The dilemma to a finance manager is whether to invest in more profitable long term assets and risk low liquidity or invest in short term assets which are less profitable and therefore reduce return on investment made. To this end, the researcher examined the effect of liquidity on the financial performance of deposit money banks in Nigeria over the period of 2008 to 2018. Specifically, the study sought to determine the effect of liquidity (as determining variables as) loan to deposit ratio, and loan to assets ratio on the financial performance (as measured by) Return on Assets (ROA) and Return on Equity (ROE). Using Ex-Post Facto research method, data were extracted from the annual reports and accounts of the eight (8) selected quoted deposit money banks in the Nigerian Stock Exchange. Multiple linear regression and Analysis of Variance (ANOVA) technique was employed in the analysis of the data. The results indicate that loans- to-deposit ratio and loans-to-assets ratio of the sampled banks do not significantly influence return-on-equity, return-on-asset and net interest margin of deposit money banks in Nigeria. Based on the result, the study recommended that deposit money banks in Nigeria should as a matter of fact diversify liquidity sources by having a combination of stable sources of funding that are less likely to 'run and 'a buffer of liquid asset in the event of stressed market conditions and maintain equilibrium between liquidity and profitability.
Keywords: Liquidity, Loan to deposit ratio, Loan to assets ratio and financial performance

I. INTRODUCTION

Banks are financial institutions that play intermediation role in the economy through the mobilization of deposit from surplus economic units to deficit economic units in the form of loan and overdraft (Workneh, 2015). Nwosu (2014) maintain that Banks play a number of crucial roles in the functioning of the economy. They provide payments services to households and companies, allowing them to settle transactions. They provide credit to the real economy, by providing mortgages to households and loans to companies. Banks help households and businesses to manage the various risks they face in different states of the world (Farag& Nixon, 2013).So, in effect, banks facilitate the savings and capital formation in the economy.

The 2008 global financial crisis and the effect on the Nigerian Banking Sector has shown that Central Bank of Nigeria's (CBN) daily forecasts of Banking sector liquidity is not sufficient in assessing the liquidity requirements of the sector as several banks remain relatively fragile and incapable of withstanding periodic liquidity shocks (Fadare, 2011).Banks liquidity simply means the ability to maintain sufficient funds to pay for its maturing obligations. It is the bank's ability to immediately meet cash, cheques, other withdrawals obligations and legitimate new loan demand while abiding by existing reserve requirements (Emefiele, 2015).

Farag and Nixon (2013) stated that the 2008, 2009 global financial crisis resulted from a false assessment of funding stability, especially short-term wholesale funding. They describe the crisis as a situation whereby a large amount of short-term wholesale funding(short term deposit)relative to liquid assets such as cash is facing a long-term loans, means that if all investors attempt to withdraw this short-term funding at the same time then the bank's buffer of liquid assets is quickly depleted. Since other, less liquid assets (such as loans) are not due to be repaid soon, the bank cannot give all of the investors their money. The banks in this situation face liquidity problems. Deposit money banks liquidity is of utmost importance, but the question tugged at mind is, what are the factors that allow a bank to maintain its liquidity level? No doubt, there are internal and externals factors of liquidity. According to past

research reviewed, factors found to significantly affect liquidity position of a bank include bank specific factors and macroeconomic factors. The macro-economic variable broadly focuses on the state of the economy. The liquidity position of a bank is very sensitive to macro-economic variable fluctuations. This has been echoed by Sehrish, Faiza, and Khalid (2011), Nsambu (2014). Inflation is one of the external factors that affect liquidity in deposit money banks (Nsambu).Inflation is an increase in the general price level of goods and services in the economy and not an increase in any specific product price (Tucker, 2007). When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy (Audo, 2014). A chief measure of price inflation is the inflation rate which is the annualized percentage change in a general price index normally the consumer price index (CPI) over time or by the implicit price deflator for Gross National Product (GNP). CPI measures the changes of the average prices of consumer goods and services. Maintaining the liquidity of a firm amid changing overall price levels is therefore an important objective of the firm. Price stability at the cost of liquidity can bring problems to the firm and a tradeoff between them needs to be struck by any firm. Audo (2014) emphasize that if a firm does not care about price stability, it may not survive for a longer period while on the other hand if it does not care about liquidity, it may face the problem of insolvency. For these reasons, price stability should be given proper consideration as it may affect the liquidity of the firm.

The dilemma in liquidity management is finding a balance between liquidity and profitability, and that is called liquidity, profitability trade-off (Marozva, 2015).What is more necessary behind maintaining their liquidity is that properly identifying and managing important factors affecting the liquidity position of banks. Emefiele (2015) opined that liquidity and financial performance are responsive to micro- and macroeconomic factors, Government /Central Bank regulations. Microeconomic factors include profitability, loan growth, bank size, capital adequacy, the percentage of non-performing loan on the total volume of loans which measures loan quality and others, which are under the control of management, while the macroeconomic factors include real interest rate, inflation, and gross domestic product (GDP) growth, which are not under the control of management. The effect of

liquidity shortage faced by deposit money banks results to liquidity risk, which is the inability to meet the obligations of depositors and other creditors as at when due, this leads to poor credit worthiness, loss of customers confidence and the withholding of the licenses by the Central Bank of Nigeria or its final destination is the mortuary of Nigeria Deposit Insurance Corporation (NDIC) from where it will proceed to its final destination – liquidation, while the effect of excess liquidity storage is reduction on return on investment, because an idle cash yields no returns. Edem (2017) argued that Profitability does not translate to liquidity in all cases, in the sense that a bank may be profitable without necessarily being liquid. So liquidity should be managed in order to obtain an optimal level, that is, a level that avoids excess liquidity which may mean lack of business idea by management. At the same time liquidity level should not fall below minimum requirement as it will lead to the inability of the organization to meet short term obligations as at when due.

Many deposit money banks in Nigeria had been either merged or completely shut down. Episodes of failure of many conventional banks from the past and the present provide the testimony to this claim. For instance, the Central Bank of Nigeria in 2009 came on a rescue mission to save five illiquid banks by injecting N620 billion to save the five banks that were operating on negative shareholders' funds (Fadare, 2011).It is in light of the above crisis and more that it becomes necessary to investigate the effect of liquidity on the financial performance of deposit money banks in Nigeria.

The main objective of this study is to determine the effect of liquidity on the financial performance of deposit money banks in Nigeria. Specifically, this study addresses the following specific objectives, as to;

1. Determine the effect of loan to deposit ratio the financial performance of quoted deposit money banks in Nigeria.
2. Access the effect of loan to asset ratio on the financial performance of quoted deposit money banks in Nigeria.

II. REVIEW OF RELATED LITERATURE
Conceptual Frame Work
Liquidity

Liquidity though not a new phenomenon in finance literature has no universally accepted definition. Agbada and Osuji (2013) define liquidity as the ability of banks to fund increases in assets and meet obligation at reasonable cost as they become due. Emefiele (2015) defined

Liquidity as the ability of a company to meet its liabilities as when they fall due. He further defines liquidity for the banking industry, as bank's ability to meet its demand, savings and time deposit withdrawals as and when such withdrawals are demanded or are due. Within the financial system three broad types of liquidity can be distinguished: central bank, funding and market liquidity; these capture sufficiently the workings of the financial system on an aggregate level (Buschmann & Heidorn, 2014).The links between these liquidity types are quite dynamic, complex, and strong. Hence, they can have positive or negative effects on the stability of a financial system. Funding liquidity is the availability of cash and collateral while market liquidity is the ability to convert an asset quickly in the market without loss. Funding and market liquidity are crucial elements of a bank's liquidity management which heavily rely on the bank's business model, and therefore are intrinsically linked to both sides of bank's balance sheet. Funding and market liquidity relate to the mix of assets a bank holds and various funding sources, in particular, the bank's liabilities which must be meet when they come due. Economic/central bank liquidity is measured by money supply and is influenced by a country's economic growth and stability, monetary circulation and monetary policy.

From the definitions above we discover two key words from the concept of liquidity, which are 'ability' and 'due' that gives the concept of liquidity the real meaning. Ability means having the capacity or power to do something well. Whenever, a Bank lacks the capacity to accept liabilities, and the ability to transform them into assets as at when due, then they become insolvent and face the consequence of liquidity risk. As at when due, therefore means at the expected time. Any default on banks to meet obligation to their customers as at when due, the spillover effects will be enormous across the banking sector. So, liquidity for the banking sector simple means the ability to meet financial obligations as at when due.

Loan to deposit ratio

Loan to deposit ratio is the most commonly used liquidity ratio by both banks and analysts. Basically, it measures the liquidity position of banks. Generally, with higher loan to deposit ratio, the more likely the bank is relying on borrowed funds. If receivables from loans are delayed or withdrawals from deposit side exceeds new deposit significantly over a short term of period, bank will take more financial stress by having excessive loans and more risky to meet depositors' obligations by selling an amount of

loans at loss. Here the total loans include; loans and advances, mortgage advances, credit card debtors, overdrafts and loans to public and private sectors. On the other hand, the total deposits in this context include the demand, short-term, medium-term and long-term deposits. The demand deposits include cash managed, cheque and transmission deposits. The short-term savings fall under the short-term deposits. It is calculated as;

Loan to Deposits ratio = Total Loans \ Total Deposits

Loan to asset ratio

Loan to asset ratio is a very important efficiency management liquidity measure. The ratio indicates the percentage of bank's assets tied up in illiquid loans. The higher the loan to asset ratio, the less liquidity of the bank and at the same time, the higher potential profitability the bank can enjoy with exposure to liquidity risk. Godwin and Comfort (2015)in their study also agreed that the higher the loan to asset ratio the more efficient the bank becomes. However, they asserted that if this ratio crosses a certain threshold the bank may face some liquidity problems. It is calculated as;

Loan to Asset Ratio = Total Loans\ Total Assets
Other Independent variable considered in this research work apart from the loan to deposit ratio, loan to asset ratio under the internal factors, includes credit risk,

Empirical Studies

In Nigeria, Onyekwelu, Chukwuani, and Onyeka (2018) appraised the effect of liquidity on financial performance of deposit money banks in Nigeria**.** A sample of five (5) banks was used for the study. The data were analyzed using multiple regression analysis. Results show that Liquidity has positive and significant effect on banks' profitability ratios and that liquidity also has positive and significant effect on Return on Capital Employed. This result contradict the findings of Obi-Nwosu et al (2017) who analyze the effect of liquidity on the performance of deposit money banks in Nigeria from 2000 to 2015. The result of the study revealed that liquidity mechanism is not significantly related to deposit money banks (DMBs) performance in the short run and long run. The granger result proves that liquidity mechanism hinder DMBs performance within the period under review in the study. Marozva (2015) in South Africa analyze the relationship between liquidity and bank performance for the period 1998 - 2014.The study employed the Autoregressive Distributed Lag (ARDL)-bound testing approach and the Ordinary Least Squares (OLS) to examine the nexus between net interest margin and liquidity. The study observes that there is a negative

significant deterministic relationship between net interest margin and funding liquidity risk. However, his study shows there is an insignificant co-integrating relationship between net interest margin and the two measures of liquidity. Also the empirical results indicated that this relationship varies depending on a bank's business model and the state of the economy. Mwizarubi, Harjit and Sadananda (2015) in the research journal of finance and accounting titled , "Liquidity-profitability trade-off in commercial banks in Tanzania," examines the relationship between banks' profitability and liquidity within the period of2006 and 2013. By using Hausman test and thereafter fixed effects approach, all the models revealed that there is no statistically significant relationship between banks' profitability and liquidity. Bassey and Effiong (2015) carried out study to examine the liquidity-profitability trade off of deposit money banks in Nigeria. The study was carried on fifteen deposit money banks in Nigeria and covered a panel data of 2010 to 2012. Two models were specified and estimated using Ordinary Least Squares (OLS) technique. The empirical results revealed that there is a statistically significant relationship between bank liquidity measures-current ratio, liquid ratio, cash ratio, loans to deposit ratio, loans to asset ratio- and return on equity. However, when return on asset was used as proxy for profitability, the relationship became statistically insignificant. It was suggested that the banks should evaluate and redesign their liquidity management strategy so that it will not only optimize returns to shareholders equity but also optimize the use of the assets. Ajibike and Aremu (2015) investigated the impact of liquidity on Nigerian Bank Performance. They discovered that Nigerian banks experienced a tremendous growth in the early 2000s, but these recorded growths were eroded by the global financial crisis in 2008. This issue raised the understanding of the role of liquidity on the performance of commercial banks in Nigeria. Using a Generalized Method of Moments (GMM) estimation technique for a panel of 13 banks from the period of 2004 to 2012, the study found a positive relationship between liquidity and bank performance. Mwangi (2014) in his thesis titled "the effect of liquidity risk management on financial performance of commercial banks in Kenya." Adopted a descriptive study design and the populations for this research was the 43 listed Commercial Banks in Kenya. The results of the study show that a unit increase in liquid assets to total assets ratio decreases return on assets by 1%. A unit increase in liquid assets to total deposits ratio decreases return

on assets by 2.2%. A unit increase in borrowings from banks decreases return on assets by 14.2%. Finally the control variable which was asset quality shows that a unit increase in non-performing loans as a proportion of total loans would lead to a 12.4% decrease in return on assets. The study concludes that liquidity risk management has a significant negative relationship with financial performance of commercial banks. Ezejiofor, Nwakoby and Okoye (2016) assessed the investment decision of manufacturing firm so as to determine whether it is comparable with commercial banks in Nigeria. Specifically, the study assessed the profitability ratios, dividend coverage ratios and debt-equity ratios of manufacturing firms to determine whether they are significantly different from those of the commercial banks. The data collected were analyzed with financial ratios and t-test statistic was used with aid of SPSS version 20.0 to determine whether there were significant differences in the investment value of the manufacturing companies as against their commercial banks counterpart. Findings show that there is a significant difference between the profitability of manufacturing firms with that of commercial banks in Nigeria; that there is a significant difference between the coverage ratio of manufacturing firms with that of commercial banks in Nigeria; that there is a significant difference between the debt ratio of manufacturing firms with that of commercial banks in Nigeria. Edem (2017) in his research work investigated the impact of liquidity management on the performance of deposit money banks. 24 banks were surveyed which constitute the entire deposit money banks in Nigeria between the financial period of 1986 to 2011. Bank performance in terms of profitability was measured by its return on equity. Three hypotheses were formulated and statistically tested at 5 per cent level of significance using Multiple Linear Regression Analysis. Findings from the empirical analysis show that there is a significant relationship between liquidity management and the performance of Deposit Money Banks in Nigeria. The correlation results reveal positive impacts between return on equity and liquidity management variables: liquidity and cash reserve ratios, whereas loan to deposit ratio shows negative impact. Rengasamy (2014) in his research work examines the impact of loan deposit ratio on the profitability of Malaysian commercial banks for the period of 2009 to 2013.The study included all the eight locally owned commercial banks in Malaysia. Loan deposit ratio of the banks was the independent variable of the study. The dependent variable was profitability, which was measured through Return

on Assets (ROA). Data were obtained from the annual reports of the banks. The result of the study indicated that there was a positive and non-significant impact of LDR on ROA in five banks (Bank 1, 2, 3, 4 and 8). Further the study revealed that only one bank (Bank 5) had a negative and non-significant impact of LDR on ROA and bank 7 had positive and significant impact. Ezejiofor, Olise and John-Akamelu (2017) determined the investment value of Telecommunication firm so as to determine whether it is comparable with commercial banks in Nigeria, using performance variables; profitability ratios, dividend coverage ratios, debt-equity ratios and Efficiency ratios. Ex post- facto and time series research design were adopted. The data collected were analyzed with financial ratios and t-test statistic was used to determine whether there were significant differences in mean of Telecommunication firms as against their commercial banks counterpart. Findings show that there is a significant difference between the profitability of telecommunication firms with that of commercial banks in Nigeria; that there is a significant difference between the coverage ratio of telecommunication firms with that of commercial banks in Nigeria; that there is a significant difference between the debt ratio of telecommunication firms with that of commercial banks in Nigeria and also that there is a significant difference in the efficiency ratios of telecommunication firms with that of commercial banks.

The gap identified from the review of literature from the various authors in Nigeria is based on the micro and macro factors affecting deposit money banks in Nigeria which other literatures reviewed did not consider. The mismatch in maturity between assets and liabilities which affects the liquidity and profitability of deposit money banks in Nigeria, which the reviewed literatures did not explored data from the annual financial statements to empirically investigate the effect of liquidity on the performance of deposit money banks in Nigeria, was what prompted us to embark on this research work.

III. METHODOLOGY

This study adopted ex-post facto research design. The study was ex-post facto research because the published financial report of deposit money banks involves events that have already taken place in the past and cannot be manipulated. The study is geared towards collecting secondary data to explain the trade-off or causal relationship between bank liquidity and profitability.

The population of the study comprises of all the twenty (20) deposit money banks operating in Nigeria as at the time of this research work. Out of the twenty(20) deposit money banks, we have eight (8) Banks with international authorization and all are quoted at the floor of Nigeria Stock Exchange, then out of these eight banks we selected five (5) banks, leaving three Banks unselected. Also, we have ten (10) deposit money banks with national authorization, then out of these ten (10) banks six banks were quoted at the Nigeria Stock Exchange, they are as follows, Eco Bank Nigeria Plc, Polaris bank limited, Stanbic IBTC Bank Plc., Sterling Bank Plc., Unity Bank Plc., Wema Bank Plc., the researchers selected three (3) banks out of these six (6) banks quoted at the floor of Nigeria stock exchange, while Citibank Nigeria Limited, Heritage Bank Plc., Standard Chartered Bank Nigeria Ltd, Keystone Bank Limited, are privately held, of which their shares are not listed at the floor of Nigeria stock exchange market. Finally we have two (2) banks with regional authorization and their shares are privately held as at time of this research.

Method of data analysis

The statistical model chosen for the analysis is multiple linear regression and analysis of variance (ANOVA) with the aid of Statistical Package for Social Sciences (SPSS version 21). The four hypotheses were tested using regression analysis. The reason for using regression analysis is to statistical investigate the relationship between the dependent variable (Y) (performance) and more independent variables(X's)(liquidity).

Model Specification and Variable Description

The functional model used was multiple linear regression models.

$Y = \beta_0 + \beta_1 x_{1it} + \beta_2 x_{2it} + \beta_3 x_{3it} + \beta_4 x_{it} + e_{it}$

The above econometric equation was further re-rewritten as:

$FP = \beta_0 + \beta_1 LDR + \beta_2 LAR + eit$

Where

FP= Represents the financial performance (dependent variables, Return on equity (ROE) and Return on asset (ROA)) for bank i at time t.

$LDR =$ which represents loan to deposit ratio (measures liquidity position of a bank)

LAR= which represents loan to asset ratio (measures liquidity of banks in terms of bank asset)

$\beta_0 =$ intercept of the regression line

The coefficientβ_1-$\beta_4$represents the parameters of the explanatory variable

i = 1 to 8 banks

t = 2008-2018

e_{it} = error term.
The following models specification was used to test the research hypotheses:
ROE = β_0 + β_1LDR+ eit - - - - - Ho$_1$
ROA = β_0 + β_2LAR + eit - - - - - - Ho$_2$

Decision Rule
If the computed value of regression is less than the critical value, the null hypotheses (Ho) will be accepted and the alternative hypotheses (Hi) rejected. If the value of regression is greater than the critical value, the alternative hypotheses (Hi) will be accepted and the null hypotheses (Hi) rejected.

Data Analysis and Interpretation of Results
Test of Hypothesis One
This is restated in the null and alternative forms
Ho$_1$: The extent loan to deposit ratio influence the financial performance of quoted deposit money banks in Nigeria is not significant.
Ha$_1$: The extent loan to deposit ratio influence the financial performance of quoted deposit money banks in Nigeria is significant.
In testing this hypothesis, loan to deposit ratio (LDR) was regressed against the return on equity (ROE) of the banks. The results are presented in Table 4.1. A company by company analysis was presented to show whether each bank's LDR relates to their ROE.

Table 4.1:Summarized Regression Results for Hypothesis One

Bank	R	R^2	DW	RegSS	ResSS	F	Sig.	A	βLDR	t-value
First Bank	0.150	0.022	1.473	6.093	264.731	0.184	0.679	21.732	-0.148	-0.429
EcoBank	0.480	0.231	2.094	146.212	487.270	2.100	0.191	38.824	-0.499	-1.499
Unity Bank	0.246	0.061	2.119	3184.235	49395.941	0.580	0.466	-53.437	0.433	0.762
GTB	0.612	0.375	0.799	139.098	232.302	5.389	0.045	51.954	-0.370	-2.321
Fidelity Bank	0.361	0.130	1.849	13.438	89.628	1.349	0.275	2.063	0.067	1.162
Zenith Bank	0.275	0.076	1.102	25.845	315.317	0.738	0.413	9.832	0.109	0.859
Sterling Bank	0.055	0.003	2.301	5.078	1695.958	0.027	0.873	10.599	-0.044	-0.164
Union Bank	0.419	0.176	0.664	4097.162	19187.060	1.922	0.199	-94.970	1.403	1.386
Overall Banks' Result	0.232	0.054	1.504	165.073	2895.897	0.513	0.492	-21.670	0.377	0.716

Overall Banks' Result
R, the correlation coefficient, which has a value of 0.232, indicates that there is a weak relationship between the loan-to-deposit ratio (LDR) of all the sampled banks and the dependent variable (return on equity). R square, the coefficient of determination, shows that 5.4% of the variation in the dependent variable is explained by the model. The Durbin Watson value of 1.504 indicates there is no autocorrelation.
The regression sum of squares (165.073) is less than the residual sum of squares (2895.897) which indicates that fewer of the variation in the dependent variable are explained by the model. The significance value of the F statistics (0.492) is greater than 0.05, which means that the variation explained by the model is due to chance.

The LDR coefficient of 0.377 indicates a positive relationship between loans-to-deposits ratio (LDR) and return-on-equity (ROE) of all the sampled banks. However, this result is not statistically significant (with t = 0.716).
These results reveal that the combined return-on-equity of all the sampled banks is not significantly influence upon by their loans-to-deposit ratio. Hence, loans to deposit ratio does not have a significant effect on the combined performance of all the sampled banks.
Decision
Based on the analysis presented above, the null hypothesis was accepted. Hence, the extent loan to deposit ratio influence the financial performance of quoted deposit money banks in Nigeria is not significant.

Test of Hypothesis Two

Ho$_2$: The level loan to asset ratio impact on the financial performance of quoted deposit money banks in Nigeria is not significant.

Ha$_2$: The level loan to asset ratio impact on the financial performance of quoted deposit money banks in Nigeria is significant.

In testing this hypothesis, loan to total assets ratio (LAR) was regressed against the return on asset (ROA) of the banks. The results are presented in Table 4.2. A company by company analysis was presented to show whether each bank's LAR relates to their ROA.

Table 4.2: Summarized Regression Results for Hypothesis Two

Bank	R	R^2	DW	RegSS	ResSS	F	Sig.	α	βLAR	t-value
First Bank	0.104	0.011	2.243	0.042	3.859	0.087	0.775	2.110	-0.011	-0.295
EcoBank	0.123	0.015	1.792	0.100	6.562	0.107	0.753	1.660	-0.021	-0.327
Unity Bank	0.396	0.157	2.893	69.411	372.551	1.677	0.228	-4.880	0.116	1.295
GTB	0.412	0.170	0.748	2.466	12.056	1.841	0.208	8.697	-0.091	-1.357
Fidelity Bank	0.011	0.000	3.003	0.000	2.016	0.001	0.975	1.084	0.001	0.032
Zenith Bank	0.225	0.051	1.230	0.295	5.533	0.479	0.506	3.791	-0.028	-0.692
Sterling Bank	0.156	0.024	2.434	0.454	18.266	0.224	0.648	1.691	-0.023	-0.473
Union Bank	0.170	0.029	2.711	27.494	919.173	0.269	0.616	3.945	-0.183	-0.519
Overall Banks' Result	0.002	0.000	2.628	0.000	44.200	0.000	0.995	1.246	-0.001	-0.007

Overall Banks' Result

R, the correlation coefficient, which has a value of 0.002, indicates that there is a very weak relationship between the loan-to-asset ratio (LAR) of all the sampled banks and the independent variable (return on assets).   R square, the coefficient of determination, shows that none (0%) of the variation in the dependent variable is explained by the model. The Durbin Watson value of 2.628 indicates there is autocorrelation.

The regression sum of squares (0.000) is less than the residual sum of squares (44.200) which indicates that fewer of the variation in the dependent variable are explained by the model. The significance value of the F statistics (0.995) is greater than 0.05, which means that the variation explained by the model is due to chance.

The LAR coefficient of -0.001 indicates a negative relationship between loans-to-assets ratio (LAR) and return-on-assets (ROA) of all the sampled banks.   However, this result is not statistically significant (with t = -0.007).

These results reveal that the combined return-on-assets (ROA) of all the sampled banks is not significantly impacted upon by their loans-to-assets ratio (LAR). Hence, the level loan to asset ratio impact on the financial performance of quoted deposit money banks in Nigeria is not significant.

Decision

Based on the analysis presented above, the null hypothesis is accepted. Hence, the level loan to asset ratio impact on the financial performance of quoted deposit money banks in Nigeria is not significant.

IV. DISCUSSIONS OF FINDINGS

Discussions of findings on loan to deposit ratio

This finding reveals that the extent loan to deposit ratio influence the financial performance of quoted deposit money banks in Nigeria is not significant. The overall result of loan-to-deposit ratio coefficient of 0.377 indicates a positive relationship between loan-to-deposit ratio (LDR) and return-on-equity (ROE) of all the sampled banks. However, this result is not statistically significant (with t = 0.716). This result implies that the deposits transformed into loans by the deposit money banks in Nigeria positively influence the

financial performance, but the influence is not statistically insignificant. This result concurs with the study of Edem (2017) in Nigeria, Workneh (2015) in Ethiopia, Ongore and Kusa (2013) in Kenya, Konadu (2009) in Ghana, the results showed that loan to deposit ratio was positive but not significant on the return on equity. In contrast to the finds above the empirical results of Bassey and Effiong (2015) in Nigeria revealed that there is a statistically significant relationship between loans to deposit ratio, and return on equity on fifteen deposit money banks. This result conform to the aforementioned problem above, the mismatch in transforming short maturities (deposits) into longer maturities (investments) in order to create funding liquidity for investors. On the side of the banks we discovered that this emanate from the mismatch between short-term deposit and long-term loan extension, high interest rates they charge, shorter-time loan repayment period and no loan grace (failure to give the loan beneficiaries two years loan grace before they start repaying) so that they will have financial stability. On the part of the loan beneficiaries we discover that the factors which affect their loan repayment include bad economy (instable prices of goods and service) in the country claim the loan without performing, because it has negative effect on loan repayment, and bad management of loans by the beneficiaries.

Discussion of findings on loan to asset ratio
This finding which state that the level at which loan to asset ratio impact on the financial performance of quoted deposit money banks in Nigeria is not significant. The overall result of loans-to-assets ratio (LAR) coefficient of -0.001 indicates a negative relationship between return-on-assets (ROA) of all the sampled banks. However, this result is not statistically significant (with t =-0.007).

This finding agrees substantially with the findings of Bassey and Effiong (2015)in Nigeria, Ongore and Kusa (2013) in Ghana, Workneh (2015) in Ethiopiain which the null hypothesis was accepted, which state that there is no statistically significant relationship between loans to asset ratio and return on asset. They concluded that this may be due to the fact that liquidity management is more related with fulfilling depositors‟ obligation (safeguarding depositors) than investment. However, the findings are not in line with the outcomes of studies of Mustafizur and Sharmin (2015) of Islamic banks in Bangladesh, their empirical findings revealed that loan to asset ratio shows significant positive relationship with return on asset (ROA), implying that higher levels of profit are made by the banks when more deposits are transformed into loan which is the greatest asset of the banks.

V. CONCLUSION
The general effect of the insignificant result on the side of the banks is that they will face the problem of illiquidity, which eventually will lead them to liquidity risk, because the beneficiaries fail to repay back the loan for others to borrow, the loan beneficiaries will have the risk of having the interest pile-up for them before repayment and they run the risk of been drag to court and their collateral been confiscated and sold out. Then the prospective customers can be denied the opportunity to borrow from the banks, because the banks are running illiquid, caused by default in loan repayment

This finding implies that Nigerian banks lay more effort in maximizing returns to shareholders but is producing less than optimal profitability in terms of efficient utilization of assets. In our findings between loans to deposit ratio on return on equity the relationship was positive though it was insignificant, but in terms of return on asset the relationship was negative, implying inefficient asset utilization.

Conclusively, in highly diversified deposit money banks return-on-equity, return-on-assets; net interest margin, loans-to deposit and inflation will be encouraged to help the bank to work very hard.

VI. RECOMMENDATIONS
On the basis of the findings, this study recommended the followings;
1. Bank managers should avoid liquidity risk by having a combination of stable sources of funding (example, long-term bonds) and a buffer of liquid assets that will not dry up during stressed market conditions.
2. Deposit money banks in Nigeria should as a matter of fact employ financial experts into their management system who understands the technicality in maintaining equilibrium between liquidity and profitability.

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