IMPACT OF CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS (DMBS) IN NIGERIA

SANUSI BELLO (PhD)
Department of Business Administration, Adamawa State University, Mubi, Nigeria
E-mail: drsusnibello@gmail.com

&

STEPHEN PEMBI
Department of Business Administration, Adamawa State University, Mubi, Nigeria
E-mail: stephenpembi@gmail.com

&

VIVI PETER VANDI
Department of Business Administration Adamawa State University, Mubi, Nigeria
E-mail: vivipetervandi@gmail.com

Abstract
The aim of this study is to assess the impact of capital structure on the financial performance of deposit money banks in Nigeria. The study adopted an ex-post facto research design and it considers variables Long term debt to Asset (LTD/TA), Short term debt to total Asset (STD/TA) and Total debt to total Asset (TD/TA) of capital structure and financial performance which was proxy by Return on Asset (ROA). The study sourced secondary data using a convenient sampling technique based on the availability of data as at the period of the study. These data were obtained from annual financial report of the five sampled Deposit Money Banks in Nigeria covering a period of 2009 -2018. The data obtained were analysed using descriptive statistic (i.e. mean and standard deviation) and inferential statistic (i.e. Pearson correlation and regression analysis). The results of the analysis reveals that STD/TA (β= 0.936554, p<0.05) and TD/TA (β= 0.310692, p<0.05) have significant positive impact on ROA. While LTD/TA (β= 0.08686, p> 0.05) has insignificant positive impact on ROA. Therefore, the study summarily recommends that stakeholders of deposit money banks in Nigeria should use more of short term debts portion of capital structure, the manner of utilizing the resources while expanding the banks and the amount of investment on fixed asset to the ratio of short term debt should be given keen considerations. On this note, investors must pay more attention to the capital structure mix of DMBs before investing in them.

Keywords: Asset, Capital structure, debt, deposit money banks, financial performance.
Introduction

Capital structure has always been a topic of controversy in the field of corporate and modern finance; different researchers have different views and theories as they strive to determine an optimum capital structure to minimise a company’s cost of capital and maximize its value (Serwadda, 2019). This may be similar with banks though somewhat different regarding focus. Banks are very crucial institutions for the success of any economy, in the view of Serwadda (2019) their primary task is to receive funds from investors and then lend out to the business community that could be in need of those funds.

Sources of capital indicates the ability of the bank to attract more customers and make better investment opportunities (Aymen, 2018). Similarly, financial performance demonstrates the efficient use of resources and the ability to make a profit. It is a significant fact for stakeholders (depositors, creditors, shareholders, state, managers). For depositors, it show them the profitability generated for their deposited funds. For creditors, it shows them the ability of the bank to meet the commitments to them. For the state, financial performance indicates the ability of the bank to pay tax. For shareholders, the financial performance indicates the return on their invested funds. For managers, financial performance indicates the benefit of their effort and human capital invested (Aymen, 2018).

Return on asset is a very important measure of banks profitability (Ahmed, Lingi&Dalhat, 2018). It is computed by dividing net income by total assets. According to Anarfo and Appiahene (2017) Return on assets (ROA) indicates how much profit each asset generates. Among the primary objectives of most quoted banks is to ensure that they satisfy all the stakeholders involved in the business (Muhammed, Ashenafi&Netsanet, 2015). These often make bank managers to develop various strategies that will help them to make the most appropriate financing and investment decisions that will aid the realisation of the firm’s objective. In making financing decision, one of the priorities of the manager is to ensure that the firm adopts a healthy financing mix or capital structure by all means (Ogebe,Ogebe&Alewi, 2013).

Capital therefore, may refer to the means of funding a business. This capital can be derived from two main sources. These sources are internal and external sources. The internal source refers to the funds generated from within an enterprise which is mostly the retained earnings (Bariweni, 2019). Firms may in the same vein look outside to source for their needed funds to enhance their activities (Eniola, Adewunmi&Akinselure, 2017). Any funds sourced not from within the operation of the organisation are termed external financing. The external funding may be obtained by increasing the number of co-owners of a business or outright borrowing in form of loan be it short or long term loan and or both (Eniola et al., 2017))

In addition, the equity owners exercise maximum control over the firm because they bear the larger share of risk. On the other hand, outright borrowings by a company puts her a creditor to the financiers. This may be through issuance of debentures, bonds or other forms of debt instruments either for short, long term or both. The holders of these are entitled to a fixed amount of interest to be paid before the equity or shareholders are paid (Eniola et al., 2017).
Conversely, they have lesser control over decision in the organization. According to Dare and Sola (2010), capital structure is the debt-equity mix of business finance. It is used to represent the proportionate relationship between debt and equity in corporate firms’ finances. The capital structure of a firm in their opinion can take any of the following three alternatives: 100% equity: 0% debt, 0% equity: 100% debt or X% equity: Y% debt. From the above, option one is that of a purely equity financed firm, that is, a firm ignores leverage completely and its benefits in financing its business activities. This study seeks to investigate the impact of debts to asset ratios on banks return on asset.

Specifically, some researchers revealed that capital structure which is measured by Return on Asset (ROA) shows that it has a negative impact on firms’ performance (Adekunle & Sunday, 2010). Also Awunyo-vitor and Badu (2012) found that capital structure has negative and statistically insignificant effect on ROA. Counter to Modigliani and Miller (1958), many other empirical studies found a negative correlation between debt and return on asset. Capital structure and its influence on firm financial performance and overall value has been remained an issue of great attention amongst financial scholars since the decisive research of Modigliani and Miller (1958) who argued that under perfect market setting capital structure has no influence in valuing the firm. Umar, Tanveer, Aslam and Sajid (2012) explains that value of firm is measured by real assets not the mode they are financed.

Most studies of capital structure are conducted on manufacturing firms in developed nations and other developing countries, and outside Nigeria. For instance, the relationship of capital structure decisions with the firm’s performance using 36 engineering firms in Pakistan listed on the Keysians Stock Exchange (KSE) as sample for the period 2003 to 2009 using the panel econometric technique, Pooled Ordinary Least Square regression and the impact of capital structure on the financial performance of Companies listed on the Tehran Stock Exchange. For this purpose, they tested a sample of 400 firms among Companies Listed on the Tehran Stock Exchange in the form of 12 industrial groups during the years 2006 to 2010.

However the lingering problem of inability of Nigerian commercial banks management to decide on the appropriate finance mix that can gear the desired performance has hither-to called for great deal of attention and debate among scholars. Most of the studies on the subject of capital structure in Nigeria concentrated majorly on investigating the determinants of capital structure, while few studies that examined the impact of capital structure on performance of Nigerian deposit money banks covered period of more than ten years panel data (Nwude & Anyalechi, 2018; Eniola et al., 2017). Also a study was conducted in Uganda by Serwadda (2019) in same area. Sadiq, Kachollom, Dasuki and Yusuf (2017) conducted a similar study but using a fewer banks employed technique of multiple regression analysis and/or pooled OLS regression analysis. Previous empirical studies have always ignored the fact that limited period like five years using single financial performance indicator (ROA) that may determine the performance of deposit money banks can be undertaken in Nigeria. It is against this backdrop that this study is aimed at filling the gap in the field of capital structure as it relates to performance of deposit money banks in Nigeria by selecting five banks using only return on asset to determine the impact of capital structure on the financial performance of deposit money banks in Nigeria.
Therefore, the main objective of this study is to examine the impact of capital structure on the financial performance of DMBs in Nigeria for the period of 2009 to 2018. The researcher specific objectives are:

i. to examine the impact of short term debt to total asset on banks’ ROA in Nigeria
ii. to examine the impact of long term debt to total asset on banks’ ROA in Nigeria.
iii. access the effect of total debt to total asset on banks’ ROA in Nigeria.

This study is guided by the following hypotheses:

**Ho1**: Long term debt to total asset has no significant impact on banks’ ROA in Nigeria.

**Ho2**: Short term debt to total asset has no significant impact on banks’ ROA in Nigeria.

**Ho3**: Total debt to total asset has no significant effect on banks’ ROA in Nigeria.

**Conceptual Clarifications**

**Capital Structure**

Capital structure, in financial terms, means the way a firm finances its assets through the combination of equity and debt (Saad, 2010). Furthermore, studies on capital structure dates back to more than six decades ago when the two American Economists - Modigliani and Miller (1958), published their seminar work. They proved that, under certain assumptions (existence of perfect market and the absence of taxes and transaction costs), costs of capital does not affect capital structure. That is; debt in a firm’s capital structure does not affect the firm’s value. This theory is normally referred to as irrelevant theory. However, they later, reviewed the irrelevant theory. Modigliani and Miller (1963) modified the irrelevant theory by presenting proof that cost of capital affect capital structure and thus the value of the firm when the assumptions that there are no taxes or transaction cost were removed. They then opined that borrowing give a tax advantage, where the tax deducted from the interest results in tax shields, which in turn reduces the cost of borrowing and maximizes the firm performance (Miller, 1977). This requires the firm to make a trade-off between the cost of debt and the benefits of using debt.

Capital structure refers to the firm’s financial framework which consists of the debt and equity used to finance the firm (Awunyo & Bandu, 2012). They also argued that capital structure in financial term means the way by which a firm finances their assets through the combination of equity, debt or hybrid securities. Capital Structure of a firm is the composition of different securities issued by the firm to finance its operations. It relates to the proportions of debt and equity that make up the liability owners’ equity side of firm’s balance sheet and often refers to the use of debt in a firm’s capital structure as leverage (Awunyo & Bandu, 2012).

**Financial Performance**

The word “Performance” originates from the old French word ‘Parfournir’; whose meaning is to bring through, to carry out, to do or to bring forth (Farah & Farrukh, 2016). Performance is an act of performing, implementing, achieving, and fulfilling of the given tasks that needs to be measured against defined sets of precision, money, fullness and timing. In finance, it refers to the measurements of the company’s policies, activities and operational results in financial terms. It is used to check a company’s success, compliance and financial position. These results are reflected in the firm’s return on investment, assets, equity, capital employed.
and profitability. Financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation. Managing risk and increasing profitability of a firm within the corporate governance compliance is an essence of making good decisions. In order to take timely decision, accurate information and proper analysis of the sector is necessary (Farah & Farrukh, 2016). In line with this background, return on asset is one of the critical issues when it comes to financial performance indicators and is key to this study.

One of the main problems with using the ROA as profitability measure is that, it does not account for the risk that is taken to earn the profit on assets. A bank could obtain a high profit level by taking higher level of risk. The ROA could be very high in such a case, but on risk adjusted basis it could reflect a relatively poor profitability. Hence ROA is the estimated rise in the cash flows produced by the operating cycle as a result of investment outlays, it is the return for forsaking immediate spending. ROA = Net Income / Total Assets. This ratio is widely used to compare the financial performance of banks. ROA shows the profit per unit of investment assets. It shows the profitability of banking operations and its ability to perform. ROA shows how management generate income from the assets of the banks (Anarfo & Appiahene, 2017).

Empirical Review
In a study by Adeoye and Olojede (2019) on the effect of capital structure on the financial performance of quoted deposit money banks in Nigeria. To achieve the objective of the study, they used a cross sectional time series secondary data covering the period of seven years (2012-2018) was extracted from the audited financial statement of ten (10) banks listed on the floor of stock exchange. The descriptive statistics, Pearson moment correlation and multiple linear regressions were used. The correlation results showed that capital structure is negatively correlated with financial performance (ROA and ROE). Result from panel regression revealed that debt to equity though significant, impacted negatively on return on assets and return on equity, asset tangibility significantly impacted return on asset but insignificantly impacted return on shareholder’s equity and also Age have a significant impact on return on asset and insignificant effect on return on equity.

In another research by Serwadda, (2019) on effects of capital structure on banks’ performance on Ugandan banks for a ten years period, 2006–2015. Panel regression models are used to determine the effects of capital structure on bank performance. Results portray that there is a positive relationship between capital structure variables and bank performance. It is between long term debts, total debt with net interest margin. There is also a positive relationship between total debt and return on assets. It is still the same between total debt and returns on equity. However, there is a negative relationship between short term debt and return on assets.
Nwude & Anyalechi (2018) conducted a study on impact of capital structure on performance of commercial Banks in Nigeria. The study evaluated the influence of financing mix on the performance of commercial banks, and the causal link between debt-equity ratios. Data collated were analysed using correlation analysis, ordinary least squares regression analysis, fixed effect panel analysis, random effect panel analysis, granger causality analysis, as well as post estimation test such as restricted f-test of heterogeneity and Hausman test. The findings show that while debt finance exert negative and significant impact on return on asset, the debt-equity ratio has positive and significant influence on return on equity.

Kachollom, Dasuki and Yusuf (2017) conducted a study on the effect of capital structure on the performance of Deposit Money Banks in Nigeria. The objective was to examine the effect of capital structure on the financial performance of Deposit Money Banks in Nigeria. Secondary data was obtained from the financial statements of Deposit Money Banks listed in the Nigerian Stock Exchange. Four banks were selected as samples and data from their financial statements for a period of 10 years (2006 to 2015). The study has employed the use of Pearson correlation coefficient and general least squares (GLS) regression model to analyze the effect of capital structure on the performance of some selected banks. The performance variables used in the study were, ROA, ROE and ROCE. Findings from the study showed that capital structure has positive and significant effect on the financial performance of listed deposit money banks in Nigeria.

Khan (2012) studied the relationship of capital structure decisions with the firm’s performance using 36 engineering firms in Pakistan listed on the Keysians Stock Exchange (KSE) as sample for the period 2003 -2009 using the panel Pooled Ordinary Least Square regression. 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.

Pouraghajan and Malekian (2012) carried out a study of the impact of capital structure on the financial performance of Companies listed on the Tehran Stock Exchange. For this purpose, they tested a sample of 400 firm-years among Companies Listed on the Tehran Stock Exchange in the form of 12 industrial groups during the years 2006 to 2010. Variables used to measure the financial performance of companies are return on assets ratio (ROA) and return on equity ratio (ROE). They discovered, from the results, that there is a significant negative relationship between debt ratio and financial performance of companies, and a significant positive relationship between asset turnover, firm size, asset tangibility ratio, and growth opportunities with financial performance measures. However, the relationship between ROA and ROE measures with the firm age is not significant.

**Theoretical Background**

Several theories relating to capital structure have been advanced by different scholars in the field of corporate finance (Ahmed, 2018). These include the work of Modigliani and Miller in 1958, which assumed that under the premise of perfect capital market various combinations of debt and equity are irrelevant to the firm’s value (Modigliani & Miller, 1958). Later, this assumption was relaxed to accommodate the effect of tax benefits on debt finance (Modigliani & Miller, 1963). Trade-off theory which assumes that firms trade off the benefits and costs of
debt and equity financing and find an optimal capital structure after accounting for market
imperfections such as taxes, bankruptcy costs and agency costs. Ldama (2016) relates it more
relevant in capital structure decisions since the most appropriate capital structure according
to him is the one that reduces the overall cost of capital. It is therefore obvious that the tax
shield advantage of debt finance makes it to have favourable impact on the overall cost of
capital, notwithstanding a point is reached beyond which debt becomes more expensive.
Myers and Majluf (1984) in their pecking order theory argued that firms follow a financing
hierarchy to minimize the problem of information asymmetry between the firm’s managers
(insiders) and the (outsiders) shareholders or investors. Jensen and Meckling agency cost
theory of 1976 suggested that, given an increasing conflict of interest between managers and
the business owners, presence of more debt level in the firm’s capital structure imposes
financial discipline, hence reduces agency problem. However, in order to connect capital
structure and banks’ financial performance agency cost theory was adopted. The choice of
agency theory was based on the assertion that debts are mostly used by shareholders to
regulate the financial performance of banks.

Research Methodology
The research is based on the ex-post-facto research design, since it uses previously generated
data to predict current behaviour of variable used in this study. The research utilized data
obtained from online annual financial report of the five (5) banks selected based on convenient
sampling technique considering the availability of the required data as at the period under
study for the period of ten (10) years 2009 to 2018. These banks are; First bank Nig. Ltd., First
City monument bank (FCMB) Guaranteed Trust bank(GTb), United Bank for Africa (UBA)
and Zenith bank plc. The data obtained from the banks were analysed using Descriptive
Statistics (i.e. Mean and Standard deviation) and hypotheses were tested using Pearson
Correlation Coefficient and multiple regression analysis with the help of e-view 9.0.

Model Specification
The model specification for the study is mathematical presented as;

\[ Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \mu_0 \] ..........................................................(1)

Hence;

\[ \text{ROA} = \beta_2 LDTA + \beta_2 SDTA + \beta_3 TDTA + \mu_0 \] ..........................................................(2)

Where: \( \text{ROA} = \text{return on Asset} \)
\( \text{LDTA} = \text{Long term Debt to Total Asset} \)
\( \text{SDTA} = \text{Short term Debt to Total Asset} \)
\( \text{TDTA} = \text{Total Debt to Total Asset} \)
\( \mu_0 = \text{error term} \)
\( \beta_0 = \text{constant} \)
\( Y = \text{dependent variable} \)

Decision rule: null hypothesis should be rejected if the p-value is < 5% significance level,
otherwise it should be accepted.
Results and Discussions

This aspect of the study indicates the descriptive and inferential output obtained from the study and findings from the results are discussed on the basis of the literature.

Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>LTDTA</th>
<th>STDTA</th>
<th>TDTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.779408</td>
<td>0.212024</td>
<td>0.954680</td>
<td>0.870082</td>
</tr>
<tr>
<td>Median</td>
<td>0.798050</td>
<td>0.203850</td>
<td>0.961250</td>
<td>0.904550</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.882000</td>
<td>0.438300</td>
<td>0.995700</td>
<td>0.988300</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.514900</td>
<td>0.095100</td>
<td>0.867600</td>
<td>0.428400</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.077527</td>
<td>0.073593</td>
<td>0.027397</td>
<td>0.121498</td>
</tr>
<tr>
<td>Skewness</td>
<td>-1.401416</td>
<td>1.100148</td>
<td>-1.473134</td>
<td>-2.570594</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>5.230406</td>
<td>4.510099</td>
<td>5.265172</td>
<td>9.556591</td>
</tr>
</tbody>
</table>

Jarque-Bera 26.73036 14.83687 28.77395 144.6265
Probability 0.000002 0.000600 0.000001 0.000000

Sum 38.97040 10.60120 47.73400 43.50410
Sum Sq. Dev. 0.294510 0.265379 0.036778 0.723328

Observations 50 50 50 50

Note: *ROA = Return on Asset, *LTDTA= Long term Debt to Total Asset, *STDTA= Short term Debt to Total Asset, *TDTA =Total Debt to Total Asset.

Source: Authors’ computations, using e-views9, 2019

Table 1 presents the result of descriptive statistics test utilizing the data mean, median, standard deviation, skewness and kurtosis. Tabachnick and Fidell (2007) found that the population or sample of the study is assumed to be normally distributed when the mean of variables are similar to the value of median, skewness value is zero and kurtosis value is greater than or equal to or less than 3. A kurtosis with distribution greater than 3 is a leptokurtic distribution whereas 3 is the kurtosis of a normal distribution. A leptokurtic distribution (greater than 3) has a sharper peak with lower probability than a normal distribution of kurtosis whose value is equal to 3. A kurtosis with less than 3 is a platykurtic distribution which has a lower and wider peak with higher probability than leptokurtic and normal distribution. However, the diagnostic test reveals that no variables have the value of mean equal to value of median. Similarly, the skewness value and kurtosis value of the variables are both mix positively and negatively showing that their distributions are skewed to the right side as well as to left side of the table with the kurtosis value of variables range from 4.510099 to 9.556591. The negative skewed distribution is an indication that there is greater risk than what the standard deviation measures, while the positive skewed distribution is also showing that there is lower risk than what the standard deviation measures. The standard deviation overstates the risk for a positively skewed distribution while underestimating the risk for a negatively skewed distribution.

Consequently, the mean value for return on asset is 0.779408%. This means the total assets turn over yield 77.94% profits during the period under review. Similarly, the mean value for
LTDTA, STDTA and TDTA has an average value of 21.20%, 95.47% and 87.01% respectively. The minimum value for return on asset is 51.49% and the maximum value of 88.20%.

The result of the descriptive statistics test shows that the LTDTA has a minimum number of 9.51% and a maximum number of 43.83%. STDTA has minimum number of 86.76% and the maximum number of 99.57% while TDTA has a minimum number of 42.84% and a maximum number of 98.83% respectively. The result shows that the TDTA has the highest standard deviation among the independent variables but it appears as the third contribution to dependent variable (ROA). STDTA has the least value for standard deviation and it therefore represents its highest contribution to the dependent variable of the study.

**Correlation Results**

In this section, the Pearson correlation Coefficients of the variables of the study are presented.

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>LTDTA</th>
<th>STDTA</th>
<th>TDTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTDTA</td>
<td>0.1638</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.4251)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STDTA</td>
<td>0.3734</td>
<td>-0.0512</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0446)</td>
<td>(0.1197)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDTA</td>
<td>0.5353</td>
<td>0.2020</td>
<td>0.0960</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(0.2584)</td>
<td>(0.6855)</td>
<td>(0.6162)</td>
<td></td>
</tr>
</tbody>
</table>

P-Values in Parentheses

**Source:** Author's computations, using EViews9, 2019

The results in Table 2 show the correlation coefficients of the variables of capital structure LTDTA, STDTA and TDTA and financial performance that is ROA of the selected deposit money banks in Nigeria. The table shows positive relationship between STDTA and ROA from the correlation coefficient of 0.0446 which is statistically significant (from the p-value of 0.0446). This implies that, the more STDTA the lower the ROA. This relationship suggests that the larger STDTA improve performance positively and is statistical significant. Similarly, the results from the table indicate that, there is no significant statistical relationship between ROA and the LTDTA and TDTA from the correlation coefficient of 0.1638 and 0.553 which is not significant at p-value of 0.4251 and 0.2584. This relationship suggests that the larger LTDTA and TDTA improve performance positively and is not statistical significant.

**The Regression Results**

This part of the study gives the results on the determinants of financial performance of selected banks in Nigeria. For all regressions examined, the hausman test was carried out in order to choose between random and fixed effects model. This assists us to reject the random effect and opted for fixed effect estimator. Table 3 presents the regression result of the dependent variable (ROA) and the independent variables of the study (LTDTA, STDTA and TDTA). The presentation cut across in line with the analysis of the relationship and impact
between the independent variables and the dependent variable of the study and the cumulative analysis.

**Table 3: Summary of Regression Result**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTDTA</td>
<td>0.086867</td>
<td>0.123397</td>
<td>0.703965</td>
<td>0.4850</td>
</tr>
<tr>
<td>STDTA</td>
<td>0.936554</td>
<td>0.326140</td>
<td>2.871632</td>
<td>0.0062</td>
</tr>
<tr>
<td>TDTA</td>
<td>0.310692</td>
<td>0.074991</td>
<td>4.143030</td>
<td>0.0001</td>
</tr>
<tr>
<td>C</td>
<td>0.403447</td>
<td>0.313071</td>
<td>1.288675</td>
<td>0.2040</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.397798</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.358524</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.062093</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.177354</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>70.09381</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>10.12879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000031</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.192765</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: ROA

**Source:** Author’s computations, using EViews9, 2019

The results in Table 3 shows that when ROA was utilized as dependent variable to measure the bank financial performance, LTDTA has a t-value of 0.703965 and a beta value of 0.086867 which is not significant at all level. This implies that LTDTA has positive and not statistical significant impact on the ROA of selected Deposit Money Bank in Nigeria. This means that for every increase in the number of LTDTA, it has no significant impact on the ROA of selected Deposit Money Bank in Nigeria.

This provides evidence supporting the acceptance of the null hypothesis one of the study which states that LTDTA has no significant impact on the ROA of Selected Deposit Money Bank in Nigeria. Table 3provides result in respect of impact of STDTA on ROA of selected deposit money bank in Nigeria. The STDTA has a t-value of 2.871632 and a beta value of 0.936554 which is significant at all level. This signifies that STDTA has positive and significant impact on the ROA of selected Deposit Money Bank in Nigeria. This provides us an evidence to reject the null hypothesis two of the study which states that STDTA has no significant impact on the ROA of selected Deposit Money Bank in Nigeria.

Also the results on the table 3 shows that there is positive and strong significant impact of TDTA on ROA with t-value of 4.143030 and a beta ratio of 0.310692 at 5% significant level. This is an indication that the TDTA is appreciated and the increase is consistent with increase in ROA. This also provides us an evidence to reject the null hypothesis three of the study which states that TDTA has no significant impact on the ROA of selected Deposit Money Bank in Nigeria.

The model reveals that R² is about 39.8% implying that the variable used account for 39.8% variation in the dependent variable. This means that 39.8% LTDTA, STDTA and TDTA
account for the variation in ROA. The model also met the test of auto correlation as the DW statistics is 2.19.

Discussion of Findings
The result of this study revealed that STDTA and TDTA have positive and significant impact on banks’ ROA in Nigeria as revealed by (t-value of 2.871632, Beta value of 0.936554 and t-value of 4.143030 Beta value of 0.310692) respectively, this result concurs with results of Sadiq, Kachollom, Dasuki and Yusuf (2017). Findings from the study showed that capital structure has positive and significant effect on the financial performance of listed deposit money banks in Nigeria. However, The result is in disagreement with the result established by Nwude et al. (2018); Serwadda(2019) who all found that short term debt has a negative significant relationship with ROA. The disagreement may be as a result of time from of the studies. Also, the study’s result unfold that LTDTA has positive and insignificant impact on banks’ ROA in Nigeria, this is as indicated by (t-value of 0.703965 & Beta value of 0.086867) respectively. This result did not agree with the result of the study conducted by Nwude and Anylachi (2018) who found that debt finance exert negative and significant impact on return on asset.

Implication of the Study
This study has add to the theories of capital structure and its concept of debt finances as is of paramount benefit to financial analysts in the course of policy formulations, source of guide to shareholders in monitoring managers’ behaviour in wealth maximization, depositors and or money savers are of paramount benefit of this study. Managers of banks in Nigeria would have this research work to monitor their finance mix in order to maximize return on asset. It also stands as a source of research for potential researchers. In addition this study will benefit the general public whoever has interest in bank’s ROA.

Conclusion and Recommendations
The objective of this study was to determine the impact of capital structure on financial performance of selected deposit money banks in Nigeria. The study used panel data for the period of ten years 2009 to 2018 and 5 banks operating in the Nigeria. The study model was subjected to regression analysis to determine the impact of capital structure on the performance of the Nigerian deposit money banks and banks performance measured by ROA. The findings of the study shows that STDTA and TDTA have statistically significant impact on financial performance measured by return on assets at 5% significant level while LTDTA has statically insignificant impact on banks ROA in Nigeria. Based on the findings obtained from the results, the study suggests that, stakeholders in the banking industry should critically examined the proportion of short and long term debts when establishing deposit money banks’ capital structure in Nigeria. Consequently the study therefore, advances the following recommendations;

i. Shareholders of banks should put more emphasis on the use of debt finance and its optimal utilization, as this serves as a tool for controlling managers deceptive behavior according to Jensen and Meckling cost theory of 1976.

ii. that banks conduct an in depth study of the nature and the volume of debt portion of capital mixes in order to understand how best to optimze their capital structures for better performance in the future.
iii. Management of Nigerian banks should consider the use of more debt (i.e. should have an optimal perspective for short term debt usage) in their capital structure as this will have an automatic effect of reducing the overall cost of capital.

iv. Potential of deposit money banks in Nigeria should pay more attention to the trend in the capital structure of deposit money before investing in them because this often determines amount of return that is expected from such banks.

**Limitation and Suggestions for Further Studies**

There are limitations of this study. Firstly, it considered only single banks financial performance which cannot represent all the banks’ financial performance to draw lasting conclusion. Secondly, the information for analysis was extracted from published financial statement of only five banks out of the twenty-one banks in Nigeria. A more consistent and reliable result can be obtained when more banks are involved. Thirdly, the study fundamentally looks at impact of capital structure on the financial performance of deposit money banks in Nigeria for the period 2009 to 2018. Therefore has opened a gap for other studies to be conducted in areas like; impact of capital structure on stock market behaviour of quoted companies in Nigeria and comparative effects of capital structuredimention on the financial performance of deposit money banks in Nigeria.

**References**


