Assessment of the Impact of Capital Structure on the Performance of Deposit Money Banks in Nigeria

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Abstract
This study investigates the impact of capital structure on the financial performance of deposit money banks (DMBs) in Nigeria over the period 2013–2023. The research adopts an ex-post facto design using secondary data sourced from the annual financial statements of five selected banks listed on the Nigerian Stock Exchange. Capital structure is proxied by short-term debt to total assets, long-term debt to total assets, and total debt to equity ratios, while bank performance is measured through return on assets (ROA). The study applies panel data estimation techniques, including fixed and random effects models, alongside diagnostic tests such as heteroscedasticity, multicollinearity, and Hausman tests to ensure robustness. The fixed effects regression results reveal that short-term and long-term debt ratios exhibit positive but statistically insignificant effects on bank performance, whereas total debt to equity ratio and firm size (log of total assets) have positive and significant influences. These findings imply that while leverage contributes to profitability, its effect is sensitive to the composition and maturity of debt instruments. The study concludes that optimal capital structure decisions are essential for improving bank performance and stability within Nigeria's competitive financial environment. It recommends that bank management strengthen their financing strategies by maintaining balanced short- and long-term debt positions and leveraging tax advantages of debt financing to enhance shareholder value and sustain profitability.

Keywords: *Capital Structure, Financial Performance, Deposit Money Banks, Debt-Equity Ratio.*

1. Introduction

Financial performance of a banking institution is a reflection of its overall health and efficiency in the financial industry (Abor, 2005, Anozie *et al.,* 2023). This performance can be impacted by a variety of factors, one of which is capital structure. The capital structure of a bank is the proportion of debt and equity used to finance its operations and growth (Ogunsola & Ogheneoparobo, 2022). The mix of debt and equity is significant because it influences the risk and return of the bank, which in turn impacts its overall performance and stability (Nwafor *et al.,* 2022).

It is acknowledged that enhancing financial performance is a crucial objective for businesses to remain operational and to compete effectively with other firms within the same industries. It is essential to take pride in the company's achievements or to focus on alternative business goals (Bhatt & Jain, 2020; Wilson et al., 2022). Financial performance constitutes a vital aspect of

financial reporting. It demonstrates the company's capacity to generate income, the sales growth rate, as well as the amount of assets and capital products at a specific point in time (Ahmed & Teru, 2020). Consequently, discussions surrounding firm financial performance and strategies to improve it have ignited intense debates across the fields of economics, finance, accounting, and management (Ayange et al., 2021)

Consequently, the financial performance is the primary goal of every financial sector, serving as a crucial driver for relaying monetary policy effects to the banking sector and the broader economy (Musah, 2017; Pham et al., 2020). A stable banking system is essential for fostering economic growth. The core of economic development relies on the effective operation of the financial sector through its useful functions in managing funds or capital. Capital structures are especially vital to the banking industry, as failures within banking institutions have adversely impacted both investors and public trust (Anozie et al., 2023; Hasmiana et al., 2022).

The capital structure of deposit money banks in Nigeria has been the subject of numerous studies. Still, the relationship between this structure and the banks' performance remains underexplored and inconclusive. Previous researches such as those by Ahmed and Teru (2020); Pham et al. (2020); and Ayange et al. (2021) have indicated a significant relationship between capital structure and financial performance in other parts of the world. Nevertheless, local nuances and banking practices in Nigeria may yield different outcomes. Despite Nigeria being one of the fastest-growing economies in Africa, with an expanding banking sector (PwC, 2020), the country's banking industry experiences challenges with the non-performing loan ratio being higher than the global average (World Bank, 2020). A possible explanation could be the adoption of capital structures in these banks, leading to higher risk and lower performance (Ogunsola & Ogheneoparobo, 2022).

2. Literature Review

This section would provide an extensive review of relevant existing literature on factors affecting financial performance DMB in Nigeria.

2.1 Conceptual Review

This section examines concepts including the ratio of long-term debt to total assets, short-term debt to total assets, total debt to total assets, total debt to total equity, and investment.

2.1.1 Financial Performance

Financial performance serves as a subjective indicator of how efficiently a firm utilizes its assets from its primary business operations to generate revenues. The term also represents an overall assessment of a company's financial well-being over a specified period. Various factors influence the financial performance of banks (Puspitasari et al., 2021). Operating Expenses to Operating Income. The ratio of Operating Expenses to Operating Income (BOPO) is utilized to evaluate the effectiveness of a bank in managing its operational functions. Capital Adequacy Ratio. Size of the Firm. Impact of Third-Party Funds on Return on Assets. Consequently, financial performance reflects a business's capability to effectively utilize its existing assets to generate sufficient income. As noted by Yamma (2022), financial performance serves as an indicator of a firm's financial stability over a specified time frame and can be leveraged to compare businesses within the same industry or various sectors, guiding strategic decisions aimed at enhancing operational conditions to meet business goals. Financial performance can be measured in multiple ways, all of which

should be regarded collectively. Components of the income statement such as revenue, inventory levels, cost of sales, operating income and expenses, along with cash flows from operations, can serve as metrics (Yamma, 2022). It has been reported that financial performance is a broad assessment of a firm's present financial status and its comparison with peer firms.

2.1.2 Short-Term Debt to Total Assets

The short-term debt to total assets ratio assesses the capacity of short-term debt to satisfy the current financial obligations of the company. It represents the percentage of the company's assets that are funded through loans and other financial liabilities lasting no longer than one year. Guin (2011) explained that short-term assets and liabilities typically refer to items that are expected to be utilized, converted to cash, matured, or settled within a year. Dahiru (2016) noted that the short-term debt to total assets ratio is a component of a firm's capital structure that influences its financial performance. This ratio can impact the financial outcomes of a firm both positively and negatively. The short-term debt to total asset ratio evaluates how a firm's short-term debts relate to its total assets in meeting financial commitments during the accounting period. Some researchers contend that shorter debt periods can enhance a firm's performance.

2.1.3 Long-Term Debt to Total Assets

The long-term debt to total asset ratio indicates the financial standing of the company and its capacity to fulfill all financial obligations. This ratio reflects the percentage of a company's assets that are supported by loans and other obligations extending beyond a year. A decrease in this ratio, measured annually, would signify that the company is performing well and is relying less on debt to meet its business requirements. Consequently, the long-term debt to total asset ratio serves as a benchmark for investors regarding the proportion of a company's assets financed through loans or debt for a duration exceeding one year. Dahiru (2016) stated that the long-term debt to total assets ratio gauges the relative importance of long-term debt within the firm's capital structure over the long term. The long-term debt to total asset ratio indicates a company's financial health and its capability to fulfill its financial obligations. This ratio reflects the portion of a company's assets that are financed through loans and other long-term financial commitments exceeding one year (Anozie et al., 2023).

2.2 Theoretical Review

The trade-off theory, originally introduced by Modigliani and Miller (1963), serves as a foundational framework for identifying the optimal capital structure by assessing the advantages and disadvantages related to debt financing, which involves weighing tax benefits against the costs of financial distress. This theory suggests that companies experiencing higher earnings should be inclined to utilize debt financing rather than equity financing to take advantage of tax deductions. According to Myers (2001), the trade-off theory assists firms in finding debt levels that harmonize the tax benefits of increased debt financing with the risks associated with potential financial crises. This concept helps taxable companies make informed borrowing decisions. The trade-off theory juxtaposes the firm's bankruptcy risks and agency costs against the tax benefits linked to debt utilization. The trade-off theory indeed accommodates the expenses associated with bankruptcy. In his study on capital structure, Myers (2001) noted that the trade-off theory supports moderate levels of debt. The objective of the trade-off theory is to elucidate the methods by which a firm selects financing for investments, whether through equity or debt.

2.3 Empirical Review

There are various perspectives regarding the factors that affect bank performance and the role of capital structure within the banking sector.

2.3.1 Short-term Debt to Equity Ratio and Financial Performance

A study by Mboi et al. (2018) performed a study on the Influence of the Short-term Debt to Total Assets Ratio on the Financial Performance of Medium-sized and Large Enterprises in Kenya. From 2011 to 2016. Simple regression was employed to determine the degree to which the independent variable (SDTAR) influenced the dependent variable (financial performance), while Pearson correlation was applied to evaluate the strength of the impact of the short-term debt to total assets ratio on financial performance. The study found that SDTAR had a significant negative impact on both ROE and ROA. Furthermore, Wilson et al. (2022) examined the effect of capital structure on the financial performance of listed financial institutions in Nigeria. It utilized secondary data collected from the annual reports and records of 14 selected deposit money banks from 2014 to 2018, applying generalized least squares multiple regression to analyze the data. The results indicated that the ratios of total debt to total assets, total debt to total equity, and long-term debt to total assets have minimal impact on the financial performance of Nigerian banks. The study recommends lowering of short-term debt to total assets ratio in their capital structure, as it adversely affects their financial performance. In Addition, Shikumo et al. (2020) investigate the impact of short-term debt on the financial growth of non-financial firms listed on the Nairobi Securities Exchange. Specifically, from 2008 to 2017. Financial firms were excluded due to their unique sector characteristics and strict regulatory requirements. The targeted population consisted of 45 non-financial firms listed on the NSE over the ten-year period from 2008 to 2017. Both descriptive statistics and panel data analysis were performed in this study. The findings reveal that short-term debt accounts for 45.99% and 25.6% of the variations in financial growth. The study suggests enhance earnings per share, market capitalization, and overall firm value for the benefit of stakeholders. Moreover, Odhiambo et al. (2022) examine the relationship between debt-equity ratio and financial performance of companies listed on the Nairobi Securities Exchange, Kenya. Analyzing panel data sourced from a survey of 38 listed companies at the NSE during the period from 2010 to 2019. The data was extracted from financial statements submitted to the Nairobi Securities Exchange. After controlling for firm size, sales growth, and operational efficiency, the results indicated that the debt-equity ratio (β= -0.1633009, p= 0.000) was negatively correlated with return on equity and found to be statistically significant at the 0.05 level. The study recommends a decrease in either long-term or short-term debt, or both, or an increase in equity financing to lower the debt-equity ratio and improve return on equity.

2.3.2 Long-term Debt to Equity Ratio and Financial Performance

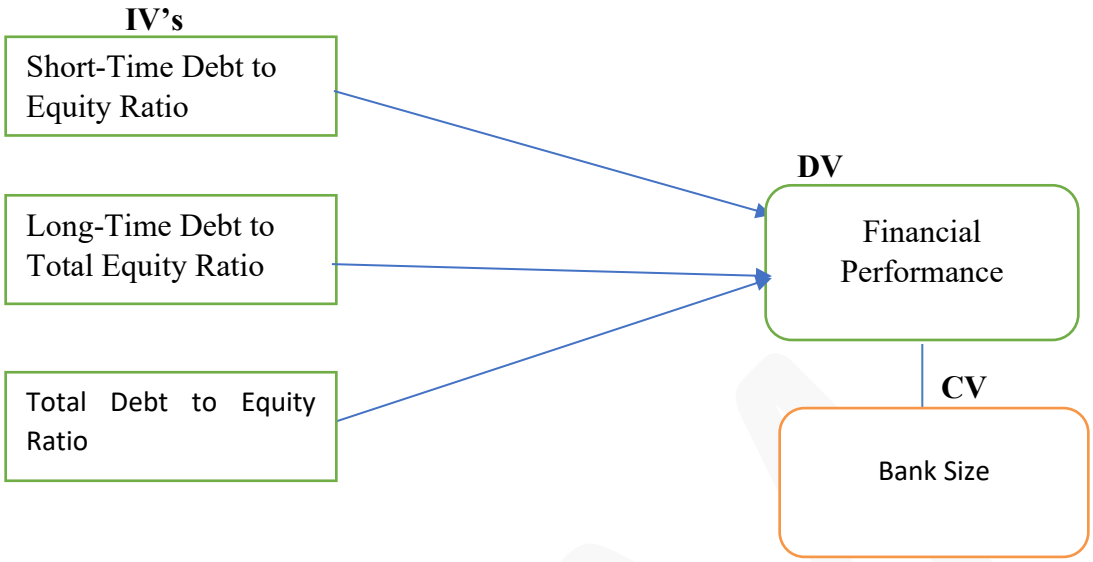
Typically, a study by Mustapha et al. (2020) examined the connection between equity and debt ratios as a common factor contributing to capital structure imbalance. The research focused on a sample of 15 publicly traded commercial banks. It utilized secondary data from the audited financial statements of 15 Nigerian deposit money banks evaluated by Fitch in 2017. The analysis of the annual reports from these banks was conducted using Fixed Effect, Random Effect, and Panel regression models. The results showed that at a significance level of 5%, the long-term debt-equity ratio had a significant negative effect on the financial health of Nigerian commercial banks. The study recommends that financial managers should prioritize funding their operations with

retained earnings rather than primarily depending on borrowed capital within their capital structure. Similarly, Adeoye and Olojede (2019) investigated the impact of capital structure on the performance of selected banks in Nigeria. They extracted a cross-sectional time series secondary data covering seven years (2012-2018) from the audited financial statements of ten (10) banks listed on the stock exchange. Descriptive statistics, Pearson moment correlation, and multiple linear regressions were applied in their analysis. The correlation findings demonstrated a negative relationship between capital structure and financial performance (ROA and ROE). Results from the panel regression indicated that, although significant, the long debt to equity ratio negatively influenced return on assets and return on equity. The study concluded that capital structure negatively affects the financial performance of deposit money banks in Nigeria and recommended that an appropriate balance of capital should be directed toward viable investment opportunities to maximize shareholder returns and enhance the firm's value.

Similarly, Ajibola (2018) investigated how capital structure influences the financial performance of publicly listed manufacturing firms in Nigeria during the years 2005 to 2014. A panel methodology was utilized to assess the effects of capital structure on the financial performance of these firms. The results from the panel ordinary least square analysis indicated that a significant positive relationship exists between the long-term debt ratio (LTD) (0.0001), while a positive but statistically insignificant relationship was found between ROE and the short-term debt ratio (STD). It recommends that firms should make sound capital structure decisions to generate profits and operate their businesses effectively. Amini et al. (2022) conducted research on "Debt Capital and Financial Performance of Commercial Banks in Nigeria." This study investigated the influence of debt capital on the financial performance of commercial banks in Nigeria. Data were collected from the financial statements of these banks from 2000 to 2020. Co-integration, Granger Causality Test, and Augmented Unit Root Test were employed to explore both long- and short-run relationships among the variables. The study revealed that 83.8% of the variation in return on equity can be attributed to fluctuations in debt capital. The long-term debt ratio had a negative coefficient of 5.37, and the equity ratio had a negative coefficient of 2.66, while the debt equity ratio exhibited a negative coefficient of 0.06, suggesting that an increase in these variables would result in a decline in return on equity for the commercial banks. It recommended that the management of these banks should strive to optimize their capital structure in order to enhance returns on equity and assets.

2.4 Conceptual Framework

The conceptual framework presented below illustrates capital structure as independent variables, with the financial performance of banks serving as the dependent variable. This framework is predicated on the assumption that capital structure variables (short-term debt ratio, long-term debt to equity ratio, and total debt to equity ratio) exert no significant influence on the financial performance of deposit money banks (DMBs) in Nigeria.



3. Methodology

This study is design to critically assessing the impact of capital structure on the performance of deposit money banks in Nigeria and thus, adopted an ex-post facto research design. The reason for Ex-post facto research is that it is a realistic approach to solving business and social science problems that involved gathering records of past events (Agbadudu, 2002). The data for this research was collected from the financial statements of deposit money banks listed on the Nigerian Stock Exchange (NSE). The data was obtained through Central Bank of Nigeria's annual reports, the NSE's annual financial reports and each bank's official websites.

3.1 Population and Sample of the Study

The list of deposit money banks as at December 31, 2023 during the Monetary Policy Committee Meeting were 22 banks emerged as healthiest banks in Nigeria. Thus, the Table 1 therefore, showed the list of the banks. The research covered a period of 10 years (2013 to 2023). The sample comprised 5 deposit money banks in Nigeria listed on the NSE, which ensured that the sample was representative of the entire population of deposit money banks in Nigeria. Table 1 below shown the selected DMBs as a sample size of the study.

Table 1: Sample of the Study

Selected Deposit Money Banking Licence with International Authorization		
S/N	**Name of Institution**	**Year of Listing**
1	Access Bank Plc	1998 listed on Nigeria Stock Exchange (NSE)
2	First Bank Nigeria Limited	1971 listed on NSE
3	Guaranty Trust Bank Plc	1996 listed on NSE
4	United Bank for Africa Plc.	1970 listed on NSE
5	Zenith Bank Plc.	1990 listed on NSE/ Lagos stock exchange (LSE)

Source: *CBN monetary policy committee meeting release, 31st December, 2022.*

3.4 Method of Data Analysis

The panel data method of data analyses which involved the fixed effect, the random effect and the Hausman Test was used for analysis and the technique was Pooled Ordinary Least Square (POLS) estimation technique. The rational for choosing POLS was that, if the Classical Linear Regression Model (CLRM) assumptions hold true, then the estimators determined by POLS will have a number of desirable properties as Best Linear Unbiased Estimators (Brooks, 2008). In addition, as noted in Petra (2007) POLS outperforms the other estimators when the following holds; the cross section is small- and the-time dimension is short.

3.6 Specification of Model

The models assessed the capital structure on the performance of deposit money banks in Taraba State. The study was expressed as a function of Central Bank Monetary Policy variables, short-time debt to equity ratio, long-term debt to total equity ratio, and total debt to equity ratio. The following model is specified to achieve the objectives of this study:

$BPL_{it} = \beta_0 + \beta_1 SDER_{it} + \beta_2 LDTER_{it} + \beta_3 TDER_{it} + \beta_4 BS + £_1$ ---------- *equa. (1)*

Where:

BFP = Bank Financial performance
SDER = Short-time debt to equity ratio.
LDTER = Long-term debt to total equity ratio
TDER = Total debt to equity ratio.
BS = Bank Size

β_0 =Regression intercept
$\beta_1 - \beta_4$ = Coefficient of the independent variables.
it = Subscript for time series and cross- section in the equation or short and long-term relations coefficients.
£i = Error term or contribution of variables not considered by the study.

4. Result and Discussion

4.1 Descriptive Statistics

Table 5 below displays the descriptive statistics for each variable, outlining the Minimum, Maximum, Mean, and Standard Deviation of the data utilized in the study.

Table 2. Descriptive Statistics for Dependent, Independent, and Moderating Variables

Variables	Obs.	Mean Std.dev.	Min	Max	Variables
ROA	55	12.2415	11.20937	0	33.2332
STDTA	55	15.06577	25.46687	0	88.73985
LTDTA	55	3.204287	42.5899	-88.60175	113.0333
TDTEQ	55	113.0848	362.0732	0	1379.647
LOGTA	55	7.555913	1.64824	0	9.98638

Source: *STATA Output, Version 14(2024)*

The descriptive statistics in Table 5 provide an overview of the central tendencies and dispersion for the dependent, independent, and moderating variables used in the analysis. The mean value of BFP (12.24) indicates the average level across the sample, while its standard deviation (11.21) shows moderate variability. STDTA and LTDTA show high variability, particularly LTDTA with a large standard deviation (42.59) and a wide range from -88.60 to 113.03, suggesting the presence of extreme values or outliers. LOGTA, representing firm size, is relatively stable with a mean of 7.56 and a small standard deviation (1.65). Overall, the data exhibits considerable variation, especially in leverage-related variables, which may influence the behavior of the dependent variable in subsequent analyses.

4.2 Correlation Matrix

Table 3 below presents the correlation matrix for the sample observations. The table therefore represents the correlation matrix for the sample observations. As shown below also, Table 3 indicates the relationship between Capital Structure (Short-Term Debt to Total Assets, Long-term and Log of Total Assets) and financial performance (Return on Assets) of Listed Deposit Money Banks in Nigeria. As long as the correlation coefficients are below 0.7, the correlation values between the independent variables might be weak, moderate, or strong (Butt, et al., 2007).

Table 3. Correlation Matrix for the Dependent and Independent Variables.

VAR.	ROA	STDTA	LTDTA	TDTEQ	LOGTA
ROA	1.0000				
STDTA	0.2194	1.0000			
LTDTA	0.1715	-0.6291	1.0000		
TDTEQ	0.0235	-0.1878	0.7124	1.000	
LOGTA	-0.4853	-0.2921	0.0174	-0.0825	1.0000

***= significant at 1% (0.01), **= significant at 5% (0.05), ***= significant at 10% (0.10)**

Source: - *STATA Output-Version 14, (2024).*

Table 3 presents the correlation matrix showing the relationships between return on assets (ROA) and the independent variables: short-term debt to total assets (STDTA), long-term debt to total assets (LTDTA), and firm size (LOGTA). The results indicate that ROA is positively correlated with STDTA (0.2194) and LTDTA (0.1715), suggesting that firms with higher short-term and long-term debt levels tend to have slightly better profitability. However, ROA shows a negative correlation with firm size (–0.4853), implying that larger firms may experience lower returns on assets. Additionally, STDTA and LTDTA are negatively correlated (–0.6291), meaning that as firms increase long-term debt, they tend to rely less on short-term debt. The correlations between LOGTA and the debt ratios are weakly negative, except for LTDTA (0.0174), which shows almost no relationship. Overall, the results suggest moderate associations among the variables, with no indication of severe multicollinearity.

4.3 Diagnostics Tests

The table 4, below summarizes the results of key diagnostic tests conducted to assess the validity of the regression model assumptions. These include tests for normality, heteroscedasticity, multicollinearity, and model specification. The findings guide the appropriate model selection and necessary adjustments for robust analysis.

Table 4: Diagnostic Test Summary

Test Type	Variables	Results	Probability / Value
Normality Test (Skewness/Kurtosis)	BFP STDTA LTDTA LOGTA	Pr(Skewness): 0.2544 Pr(Kurtosis): 0.0003 Chi2(2): 11.69	Prob > chi2: 0.0029 0.0015 0.0202 0.0000
Heteroscedasticity Test	Breusch-Pagan / Cook-Weisberg	Chi2(1): 7.51	Prob > chi2: 0.0061
Collinearity Test	LBFP STDTA LTDTA LOGTA	VIF: 4.33 2.64 2.43 1.15 **Mean VIF**: 2.64	1/VIF: 0.2307 0.3794 0.4122 0.8671
Hausman Test	BFP	Prob > chibar2 = 0.0000	Ho: Difference in coefficients not systematic

Source: *STATA Output Result -Version 14, (2024)*

The diagnostic tests reveal several important characteristics of the regression model. The Skewness/Kurtosis test shows that most variables *(*STDTA*,* LTDTA*,* and LOGTA*)* significantly deviate from normality, as indicated by very low p-values, suggesting that the residuals are not normally distributed. The Breusch-Pagan/Cook-Weisberg test further indicates the presence of heteroscedasticity ($Chi^2 = 7.51$, $p = 0.0061$), meaning the error variances are not constant across observations, and robust standard errors should therefore be applied. However, the Variance Inflation Factor (VIF) results, with all values below 5 and an average of 2.64, confirm that multicollinearity is not a serious issue among the independent variables. Finally, the Hausman test ($p = 0.0000$) rejects the null hypothesis in favor of the fixed effects model, implying that individual-specific factors significantly influence the dependent variable and that the fixed effects specification provides more reliable and consistent estimates than the random effects model.

4.4 Regression Result and Discussion

The Fixed Effect (within) Regression (Robust) estimator was conducted on Financial Performance (Return on Assets), Capital Structure (Short-Term Debt to Total Assets, Long-term Debt to Total Assets, Total Debt to Total Equity, Log of Total Assets) of Listed Deposit Money Banks in Nigeria. The determinant of the Fixed Effect (within) Regression estimator (Robust) includes the R^2 (Within) which indicated the co-efficient of determination of the Impact of Independent variable to determine the Dependent Variable, Co-efficient of determination of Variables (Positive or Negative), Probability Values greater than T-statistics (p>t); The Model of Goodness–fit (Prob > F), Wald Chi2 (F-Statistics) and the Number of Observations employed in this study. The summary of the Fixed Effect (within) Regression estimator (Robust) result obtained from the model of the study as presented below: -

$BPL_{it} = \beta_0 + \beta_1 SDER_{it} + \beta_2 LDTER_{it} + \beta_3 TDER_{it} + \beta_3 BS + £_1$ ---------- *equa. (2)*

4.4.1 Fixed Effect Regression Interpretation

In this study, the Fixed Effect (within) Regression estimator (Robust) is conducted in order to examine the correlation between the explanatory variables and the explained variable of the study in-respect of the listed deposit money banks in Nigeria as presented in table 5 below.

Table 5: Fixed Effect Regression (Robust)

ROA	Coef.	Std. Err	t-values	p>/t/	[95% Conf. Interval]	
STDTA	0.0651364	0.0346442	1.88	0.133	-0.0310514	0.1613242
LTDTA	0.0189338	0.0324678	0.58	0.591	-0.0712113	0.1090789
TDTEQ	0.0098894	0.0026049	3.79	0.019	0.0026526	0.0171172
LOGTA	0.8386894	0.3860325	2.17	0.096	-0.2331086	1.910487
-CON	3.744605	2.491726	1.50	0.207	-3.173536	10.66275
Prob > F	0.0000					
R^2 (Within)	0.3416					
Sigma_u	12.42667					
Sigma_e	4.586966					
No. of Obs.	55					

Source: *STATA Output Result -Version 14, (2024)*

4.4.2 Interpretation of Fixed Effect (within) Regression Result (Robust) of Short-Term Debt to Total Assets as a component of Capital Structure on Financial Performance Listed Deposit Money Banks in Nigeria.

The results in table 5, indicate that Short-Term Debt to Total Assets as a proxy for Capital Structure has a statistically positive coefficient of 0.0651364 and an insignificant impact (P>/t at 0.133) on the Financial Performance of the Listed Deposit Money Banks in Nigeria under review. Therefore, the policy implication deriving from this finding is that the Management of these banks should enhance their financing approach through short-term debt, which would also boost their financial performances. The results provide evidence leading to the failure to reject hypothesis one (1) of the study, which posits that Short-Term Debt to Total Assets does not have a significant effect on the Financial Performance of Listed Deposit Money Banks in Nigeria. This finding supports the research conducted by Wilson et al. (2022), Ajibola et al. (2018), Bolarinwa et al. (2018), Goyal (2013), while opposing the studies by Abor (2005), Saeed (2013), and Sadiq et al. (2017

4.4.3 Interpretation of Fixed Effect (within) Regression Result (Robust) of Long-term Debt to Total Assets as a component of Capital Structure on Financial Performance Listed Deposit Money Banks in Nigeria.

The findings reveal that Infrastructure, as an indicator of Long-term Debt to Total Assets in relation to Capital Structure, has a statistically positive coefficient (0.0189338) but an insignificant impact (P>/t at 0.591) on the Financial Performance of the Listed Deposit Money Banks considered in this study. Hence, the policy implication derived from this result suggests that the Management of Listed Deposit Money Banks in Nigeria should prioritize long-term debt financing over equity financing to capitalize on tax benefits. This result leads to the rejection of hypothesis Two (2) of the study, which posits that Long-term Debt to Total Assets does not significantly affect the Financial Performance of Listed Deposit Money Banks in Nigeria. These findings are consistent with the research conducted by Sadiq et al. (2016), Bolarinwa et al. (2018), and Ajibola et al.

(2018), but contradict the conclusions drawn by Rosa and Jugirta (2012), Umar (2012), Ndubusi et al. (2018), and Adooye and Olojade (2019).

5. Conclusion and Recommendations

Based on the discussion of results and findings, it was concluded that: Short-Term Debt to Total Assets exerts a positive but insignificant effect on the financial performance of Listed Deposit Money Banks in Nigeria. Long-Term Debt to Total Assets also has a positive but insignificant effect on this financial performance. In contrast, Total Debt to Total Equity shows a positive and significant impact on the financial performance of these banks. Lastly, Total Assets as a control variable positively and significantly affect the financial performance of Listed Deposit Money Banks in Nigeria. the findings and conclusions drawn; the following recommendations are proposed:

i. The management of the Listed Deposit Money Banks in this study should enhance them financing methods through short-term debt, which could further improve their financial performance.

ii. They should also prioritize long-term debt financing over stock financing to take advantage of tax benefits.

iii. Management should recognize that firms' adept at balancing short-term and long-term debt financing while effectively managing equity are more likely to optimize asset utilization, thereby enhancing their financial performance.

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