Cost Management Practice and Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

Competitive business environment require efficient financial management which underscore the significant of adopting cost management practice to enhance cost control and cost reduction. This study empirically investigated the relationship between cost management practice and financial performance of listed Deposit Money Banks in Nigeria. Cost management practice is proxied by activity based costing, target costing and standard costing while financial performance is proxied by profit before tax. The population of the study consists of 15 listed deposit money banks in Nigeria. The study adopts judgmental sampling techniques to select 10 banks as sample size for the study. The study adopts methodological triangulation research methodology. Primary data was obtained through a five-point likert scale structured designed questionnaire to elicit response from the respondent. Secondary data was obtained from annual financial report of listed Deposit Money Banks in Nigeria from 2010 – 2018. Hypotheses were tested using Ordinary Least Square Regression statistical tool with the aid of E-view 10 econometric statistical software. The finding shows that activity based costing had significant impact on profit before tax. Evidence shows that target costing had negative impact on profit before tax. Empirical evidence revealed that standard costing had positive significant impact on profit before tax. Evidence shows that cost management practice influence financial performance. The study concludes that cost management practice improved financial performance of listed Deposit Money Banks in Nigeria. Thus the researcher recommends amongst others that; banks should ensure routine training, seminars for their staffs on new and modern cost management practice to enhance effective cost control and cost reduction leading to financial performance. Management should adopt cost management practice that focus on cost control and cost reduction. Banks policy on cost management practiceshould be formulated with emphasis on cost control and cost reduction.

Keywords:*Cost Management Practice, Financial Performance, Nigeria.*

Introduction

Contemporary competitive business environment demands efficient use of resources, which underscores the importance of costing practices. It has been widely accepted that the financial performance of a business concern largely depends upon the manner in which cost management practice is applied (Jalaee, 2012). Horngren et al. (2009) stated that these cost management practice include costing system, budgeting practice, marginal costing, standard costing, absorption costing, activity based costing, life cycle costing and kaizen costing. Smith (2017) noted that cost management practices are important to the success of organizations. Parker (2018) is of the view that cost management practice is the application of appropriate accounting techniques in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objective and in making of rational decision with a view towards achieving these objectives.

Wilson, (2016) stated that cost management practice aimed at providing manager with information to help them make decisions and maintain effective control over corporate resources. Johnson (2018) is of the opinion that these cost management practice include method or concepts necessary for effective planning decision making choosing among alternative business action and controlling through the evaluation and interpretation of performance. Beny (2014), observed that cost management practice provide timely and accurate information to facilitate efforts to control costs, to measure and improved productivity, Larcker (2009), posited that cost management practice help organization to survive in the competitive, ever changing world, because it provides an important advantage for an organization that guides managerial action, motivates behaviors, support and creates the cultural values necessary to achieve an organization's strategic objective. Wadongo (2011) observed that cost management practice is concerned primarily with the internal needs of management; it is oriented toward evaluation of performance and development of estimates of the future. According to Lucey (2009), cost management practice is a system which is designed to suit the way goods are processed or manufactured or the way services are provided. Madura (2015) defined cost management practice as a set of techniques and methods for planning, measuring and reporting intended to improve a company's products and processes. Oluyinka (2016), view cost management practice as a methods for ascertaining cost for cost control and decision making purpose. They can be applied to make or buy decisions, negotiation price appraisal and assessing purchasing performance. Marshall (2011), stated that the purpose of cost management practice is to compute total cost of production of good or the cost of providing services, and to help in cost control and cost reduction in the banks.

Adeniji, (2013), stated that cost management practices are the process of ascertaining cost. Boris and Petr (2011), noted that these techniques consist of principles and rules which govern the procedure of ascertaining cost of products and services. Chung, and Khan (2013), observed that the techniques to be followed for analysis of expenses and the processes of different products vary from industry to industry. Emmanuel (2013) posited that the main object of costing is the analysis of financial records so as to subdivide expenditure and to allocate it carefully to selected cost centers and hence build up a total cost for the products. Ezeagba (2014), suggested that in the ancient days, the information required by those who were interested in a business organization was met for those practicing a system of accounting known as financial accounting system. Ganye (2008) stated that financial accounting is mainly concerned with preparation of two important statement, viz., statement of financial performance and statement of financial position. Appah (2011), noted that this information accounts are concerned with external reporting as it provides information to external authorities. Blocher et al. (2012), stated that the management of every business organization is interested to know much more than the usual information supplied to outsiders. Feridun, Al-Khadash (2006), stated that in order to carry out its functions of planning, decision-making and control, it requires additional cost data. Gentry and Shen (2010), noted that the financial accounts to some extent fail to provide required cost data to management and hence a new system of accounting which could provide internal report of management was conceived of and this is the genesis of cost accounting and its techniques such as marginal costing, standard costing, absorption costing, activity based costing, target costing.

Kaplan & Norton (2011), state that the history of cost management practice can be traced back to the fourteenth century. Kennedy and Affleck-Graves (2001), stated that from the mid-1980s, the start of new movements in the field of managerial/cost accounting, a gap has emerged between the opinions of academia and practitioners regarding the degree of usefulness of managerial/cost accounting techniques. Lesi (2015), suggested that it is believed that practitioners generally prefer managerial/cost accounting techniques which are simple, practical and economically applicable. Neely (2012), observed that on the other hand, many authors and academia believe that the traditional managerial/cost accounting techniques are obsolete and not effective for managerial decision-making purposes and cost control. Nelson (2011), noted that most of the traditional management/cost accounting information are usually too late, too aggregated, and too distorted to be relevant for decision-making purposes. Ogbuu (2016), suggested that the different cost management practice have different core competition advantages to organizations. From the oldest to newest method, decision of managers is still affected, as a result finding the best method to reduce the failure rates and increases the effectiveness of cost allocation and control is a hard question for both managers and accountants. Omoeregie (2011), noted that based on accounting history, there are many types of costing method such as absorption costing method, standard costing, throughput costing method, and ABC costing method. Nitin and Dalgobind (2013), stated that the Changes in business environment requires a better method which can help managers control their performance. For many researchers, cost accounting techniques are still a major concern for them. Different techniques lead to different decisions of the managers therefore profits to the organizations cannot be the same. A dynamic business environment lead to the need for new costing methods for new cost objects. Marginal costing was born as a result of the demand for this. According to this method, only costs which are adjusted to the production process should be concerned by managers.

However, in the long run, some fixed costs still need to change. As a must a new cost accounting method is invented. Instead of sharing equally among various departments and maintaining the fixed costs in the long run, expenses are divided differently based on some factors such as labour hours, direct materials and the fixed cost can be changed based on the need of the production process. Sinikka and Hana (2012), stated that none of the products need the same quantity of direct material as well as the direct labour hours. Emmanuel (2013) stated that managers should know how to use and allocate costs more efficiently. However, for the purpose of this research, the cost management practice the researcher shall be examining will be limited to activity based costing, target costing and standard costing. Cost management practice have always been intended to provide support for decision making used internally by managers. Steven and Mirick (2016) stated that the importance of cost management practice has being established in aiding organizational operation since the mid-1980s. The criticisms point out traditional cost management practice fails to provide relevant and timely information for managerial decision making. Adam (2016) posited that cost management practice focus too narrowly on historical information. Meshach (2011) stated that cost management practice contribute to dysfunctional behaviours such as producing excess inventory to absorb overhead or buying substandard raw material to meet price target. The word performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Lee et al. (2013) suggest that the operational definition of firm performance is that it is an indicator of the overall entity competitiveness, and it is also the degree of the achievement level of an enterprise's strategic objectives. However, Ifrah et al. (2015) suggested that financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. It is mostly used to evaluate firm's general financial health at a given period of time and can also be used to judge against similar firms within the same industry or to compare industries in other sectors (Neely, 2012).

Kaplan and Norton (2011) highlighted that there are many different ways to measure financial performance, but all measures should be taken in aggregation. Some of the indicators of financial performance are return on equity, earnings per share and return on asset. However, this study measures financial performance in terms of profit before tax of listed deposits money banks in Nigeria. Banking sector are said to be backbone of developing nation. Thus, the development of banking sector is of paramount importance for any country irrespective of their level of development, since this sector has great potential to generate maximum social economic benefit of the country with minimum level of investment. Cost management practice are necessary to ensure that banks resources are used effectively and efficiently. Maskson (2018) noted that there are issues of bank failure and distress in Nigeria banks. David (2017) observed that the most significant reason for bank failure in Nigeria is the inability to make adequate use of essential cost management practice to evaluate and forecast future financial performance. Whichmann (2010) argued that one of the reasons for bank failure is poor management ability which includes accounting problem solving. Research has shown that cost management practice such as marginal costing, standard costing variance analysis, activity based costing, absorption costing, life cycle costing, just-in-time system, target costing, quality costing, standard costing, capital Budgeting techniques and Balance score card etc, play important roles in ensuring the efficiency in management of banks and improve financial performance. Cost management practice permit bank to compete in the market place and reduce the likelihood of bank failure (Brown, 2008). Empirical studies associating cost management practice and performance have mixed conclusion. For example, Tabitha & Oluyinka, (2012), Cokins, (2002), Akinola, (2009), Anthi, (2001), Islam & Kantor, (2005), found a positive significant relationship costing practice and profitability of manufacturing firms. However, the studies of Pavlato & Paggies, (2008), Tayles et al. (2007), Baird (2007), Alleyne & Weekes (2011) on cost management practice and financial performance indicate mixed result of significant and no significant relationship between cost management practice and financial performance. Ranges of studies have been conducted in the field of costing practice and financial performance especially, in developed economics (see Wills 2009), Khan, (2010), Ghon, (2013), Warren & Thomsen (2014), but there is scant empirical evidence on cost management practice and financial performance of listed deposit money banks in Nigeria. Those researches mentioned above that have being conducted over the last decade on the subject matter, there result are mixed, inconsistent and often contradictory. The study on the relationship between cost management practice and performance focus on manufacturing companies in developed countries see Cokins, (2002), Akinola, (2009), Anthi, (2001), Islam & Kantor, (2005), while this current study focus on the banking sectors in Nigeria. Previous research conducted on the subject matter as stated above where in 2002, 2009 and 2001 while this current study is being carried out in 2020. Previous studies such as; Wills (2009), Khan, (2010), Ghon, (2013), Warren & Thomsen (2014), adopted marginal costing, capital budgeting, balance score card, activity based management, life cycle costing and operational cost as a measure of cost management practice while this current study adopt; activity based costing, target costing and standard costing as a measure of cost management practice which is deferent from previous studies. Financial performance was proxies by profit after tax, return on equity, earnings per shares, dividend yield and dividend per shares by previous researchers while this current adopt; profit before tax and a measure of financial performance. It is widely believed that cost management practice lead to improved financial performance in an organization. Hence this study intends to investigate the relationship between cost management practice and financial performance of listed deposit money banks in Nigeria.

Literature Review

This section contains theoretical, conceptual and empirical review on works that are related to the study.

Theoretical Review

The study is underpinned on the contingency theory

The Contingency Theory

Contingency theory was propounded by Fred Edward Fiedler in the year 1964, contingency theory is an organizational theory which state that there no one best way to lead an organization or to make decision and that the optimal course of action depend upon the internal and external situation. The contingency theory to cost management practice is based on the premise that there is no universally appropriate cost management practice systems that applies equally well to all firms in all circumstances (Emmanuel, Otley& Merchant, 1990). This suggests that the particular features of an appropriate costing technique will depend upon the specific circumstances in which firms must find it. How effective the design of a costing technique is depends on that ability to adapt to changes in external circumstances and internal factors in order to assist manager in achieving goals. Contingency theory suggests that the need for efficient organizational structures, processes and competent costing system is contingent on organizational and environmental characteristics. This forces influence changes in the structure and cost management practice such as Activity Based Costing, target and standard costing, leads to enhances firm performance (Cagwin&Bouwman, 2002; Drury &Tayles 2005). Therefore, banks should have already evaluated cost management practice to be adopted in term of emergence such as; changes in the internal and external environment in line with ideology of contingency theory.

Conceptual Review

Cost management practice

Cost management practice is the appropriate classification and division of costs in order to determine the final price of the products and services of the commercial unit and adjustment and providence of relevant information appropriately in a way that it would be usable for the guidance of managers, the owners of commercial units to control its operation (Asgari, 2002). Furthermore, costing can be defined as in which the costs of each part of production or services can be measured. All the productive companies sell their products in order to earn income and the income of each sold product is the difference of sale price and the total costs of producing the product. Therefore, cost plays a crucial role in the design and the profitability of the product. The product not only should be produced in accordance with the defied operations, but also the making of the product should be possible in the frame of predicted costs at the beginning of the project in order to achieve success (Fazel, 2011). Generally, at present, information regarding costing is incomplete and fault, because due to the rapid development in the field of information technology, there is still a primitive atmosphere is dominant in each field of digital security and consequently, there is no accurate and appropriate costing model. Therefore, a well-ordered costing information collection seems necessary.

Activity Based Costing

Activity Based Costing is a costing method that measures the cost and effectiveness of activities, resources and cost objects such as products and services to provide more accurate and valuable information for management decisions. It is a method of assigning costs to cost units based on the benefits derived from indirect activities, for example, ordering, setting up and quality assurance. ABC includes determining the main activities that occur in an organization, assigning costs to cost pools and cost centres for each activity, identifying cost drivers for each major activity, and finally assigning activity costs to products. Processing materials, preparing supply agreements with suppliers, preparing a detailed list of necessary parts, etc., are called "activity". In a narrower scope, we can define activity as a work that is performed in any organization. ABC checks every activity of all departments in a company, whether activity reflects an increase in the cost of the product or not.

Target Costing

Target costing is a cost management tool for minimizing the general cost of a product over its product life cycle (Jalaee, 2012). It is basically a product development process that manipulates equations and develops costs based on prices, and then works backward to design the product and then the production process (Fridh & Borgernas, 2003). Hamada & Monden (1991) saw it as a dual process of planning a product that meets the customer's needs which establishes the target cost through the sales price and profit margin and also of achieving target cost by using value engineering and an assessment of such targeted costs with achieved costs; this is done by setting sets the target cost by subtracting the target profit margin from the target price and firm determines the target selling price at which a product can be sold in the marketplace (Kaur, 2014). Costs should be conducted to a point in which the cost does not surpass the predetermined sales price and the lowest amount possible of expected profit (Sarokolaei & Rahimipoor, 2013). This study view target costing as a method of determining product life-cycle costing which may be sufficient to develop specifies quality while ensuring its desired profit. It is a costing technique which minimizes cost based on the different between a selling price and target profit margin in order to achieve competitive advantage.

Standard Costing

Standard costing according Nweze (2010) is a system of accounting which makes use of predetermined costs relating to each element of cost layout, materials and overhead for each line of product manufactured or service supplied. Adeniji (2009) states that standard costing represents an integral part of management accounting control techniques which also include budgeting system and responsibility accounting statement. Standard costing technique may be either viewed from the perspective of marginal costing technique or absorption costing technique (Egbunike, 2014). Standard costing often give rise to variance analyses which enables a comparison of the standard costs with the actual costs incurred in the manufacturing process. Adeniji (2004) defined variance as the difference between the standard cost of production and the actual cost of production or the difference between the budgeted revenue and the actual revenue. Rotch and Allen (1982) stated that variance is the deviation of actual from expected. Several factors are responsible for the differences between standard costs and actual costs. These factors are associated with the price of materials, material usage, labour rate, labour efficiency, and overheads.

Financial Performance

Financial performance is the company's financial condition over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio, liquidity, leverage, solvency and profitability. Financial performance is the company's ability to manage and control its resources (IAI, 2016). This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The performance measurement concept indicates that employees can increase the value of the firm by; increasing the size of a firm's future cash flows, by accelerating the receipt of those cash flows, or by making them more certain or less risky (Cadbury, 1992).

Carreta& Farina (2010), argue that use of financial performance could still be justified on the grounds that it reflects what managers actually consider to be financial performance and, even if this is a mixture of various indicators like accounting profits, productivity, and cash flow. Financial performance is determined by the following indicators; profit or value added; sales, fees, budget; costs or expenditure and stock market indicators (e.g. share price) and autonomy. The word 'Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render' (Ezeagba, 2014). Performance according to Ogbuu (2016) is the act of performing; execution, accomplishment, fulfillment, etc. In the words of Ifrah, Kerosi&Andabu (2015), "The word performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. However, Ifrah, Kerosi&Andabu (2015) opine that financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. It is mostly used to evaluate firm's general financial health at a given period of time and can also be used to judge against similar firms within the same industry or to compare industries in other sectors (Neely, 2012).

Profit before Tax

Profit before tax (PBT) is a measure that looks at a company profit before the company has to pay corporate income tax. It deducts all expenses from revenue including interest expenses and operating expenses except for income, tax Ajibolade (2013) stated that profit before tax combines all the company's profit, before tax, continuing operation and non-continuing operations. Horngren et al; (1994) noted that profit before tax exists because tax expense is constantly changing, and talking it out helps give an investor a good idea of changes in a company's profit or earnings from year to year. The term is interchangeable with earning before tax or pretax profit. Smith (2018) observed that earnings before tax may be listed on a company's income. Statement it is typically the third to last line on the income statement as the see and to last line in the total income tax expenses followed by total net income displayed at the bottom. Nooteboom (2016), stated that profit before tax encompasses all income earned regardless of the sources. This includes sales, commission, services revenue and interest. All expenses are subsequently deducted except for corporate income tax. Tayles (2010) stated profit before may be calculated by taking the net income of an organization and adding the corporate income tax. Scott (2005) narrated that profit before hold much value in providing internal management and external users of financial data with a company's operating performance. By excluding income tax, profit before tax minimizes one additional variables that may hold different indicators that influence the way financial data read. Profit before tax eliminates any influence a taxation jurisdiction may have on a company's financial information profit before is a performance measurement that emphasizes the general operations of a business. Although, profit before tax may be used by many companies, it is most useful when utilized within a single industry.

Empirical Review

Gordon & Sylvester (1999) examines the performance of ten ABC user firms' vis-à-vis their matchedsize and industry-controlled counterparts who have not adopted activity-based costing. Though ABC user firms had abnormal returns on the date of announcement, they were not statistically significantly different from their counterparts. Thus, they questioned the adoption of activity-based costing if it does not lead to the creation of firm value.

Cletus &ThankGod (2015) investigated the relationship between standard costing and cost control in Nigerian oil and gas industry. This was achieved through a review of extant literature and development of hypotheses. The population for the study consisted of petroleum marketing companies listed in the Nigerian Stock Exchange Factbook of 2012. In order to generate the necessary data for this study, both primary and secondary methods of data collection were adopted. The primary data were collected through the administration of a questionnaire designed in a 5-point Likert scale, while the secondary data were sourced from the Nigerian Stock Exchange Factbook of 2011.

Research Methodology

The study adopts a survey research design which enables establishment of relationship between the predictor variables and criteria variable. This was used to ascertain the relationship between cost management practice and financial performance of listed deposit money banks in Nigeria. The population of the study consists of 15 listed deposit money banks in Nigeria. The study adopts judgmental sampling techniques to selected 10 banks as sampling size for the study. The study adopts methodological triangulation research methodology. Primary data was obtained through a five-point likert scale structured design questionnaire of which 100 was distributed to the respondents while after sorting and cleaning 90 was satisfied and used for data analysis. Secondary data was obtained from audited annual financial report of listed deposit money in Nigeria from 2010-2018. Cost management practice was proxies by activity base costing, target costing and standard costing, while financial performance was proxies by profit before tax. The study adopt the used of ordinary least square regression statistical tools to test the formulated hypothesis, our choice of OLS was informed by its quality of best linear unbiased efficiency (blue).

Model Specification

The study adopts econometric model in investigating the association between cost management practice and financial performance. The functional model was written in explicit form as follows;

$FP = f(CMP)$ ……………………………………….…..…i
$FP = \alpha_0 - \alpha_1 CMP + \mu_1$ ……………………………...ii
$PBT = f(ABC, TC, SC)$…………………………….iii
$PBT = \beta_0 + \beta_1 ABC + \beta_2 TC + \beta_3 SC + \mu_3$…………..iv

Where:

CMP = Cost Management Practice
FP = Financial Performance
PBT = Profit Before Tax
ABC = Activity Based Costing
TC = Targeting Costing
SC = Standard Costing
a_0, b_0, c_0 = Slope
a_1-a_3, b_1-b_3, c_1-c_3 = Regression Coefficient
U = Error Term

Data Presentation and Analysis

Data were analyzed and interpreted using ordinary least square regression with the aid of E-view 10 econometric statistical software.

Table 4.1: Ordinary Least Square Result of Profit Before Tax (model iv)

Dependent Variable: PBT
Method: Least Squares

Date: 08/30/20 Time: 19:05
Sample: 1 90
Included observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	37345921	11882494	3.142936	0.0023
ABC	27126850	14276450	8.900112	0.0408
SC	14934126	13189292	8.132292	0.0260
TC	12579239	15476248	0.812809	0.4186

R-squared	0.945631	Mean dependent var	31465244
Adjusted R-squared	0.812339	S.D. dependent var	48191375
S.E. of regression	47893146	Akaike info criterion	38.25027
Sum squared resid	1.97E+17	Schwarz criterion	38.36137
Log likelihood	-1717.262	Hannan-Quinn criter.	38.29507
F-statistic	8.370617	Durbin-Watson stat	2.052884
Prob(F-statistic)	0.007206		

PBT = 37345921 + 27126850ABC + 14934126SC + 12579239TCµ

PBT = $\beta_0 + \beta_1\, ABC + \beta_2 TC + BSC + \mu_3$ - - - - iv

From the result in table 4.1 the result reveals that there exist a positive and significant relationship between activity based costing and profit before tax of listed deposit money banks in Nigeria. The computed t-statistics for activity based costing is 8.90 which is greater than the critical t-statistic of 1.72 at 0.05 significance level. The probability value of activity based costing which is 0.0408 is less than 0.05 significance level. Therefore we conclude that there is a significant relationship between activity based costing and profit before tax of listed deposit money banks in Nigeria. The result also indicate that there is a positive and significant between standard costing and profit before tax of listed deposit money banks in Nigeria. The computed t-statistic for standard costing is 8.13 which is greater than the critical t-statistic of 1.72 at 0.05 or 5% significance level. The probability value of standard cost which is 0.0260 is less than the significant level of 0.05. Therefore we conclude that there is a significant relationship between standard costing and profit before tax of listed deposit money banks in Nigeria. Third, the result revealed that there is a positive but negative insignificant relationship between target costing and profit before tax of listed deposit money banks in Nigeria. The computed t-statistic for target costing is 0.812 which is less than the critical t-statistic of 1.72 at 0.05 significance level. The probability value of target costing which is 0.4186 is greater than 0.05 significance level. Therefore, we conclude that there is no significant relationship between target costing and profit before tax of listed deposit money banks in Nigeria. The coefficient of determination R-squared shows that 94 percent of variation in our dependent variable (profit before tax is due to changes in our independent variable) (activity based costing, standard costing and target costing and the remaining 8 percent of the variation in profit before tax is caused by factors not included in the model). This implies that the model represent goodness of fit, the computed f-statistic of 8.370617 is greater than the tabulated f-statistic of 3.16 and this indicate that the entire model adopted for the study is significant as well as reliable. The Durbin – Watson statistic of 2.00 is within the acceptance region or threshold and indicates that there is no autocorrelation in the model.

Table 4.2: Breusch-Godfrey Multicollinearity LM Test

f-statistic	14.20940	Probability	0.232200

Obs* R-squared	16.98439	Probability	0.186683

Source: Researcher E-view Result

Table 4.2 shows that the result of Breusch-Godfrey Multicollinearityserial correlation has a probability value of 0.232200 and the observed R-squared probability value of 0186683 which is greater than 0.05 indicating the acceptance of H_O. Based on the result we conclude that there is no multicollineality in the model.

Table 4.3: Variance Inflation Factors

Variance Inflation Factors
Date: 08/30/20 Time: 20:45
Sample: 1 90
Included observations: 90

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.646817	5.540015	NA
ABC	0.933699	4.21116	3.70830
SC	0.796910	3.55362	4.72649
TC	1.097230	5.71390	3.88741
PBT	0.864430	4.64123	4.96352

Table 4.3:Following the rule of thumb as stated in the decision criteria. The variance inflation factor for all variable are within the accepted limit which is the variables are below 10. This implies that the variance of the estimated regression coefficient is not inflated. Also the coefficients of the predictors are very small, which ordinary supposed to be larger if there are multicollinearity problem. Therefore from the above result it is obvious that there is no existence of multiollinearity in the model.

Table 4.4: E-views output for Beusch-pagen Godfrey of Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.083563	Prob. F(3,86)	0.3605
Obs*R-squared	3.277982	Prob. Chi-Square(3)	0.3507
Scaled explained SS	11.52527	Prob. Chi-Square(3)	0.0092

Table 4.4: Shows the result of the Breusch pagan Godfrey Test revealed a probability value of 0.3507 which is greater than 0.05 indicating the acceptance of the null hypothesis. Therefore we conclude than there is no heteroskedasicity in the model rather the model is homoskedastic.

Conclusion and Recommendations

The study concludes that cost management practice improved financial performance of listed deposit many banks in Nigeria. The overall model was statistically significant therefore cost management practices are good predictors of financial performance of study listed deposit money banks in Nigeria. Activity based costing had a positive and significant impact on profit before tax of listed deposit money banks in Nigeria. There was a positive and insignificant relationship between target costing and profit before tax of listed deposit money banks in Nigeria. Standard costing had positive impact on profit before tax of listed deposit money banks in Nigeria. We conclude that cost management practice positively and significantly influence financial performance of listed deposit money banks in Nigeria. Thuswe recommend that Banks should ensure routine training, seminars for their staffs on new and modern cost management practice to enhance effective cost control and cost reduction leading to financial performance. Management should adopt cost management practice that focus on cost control and cost reduction. Banks policy on cost management practice should be formulated with emphasis on cost control and cost reduction.

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