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The Effect of Capital Restructuring on Bank Financial Performance

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Abstract

Introduction/Main Objectives: *The purpose of this research was to analyze how capital restructuring affected the profitability of Nigerian banks. The study's stated goals were to determine whether or whether the Return on Assets of Deposit Money Banks in Nigeria was affected by the Debt-Equity Ratio, the Capital Adequacy Ratio, and the Change in Equity. Financial economics theory served as the basis for this investigation.* ***Background Problems:*** *Capital restructuring has progressed over time in response to dynamic economic conditions, globalization, market competition, and technological advancements.* ***Novelty:*** *This study was conducted on banks in Nigeria using panel data regression..* ***Research Methods:*** *This research use the panel least square regression test to examine the relationship between the debt-equity ratio, the capital adequacy ratio, and the change in equity, and the Return on Asset of money deposit institutions. The direction of causality between the dependent and independent variables was determined using the Granger Causality test.* ***Finding/Results:*** *Debt-to-equity and capital-adequacy ratios were found to have a negative and insignificant relationship with DMBs' return on assets in Nigeria, while changes in equity were found to have a positive and statistically significant relationship with DMBs' return on assets during the study period.* ***Conclusion:*** *Therefore, it suggests that additional equity funding be made available. A bank's financial performance may be improved by using debt solely as a last option.*

Keywords: *banks; performance; profitability; return on assets; restructuring*
JEL Classification: M41; E50

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INTRODUCTION

Capital restructuring has progressed over time in response to dynamic economic conditions, globalization, market competition, and technological advancements. The origin stems from the field of capital finance and has become a vital sub-set of strategic management. It incorporates numerous financial activities and resourcefulness undertaken by companies to improve capital which include amongst others mergers and acquisitions, divestitures or spin-offs, financial restructuring, operational restructuring and strategic alliances or joint ventures. The prime objective of capital restructuring is to enhance the firm's capital base to improve its financial performance, increase shareholder value, and enhance its competitive position (Ithuku & Mwangi 2020; Murugi, Atieno, & Denis, 2022).

The relationship between capital restructuring and bank financial performance is complex and dynamic.

Capital restructuring refers to a strategic process that involves making changes to a company's capital structure. It focuses on adjusting the mix of debt and equity in a company's financial structure to achieve specific financial and strategic objectives (Kithinji, Mwangi, Litondo, & Ogutu 2017; Ithuku & Mwangi 2020; Murugi, Atieno & Denis, 2022). Capital restructuring aims to optimize the company's financial position, improve its performance, and enhance shareholder value. The capital structure of a company refers to the combination of debt and equity used to finance its operations and investments. Debt represents borrowed funds that the company must repay over time with interest, while equity represents ownership stakes held by shareholders. The proportion of debt and equity in the capital structure can have significant implications for a company's risk profile, cost of capital, and financial flexibility. Capital restructuring stands out as a unique and strategic process that enables companies to optimize their financial structure and achieve specific objectives. This note explores the distinctive aspects that make capital restructuring a powerful tool for enhancing financial performance, increasing shareholder value, and responding to dynamic market conditions.

The impact of capital restructuring on bank financial performance will depend on a number of factors, including the stage of the restructuring process, the type of restructuring being undertaken, and the financial and operational health of the companies and banks involved. To achieve the best outcome, it is important for banks to adopt a strategic and well-informed approach to capital restructuring, considering both the potential benefits and risks associated with each restructuring opportunity. Capital restructuring is often necessary when a company is facing financial difficulties, such as declining revenue, rising debt, or increased competition (Sanders, 2003). During the process, the principles of capital restructuring must be adhered to which involves identification of issues involving goals that are clearly stated and emphasis on core business, employee involvement as well as communication to relevant parties.

Oladele and Iyiola's (2020) research looked at how capital restructuring affected the post-consolidation financial performance of Nigerian banks. This research focused on how organisational changes affect bottom line results, productivity, and asset quality. The research sample included information from 10 different Nigerian banks that underwent capital restructuring between 2005 and 2018. Return on assets (ROA) and return on equity (ROE) were both shown to increase after the capital restructuring. They also discovered that the asset quality metric (the percentage of NPLs to total loans) improved after the reorganization. Restructuring did not have a noticeable effect on efficiency, as judged by the authors' chosen metric, the cost-to-income ratio. They postulated that this would be because, after a reorganization, banks put more effort into short-term goals like boosting profits and asset quality than into long-term goals like increasing efficiency. The results of the research indicate that capital restructuring may improve the financial performance of Nigerian banks, especially in terms of profitability and asset quality.

Kithinji, Mwangi, Litondo, and Ogutu (2017) looked at the connection between reorganization and the bottom lines of Kenya's commercial banks. This study used a

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descriptive and inferential causal research design based on the research philosophy of positivism. For this research, academics used data from 39 commercial banks that existed continuously from 2002 to 2014. Financial, Capital, Operational, and Asset Restructuring were identified as the subsets of Bank Restructuring. According to data analysis, commercial banks use all four types of bank restructuring. Banks' bottom lines improved significantly after undergoing reorganization. The only factors identified to significantly affect the success of commercial banks in Kenya were capital restructuring and asset restructuring. Commercial banks in Kenya saw little to no improvement in their bottom lines after undergoing financial and operational reform. The results of the research contradict the null hypothesis that there is no correlation between bank restructuring and financial success. The bottom line is that in order to affect profitability, banks need to prioritize capital and asset restructuring. According to the findings, regulatory changes aimed at a successful reorganization are necessary, and banks may enhance their performance by soliciting more capital from their shareholders and putting more attention on their assets.

The impact of capital restructuring on the financial performance of listed Kenyan manufacturing enterprises was evaluated by Murugi et al (2022). Three theories—Trade-off, life cycle, and pecking order—provided the foundation for the research. The eight manufacturing companies trading on the Nairobi Securities Exchange between 2012 and 2021 were the population for this longitudinal study. Information was gathered from audited financial statements and annual reports utilizing a secondary data collecting sheet. STATA was used for the analysis of the panel data. Financial results were linked to capital restructuring by simple linear regression. The association between capital restructuring and financial performance was shown to be negative and statistically significant using the Pearson product moment correlation. Capital restructuring had an estimated regression coefficient of -0.266 (t-value = -2.44, p = 0.017). It was determined that the financial performance of Kenyan manufacturing enterprises that were publicly traded suffered significantly due to capital restructuring. As a result, it was suggested that manufacturing companies use as little debt as possible while simultaneously searching for the ideal combination of debt and equity to achieve their financial goals.

Ithuku and Mwangi (2020) conducted a similar analysis, this time looking at how capital restructuring affected the financial results of Kenyan publicly traded companies. Descriptive research methods were employed for this investigation. Information was gathered for the decade from 2010 to 2019. The information was gathered from the annual reports and financial statements of companies trading on the Nairobi Securities Exchange. The research used panel data from 48 companies that went public within the study's time frame. The information was analysed using both descriptive and inferential statistics. The inferential statistics utilised were multiple regression and correlation analysis. Results indicated that between 2010 and 2019, a higher debt to capitalization ratio was associated with a higher return on equity for publicly traded companies. The research concluded that the ROA of listed businesses was adversely impacted by company size. Based on the results of the regression study, the debt to capitalization ratio was shown to have a statistically significant impact on ROA. Debt to capitalization ratio was shown to have a positive and statistically significant association with return on investment. Financial performance of Kenyan listed corporations was shown to improve after capital restructuring. Among Kenya's publicly traded companies, business size is strongly correlated with poor financial

results. The research concluded that continual capital restructuring would help listed corporations' bottom lines. It was suggested that future study should replicate this analysis using data from non-listed enterprises and a different time period.

The effects of capital restructuring on bank performance in Ghana were investigated in an empirical research by Opong and Danbolt (2009). They looked at the financial results of 23 banks in Ghana from 1999 to 2004 and concluded that attempts to restructure the banks, such as mergers, acquisitions, and reorganisations, had a favourable effect on the institutions' financial standing. Restructuring measures tended to have a greater impact on bigger banks, according to the research. Findings from this research indicate that capital restructuring may improve the efficiency of Ghanaian banks.

Anderson's (2012) research focused on the effects of bank restructuring on US banks' bottom lines during the financial crisis of 2007-2009. The authors evaluated information collected between 2007 and 2010 to determine how operations including mergers, asset sales, and branch closures affected key performance indicators for financial institutions. Banks that restructured during the financial crisis were found to have better profitability and lower rates of non-performing loans than banks that did not restructure. Improved financial results may have resulted from banks selling off non-performing assets and refocusing their business strategy, as the authors imply. The research found that not all banks benefited equally from restructuring and that the effect on performance varied depending on the characteristics of the individual banks and the kind of the restructuring efforts they undertook. The authors imply further study is required to properly understand how reorganisation affects bank performance and to determine what methods work best to increase performance in the long term.

Different researchers have studied capital restructuring and banks performance, for instance Hitt, Ireland, and Palia (1987) found that banks which engage in capital restructuring tend to experience improved financial performance, particularly in terms of return on assets and return on equity. Another study in Chakraborty, Singh, and Krishnamurti (2015) and Cabello-Medina and Lopez-Iturriaga (2017) also found that bank restructuring can have a positive impact on stock returns, particularly when it is accompanied by improvements in governance and risk management. However, Hasan, Wachtel, and Zhou (2006) reveal a negative impact of restructuring on bank performance, particularly when it is accompanied by weak governance and regulatory environments. Similar negative implication was shown in Palvia and Varma (2014) study of bank mergers and acquisitions in India and found that they lead to a decline in financial performance, particularly in terms of return on assets and equity. Another related study in Kim, Kim, and Yang (2018) showed that bank restructuring in Korea have a negative impact on stock returns, particularly when it is accompanied by high levels of government intervention. The inconclusive position in the literature further showcases the need to inquire into the literature on the effect of capital restructuring on bank performance in Nigeria. This thus form the motivation for the study in consideration of the following objectives - to evaluate the effect of debt-equity ratio on Return on Assets of Deposit Money Banks in Nigeria; to determine the effect of capital adequacy ratio and Return on Assets of Deposit Money Banks in Nigeria; to ascertain the effect of change in equity and Return on Assets of Deposit Money Banks in Nigeria.

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RESEARCH METHOD

The researchers in this study used an ex-post facto research strategy. To make conclusions about the connection between economic variables, the ex-post facto research approach looks back at historical patterns. Because of the specifics of the data utilised, this research strategy works well. Secondary sources provide this information without the potential for prejudice seen in main sources.

The analysis in this paper is based on panel time series data. For each of the sampled insurance providers cited in the panel data, 2017-2021 time series information is provided. First Bank Plc, Zenith Bank Plc, Fidelity Bank Plc, and United Bank for Africa Plc are the chosen insurance providers. This research study adopts the model used in the study of Oladele and Iyiola. (2020) in which Return on Assets (ROA) is expressed as a function of capital restructuring, asset quality and capital structure. This study however expresses Return on Assets (ROA) as a function of Debt-Equity Ratio (DER), Capital Adequacy Ratio (CAR), and Change in Equity Ratio (CIE) as stated as equation 1.

$$ROA = f(DER, CAR, CIE) \quad \text{eq 1}$$

The econometric model of the study which accounts for the constant term, the regression coefficients and the error term is stated as equation 2

$$ROA = \alpha_0 + \alpha_1 DER + \alpha_2 CAR + \alpha_3 CIE + \mu_t \quad \text{eq 2}$$

α_0 is the intercept or the constant term; which is the value of the ROA not explained by the independent variable. α_1, α_2, and α_3 are the coefficients of the regression. μ_t is the error term of the regression.

There are two types of variables in a research study: those that are "dependent" on other factors and those that can be changed independently. The profitability of Nigeria's deposit money institutions is the dependent variable. This is the dependent variable, or the one that the study hopes to predict using the independent variable. The DMBs' success is being measured by their Return on Assets (ROA). This metric is used to assess the firm's financial health. It is a measure of how well DMBs turn their producing assets into cash. Return on assets (ROA) is a percentage that is arrived at by dividing earnings before taxes by the entire value of the company's assets.

On the other hand, ROA is a dependent variable, therefore changes in the independent variables are hypothesized to have an effect on ROA. Capital restructuring, as assessed by the debt-equity ratio, the capital adequacy ratio, and the change in equity, serves as the independent variable in this analysis. It was decided to use tables to display the information. The Panel regression technique was used to analyse the data, which comprised a multiple regression model. This type of regression yields estimates useful for a thorough analysis of how the independent variables affect the dependent ones. The statistical software E-views 11 was used to calculate the Panel regression.

RESULTS AND DISCUSSION

The time series data of each company used in this study are presented in tables below.

Table 1. Return on Assets for the Selected Deposit Money Banks in Nigeria (in %)

Bank\Years	2017	2018	2019	2020	2021
First Bank Plc.	1.29	4.94	3.65	2.85	2.20
Zenith Bank Plc	2.37	3.78	2.76	2.66	3.23
Fidelity Bank Plc.	2.05	1.49	2.09	2.10	3.07
United Bank for Africa Plc.	2.81	2.84	3.42	2.36	3.69

Source: *Researcher's Compilation from Annual Reports of Selected DMBs (2017-2021)*

Table 2. Debt-Equity Ratio for the Selected Deposit Money Banks in Nigeria (in %)

Bank\Years	2017	2018	2019	2020	2021
First Bank Plc.	1.29	1.18	1.52	1.66	1.80
Zenith Bank Plc.	1.36	1.49	0.84	1.20	0.94
Fidelity Bank Plc.	1.10	1.60	1.09	0.97	1.6
United Bank for Africa Plc.	1.39	1.85	1.84	1.62	1.46

Source: *Researcher's Compilation from Annual Reports of Selected DMBs (2017-2021)*

Table 3. Capital-Adequacy Ratio for the Selected Deposit Money Banks in Nigeria (in %)

Bank\Years	2017	2018	2019	2020	2021
First Bank Plc.	15.4	17.2	17.3	18.1	21.3
Zenith Bank Plc.	18.4	16.5	19.1	14.3	17.5
Fidelity Bank Plc.	13.1	14.9	17.5	20.4	23.9
United Bank for Africa Plc.	21.3	20.1	19.3	22.2	20.2

Source: *Researcher's Compilation from Annual Reports of Selected DMBs (2017-2021)*

Table 4. Change in Equity for the Selected Deposit Money Banks in Nigeria (in billions)

Bank\Years	2017	2018	2019	2020	2021
First Bank Plc.	111.3	267.2	241.4	329.8	266.1
Zenith Bank Plc.	89.4	144.2	158.7	177.3	199.6
Fidelity Bank Plc.	211.7	242.6	227.9	411.8	436.4
United Bank for Africa Plc.	189.7	188.4	224.1	208.1	280.6

Source: *Researcher's Compilation from Annual Reports of Selected DMBs (2017-2021)*

Table 5. Descriptive Statistics

	ROA	DER	CAR	CIE
Mean	2.782500	1.390000	18.40000	230.3150
Median	2.785000	1.425000	18.25000	217.9000
Maximum	4.940000	1.850000	23.90000	436.4000
Minimum	1.290000	0.840000	13.10000	89.40000
Std. Dev.	0.858621	0.305614	2.782086	87.46716
Skewness	0.506420	-0.168044	-0.023156	0.816239
Kurtosis	3.341148	1.959870	2.424190	3.490582
Jarque-Bera	0.951855	0.995689	0.278085	2.421377
Probability	0.621308	0.607839	0.870191	0.297992
Sum	55.65000	27.80000	368.0000	4606.300
Sum Sq. Dev.	14.00738	1.774600	147.0600	145359.6
Observations	20	20	20	20

Source: *Eviews 11.0 Descriptive Statistics Output, 2023*

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The descriptive statistics shown in table 4.6, helps to describe certain statistical characteristics of the data. The data reveals that the mean Return on Assets for the selected DMBs is 2.78% and this figure is not very volatile as the standard deviation (0.85%) is quite lower than the mean itself. The highest ROA recorded by any of the selected insurance companies is 4.94% while the smallest figure is 1.29%. The average capital adequacy ratio is 18.40% and there is not much variability with a standard deviation of 2.78%. Change in equity was also penned at an average of 230 billion naira annually for the selected banks while the debt-to-equity ratio has a mean of 1.39 and a standard deviation of 0.30. The low variability of the metrics among the selected banks shows the high level of competitiveness in the banking industry and their stringent control measures meted out by the monetary authorities in bid to ensure safety, soundness and stability of the Banking industry.

The Hausman test was used to determine if the Fixed Effect Model or the Random Effect Model was adopted for the panel regression. The result of the Hausman test is shown in table below.

Table 6. Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.65261	4	0.1922

Source: *Eviews 11.0 Hausman Test Output, 2023*

The p-value shown in the table is 0.1922 which is greater than 0.05 which indicates that the null hypothesis of random effects is accepted. Therefore, the panel data regression was conducted using the Random Effect Model.

Table 7. Panel Least Square Regression

Dependent Variable: ROA
Method: Panel Least Squares
Date: 05/03/23 Time: 06:46
Sample: 2017 2021
Periods included: 5
Cross-sections included: 4
Total panel (balanced) observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.586919	0.613867	-0.956101	0.3640
CAR	-0.098077	0.078322	-1.252216	0.2421
CIE	0.013576	0.003936	3.449069	0.0073
C	2.276066	1.438645	1.582090	0.1481

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.779693	Mean dependent var	2.782500
Adjusted R-squared	0.534908	S.D. dependent var	0.858621
S.E. of regression	0.585560	Akaike info criterion	2.068994
Sum squared resid	3.085919	Schwarz criterion	2.616647
Log likelihood	-9.689944	Hannan-Quinn criter.	2.175902
F-statistic	3.185213	Durbin-Watson stat	2.997879
Prob(F-statistic)	0.047898		

Source: *Eviews 11.0 Panel Least Square Regression Output, 2022*

Panel Least Squares Regression findings for Nigerian deposit money banks reveal that equity changes influence ROA in a favourable way. The p-value for the prediction is 0.0073, which is less than 0.05, making it a significant prediction. With regression coefficients of 0.013576, we may infer that a 0.01% rise in Return on Assets will follow a 1% increase in DMB equity. Debt to equity ratio was shown to have a negative (B = -0.586919) but non-significant (p > 0.05) relationship with return on assets. This indicates that deposit money banks in Nigeria would have a 0.58% decrease in return on assets for every unit rise in the debt-to-equity ratio. Similar to ROA, the negative association between capital adequacy ratio and return on investment was determined to be statistically insignificant. This suggests that returns on assets were relatively low during times of increased CAR.

The R-squared value of 0.77969 implies that fluctuations in debt-to-equity ratio, capital adequacy ratio, and changes in equity account for almost 77% of the variance in ROA. Capital restructuring and DMB performance in Nigeria is statistically significant, with an F-statistics probability value of 0.047898 (p 0.05).

The Granger causality test reveals the direction of causation (effect) between two variables. The result of the Granger causality test is revealed in tables below.

Table 8. Granger Causality Test for DER and ROA

Pairwise Granger Causality Tests
Date: 05/03/23 Time: 07:11
Sample: 2017 2021
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
DER does not Granger Cause ROA	16	6.35221	0.0188
ROA does not Granger Cause DER		0.31923	0.5817

Source: *Eviews 11.0 Granger Causality Test Output, 2022*

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As shown in table, with a p-value of 0.0188 which is less than 0.05, it is revealed that Debt to equity ratio does cause ROA. On the other hand, p-value of 0.5817 reveals that ROA does not cause DER. It therefore shows that there is a unidirectional causation flowing from DER to ROA in DMBs in Nigeria.

Table 9. Granger Causality Test for CAR and ROA

Pairwise Granger Causality Tests
Date: 05/03/23 Time: 07:12
Sample: 2017 2021
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
CAR does not Granger Cause ROA	16	0.66636	0.4290
ROA does not Granger Cause CAR		0.03028	0.8645

Source: *Eviews 11.0 Granger Causality Test Output, 2023*

As shown in above table with a p-value of 0.4290 which is greater than 0.05, it is revealed that capital adequacy ratio does not cause ROA. Likewise, p-value of 0.8645 which is also greater than 0.05, reveals that ROA does not cause capital adequacy ratio. It therefore shows that there is no causation flowing from capital adequacy to ROA in DMBs in Nigeria.

Table 10. Granger Causality Test for CIE and ROA

Pairwise Granger Causality Tests
Date: 05/03/23 Time: 07:13
Sample: 2017 2021
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
CIE does not Granger Cause ROA	16	15.0337	0.0006
ROA does not Granger Cause CIE		8.74277	0.0334

Source: *Eviews 11.0 Granger Causality Test Output, 2023*

As shown in above table with a p-value of 0.0006 which is less than 0.05, it is revealed that changes in equity does cause ROA. In the same vein, p-value of 0.0334 which is also less than 0.05, reveals that ROA does cause changes in equity. It therefore shows that there is bidirectional causation flowing both ways between change in equity and ROA of DMBs in Nigeria.

The first hypothesis states that debt to equity ratio has no significant effect on Return on Assets of Deposit Money Bank in Nigeria. As shown in table 4.8, a p-value of 0.0188 is less than 0.05. Therefore, the null hypothesis is rejected in favor of the alternate hypothesis. This indicates that debt to equity ratio has significant effect on Return on Assets of Deposit Money Bank in Nigeria.

The second hypothesis states that Capital adequacy ratio has no significant effect on Return on Assets of Deposit Money Bank in Nigeria. As shown in table 4.9, a p-value of 0.4290 is greater than 0.05. Therefore, the null hypothesis is accepted at the expense of the

alternate hypothesis. This indicates that Capital adequacy ratio has no significant effect on Return on Assets of Deposit Money Bank in Nigeria.

The third hypothesis states that changes in equity has no significant effect on Return on Assets of Deposit Money Bank in Nigeria. As shown in table, a p-value of 0.0006 is greater than 0.05. Therefore, the null hypothesis is rejected and the alternate hypothesis is confirmed. This indicates that Changes in equity has significant effect on Return on Assets of Deposit Money Bank in Nigeria.

Discussion

The researcher subjected the data to statistical examinations using the panel least square regression and the Granger causality test and the findings revealed that, in line with the researcher's expectation, debt to equity ratio negatively predicted return on assets in DMBs. This prediction was found to be not significant however. However, the granger causality test revealed that debt to equity ratio has significant effect on return on assets of deposit money banks in Nigeria. Merging the findings of the Panel least square regression and the Granger Causality tests, it is revealed that debt to equity ratio negatively affects the profitability of DMBs in Nigeria.

The findings also revealed that profitability of DMBs tend to increase as capital adequacy ratio reduces and this association is to an insignificant extent. However, based on the Granger Causality Test results, the change in profit is not caused by capital adequacy ratio. The concept of capital adequacy is a restrictive concept that limits the amount of loans a bank can issue or the amount of liabilities it can acquire. This restriction reduces restrains the banks from possessing risky assets that have high profitability.

The findings further revealed that changes in equity was positively and significantly related to return on assets of deposit money banks in Nigeria. This indicates that, in periods when equity increased by a higher margin, the banks made more profit. This finding confirms our expectation. Increased equity comes with increase in capital which is used to finance profitable projects and increase profitability. The result of the Granger Causality test further revealed that changes in equity has effect on the return on assets of deposit money banks in Nigeria and likewise, the changes in equity is affected by the profitability of the banks. Based on these results, it can be seen that when equity increases, the bank is endued with more capital for productivity this translates in to increased profitability. On the other hand, when the firms record more profit, they become more attractive to equity investors who begin to buy the banks' shares and ultimately equity increases. The recent study of Onaolapo and Oladipupo (2015) also confirmed that capital restructuring has significant influence on profitability especially for bigger banks. These findings indicate that capital restructuring can be used to determine the level of financial success of Deposit Money Banks in Nigeria.

CONCLUSION

Based on the findings of the study, the study concludes that capital restructuring has impact on the financial performance of deposit money banks in Nigeria. This effect comes in the form of higher return on assets when the debt equity ratio is reduced or when there is an increase in the value of equity. The changes in capital adequacy ratio seem to have no

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implications on the profitability of DMBs in terms of Return on Assets. Despite the fact that leveraging (the use of debt to finance activities) have tax-shield benefits and other benefits, equity has been found to contribute more positively to the profitability of DMBs in Nigeria.

The findings of the study prompt the following recommendations, for the first, deposit money banks should keep a health equity position and ensure that debt does not advance beyond about 1.9 times the equity. Attempts to reduce the debt-to-equity ratio will see profitability increase significantly. Second, there should be less emphasis on capital adequacy in view of increasing profitability. Banks should try to keep this metric to the barest acceptable and safe minimum. When seeking to finance projects, there is need for more equity financing. Debt should only be the last resort. This finance strategy is one that will significantly reflect on profitability.

AUTHORSHIP CONTRIBUTION STATEMENT

Conceptualisation and Research Design, Data Collection, Methodology, Supervision, Writing Entire Paper, Conceptualisation, Data Collection and Analysis, Editing and Layouting. All Authors have read the final version of the paper.

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