Leverage Ratio, Risk-Taking and Stability Vis-A-Vis Nigerian Banking Sector

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ABSTRACT

The introduction of business income tax required the use of debt capital (leverage) to enhance financial functioning given the tax savings. In consequence, the study significantly investigated the degree and disposition of the relationship between leverage, risk-taking and stability vis-a-vis listed deposit money banks in Nigeria. The study period was 9years (i.e. 2013-2022). The study adopted ex-post facto research design making use of data already in existence. Diagnostic tests carried out indicated absence of unit roots and multi-colinearity. However, skewness, kurtosis Jarque-Beta was tested in presence of non-constant variance is found. Panel least squares, were employed in analyzing data collated from the audited financial statements of the sampled deposit money banks with the aid of E views 9.0. The result reveals that Total debt has positive and significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 7.548348 was greater than 2.0 and probability value of 0.0000 which is less than 0.05. It was also observed that equity securities has positive and significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 4.979062 was greater than 2.0 and probability value of 0.0011 which is less than 0.05. The study further shows that trade payable has positive and significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 4.734520 was greater than 2.0 and probability value of 0.0001 which is less than 0.05. It was equally observed that debt to equity ratio has positive and significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 4.889020 was greater than 2.0 and probability value of 0.0017 which is less than 0.05. It suggested that best possible Debt Management Nigerian deposit money banks should carefully manage their total debt levels. While debt can provide necessary financial leverage, it should be kept at manageable levels to avoid excessive financial risk. Implication of the findings is that banks should monitor their debt structures and ensure they are sustainable over the long term. Again, emphasize Equity Investments is given the positive impact of equity securities on shareholders' value; banks should consider emphasizing equity investments as part of their financial strategy. This could involve seeking opportunities for equity capital injection or optimizing their existing equity portfolios.

Keywords: Trade payables Total Assets, Equity, Banking sector, Nigeria economy

INTRODUCTION

The Nigerian banking sector plays a pivotal role in the country's economy by facilitating financial

intermediation, capital allocation, and economic growth. However, the stability of this sector is of paramount importance to maintain economic stability and ensure the well-being of depositors and investors. The global financial crisis of 2008 underscored the need for effective regulatory measures to prevent systemic crises. One such measure is the leverage ratio, which is designed to limit excessive risk-taking by financial institutions (Chmelikova, 2018) The leverage ratio is a crucial regulatory tool that mandates banks to maintain a minimum level of capital in relation to their total exposure, regardless of the risk inherent in their assets. By imposing this simple and non-risk-weighted capital requirement, regulators aim to reduce the likelihood of bank failures and systemic crises. In the Nigerian context, understanding the impact of the leverage ratio on risk-taking behavior and overall financial stability in the banking sector is of significant interest (Colasse, 2021). The Nigerian banking sector has experienced various phases of evolution, including periods of significant growth, consolidation, and regulatory reforms. These reforms have been aimed at enhancing the stability and resilience of the sector. The Central Bank of Nigeria (CBN) has played a key role in introducing measures to promote prudent risk management and protect the interests of depositors and the broader financial system (Copeland, Koller and Murrin, 2021).

In recent years, the implementation of the leverage ratio as part of the Basel III framework has gained prominence in the global banking industry. The leverage ratio seeks to prevent banks from overleveraging their capital base, thereby mitigating the risk of insolvency during adverse economic conditions. However, the impact of the leverage ratio on the Nigerian banking sector remains a subject of debate and research interest (Dechow, 2019). By shedding light on the relationship between the leverage ratio, risk-taking, and stability in the Nigerian banking sector, this research aims to contribute valuable insights to policymakers, academics, financial practitioners, and stakeholders. It seeks to foster a better understanding of the implications of leverage ratio implementation in the unique Nigerian banking environment and how it can promote the long-term stability and soundness of the financial sector.

Statement of the Problem

The Nigerian banking sector has witnessed significant changes over the years, including reforms and regulatory measures aimed at ensuring the stability and resilience of the financial system. Among these measures is the Basel III leverage ratio, which mandates banks to maintain a minimum capital-to-assets ratio, regardless of the risk profile of their assets. While the leverage ratio is designed to enhance financial stability and mitigate excessive risk-taking, there are concerns and questions that need to be addressed: Risk-Taking Behavior: The leverage ratio might incentivize banks to take on riskier assets to meet their capital requirements. Does this regulatory measure lead to a change in the risk-taking behavior of Nigerian banks, potentially making the financial system more vulnerable to shocks? Impact on Lending: Could the imposition of a leverage ratio negatively affect the ability of Nigerian banks to extend credit to the real economy, impacting economic growth and development? Cross-Border Implications: How does the Nigerian banking sector's adherence to the leverage ratio ally with international standards, and what are the implications for cross-border banking activities, particularly for banks with international operations? Stability and Resilience: Does the leverage ratio contribute to enhancing the stability and resilience of Nigerian banks in the face of financial crises or economic downturns? Regulatory Compliance: Are Nigerian banks fully compliant with the Basel III leverage ratio requirements, and are regulatory authorities effectively supervising and enforcing these regulations? This research aims to address these concerns by examining the impact of the leverage ratio on risk-taking behavior, stability, lending practices, and regulatory compliance within the Nigerian banking sector. It seeks to provide valuable insights that can inform policymakers, regulatory authorities, and industry stakeholders in making informed decisions regarding the regulation and supervision of banks in Nigeria. Furthermore, this study will contribute to the global discussion on the effectiveness of leverage ratios in maintaining financial stability.

Statement of Hypotheses

The following null hypotheses guided the study;

1. Total debt does not have significant effect on shareholders' value in the Nigerian deposit money banks.
2. Equity security is not positively significant on shareholders' value in the Nigerian deposit money banks.
3. Trade payables are not significantly relevant on shareholders' value in the Nigerian deposit money banks.
4. Debt to equity ratio does not have significant effect on shareholders' value in the Nigerian deposit money banks.

REVIEW OF RELATED LITERATURE

Conceptual Review

Leverage ratio

Leverage is any technique involving borrowing funds to buy an investment, estimating that future profits will be more than the cost of borrowing. This technique is named after a lever in physics, which amplifies a small input force into a greater output force, because successful leverage amplifies the smaller amounts of money needed for borrowing into large amounts of profit Ebe, et al (2022). However, the technique also involves the high risk of not being able to pay back a large loan. Normally, a lender will set a limit on how much risk it is prepared to take and will set a limit on how much leverage it will permit, and would require the acquired asset to be provided as collateral security for the loan (Dimitrios, 2018). Leveraging enables gains to be multiplied. On the other hand, losses are also multiplied, and there is a risk that leveraging will result in a loss if financing costs exceed the income from the asset, or the value of the asset falls (Eboh, 2018). Ebrahim and Chadegani, (2020) posit that leverage can arise in a number of situations, such as:

- securities like options and futures are effectively bets between parties where the principal is implicitly borrowed/lent at interest rates of very short treasury bills.
- equity owners of businesses leverage their investment by having the business borrow a portion of its needed financing. The more it borrows the less equity it needs, so any profits or losses are shared among a smaller base and are proportionately larger as a result.
- businesses leverage their operations by using fixed cost inputs when revenues are expected to be variable. An increase in revenue will result in a larger increase in operating profit.
- hedge funds may leverage their assets by financing a portion of their portfolios with the cash proceeds from the short sale of other positions.

Risk

Oladele, (2013) opined that while leverage magnifies profits when the returns from the asset more than offset the costs of borrowing, leverage may also magnify losses. A corporation that borrows too much money might face bankruptcy or default during a business downturn, while a less-leveraged corporation might survive. An investor who buys a stock on 50% margin will lose 40% if the stock declines 20%.;also in this case the involved subject might be unable to refund the incurred significant total loss. Risk may depend on the volatility in value of collateral assets. Brokers may demand additional funds when the value of securities held declines. Banks may decline to renew mortgages when the value of real estate declines below the debt's principal. Even if cash flows and profits are sufficient to maintain the ongoing borrowing

costs, loans may be called-in (Onaolapo and Kojala, 2021). This may happen exactly at a time when there is little market liquidity, i.e. a paucity of buyers, and sales by others are depressing prices. It means that as market price falls, leverage goes up in relation to the revised equity value, multiplying losses as prices continue to go down. This can lead to rapid ruin, for even if the underlying asset value decline is mild or temporary the debt-financing may be only short-term, and thus due for immediate repayment. The risk can be mitigated by negotiating the terms of leverage, by maintaining unused capacity for additional borrowing, and by leveraging only liquid assets which may rapidly be converted to cash (Sharma, 2020). Srivastava, Shervani and Fahey, (2018) opined that there is an implicit assumption in that account, however, which is that the underlying leveraged asset is the same as the unleveraged one. If a company borrows money to modernize, add to its product line or expand internationally, the extra trading profit from the additional diversification might more than offset the additional risk from leverage. Or if an investor uses a fraction of his or her portfolio to margin stock index futures (high risk) and puts the rest in a low-risk money-market fund, he or she might have the same volatility and expected return as an investor in an unlevered low-risk equity-index fund. Or if both long and short positions are held by a pairs-trading stock strategy the matching and off-setting economic leverage may lower overall risk levels. So while adding leverage to a given asset always adds risk, it is not the case that a levered company or investment is always riskier than an unlevered one. In fact, many highly levered hedge funds have less return volatility than unlevered bond funds, and normally heavily indebted low-risk public utilities are usually less risky stocks than unlevered high-risk technology companies (Stewart, 2016).

Shareholders value

Shareholders' fund refers to the amount of equity in a company, which belongs to the shareholders. The amount of shareholders' funds yields an approximation of theoretically how much the shareholders would receive if a business were to liquidate. The amount of shareholders' funds can be calculated by subtracting the total amount of liabilities on a company's statement of financial position from the total amount of assets. Also, if the statement of financial position includes the financial position of subsidiaries, then the recorded amount of minority interests must also be excluded from the calculation. Shareholders' funds are usually considered to be comprised of the common stock, preferred stock, retained earnings, and treasury stock accounts (Tarbara and Dicu, 2017).

Total Debt

Total debt is calculated by adding up a company's liabilities, or debts, which are categorized as short and long-term debt (Ebe, 2021). Financial lenders or business leaders may look at a company's statement of financial position to factors in the debt ratio to make informed decisions about future loan options Oge, Obiekwe and Ebe (2021). They calculate the debt ratio by taking the total debt and dividing it by the total assets. Total debt can be computed by looking at its net debt formula: Net debt = (short-term debt + long-term debt) – (cash + cash equivalents). (Sharma, 2020) The term debt ratio refers to a financial ratio that measures the extent of a company's leverage. The debt ratio is defined as the ratio of total debt to total assets, expressed as a decimal or percentage. Umar, and Musa, (2013) it can be interpreted as the proportion of a company's assets that are financed by debt. A ratio greater than 1 shows that a considerable portion of a company's asset is funded by debt, which means the company has more liabilities than assets. A high ratio indicates that a company may be at risk of default on its loans if interest rates suddenly rise Ebe, et al (2021).

Equity Securities

Equity securities are financial assets that represent shares of a corporation. The most prevalent type of equity security is the common stock. And the characteristic that most defines an equity security differentiating it from most other types of securities—is ownership. Dechow, (2019), affirm that iIf you own an equity security, your shares represent part ownership of the issuing company. In other words, you have a

claim on a percentage of the issuing company's earnings and assets. If you own 1% of the total shares, or security stocks, issued by a company, your part ownership of the controlling company is equivalent to 1%. Other assets, such as mutual funds or exchange-traded funds, may be considered equity securities as long as their holdings are composed of pooled equity securities, Ebrahim, and Chadegani, (2020).

Trade Payable

A trade payable is an amount billed to a company by its suppliers for goods delivered to or services consumed by the company in the ordinary course of business Umar, and Musa, (2013). These billed amounts, if paid on credit, are entered in the accounts payable module of a company's accounting software, after which they appear in the accounts payable aging report until they are paid. Any amounts owed to suppliers that are immediately paid in cash are not considered to be trade payables, since they are no longer a liability. Trade payables are nearly always classified as current liabilities, since they are usually payable within one year. If that is not the case, then such payables can be classified as long-term liabilities. A longer-term liability typically has an interest payment associated with it, and so is more likely to be classified as long-term debt, Smith, (2013).

Debt to Equity Ratio (DER)

The debt to equity ratio is a financial ratio indicating the relative proportion of equity and debt used to finance a company's assets which is an indicator of the financial leverage. It is equal to total debt divided by shareholders' equity Chitra, and Venkateshwarlu (2017). The two components are often taken from the firm's statement of financial position. When used to calculate a company's financial leverage, the debt usually includes only the long-term debt (LTD). This is a useful measure as it helps the investor see the way management has financial operations. A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt, Donaldson, (2020). This can result in volatile earnings as a result of the additional interest expenses as well as volatile cash flow as principal payment on debt come due. If a lot of debt is used to finance increased operations (high debt to equity) the company could potentially generate more earnings per share than it would have without this outside financing Atiyet, (2012). If this were to increase earnings by a greater amount than the interest on debt, then the shareholders benefit as more earnings are being spread among the same amount of stock. However, as stated, increased interest and the need to repay the principal on borrowed fund can far outweigh the benefit, it is used to measure the net worth of the organization.

$$DebttoEquityratio = \frac{Totalabilities}{ShareholdersEquity}$$

The debt-to-equity ratio (D/E) is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets (Myers, and Majluf, (2014), Closely related to leveraging, the ratio is also known as risk, gearing or leverage. The two components are often taken from the firm's balance sheet or statement of financial position (so-called book value), but the ratio may also be calculated using market values for both, if the company's debt and equity are publicly traded, or using a combination of book value for debt and market value for equity financially Ugwuanyi (2004). Rashmi & Sinha, (2004) opine that that in a general sense, the ratio is simply debt divided by equity. However, what is classified as debt can differ depending on the interpretation used. Thus, the ratio can take on a number of forms including:

Debt / Equity

Long-term Debt / Equity

Total Liabilities / Equity

In a basic sense, Total Debt / Equity are a measure of all of a company's future obligations on the statement of financial position relative to equity. However, the ratio can be more discerning as to what is actually a borrowing, as opposed to other types of obligations that might exist on the statement of financial position under the liabilities section. For example, often only the liabilities accounts that are actually labelled as "debt" on the statement of financial position are used in the numerator, instead of the broader category of "total liabilities". In other words, actual borrowings like bank loans and interest-bearing debt securities are used, as opposed to the broadly inclusive category of total liabilities which, in addition to debt-labelled accounts, can include accrual accounts like unearned revenue (Rashmi& Sinha, 2004). Another popular iteration of the ratio is the long-term-debt-to-equity ratio which uses only long-term debt in the numerator instead of total debt or total liabilities. Total debt includes both long-term debt and short-term debt which is made up of actual short-term debt that has actual short-term maturities and also the portion of long-term debt that has become short-term in the current period because it is now nearing maturity. This second classification of short-term debt is carved out of long-term debt and is reclassified as a current liability called current portion of long-term debt (or a similar name). The remaining long-term debt is used in the numerator of the long-term-debt-to-equity ratio (Raheman & Nasr, 2007).

Theoretical frame work

This study will anchor on the Financing Constraint Theory. This theory was propounded by Goldratt in 1990. In the theory, Goldratt (1990) contended that organizations which don't make benefit, does not have a support to contribute and won't have the capacity to back their development or possibly their supportability, and will at long last vanish. Here, the cradle is the held income, which will be little if the organization does not make benefit or chooses to allot the majority of its benefit to the shareholders. This cradle equivalents to the inside capital or in other words outer capital as indicated by the pecking request theory. Put in another way, the theory expresses that the organizations which produce benefit and then hold it, benefits itself of good development openings while the organizations having no or low benefits can't profit great investment openings, so they don't develop quickly (Jang and Park, 2020). This investigation is worried about effect of non-current assets on shareholders' estimation of recorded manufacturing firms in Nigeria. Then again the Agency Theory set forward by Berle and Means in 1932 and later creator like, Adam Smith (1972), Stephen Ross and Marr Mitmick (1972) and Fama and Jensen (1983) added to the advancement of the examination. The theory called attention to that shareholders value does not take as much consideration of their organizations as do proprietors. Supervisors seek after firm development since development ensures their business and pay increments because of the more noteworthy duties of dealing with a bigger firm. Because of the significance of this theory to assets administration, the examination is tied down on the Agency Theory.

Empirical Review

Anup and Suman Paul (2021) explored effect of leverage ratio on firm value in Dhaka stock exchange and Chittagong stock exchange of Bangladesh for the period 2004-2021, data were collected from 77 companies of the most four dominate sectors of industry. They exhibited that there is a strong positive correlated association between leverage ratio and firm value. Arowoshegbe and Emeni (2014) examined the relationship between shareholders value and debt equity mix of quoted companies in Nigeria. Data were for the period 2007 to 2020 comprising of six non-financial companies. The result found a significant negative relationship between shareholder's wealth and debt equity mix. Mujahid (2014) evaluated effect of capital structure on the firm's financial performance and shareholders' value in textile sector of Pakistan. Regression analysis was used to analyze sample data of 155 textile firms for the ear 2000 to 2020. Empirical result discovered that the capital structure positively impacts the firm's financial performance and shareholders' value. Effect of firms' financial performance was also carried out by Raize (2015). Least square regression analysis was used on data of 28 listed firms in chemical sector of Pakistan at Karachi

stock exchange for the period of 1999 to 2013. The result showed that TDR and STDTA have a negative influence on the firms ROA while DER and LTDTA has a negative but insignificant influence on ROA. Sheikh & Wang, (2021) examined the financing behavior of textile firms in Pakistan. Regression model analysis was employed to analyze the data for 75 listed textile firms in the duration of 2012-2017. The outcome disclosed that amount of debt in capital structure negatively affect the profitability. Increase in the amount of debt in the capital structure of firms decrease the profitability as a repercussion (Ahmad, 2014; Memon et al. 2012). Mirza & Javed, (2013) investigated the determinants of financial performance in Pakistan. Correlation and fixed effect model analysis was applied on the data of 60 firms within the interval of 2001-2020. The end results divulged that performance of the firm (ROE) is positively affected by DER, whereas negatively affected by LTDTA and STDTA. Effect of equity securities on shareholders' value in the Nigerian pharmaceutical sector A comprehensive and prominent empirical study conducted by (Abor, 2015) on the firms listed at Ghana Stock Exchange disclosed that STDTA and TDTA have a positive impact on ROE (profitability), whereas LTDTA has negative impact. The degree of equity in the capital structure is positively associated with profitability (ROA) of insurance firms in Pakistan while Leverage has negative relation with profitability (Malik, 2020). Raheman et al. (2017) scrutinized the link between capital structure and profitability. The data from the 94 non financial firms for a phase of 6 years (2010-2015) was put in use. They employ the regression and correlation analysis and made known that equity and firm's size has positive, while leverage (Debt) has negative effect on the profitability of organizations. In a high-rank study accomplished by (TITMAN & WESSELS, 2018) on the issue of "The Determinants of Capital Structure Choice" disclosed that firm size has negative impact on STD ratio while Non-debt tax shield, Growth opportunities, earnings volatility and collateral value have no effect on the firm's debt ratio. Debt and firms size are positively linked with the profitability of firms and the profitability of firms also affected by the nature of their industry, in which they compete (Singapurwoko&Mustofa El-Wahid, 2020).

Khan et al. (2013) inspected the capital structure, financial performance and their effect on stock returns. After analyzing the data from 69 listed textile firms of Pakistan, they reveals that leverage, ROE, EPS, and Cash low ratio have positive effect on the return of firm's stock. Capital structure of a textile firms in pakistan is positively linked with the wealth of stockholders (Stock price) and performance of organizations (ROA, ROE and EPS) (Mujahid&Akhtar, 2014).

San &Heng, (2020) critically investigated the relationship between corporate performance and capital structure by using the data from construction sector of Malaysia. They disclosed that EPS and debt to capital have negative link between them in large and small firms, while return on capital and debt to equity market value, EPS and long-term debt to capital have positive link particularly for large firms. In medium size firms, there is a positive relationship between OM and LDCE (Long term debt to common equity). The volume of debt in capital structure of firms in Jordan has negative and remarkable effect on the performance of companies, when performance is evaluated both in accounting based (ROA) and market based (Tobin's Q) measures (Zeitun&Tian, 2017). Hijazi & Tariq, (2016) explored the determinants of capital structure in the Cement sector of pakistan. The outcome communicated that profitability and firm's size has a negative link with the leverage while there is positive association between tangibility, growth and leverage. The contemporary investigation conducted by (Amara & Aziz, 2014; Khanam et al. 2014) divulged the inverse relationship on profitability (ROA, ROE) by the degree of debt in capital structure in the food sector of Pakistan. Financial leverage and profitability has a negative linkage in between them in the life insurance sector of Pakistan (Ahmed et al. 2021).

METHODOLOGY

The study utilized ex-post facto research design. It was carried out in Nigeria and only money deposit banks firms active for the 15 year study period (2013-2022) on the floor of the Nigerian Stock Group were employed. The study population covered 22 deposit money banks, in Nigeria as at 31[ist] December, 2022.

The sample via purposive sampling is made up of only 5 deposit money banks. *Note.* A sample of five banks was selected in order to guarantee the accuracy and reliability of the result of the study. The basis for the selection is availability of data as at the time of this study. Multiple regression analysis was used as the main tool of analysis for test of hypotheses formulated for the study while t-statistics was used as a supporting tool of analysis also used to test effect of the independent variables on the dependent variable. Considering the underlying objectives of the study, the model for this study is specified as;

$$SHV_{it} = \beta_0 + \beta_1 TDBT_{it} + \beta_2 EQTS_{it} + \beta_3 TRDP_{it} + \beta_4 EQR_{it} \, C_{it} + \varepsilon_{it}$$

Where SHV shareholders value= TL-TA

TDBT- total debt= TD/TA

EQTS= Equity securities=TA-TL

TRDP Trade payables=opening and closing trade payables/2

EQR Equity ratio=TL/shareholders equity

β_0 is the constant term or intercept for firm i in the year t. β_1, β_2, and β_3 are linear regression coefficients to be estimated. c_{it} is the non-observable individual effect while ε_{it} is the disturbance or error term for firm i in the year t.

RESULTS

Table: Descriptive statistics

	SHV	TDBT	EQTS	TRDP	EQR
Mean	1.540365	5.716447	6.086752	6.032760	6.254509
Median	-0.094215	5.768857	6.297259	6.030468	6.292953
Maximum	6.025710	6.864461	6.871928	7.376179	7.388687
Minimum	-1.698970	4.291768	4.989356	4.419146	5.162364
Std. Dev.	3.106131	0.814679	0.588374	0.801912	0.550535
Skewness	0.633204	-0.312139	-0.652635	-0.386083	0.286670
Kurtosis	1.560136	1.865030	2.232002	2.383337	2.459729
Jarque-Bera	7.660412	3.495580	4.778231	2.034406	1.292943
Probability	0.021705	0.174158	0.091711	0.361605	0.523891
Sum	77.01824	285.8223	304.3376	301.6380	312.7254
Sum Sq. Dev.	472.7545	32.52141	16.96299	31.51011	14.85137
Observations	50	50	50	50	50

The summarized descriptive statistics of the explained and explanatory variables as presented in Table 4.2 below for the period 2013 to 2022, revealed the following observations. First, the shareholders value is reported to have a mean (median) value of 1.540365 (-0.094215) and standard deviation of 3.106131. Equally, the mean of shareholders value is about 1.540365 or above 100% and the mean of total debt is 5.716447 or above 100%, the mean of equity security is 6.086752 or below 100%, the mean of trade payable is 6.032760 which is also below 100% and the mean of retain earnings is 6.254509 which is also below 100%. The result indicated that in the average of every ₦5.768857K of TDBT, ₦6.297259K of EQTS, ₦6.030468K of TRDP and ₦6.292953K of RE was earned as shareholders value. The maximum values

of these series are 6.025710, 6.864461, 6.871928, 7.376179 and 7.388687 for shareholders value, total debt, equity security, trade payable and retained earnings respectively. The minimum values are; - 1.698970, 4.291768, 4.989356, 4.419146 and 5.162364 for shareholders value, total debt, equity security, trade payable and retained earnings respectively. The value of skewness and Kurtosis reveals the extent normality is achieved in the distribution. Table 1 reveals that the observed distribution for Earning per share, Equity Security, Trade payable, Retain earnings and total debt respectively have skewness co-efficient of 0.633204, -0.312139, -0.652635, -0.386083 and 0.286670 respectively, which are not in excess of unity. The table further indicates that Kurtosis coefficient for shareholders value, total debt, equity security, trade payable and retained earnings respectively are; 1.560136, 1.865030, 2.232002, 2.383337 and 2.459729 respectively.

Dependent Variable: SHV				
Method: Panel Least Squares				
Date: 11/05/23 Time: 05:54				
Sample: 2013 2022				
Periods included: 10				
Cross-sections included: 5				
Total panel (balanced) observations: 50				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TDBT	1.382986	0.183217	7.548348	0.0000
EQTS	0.833585	0.167418	4.979062	0.0011
TRDP	0.093947	0.019843	4.734520	0.0002
DTER	0.713599	0.013423	4.889020	0.0017
R-squared	0.618094	Mean dependent var		1.540365
Adjusted R-squared	0.545078	S.D. dependent var		3.106131
S.E. of regression	3.164638	Akaike info criterion		5.218573
Sum squared resid	460.6869	Schwarz criterion		5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.		5.276822
Durbin-Watson stat	1.851265			

Source: Author's Computation from E views 9.0, 2023

DISCUSSION OF FINDINGS

Result of hypothesis one shows that total debt has positive and significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 7.548348 was greater than 2.0 and probability value of 0.0000 which is less than 0.05. This result is in agreement with the study of Anup and Suman Paul (2021) on effect of capital structure on firms value in Dhaka stock exchange and Chittagong stock exchange of Bangladesh for the period 2004-2021. They found that there is a strong positive correlated association. It is also in line with the study of Arowoshegbe and Emeni (2014) on the relationship between shareholders value and debt equity mix of quoted companies in Nigeria which showed a significant negative relationship between shareholder's wealth and debt equity mix. The study is also in consonant with the study of Mujahid (2014) on effect of capital structure on the firm's financial performance and shareholders' value in textile sector of Pakistan which revealed that the capital structure positively impacts the firm's financial performance and shareholders' value.

Result of hypothesis two shows that equity securities have significant effect on shareholders' value in the

Nigerian deposit money banks with t-statistics of 4.979062 was greater than 2.0 and probability value of 0.0011 which is less than 0.05. This result is in agreement with the study of Raize (2015) on effect of firms' financial performance was also analyzed, which showed that TDR and STDTA have a negative influence on the firms ROA while DER and LTDTA has a negative but insignificant influence on ROA. It is also in agreement with the studies of Sheikh & Wang, (2021) on financing behavior of textile firms in Pakistan which disclosed that amount of debt in capital structure negatively affect the profitability. The study equally agrees with the results of Mirza & Javed, (2013) on determinants of financial performance in Pakistan. The end results divulge that performance of the firm (ROE) is positively affected by DER, whereas negatively affected by LTDTA and STDTA.

Result of hypothesis three shows that trade payable have significant effect on shareholders value in the Nigerian deposit money banks with t-statistics of 4.734520 was greater than 2.0 and probability value of 0.0001 which is less than 0.05. This result is in agreement with the study of Raheman et al. (2017) on the link between capital structure and profitability. The data from the 94 non financial firms for a phase of 6 years (2010-2015) was put in use. They employ the regression and correlation analysis and made known that equity and firm's size has positive, while leverage (Debt) has negative effect on the profitability of organizations. The result is also in agreement with the study of Khan et al. (2013) inspect the capital structure, financial performance and their effect on stock returns, which shows that capital structure of a textile firms in pakistan is positively linked with the wealth of stockholders (Stock price) and performance of organizations (ROA, ROE and EPS). It agrees with the studies of San &Heng, (2020) on the relation between corporate performance and capital structure by using the data from construction sector of Malaysia. They disclosed that EPS and debt to capital have negative link between them in large and small firms, while return on capital and debt to equity market value, EPS and long-term debt to capital have positive link particularly for large firms. This result is in agreement with the study of Hijazi& Tariq, (2016) on determinants of capital structure in the Cement sector of pakistan. The outcome communicates that profitability and firm's size has a negative link with the leverage while there is positive association between tangibility, growth and leverage.

Result of hypothesis four shows that debt to equity ratio has significant effect on shareholders' value in the Nigerian deposit money banks with t-statistics of 4.889020 was greater than 2.0 and probability value of 0.0017 which is less than 0.05. This result is in agreement with the study of YUSUF et al. (2014) on capital structure and profitability within the context of Nigerian firms. The end result disclosed that ROE and Debt to equity has noteworthy relation while, ROE and DAR, ROA and DAR, and ROA and DER have trivial relation. It is also in agreement in line with the study of Tayyaba, (2013) on scrutinizing the leverage and their association with profitability of firms. The outcome of this investigation is striking as it revealed that financial leverage has a positive effect on both ROE and ROA. The finding also claimed that on accounting and market based measure, firms with high leverage have less risk. The performance (Market Efficiency or Q) of Palestinians banks is positively linked with the leverage.

This is in agreement with the studies of Salehi and Biglar, (2019) on the link between Performance and Capital structure of 117 listed firm of Iran. The end result disclosed that debt have an inverse linkage with performance and profitability of firms. In an empirical investigation carried out in Sri Lanka By (Pratheepkanth, 2020) on that issue unveiled that financial performance (ROA, Net profit and ROI) of companies is negatively related with the Capital structure. It also agrees with the study of Ahmad et al. (2012) on capital structure effect on firm performance. The findings revealed that Short term debt and long term debt has noteworthy link with profitability measures such as ROA while remarkable positive tie-up was unveiled between ROE and LTD.

CONCLUSION

Based on the findings of the study, it is evident that various financial factors have a positive and significant

effect on shareholders' value in the Nigerian deposit money banks. These factors include total debt, equity securities, trade payable, and the debt to equity ratio. The positive and significant relationships between these financial variables and shareholders' value indicate that they play a crucial role in shaping the financial performance and value creation in these banks Further, optimal Debt Management: Nigerian deposit money banks should carefully manage their total debt levels. While debt can provide necessary financial leverage, it should be kept at manageable levels to avoid excessive financial risk. Banks should monitor their debt structures and ensure they are sustainable over the long term. Emphasize Equity Investments: Given the positive impact of equity securities on shareholders' value, banks should consider emphasizing equity investments as part of their financial strategy. This could involve seeking opportunities for equity capital injection or optimizing their existing equity portfolios. Effective Management of Trade Payables: The study underscores the importance of trade payables in enhancing shareholders' value. Banks should manage their trade payable obligations efficiently, striking a balance between timely payment and preserving cash flow. This could include optimizing supplier relationships and payment terms. Debt-to-Equity Ratio Management: Banks should pay close attention to their debt-to-equity ratios. While some level of leverage can be beneficial, it should be carefully managed to maintain a healthy balance. Banks should consider periodic reviews of their capital structure and make adjustments as necessary.

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