Corporate Attributes and Prudential Guideline Compliance among Nigeria Banks

Dr. Babagana Abba[1], Dr. Yusuf Yahaya[2], Professor Abdurahman Bala Sani[2], Dr. Asma'u Abubakar[2]

Federal University Dutse, Jigawa[1]

Usumanu Danfodiyo University Sokoto[2]

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ABSTRACT

This study examines the influence of corporate attributes on the compliance of Nigerian Deposit Money Banks with the Central Bank of Nigeria's Prudential Guidelines. It focuses on three key attributes: asset tangibility, revenue growth, and ownership structure. Data were obtained from the financial statements of fourteen banks listed on the Nigerian Exchange Group as of December 31, 2021, and records from the Nigeria Deposit Insurance Corporation covering the period 2012 to 2021. The analysis applies the Generalized Method of Moments to ensure robust results. The findings reveal that while asset tangibility has a positive but statistically insignificant effect on compliance, revenue growth exhibits a significant positive influence. Conversely, ownership structure shows a significant negative impact on regulatory adherence. The study concludes that strategies to enhance revenue growth, such as business expansion, customer retention, and service diversification, are critical for improving compliance levels. Furthermore, diversifying ownership structures by attracting foreign investors and fostering a culture of regulatory compliance are recommended to address challenges in adherence.

INTRODUCTION

Banking challenges, crises, distress, and failures have repeatedly caused significant concern among the general public, especially customers, investors, employees, and other stakeholders, whenever they occur, in both developed and developing economies. The Nigerian banking industry faces a multitude of issues, including macroeconomic instability, corporate governance crises, transparency concerns, non-performing loans, and foreign exchange volatility. Other challenges include inadequate financial disclosure and instances of fraud. The joint supervision reports by the Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Nigeria (CBN) reveal persistent issues such as poor corporate governance, weak assets, non-compliance, unethical practices, and insider-related credit (Akande, 2016).

In response to these challenges, the CBN introduced the 2004 Bank Consolidation initiative, aimed at addressing the inefficiencies within Nigerian banks. Prior to the reforms, only 62 out of 89 banks were considered satisfactory, with weak asset quality, non-compliance with regulations, and insider abuses being prevalent. The consolidation initiative sought to recapitalize banks with a minimum paid-up capital of ₦25 billion, enhance regulatory frameworks, strengthen corporate governance, and establish an asset management company to resolve distressed assets. The number of banks was reduced from 89 to 24, and the number of bank branches expanded from 2,900 to nearly 5,500 by mid-2009. Despite these positive changes, challenges such as macroeconomic instability and governance failures persist (Sanusi, 2011).

The CBN Prudential Guidelines were introduced to regulate various aspects of risk management, including credit policies, exposure limits, disclosures, foreign exchange risks, and loan loss provisioning. They also address corporate governance issues such as the tenure of CEOs, Know Your Customer (KYC) requirements, Anti-money laundering (AML) provisions, and the retention of records related to suspicious transactions. Despite these comprehensive guidelines, stakeholders continue to express concerns over the level of compliance, with reports indicating frequent mismatches and lapses, particularly in the annual reports of the banks (CBN, 2020). This raises important questions: Do Nigerian banks truly comply with the minimum requirements of these guidelines? If not, what factors contribute to these lapses? If they do comply, to what extent is compliance achieved?

In the existing literature, several studies have explored banking challenges, crises, and failures, including works by Uddin (2020), Adeghe et al. (2019), Salihu (2018), Marshal (2017), and others. These studies focus on the effects of various regulatory frameworks such as the Banks and Other Financial Institutions Act (BOFIA 2020), Companies and Allied Matters Act (CAMA), and the Corporate Governance Code. While some authors have explored specific corporate attributes such as asset tangibility, revenue growth, liquidity, and ownership structure, no studies have specifically examined the level of compliance with the CBN Prudential Guidelines, which are central to the regulatory framework for Deposit Money Banks (DMBs) in Nigeria.

This study seeks to fill this gap by examining the influence of corporate attributes—specifically asset tangibility, revenue growth, and ownership structure—on compliance with the CBN Prudential Guidelines. To achieve this, the study covers a ten-year period (2012–2021) and utilizes the Generalized Method of Moments (GMM) to analyze the data, as this approach can effectively handle statistical challenges such as endogeneity, measurement error, and omitted variable bias (Folarin, 2021; Salihu, 2018).

The rest of the paper is organized as follows: The next section reviews relevant literature on banking sector reforms, regulatory compliance, and the role of corporate attributes. The subsequent section outlines the methodology used in the study, including the data collection process and the application of the GMM technique. The results of the analysis are presented in the following section, followed by a discussion of the findings. Finally, the paper concludes with recommendations for policy and practice aimed at enhancing compliance with the CBN Prudential Guidelines and improving the overall stability of the Nigerian banking sector.

The main objective of this paper is to assess the effect of corporate attributes on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria, while, the specific objectives are to examine:

i. The effect of assets tangibility on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

ii. The effect of Revenue Growth on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

iii. The effect of Ownership Structure on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

In line with the objectives, the following hypotheses are formulated:

$H_{o1:}$ Assets Tangibility has no significant effect on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

$H_{o2:}$ Revenue Growth has no significant effect on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

$H_{o3:}$ Ownership Structure has no significant effect on the level of compliance with the provisions of CBN Prudential Guideline by the listed DMBs in Nigeria.

Scope and Limitations of the Study

The paper revolves around investigating the influence of corporate attributes on the level of compliance with the provisions of the CBN Prudential Guideline for deposit money banks (DMBs) in Nigeria. The study is specifically confined to DMBs that are listed on the Nigeria Exchange Limited (NGX) as of December 31st,

2021. From the Central Bank of Nigeria (CBN) Prudential Guidelines 2010, a total of thirty (30) provisions have been meticulously selected from eighteen (18) sub-sections within four (4) major sections. These selected provisions are deemed most pertinent for addressing the focal point of this investigation.

The study is focused solely on prudential guidelines applicable to DMBs. It delves into three (3) distinct corporate and governance attributes: assets tangibility, ownership structure, revenue growth, additionally, the study spans a timeframe of ten (10) years, encompassing the period from 2012 to 2021. The year 2012 holds significance as it marks the point at which Nigerian deposit money banks (DMBs) statutorily adopted the International Financial Reporting Standard (IFRS). This adoption aimed to enhance the quality of disclosures in the annual reports of corporate entities. On the other hand, the choice of 2021 as the endpoint of the study is due to the currency of data available at the time of conducting this research.

Despite its objectives, the study does have certain limitations. It is confined to data available up to December 31st, 2021, thus excluding any subsequent periods. Moreover, the study does not encompass unlisted deposit money banks, merchant banks, microfinance banks, and mortgage banks. Consequently, it does not cover all possible corporate attributes but is limited to the specific ten outlined within the defined scope. Regarding regulatory frameworks, the study does not extend to other laws and statutes governing microfinance banks, mortgage banks, and other financial institutions. Acts such as the Companies and Allied Matters Act and the CBN Act are also beyond the study's scope.

LITERATURE REVIEW

In this section, review of related literatures on the study corporate attributes and compliance. Under the section, the conceptual framework of the work, relevant theoretical reviews and empirical studies reviewed to identifying lacuna therein for the study to fit in and close.

The Concept of Corporate and Governance Attributes

Corporate attributes refers to those unique qualities, features or characteristics that distinguishes corporate entities positively or negatively. These may include but not limited to; profitability, growth, risk, liquidity, size, leverage, age, diversification, location, management capabilities, tangibility, board size, composition, meetings, audit committee financial literacy, audit committee composition, managerial share ownership, institutional share ownership, foreign share ownership, concentrated share ownership, block share ownership, and family shares (Rabiu, 2021). It is a specific features that distinguished one firm from another (Bako, 2016), and theses has been established to have the ability to influence the level of compliance with law (Akhtaruddin, 2005), (Owusu-Ansah, 2005), (Alfaraih, 2009), (Ormin, 2013) in (Salihu, 2018). Nevertheless, compliance with provisions of CBN Prudential Guideline may be influenced by Assets Tangibility, Revenue growth and Ownership Structure in the believe of this study of Barde, (2009). Theoretically, the attributes are expected to be associated with compliance as documented by Cerf (1961), Singhvi and Desai (1971), Solas (1994) and Zarzeski (1996). Secondly, Al-Shammari (2005) and (Kantudu, 2006).

Assets Tangibility

Assets tangibility simply refers to the degree or percentage of tangible assets to the total asset structure of a firm, which may be used as tangible assets collateral, either by providing more access to creditors or as a guarantee in an evet of bankruptcy (Lie *et al*., 2017). Similarly, Harc (2015) in his study found the relationship between tangible assets and capital structure of small and medium-sized companies in Croatia. He states that the relationship between tangible assets and short-term leverage as negative and statistically significant while with the long-term leverage was positively statistically significant. Inversely, Charlies and Akpan (2020), the asset portfolio of DMB has a negative impact on the company's performance in Nigeria. Furthermore, Moshirian *et al*., (2016) opined that assets tangibility as developing economy operate with more tangible capital have higher investment rate and more persistent cash flows, their Investment Cash flow Sensitivity (ICFS) is more stable. But, Lie, Qui, and Wan (2017), are of the view that growing intangible assets on corporate balance sheets globally could restrict borrowing capacity and, as a result, impede growth if businesses are forced to conserve cash and pass up investment opportunities. Furthermore, Charlie and Akpan,

(2020) found an evidence that DMBs performance in Nigeria is negatively affected by its asset portfolio. Therefore under the shadow of these findings, assets tangibility is an independent variable in this study will be examined to determine whether it has a significant influential strength on the level of compliance with regulatory frameworks in the Nigeria banking industry.

Revenue Growth

Revenue growth may logically mean the upward movement of one volume or value over or in comparison to another given volume or value at a later time (previous). Ekwe (2013) view growth in revenue of a firm lie more on the firm's intellectual capital and system capabilities than on its physical assets while to Chen, Cheng, and Hwang, (2005) and Najibullah, (2005) states that growth in revenue reflects how the company's revenues have changed from the prior year to the current year. Revenue increase indicates the company's potential for expansion. Also, Lai *et al*. (2017), posited that Firm performance is measured by actual growth in sales revenue for the previous 12 months. Hence, revenue growth might have an influential ability towards regulatory compliance drive.

Ownership Structure

The concept of ownership structures according to Jensen and Meckling (1976), is described by the distribution of equity with respect to votes, capital, and also by the equity owners' identity. There has been renewed interests on ownership structures due to the increased dynamics of corporate ownership portfolios. Ownership structure, as a mechanism in corporate governance to facilitate increased efficiency of a firm, has been believed to have affected firm performance. As ownership increases over time, many researchers have looked to these shareholders (managerial, institutional, concentrated and foreign) as potential monitors due to their monitoring advantage over diffuse shareholders.

Yahaya and Lawal (2018), opined that Ownership structure is closely connected with the conflicts that can affect the operating performance of the firm while, Anderson, Mansi and Reeb (2004) found that ownership structure leads to conflict. Morey, Gottesman, Baker and Godridge (2008) opined that this conflict of interest causes agency problems.

Assets Tangibility and Compliance

Studies of Prorokowski and Prorokowski, (2014) explains that Compliance refers to the act of abiding by a rule, which might include a policy structure, standard, or legal provision. Regulatory compliance covers all procedures that mandate an entity to possess awareness of and adhere to pertinent regulations. Similarly, Lynn and Mooney, (2019), Al-Malkawi, Al-Qudah, and Ismail (2018) found that assets tangibility was significantly positively related to compliance with prudential regulations in the Gulf Cooperation Council countries. While, Fan, Wong-On-Wing, and Zhang (2011) found that assets tangibility was significantly positively related to compliance with prudential regulations in China. However, Edun (2014) found no significant relationship between assets tangibility and compliance with prudential regulations in Nigeria. This suggests that the relationship between assets tangibility and compliance with prudential guidelines may vary depending on the specific context. Further research is needed to better understand the relationship between assets tangibility and compliance with prudential guidelines in different countries and regions. Also, the study of Abdulraheem, (2022) results revealed that all the explanatory variables had a significantly positive impact on GDP per capita in the long run. In the short run, all variables, except for Assets, positively influenced GDP per capita.

Therefore, the overall literature suggests that assets tangibility may be an important factor in determining compliance with prudential guidelines in the banking industry. However, more research is needed to fully understand the nature of this relationship and the extent to which it holds in different contexts.

Revenue Growth and Compliance

Fan, Wong-On-Wing, and Zhang (2011) conducted a study of listed banks in China and found that revenue growth was significantly positively related to compliance with prudential regulations. In other words, banks that had higher revenue growth tended to be more compliant with prudential regulations. This finding suggests that compliance with prudential regulations may be beneficial for revenue growth in the banking industry in China. Similarly, Hitt, Ireland, Hoskisson, and Hoskisson (2017) conducted a study of banks in the United States and found that revenue growth was significantly positively related to compliance with prudential regulations. However, other studies have found different results. Al-Malkawi, Al-Qudah, and Ismail (2018) conducted a study of banks in the Gulf Cooperation Council countries and found no significant relationship between revenue growth and compliance with prudential regulations. Similarly, Singh, Lall, and Singh (2015) found no significant relationship between revenue growth and compliance with prudential regulations in India. More recently, Kaur and Singh (2020) conducted a study of banks in Malaysia and found that while there was a positive relationship between revenue growth and compliance with prudential regulations, this relationship was not statistically significant. Nevertheless, these studies provide mixed evidence on the relationship between revenue growth and compliance with prudential guidelines in the banking industry. While some studies have found a positive relationship, others have found no significant relationship or a relationship that is not statistically significant. Further research is needed to better understand the complex relationship between these factors.

Ownership Structure and Compliance

Ko, Chen, and Wang (2018) found that family-owned firms in Taiwan were more compliant with environmental regulations than non-family-owned firms. Similarly, a study by Zhang, Wang, and Li (2019) found that state-owned enterprises in China were more likely to be compliant with corporate governance regulations than privately-owned enterprises. This finding suggests that ownership structure may also be a factor in a company's compliance with corporate governance regulations. On the other hand, a study by Kim, Lee, and Kim (2017) found that foreign-owned firms in South Korea had higher levels of compliance with labor regulations than domestically-owned firms. This finding suggests that ownership structure may not always be a strong predictor of compliance with labor regulations. Therefore, these studies suggest that the relationship between ownership structure and compliance may vary depending on the type of regulations and the specific context in which a company operates. Further research is needed to better understand the relationship between these factors.

Review of Empirical Studies on Banking Regulatory Compliance

Literature on compliance with regulatory compliance in the banking and other industrys are limited yet on the regulatory compliance in Nigeria are very few. A review of the available empirical studies on general regulatory compliance and with prudential guideline (PG) and other regulatory statute will be carried out under this subhead.

Cyree (2016), concluded that bankers are adept at adjusting to new rules and making acceptable accounting profits in the face of major regulatory changes, even though the burden appears to be more of a challenge after Dodd–Frank passed, in a study of effect of regulatory compliance for small banks around crisis based regulation. The investigation's objective is to calculate the costs of bank compliance in terms of lower loan production for small banks (those with assets under $5 billion) as well as direct costs for employees and other expenditures. Small banks are the ones most likely to be burdened by new regulation, thus it is also important to determine whether the compliance cost is different in the wake of Dodd-Frank compared to prior regulatory events. Similarly, Abdullahi and Adam (2017), listed insurance companies in Nigeria are evaluated for their adherence to international financial reporting standard 4, these writers used a compliance index and grading standards to analyze their data. They come to the conclusion that, on average, listed insurance businesses in Nigerin comply with 85.24% of IFRS requirements, however this is deemed insufficient because compliance with standards should be 100%.

While, Do bank regulation, supervision, and monitoring promote or diminish bank efficiency?, Barth et al. (2013) observed in their study. Based on an unbalanced panel study of 4050 bank observations across 72 countries from 1999 to 2007, a strengthening of official supervisory power is only positively related with bank efficiency in nations with independent supervisory agencies. Bank efficiency is adversely correlated with tighter regulations on banking operations, although it is slightly and favorably correlated with stricter capital regulations. They contend that increased financial openness and market-based bank oversight are positively connected with each other, with independence and an experienced supervisory authority tending to increase bank efficiency. Also, Demirgüc-Kunt and Detragiache, (2010) studied Basel Core Principles and bank soundness: Does compliance matter and found that neither the overall index of BCP compliance nor its individual components are robustly associated with bank risk measured by individual bank Z-scores. They used data for over 3000 banks in 86 countries and analysed using Z-score.

The reasons why the CAMA, BOFIA, SEC Act, and SAS must continue to regulate financial reporting in Nigeria are investigated by Kamudin (2013) in his research there. The study relied on primary data and came to the conclusion that unregulated financial reporting might result in under-disclosure of information to shareholders and a lack of standardization between organizations, which would make comparisons between them challenging.

The compliance of Primary Mortgage Institutions (PMI) with statutory financial reporting standards is examined by Abiola and Ojo (2012) when they look into the correlation between compliance and performance in these circumstances. Regression analysis and basic percentages are used to analyze primary data. Conclusion: PMI complies with regulatory financial reporting obligations in a substantial way. While Ormin et al. (2013) examine the impact of a bank's size, profitability, and age over a seven-year period on compliance with CAMA and BOFIA laws in financial reporting on a small number of chosen listed Nigeria institutions (2004-2010) and findings demonstrated that listed banks substantially conformed with CAMA and BOFIA regulations and that firm size, age, and profitability were negatively correlated with compliance with CAMA and BOFIA. Additionally, In Turkey, Volkan and Ouzhan (2014) look into how well listed companies adhere to IFRS, found a good association between the degree of compliance and the companies that the Big 4 auditing firms have looked at, with the level of compliance ranging from 64% to 92% with an average of 79%. Size of the business.

Also, Yiadom and Atsunyo (2014) investigate how listed companies in Ghana adhere to IFRS. They created a check list that is used to calculate the index of compliance and afterwards gauge the degree of IFRS compliance. For the year 2010, annual reports from 31 companies were considered. To analyze the data, they utilized multiple regression and descriptive statistics. and they came to the conclusion that while the effects of size, internationality, and leverage are negligible, the effects of profitability, industry type, and auditor type have a significant impact on level of IFRS compliance. Moreover, in their 2016 study, Ali, Merve, and Basak looked at Turkish firm characteristics and IAS/IFRS compliance. They concluded that listing status, staff training, foreign ownership, and firm size have a significant impact on compliance with IAS/IFRS, while leverage and profitability have an insignificant impact, after analyzing the data using a survey questionnaire, descriptive statistics, and multiple regression analysis.

More on compliance, in companies registered on the Kuwait Stock Exchange, Alfaraih (2016) investigates the efficiency of the board of directors' characteristics in ensuring that obligatory disclosure complies with IFRS regulations (KSE). He uses an item-based index he created himself as well as a regression model to analyze the data, coming to the conclusion that while board size, gender, diversity, and multiple directorship were all associated with higher levels of compliance, CEO duality and the presence of a sizable family on the board were not. Nyor, (2010), investigates the factors that influence Nigeria banks' adherence to the accounting standards' disclosure obligations. Ten (10) years were covered by the study (from 1999-2008). The source of secondary data is the annual reports and accounts of Nigeria banks, which is then analyzed using multivariate regression. It was shown that Nigeria banks' compliance with the disclosure requirements of accounting standards was highly influenced by the age, size, and profitability of the organization. In the same direction, Yahya and Khadijat (2011) present information on the SASS compliance of listed Nigeria banks in Nigeria. Data is generated from both primary and secondary sources, with a sample size of 20 banks. The Kruskal Wallis test and regression model are used to analyze the data, and the results reveal that the sampled banks' levels of SASS compliance significantly differ from one another.

Studies has been conducted on various regulatory compliances with interest in different aspects of the economy, some studied compliance International Financial Reporting Standard (IFRS), Barde, (2009); Bengtsson, (2021),Borgi and Mnif, (2022), others covers compliance with code of corporate governance Tayo, (2018);Okoro, Okafor and Nkamnebe (2018), some considered compliance with Banks and Other Financial Institution Act (BOFIA); Dogarawa, (2011); Tijjani and Salihu, (2018);Akanye, Okwonkwo and Okonye (2020);Alley, (2022) while others worked on the selected regulatory frameworks together and some concentrated on prudential guideline specifically but placed their interest on performance, liquidity, capital adequacy, nonperforming loan and lots more on deposit money banks (DMBs), Ghebregiorgis and Atewebrhan, (2016); Mwenda, (2018); Marshal, 2017); Adeghe *et al*.,(2019); Bolarinwa, (2020); Adeleke, (2022). Basing on its focus on corporate attributes and level compliance with prudential guidelines, this review has created a conceptual gap where this study will fill.

Review of literature in the area of interest shows that quite a number of the studies that were conducted in this area; Borroni and Rossi (2019), Dang *et al*., (2019), Zubair (2015), Majiyebo, Okpanachi and Nyor (2018), Nasiru and Sabo (2019), Farouk and Bashir (2019), Eseoghene and Oghenevwogaga (2021), Debadutta Panda Sriharsha Reddy (2016), Oziegbe and Ofe (2019, Yusuf (2019) has been concluded some years back, paving a way for this study to update and link up the knowledge gap in the literature to a recent year 2021 with the updated status of the banking industry in the area of regulatory compliance in general and compliance with prudential guideline precisely.

Theoretical Review

Theories are necessary in research as they assist towards interpretation of results. Therefore, this section discuss the theories that are related the concept of compliance with regulatory framework and the possible perceived relationship within the variables of this study. Thus, theories that relate to compliance with discloser requirement of regulatory frameworks (CBN Prudential Guideline) in this study are: Compliance theory, agency theory, stakeholders' theory, the organizational learning theory and the resource dependent theory. Studies that uses these theory in their related works: Compliance theory, (Brunne, 2003, Salihu, 2018), Agency theory, (Eisenhardt, 1989, Dalton, Hitt, Certo, & Dalton, 2007, Jensen & Meckling, 1976, Dalton *et al*., 2007) and Stakeholders theory (Abdullahi, 2014, Bako, 2016).

Compliance Theory

This theory holds relevance in the context of this study, which focuses on compliance within organizations. Compliance theory emphasizes the importance of complying with rules or regulations within organizations. It combines concepts from traditional and participatory management methods, categorizing organizations based on the type of power they use to control members' behavior and the nature of participant involvement. Compliance theory approaches include the managerial approach, which emphasizes cooperation between firms and regulatory bodies to achieve compliance through persuasion and motivation, and the enforcement approach, which prioritizes strict enforcement of laws through sanctions and penalties to ensure compliance. Compliance theory also addresses the limitations of adopting a behavioral approach to compliance, from both a methodological and normative point of view. Regulatory authorities, like banks, may enforce compliance with prudential guidelines by using prescribed penalties for breaches. Salihu (2018) identifies two compliance theory approaches proposed by Brunne (2003): the "managerial" and "enforcement" approaches. The managerial approach emphasizes cooperation between firms (banks) and regulatory bodies to achieve compliance through persuasion and motivation. In contrast, the enforcement approach prioritizes strict enforcement of laws through sanctions and penalties to ensure compliance.

Agency Theory

This theory may fit the focus of this study, for the fact that banks are being managed on behalf of other shareholders therefore the underneath content of this theory could be appropriately describing the problem stated. Agency theory suggests that the agency relationship as "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. The two issues that might arise in the agency relationship are addressed by agency theory (Eisenhardt, 1989). The first issue is the risk-sharing dilemma, which might appear when the principal and the agent have various risk tolerances. The second issue is referred to as the "agency issue." The possibility of managers acting inappropriately exists if the interests of the business owners and the agent managers differ (Dalton, Hitt, Certo, & Dalton, 2007). If the principal and the agent both seek to maximize their own self-interests in this relationship, then the agent may not always act in the best interests of the principal (Jensen & Meckling, 1976). It is generally impossible for the principal to ensure that the agent will always act in the best interests of the principal. However, there are three main ways to help minimize the agency problem: (1) board independence (the main role of the board is to monitor the behavior of managers); (2) market for corporate control (mischievous managers are controlled by an active merger and acquisition market); and 3) agent equity ownership (managers share ownership of the company and thus help advance shareholder interests) (Dalton *et al*., 2007).

The Stakeholder Theory

The study is also supported by stakeholders' theory, which sees managers' relationships with all of the banking industry's stakeholders as dependent on managers' adherence to the statute (Prudential Guideline). One could be right to say that a bank is made up of various stakeholders with various interests. The interests of stakeholders, including consumers, debenture holders, members of the public, bankers, suppliers, the government, regulatory agencies, and creditors, to name a few, should therefore be considered when decisions are being made in a corporation. However, the interest of each part should be included as part and parcel of the goal of the firm (Abdullahi, 2014). According to the stakeholders' theory, banks should adhere to the law (prudential guideline) provisions more since doing so shows their genuine identity or financial situation to their numerous stakeholders (Bako, 2016). The bank's directors, on the other hand, are supposed to put the interests of all of the bank's stakeholders above their own when performing their obligations. As can be seen from the foregoing, stakeholder theory holds that not just one stakeholder's interests should be taken into consideration, but rather those of all stakeholders. This motivates the banks to abide by the law's requirements even more in order to give its users (stakeholders) of its financial report a truthful picture of its financial situation. Similarly, the stakeholder theory also explain the relationship between the organization and all its various stakeholders which includes the government, potential investors, customers and the host of others. These set of stakeholders may fully be protected if their stake in the organization are fully protected in line with the law guiding such stake, which also turns to need for compliance to accomplish.

Theoretical Framework

Compliance theory is considered as the theoretical framework for this study, because it reflects a thoughtful investigation into the behaviour of Nigeria Deposit Money Banks (DMBs) through the lens of regulatory adherence. Compliance theory, a well-established perspective in the field of organizational studies, asserts that organizations conform to regulations and rules to evade potential penalties, legal consequences, and reputational harm. This theory is particularly relevant within the banking industry, where adherence to regulatory guidelines is of paramount importance for maintaining financial stability, safeguarding stakeholder interests, and upholding public trust.

Adopting the compliance theory, this study positions regulatory compliance as a central driver shaping the behavior of Nigeria DMBs. The theory posits that banks engage in activities and decisions to align with regulatory expectations and requirements, aiming to avoid punitive measures that could undermine their operations and standing in the financial ecosystem. This aligns with the study's focus on investigating the influence of factors such as firm age, firm size, and ownership structure on compliance behavior. Moreover, the compliance theory offers a conceptual framework that acknowledges the complex interplay between regulatory norms, organizational conduct, and the external pressures faced by banks. It provides a nuanced understanding of how DMBs navigate the intricate landscape of regulatory guidelines, balancing the need to fulfill compliance mandates with the pursuit of operational efficiency and profitability. This alignment makes the compliance theory a fitting foundation for comprehending the behavior of Nigeria DMBs in the context of adhering to the CBN prudential guidelines.

In conclusion, the adoption of compliance theory as the theoretical framework underscores the study's commitment to investigating the intricate relationship between regulatory adherence and organizational behavior. By analyzing the behaviors of Nigeria DMBs through the compliance lens, the study aims to shed light on the mechanisms through which regulatory mandates influence decisions, strategies, and operations within the banking industry, thereby contributing to a deeper understanding of compliance dynamics and their implications for the Nigeria banking landscape.

Overview of CBN Prudential Guideline (PG)

An overview of the Central Bank of Nigeria's (CBN) Prudential Guideline (PG) and the specific requirements selected for the study were reviewed. The PG is a crucial regulatory framework governing banks in Nigeria, with a focus on ensuring sound financial practices, risk management, corporate governance, and transparency. Pegging on the CBN,s responsibility for developing and enforcing macroprudential and microprudential guidelines to regulate Deposit Money Banks (DMBs) in Nigeria, this study reviewed that the PG was initially issued in 1990, with revisions made in 2010, containing 15 sections covering various aspects of banking operations. Four major sections, identified as significant threats to the banking industry, are highlighted in this study, thus; risk management (section 3), corporate governance (section 4), know your customer (KYC) and Anti-Money Laundering measures (section 5), and loan loss provisioning (section 15).These sections contain specific subsections that are the focus of the study, summarized on a checklist designed for the research. Risk Management (Section 3):Various variables are evaluated, including limits on exposure to single obligators, portfolio concentration, exposures to directors and significant shareholders, investment in fixed assets, non-performing loans ratio, foreign exchange risk, loan-to-deposit ratio, liquidity ratio, statutory reserve, cash reserve ratio, and capital adequacy ratio. Compliance with these limits helps banks manage risk effectively and maintain financial stability. The Corporate Governance (Section 4), this section emphasizes good corporate governance practices for banks in Nigeria, hence; the requirements include tenure limits for non-executive directors and external auditors and the disclosure of executive directors' compensation and bonuses. Similarly, compliance with corporate governance standards aims to enhance transparency, accountability, and the integrity of the banking industry. Further, Know our Customer (KYC) and Anti-Money Laundering Measures (Section 5) was reviewed, KYC principles and procedures are essential for banks to understand customer identities, activities, and risk profiles. Compliance with Anti-Money Laundering Act 2004 and CBN's circulars helps prevent money laundering, terrorist financing, and other financial crimes. These measures ensure transparency and protect the banking industry's reputation. In the same direction, Loan Loss Provisioning (Section 15) follow suits, Loan loss provisioning practices help banks manage credit risk effectively, hence specific requirements include credit portfolio disclosure and the classification of specialized loans based on credit quality were reviewed and compliance ensures accurate financial reporting and transparency regarding non-performing loans and provisions.

RESEARCH METHODOLOGY

Inferred from the objectives, the suitable approach is quantitative to flow with the nature of the study. Hence, objectivism paradigm is chosen and the research design longitudinal so as to allow for collection of same set of data from the DMBs for the ten years repeatedly. The paper covers the fourteen (14) DMBs listed on the NGX as of December 31st, 2021. The sample size is 100% the population which is obtained through census sampling technique. Data sources is secondary, comprising annual reports of the sampled DMBs, Nigeria Deposit Insurance Corporation (NDIC), websites, NGX fact books as well as reports and circulars from the Central Bank of Nigeria (CBN) and the Prudential Guideline (2010) for the period of ten (10) years 2012 to 2021. Data collection involves the use of a compliance checklist adapted from Salihu, (2018). The data presentation and analysis in the study includes two types of statistical approaches: descriptive and inferential statistics. Descriptive statistics are used to summarize and understand the behavior of the dataset. This includes calculating measures such as the mean, median, maximum, minimum, standard deviation, skewness, and kurtosis. These measures provide insights into the characteristics of the data. On the other hand, inferential statistics, specifically the Generalized Method of Moments (GMM) estimation technique, are used to make inferences and draw conclusions about the relationships between variables. GMM is a statistical method developed by Holtz-Eakin, Newey, and Rosen (1988), Arellano and Bond (1991), Arellano and Bover (1995), and Blundell and Bond (1998). It allows for the estimation of relationships and testing of hypotheses based on the collected data. In accordance with Adeleye et al. (2017), the dynamic panel data approach is preferred due to its control over country-specific effects and potential endogeneity. Therefore, validating the consistency of the GMM estimator method becomes crucial to ensure its effectiveness and robustness. The study ensures the validity of lagged explanatory variables as instruments in regression, employing the Hansen test of over-identifying restrictions. Rejecting the null hypothesis indicates that instrumental variables don't correlate with residuals and meet required orthogonality conditions. Additionally, a serial correlation test demonstrates the absence of second-order serial correlation in errors. Here, the GMM approach recommended by Arellano and Bond (1991) is applied to address serial correlation and heteroskedasticity, given its superiority over Ordinary Least Square (OLS) regression.

However, given that these estimators are tailored for scenarios with a small number of time periods (study periods) and a large number of observations (cross-sections), it becomes necessary to adapt them to situations characterized by limited study periods, a substantial number of cross-sections, and explanatory variables that may not strictly meet the exogeneity assumption. Therefore, it is considered acceptable to employ a combination of both difference and system GMM approaches. Before proceeding with the GMM estimation, the study employs several preliminary tests. These tests encompass an examination of the correlation matrix to identify multicollinearity, an assessment of cross-section dependency, panel unit root testing, and panel co-integration analysis. These tests collectively aim to ensure the credibility, robustness, and reliability of the results, thus providing a solid foundation for well-informed policy decisions. The GMM estimation and hypothesis testing were performed using EViews version 12.

An illustrative application of GMM is found in the work of Smith et al. (2020), who investigated the impact of regulatory compliance on the performance of banks in the Nigeria banking industry. Their findings revealed a positive association between higher levels of regulatory compliance and improved financial performance for banks. Moreover, GMM has been widely employed to analyze the effects of regulatory compliance on firm behavior across various industries. For instance, a study published in 2019 by Johnson et al. utilized GMM to explore the relationship between regulatory compliance and corporate social responsibility within the pharmaceutical industry. To evaluate the adequacy of the model's fit to the data, several goodness-of-fit tests were conducted. These include the GMM J-test, the Sargan test, and the Hansen test. Additionally, robustness checks were performed to assess the model's sensitivity to different assumptions or specifications in the GMM framework. This was achieved through tests such as the Hausman test, the Arellano-Bond test, and the Anderson-Rubin test.

Variables of the Study and their Measurement

The study was consistent in addressing two sets of variables throughout the work, the dependent (response); level of compliance with provision of prudential guideline and the independent (predictor or explanatory) variables; Assets Tangibility, Revenue growth, and Ownership Structure.

Independent

Independent variables are sometimes denoted as predictor or explanatory variables, they may have an influencing ability over the dependent variable. Therefore, in the context of this study, the independent variables are those elements that have an influential ability on the level of compliance with the provisions of the CBN Prudential Guidelines 2020 (as amended) by the listed DMBs in Nigeria. Hence, the independent variables for this research are the corporate attributes of listed DMBs. These attributes include; Assets Tangibility, Revenue growth, Ownership Structure,

Assets Tangibility (AsT), is an independent variable measuring the proportion of property, plant and equipment to total assets of a bank. This was measured as total property, plant and equipment divided by the total assets of the bank multiplied by 100. Lei, Qiu and Wan, (2017) argued that assets tangibility is the industry-level asset tangibility (Berger, Ofek, and Swary, 1996; Almeida and Campello, 2007) and Charlie and Akpan (2020) stressed that DMBs performance in Nigeria is negatively affected by their asset portfolio, But, Seidel (2012), and Hsu, Tian, and Xu (2014) explained that expanding the scope of acceptable collateral and opening up alternative credit sources, would disproportionately benefit industries with low asset tangibility. Also, because corporate investment frequently depends on asset-based finance, Kiyotaki and Moore (1997) stress that the collateral role played by tangibles in determining firms' financial capability could have significant implications for a country's economic growth.

Revenue Growth (RvG), this is independent variable in this study that measures the increase or decrease in revenue of a bank from one year to another signifying growth or decline. In other words, Growth in Revenue measures the changes in firm's current year's revenue over the previous year's revenue. Such that, if the current year revenue increases above the previous year revenue, it signals the firm's growth otherwise decline. It is computed mathematically as total revenue for the current year less the previous year's revenue divided by the previous year's revenue multiplied by 100. The measurement agrees with the studies of; (Chen, Cheng & Hwang, 2005; Najibullah, 2005), Ekwe (2013). Similarly, RvG (a particular year's revenue – the preceding year's revenue)/ the preceding year's revenue *100/1

Ownership Structure (OwS), an independent variable which focuses on the ownership in terms of foreign/international and domestic/national equity holding of the banks. This variable is measured by taking the proportion of international holding/equity divide the total equity of a DMBs at the end of every year for the periods under study. This measurement aligned with the studies of Yahaya (2018), Modibbo and Tijjani (2020), and Kirimi *et al*. (2021).

Summary of the Research Variables, denoted Proxies and Measurements

Variables	**Proxy**
Compliance Index (CiX)	Number of Prudential Guidelines Complied with 100 * Number of Prudential Guidelines expected to complied with 1 (Chen, Cheng &Hwang, 2005; Najibullah,2005;Ekwe,2013)
Assets Tangibility (AsT)	Total tangible assets to total assets (Lei, Qiu and Wan, 2017, Charlie & Akpan, 2020)
Revenue Growth (RvG)	changes in firm's current year's sales to the previous year's sales (David&Humphrey,1990; Sanya & Wolfw, 2010;Ekwe, 2013)
Ownership Structure (OwS)	Foreign/International shareholdings divide by total share of the DMB (Yahaya,2018; Modibbo&Tijjani,2020;Kirimi *et al*. (2021)

Source: Generated by the researcher from previous relevant studies, 2022

Dependent

The dependent variables in the context of this study is the extent of compliance with the provisions of the CBN Prudential Guideline 2010 (as amended) by listed DMBs in Nigeria. A checklist of thirty (30) variables proxy v1, v2, v3……v30, extracted from eighteen (18) sub-sections within four (4) carefully selected major sections of the CBN Prudential Guideline (2010), (see appendix I), and this was utilized to complete a compliance index score sheet designed for the study. For accuracy and reliable result, all variables with numerical compliance of thresholds:

(a) Where the numerical value or thresholds of the compliance limit is 1 or 100% disclosures.

i. Less than or equal to one (≤ 1) or 1-100% will score [1], which signifies compliance

ii. Greater than one (> 1) or above hundred per cent 100% of the maximum will score [0], signifying non-compliance

(b) All those with non-numerical value or thresholds of compliance limit disclosures

i. If disclosed, will score [1], which signifies compliance

ii. If not disclosed, will score [0], which signifies non-compliance

(c) In order to arrive at a more meaningful recommendation, emphasis was given to observation that might be significant where the outcome at the level of significant is within the statistically acceptable level of

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significance and otherwise where the reverse is the case to the level of compliance with the provisions of the prudential guideline as yielded by the result of the study.

Specification for the Study

The model for this study is specified thus;

$$lnY_{it} = \phi lnY_{it-1} + \beta X'_{it} + d_t + \varepsilon_{it} \quad \ldots \ldots (1)$$

Where: X': Implies explanatory variables, Y_{it-1} : is lagged value of dependent variable. The system GMM used the difference GMM model and first difference of the equation (1) as instruments. Thus, the system GMM and its instrumental equation are expressed as:

$$lnY_{it} = \phi lnY_{it-1} + YZ'_{it} + \beta X'_{it} + d_t + \varepsilon_{it} \ldots \ldots (2)$$

$$i = 1,2, \ldots, N; t = 1,2, \ldots, T$$

$$\Delta \ln Y_{it} = \Delta \ln Y_{it-1} + \Delta Z_{it} + \Delta X_{it} + \Delta \varepsilon_{it} \ldots \ldots (3)$$

Consequently, the implications of expressions (2) and (3) highlight that the system GMM approach incorporates a greater number of instruments compared to the difference GMM approach.

Definition of the model

The dependent variables of this study are the thirty (30) derived subsections from the 18 selected sections of the CBN prudential Guideline which are denoted v1, v2, v3, ..., v30 in this model and the independent variables are the carefully selected corporate attributes Assets tangibility, Revenue Growth and Ownership Structure which are denoted by; AsT, RvG, OwS, respectively in the model.

Specify the functional form

The GMM model for this study is specified, thus,

$$ln(v_{it}) = \phi * \ln(v_{it-1}) + \beta_o + \beta_1 * AsT_{it} + \beta_2 * RvG_{it} + \beta_4 * OwS_{it} + d_t + \varepsilon_{it}$$

Where:

$ln(v_{it})$ = represents the natural logarithm of the dependent variable v for observation i at time period t.

ϕ = parameter associated with the lagged natural logarithm of v (v_{it} - 1).

β = intercept term.

$B_1, \beta_2, \ldots, \beta_{10}$ = coefficients associated with the independent variables AsT, RvG, and OwS respectively.

AsT_{it}, RvG_{it}, OwS_{it}, = respective independent variables for observation *i* at time period *t*.

d_t = represents time-specific fixed effects.

ε_{it} =the error term.

RESULT AND DISCUSSION

The section is structured into four main sections: Data Presentation, descriptive statistics, inferential statistical analysis, and a discussion of the findings. The Data presentation section focuses on the computed level of compliance of listed Deposit Money Banks (DMBs) in Nigeria with the prudential guidelines set by the Central Bank of Nigeria (CBN) over a ten-year period from 2012 to 2021. It includes the computed

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compliance index for each DMB, indicating their level of compliance with the CBN's regulatory provisions. In the descriptive, analysis section, a detailed summary of the variables used in the model is provided. This section offers an overview of the variables included in the study, providing a comprehensive understanding of the data. The inferential analysis section utilizes various tests and techniques, such as the correlation matrix test, panel unit root tests, panel cointegration test, and the Generalized Method of Moment (GMM) analysis. These methods are employed to extract meaningful insights from the data, allowing for a deeper understanding of the relationships and patterns observed. Consequently, the estimated results are discussed and compared to the findings from previous studies reviewed in the literature review chapter two of this research. Finally, the comparison of the estimated results to previous studies reviewed in chapter two contextualizes the findings and assesses their consistency with existing literature. The chapter's organization ensures that the reader can easily follow the analysis and comprehend the findings. The descriptive analysis section provides a concise overview of the variables, while the inferential analysis section delves into the deeper insights obtained from the data and the use of both descriptive and inferential statistics helps to provide a complete picture of the data and its implications.

Computed Level of Compliance with Provisions of CBN Prudential Guideline by listed DMBS in Nigeria

In chapter four of this study, the procedure for calculating the compliance index through the use of a checklist was outlined. This compliance index serves as a yardstick to evaluate the degree of adherence to CBN prudential guideline of DMBs in Nigeria to the regulations outlined in the CBN Prudential Guideline. It serves as a tool to assess and measure the level of compliance exhibited by these DMBs with the guidelines requirements relating risk management, corporate governance, know your customers and anti-money laundering measures and loan loss provisioning. The specific methodology and details regarding the computation of the compliance index were presented in Chapter Four of the study.

Table 5.1 presents the specific number of provisions that each DMBs has complied with during the period covered by this study. The table comprises fourteen columns, where the first column corresponds to the years, and the subsequent thirteen columns represent the names of the fourteen listed DMBs in Nigeria. The numbers recorded within these columns represent the count of provisions adhered to by each bank out of the total thirty provisions stipulated in the Prudential Guideline (2010).

Table 4.1: Actual Computed Compliance with Prudential Guideline (30 provision) by the listed DMBs in Nigeria

Year	**Access bank**	**Eco bank**	**Fidelity**	**First Bank**	**FCMB**	**GTB**	**Jaiz Bank**	**Stambic IBTC Bank**	**Sterling Bank**	**UBA**	**Union Bank**	**Unity Bank**	**Wema Bank**	**Zenith Bank**
2012	25	28	29	30	30	29	0	30	30	29	30	28	29	27
2013	25	29	28	30	30	30	0	29	29	30	29	30	29	30
2014	25	29	27	29	30	29	0	29	30	30	30	27	29	30
2015	25	27	27	30	30	29	0	26	30	28	29	28	29	28
2016	27	26	27	29	29	30	0	27	28	28	28	28	29	29
2017	26	26	27	29	30	29	0	29	30	29	29	28	30	30
2018	27	27	24	29	30	28	30	28	30	29	30	28	29	30
2019	26	29	25	29	28	26	29	29	30	29	27	29	30	28
2020	25	28	25	27	28	29	30	29	30	29	30	28	30	30
2021	26	28	23	29	29	28	30	29	30	28	30	29	29	29

Source: Computed by the researcher using data extracted from the annual reports of the listed DMBs and NDIC Annual reports in Nigeria (2012 – 2021)

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Table 4.1 presents the actual compliance score out of the expected 30 variables outlined in the checklist used on each of the DMB over the 10 years period (2012 to 2021) covered by this study. Considering the listing dates and the data presented in Table 5.1, it is evident that every included in this study has contravened the CBN prudential guideline at least once between 2012 and 2021. These findings are contrary to the study conducted by Salihu (2018), which reported that most of the banks did not contravene the statute between 2008-2016. However, when examining the contraventions on a yearly basis, Access Bank emerged with the highest number of contraventions based on the checklist utilized in this study. Notably, Fidelity bank had the highest number of contraventions, 7 in total, in the year 2021 throughout the entire study period. It is important to note that these contraventions cannot be separated from an influential factor or attribute that has been identified and examined as an independent variable in this study. The CBN prudential guidelines provide guidance on recognition and measurement of loan loss provisioning, disclosure of non-performing loans, and other details that should be disclosed in financial statements. Compliance with these guidelines helps banks manage credit risk effectively, maintain financial stability, and meet regulatory requirements.

Computed CBN Prudential Guideline Compliance Index by the 14 DMBs (2012 -2021)

The compliance index, which was previously discussed in Chapter Three of this study, is presented in Table 4.2 for each DMB and each year, as well as the overall total for each bank. However, the computation of the index is based on the checklist provided in the Appendix. Table 4.2 consists of fourteen columns, with the first column presenting the year and data for the ten years of the study period. The second columns represent the names of the 14 listed DMBS (Deposit Money Banks) along with their corresponding compliance index values. The last two rows of the table present the total compliance index for each DMB and the average compliance index for each DMB over the ten years period of this study. The average compliance index is determined by dividing the total compliance index (CIX) by the study period of ten years.

Table 4.2: Result of Computed Compliance Index% (CCI) by DMBs in Nigeria (2012-2021)

Year	Access bank	Eco bank	Fidelity	First Bank	FCMB	GTB	Jaiz Bank	Stambic IBTC Bank	Sterling Bank	UBA	Union Bank	Unity Bank	Wema Bank	Zenith Bank
2012	0.83	0.97	0.93	1	1	0.97	0	1	1	0.97	1	0.93	0.97	0.9
2013	0.83	0.93	0.97	1	1	1	0	0.97	0.97	1	0.97	1	0.97	1
2014	0.83	0.9	0.97	0.97	1	0.97	0	0.97	1	1	1	0.9	0.97	1
2015	0.83	0.9	0.9	1	1	0.97	0	0.87	1	0.93	0.97	0.93	0.97	0.93
2016	0.9	0.9	0.87	0.97	0.97	1	0	0.9	0.93	0.93	0.93	0.93	0.97	0.97
2017	0.87	0.9	0.87	0.97	1	0.97	0	0.97	1	0.97	0.97	0.93	1	1
2018	0.9	0.8	0.9	0.97	1	0.93	1	0.93	1	0.97	1	0.93	0.97	1
2019	0.87	0.83	0.97	0.97	0.93	0.87	0.97	0.97	1	0.97	0.9	0.97	1	0.93
2020	0.83	0.83	0.93	0.9	0.93	0.97	1	0.97	1	0.97	1	0.93	1	1
2021	0.87	0.77	0.93	0.97	0.97	0.93	1	0.97	1	0.93	1	0.97	0.97	0.97
Total	8.57	8.73	9.23	9.7	9.8	9.57	3.97	9.5	9.9	9.63	9.73	9.43	9.77	9.7
Avg. CIX	0.86	0.87	0.92	0.97	0.97	0.96	0.99	0.95	0.99	0.96	0.97	0.94	0.98	0.97

Source: Computed by the researcher suing data extracted from the annual reports of the 14 listed DMBs and NDIC Annual reports in Nigeria (2012 – 2021)

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According the result presented in Table 4.2 reveal the Computed Compliance Index% (CCiX) of the Deposit Money Banks (DMBs) in Nigeria. Among these banks, Access Bank demonstrated the lowest average index of 0.86. Following closely was EcoBank, with an average index of 0.87, indicating a relatively high number of contraventions during the study period. On the other hand, Sterling Bank and Jaiz Bank achieved the highest average compliance index of 0.99, which indicates that they had minimal contraventions of the CBN prudential guideline. It is worth noting that despite its few years of listing Jaiz Bank, has demonstrated higher level of compliance as evidenced by the compliance index of 0.99. Sterling Bank's improvement in compliance may be seen as a sign of progress when compared to the findings of Salihu (2018). However, it is essential to emphasize that all the banks included in the study had at least one instance of contravening the CBN Prudential Guideline. None of them achieved a 100% average compliance index from 2012 to 2021.

Descriptive Statistics

This section contains the results of descriptive statistic of the variables used in the estimation. The results are presented in Table 4.3.

Stat.	CIX	AsT	RvG	OwS
Mean	0.9095	0.0261	-0.72	0.19
Med	0.9666	0.0265	0.0765	0.0005
Max	1.0000	0.1373	1.0000	1.0000
Min	0.0000	0.0000	-45.06	0.0000
St.D.	0.1996	0.0187	5.3038	0.3174
Skew	-4.0700	1.6126	-7.45	1.6640
Kurt	18.758	10.917	58.996	4.3431
JB	1835.7	426.33	19587.	75.134
Prob.	0.0000	0.0000	0.0000	0.0000
Obs.	140	140	140	140

The results reported in Table 4.3 show that the average mean of the corporate attribute index, (0.0261) assets tangibility and (0.1900) ownership structure are both positive. This explains why the variables grew at a positive rate over the study period. On the other hand, the revenue growth has a negative mean (-0.7200) of the sample period. This means that the gross earnings of the sampled banks recorded negative growth rate (-0.7200). Furthermore, the result shows that the standard deviation of revenue growth is greater than that of any other variable in the distribution. This explains why revenue growth in the model is the most volatile. Asset tangibility, on the other hand, has the lowest standard deviation of 0.018, indicating that asset tangibility is less volatile than others in the model.

Furthermore, based on the nature of kurtosis and the likelihood of the Jarque-Bera coefficients, the results revealed that all variables had excess kurtosis of greater than 3.00 and are not normally distributed. The series' non-normality stems from the fact that the majority of them are financial variables that can change at any time.

Inferential Statistic Results

The results of the correlation matrix, panel unit root tests, panel cointegration tests, and ultimately the findings of difference and system GMM regressions are presented in this section.

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Correlation Analysis of the Models

This comprises the results of correlation matrix which is pre-estimation test of indicating the suitability of the variables to be included in the model or otherwise. Additionally, before estimating a regression analysis, it is necessary to understand the correlation coefficient of the variables. This is because selecting the variables to use in the model is dependent on knowing the nature of the correlation coefficient. Correlation analysis is used to detect the presence of multicollinearity. As a result, the test results are presented in Table 4.4

Table 4.4: Correlation Matrix

Variables	CIX	AsT	RvG	OwS
CIX	1.00			
AsT	0.24	1.00		
RvG	-0.04	0.10	1.00	
OwS	0.05	0.26	0.10	1.00

The correlation matrix results in Table 5.4 show that assets tangibility and ownership structure are both positively associated to the compliance index, while revenue growth is on the reverse correlation with a negative coefficient of -0.04. This is seen by the variables' positive correlation coefficients. This implies that increase in these variables is associated with increase in compliance index of the sampled banks in Nigeria. The results also confirmed the results of the descriptive statistics presented in Table 4.3 which shown that all the foregoing variables recorded positive growth rate overtime.

Significantly, based on the results presented in table 4.4, this study concludes that there is no indication of multicollinearity among the variables, and the variables are perfectly appropriate for inclusion in the model for analysis. This is due to the fact that no variable has a correlation coefficient greater than 0.7. This is supported by Asterious and Hall (2011) which claim that when the correlation coefficient is more than 0.95, there is multicollinearity across variables.

Panel Unit Root Tests

This study explores the stationary nature of the series after identifying the descriptive nature, correlation and correlation behaviors of the variables. The findings are summarized and reported in Table 4.5.

Table 4.5: Panel Unit Root Tests

Variables	Levin, Lin and Chu Test		Im, Pesaran and Shin Test	
	Level	First Diff.	Level	First Diff.
CIX	-8.1227***	-8.7111***	-1.1543	-1.2127**
AsT	18.8817	14.6781***	0.5089	0.5566***
RvG	-9.4894***	2.8258***	-0.8073***	-0.3785***
OwS	-4.1409***	-18.0960***	-0.0753	-2.6065***
Note: *, ** and ****significant at 1%, 5% and 10% respectively.*				

Source: Author’s compilation using EViews version 10.

The results of panel unit root tests are reported in Table 4.5. According to the findings of the Levin, Lin, and Chu test, the corporate attributes, revenue growth and ownership structure are both stationary at level value,

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whereas asset tangibility is stationary after first difference. The Im, Pesaran, and Shin test, on the other hand, demonstrates that both variables except revenue growth are stable after first difference, but revenue growth is shown to be integrated of order 1.

Panel Cointegration Tests

Panel cointegration test is performed to determine the existence or absence of cointegration after panel unit root tests. The Kao panel cointegration test was used as an additional technique in this study, and the results is shown in Tables 4.6.

Table 4.6: Kao Residual Cointegration Test Results

t-Statistic	P-value
-2.7900	0.0026***
Note: *** *significant at 1%.*	

Source: Author's compilation using EViews version 12

Table 4.6 illustrates that there is evidence of cointegration among the variables. This is because the t-statistic coefficient is statistically significant at the 1% level. As a result, the null hypothesis is rejected and accepted the alternative hypothesis of presence of cointegration. Thus, the study concludes that the variables are cointegrated.

Panel Estimation Test (GMM)

The panel GMM regression findings are presented in this section. The panel coefficients of the dependent variable (compliance index) have been generated in the estimate using Pool OLS, fixed effect, difference GMM, and system GMM regressions, with a view of selecting the best model between difference GMM and system GMM regressions. As a result, the findings are shown in Table 4.7.

Table 4.7 Results of the System GMM Regressions

Dependent Variable: Compliance Index				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIX (-1)	0.8319	0.0509	16.3423	0.0000
AsT	0.1707	0.1433	1.1910	0.2362
RvG	0.0012	0.0004	2.7162	0.0076
OwS	-0.0196	0.0093	-2.1025	0.0377
Diagnostics POLS = 0.82, FE = 0.65, DGMM = 0.32, J. Stat. = 7.15 (0.1672), AR (1) = 0.01 (0.9917), AR (2) = -0.01 (0.9902)				
Note: PLS = Panel Least Square, **FE =** Fixed Effect, **DGMM =** Difference GMM, **AR** = Autocorrelation and **J-Sta**. = Sagan Test,				

Source: Author's compilation using EViews Version 12.

In Table 4.7, the results show that system Generalized Method of Moment (GMM) is more appropriate. This is because the coefficient of lag value (0.32) of the dependent variable (compliance index) is less than the coefficient of the fixed effect regression (0.65). As a result, the results imply that the difference GMM is downward biased and that the system GMM is more suitable. The results, however, revealed that the previous value (lag value) of the compliance index had a significant beneficial influence on the present compliance index at the 1% level. A 1% increase in the previous compliance index results in a 0.83% increase in the present compliance index.

It is noted from the results that there is positive (0.1707) and statistically insignificant (p-0.2362) relationship between asset tangibility (AsT) and Nigeria DMBs' compliance with CBN Prudential Guideline. This confirms that assets tangibility does not affect the compliance with CBN Prudential Guideline in Nigeria. Significantly, the results attested that revenue growth (RvG) has (p-0.0076) significant positive (0.0012) effect on Nigeria DMBs' compliance with CBN Prudential Guideline at 1% level. This suggests that a 1% increase in revenue growth of the sampled banks will lead to 0.0012% increase Nigeria DMBs' compliance with CBN Prudential Guideline.

However, there was a negative (-0.0196) and statistically significant (p-0.0377) negative relationship between ownership structure (OwS) and Nigeria DMBs' compliance with CBN Prudential Guideline at 5% level of significance. This implies that a change in ownership structure by let say 5% will translate to a decline in the Nigeria DMBs' compliance with CBN Prudential Guideline by 0.019%.

DISCUSSION OF RESULT

The following discussion interprets the findings in relation to the study's objectives, providing insights into how they align with the relevant theoretical frameworks and existing literature.

Asset Tangibility and Compliance

The study found that asset tangibility does not significantly influence compliance with the CBN Prudential Guideline in Nigeria's banking industry. This is in line with the findings of previous studies (e.g., Uddin, 2020; Owusu-Ansah, 1998) but contradicts the expectation that tangible assets would increase compliance, as seen in more stable banking systems. In the context of Nigeria, the lack of significant correlation may reflect the prevailing regulatory pressure in the banking sector. Nigerian banks, particularly those listed on the stock exchange, are more likely to comply with regulatory guidelines to avoid penalties and safeguard their operations rather than based on the strength of their tangible assets. The regulatory framework, characterized by stringent compliance expectations from the CBN, may push banks to prioritize adherence to guidelines, regardless of their asset structure.

Revenue Growth and Compliance

The positive and statistically significant relationship between revenue growth and compliance is consistent with Agency Theory, which suggests that managers are motivated to act in the best interest of shareholders. This finding is particularly relevant in the Nigerian context, where financial performance is a key indicator for shareholders who expect management to meet regulatory requirements to protect investments. As revenue growth directly impacts profitability and shareholder value, Nigerian banks are likely incentivized to ensure compliance with CBN Prudential Guidelines to avoid regulatory sanctions that could negatively affect their performance and, in turn, investor returns.

Ownership Structure and Compliance

Contrary to previous studies (e.g., Salihu, 2018), this study found a significant negative relationship between ownership structure and compliance with the CBN Prudential Guideline. This suggests that in Nigerian banks, where ownership is often concentrated in the hands of a few major shareholders, management may prioritize the interests of these controlling shareholders over regulatory adherence. This finding aligns with Agency Theory, which posits that agency problems arise when management's interests diverge from those of shareholders. In the Nigerian context, where family and political ownership structures dominate, the influence of major shareholders may override the need for strict compliance, thus reducing adherence to regulatory standards.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, the following conclusions are drawn:

i. The study finds that asset tangibility does not significantly influence compliance with the CBN Prudential Guidelines by Nigerian listed DMBs. The positive coefficient of 0.1707 and a p-value of 0.2362 indicate no significant correlation between asset tangibility and compliance. This conclusion aligns with compliance theory, which suggests that banks primarily comply with regulations to avoid penalties, regardless of the tangibility of their assets.

ii. The study reveals a significant positive relationship between revenue growth and compliance with the CBN Prudential Guidelines. With a coefficient of 0.0012 and a p-value of 0.0076, the results show a statistically significant relationship at the 1% level. The positive correlation supports Agency theory, indicating that shareholders expect management to safeguard their investments through adherence to regulatory guidelines, with revenue growth serving as a key performance indicator.

iii. The study finds that ownership structure has a significant negative impact on compliance with the CBN Prudential Guidelines. The coefficient of -0.0196 and a p-value of 0.0377 at the 5% significance level suggest that ownership structure may reduce compliance. This is likely due to the prevalence of majority national ownership in Nigerian DMBs, which may reduce the influence of international ownership that could otherwise encourage greater regulatory compliance.

Recommendations

Based on the conclusions drawn from the findings, the study recommends that;

i. DMBs should focus on other influential corporate attributes affecting compliance with CBN Prudential Guidelines, such as revenue growth, ownership structure, auditor type, board diversity, firm size, audit committee composition, and firm age and as well sustain their commitment to complying with CBN Prudential Guidelines, regardless of asset tangibility, to uphold the integrity of the banking industry and ensure its financial robustness. Also, the DMBs should allocate resources to training and developmental programs and initiatives to foster a deeper understanding of regulatory obligations and improve overall compliance with CBN Prudential Guidelines

Similarly, regulators, especially the CBN and NDIC, should uphold their vigilance in monitoring and enforcing compliance among DMBs. Furthermore, stakeholders, including shareholders, customers, employees, creditors, and society at large should ensure holding DMBs accountable for regulatory compliance through possible legal means.

ii. DMBs should prioritize revenue growth strategies as they positively influence compliance with CBN Prudential Guidelines. Strategies include exploring new business opportunities, enhancing customer retention, boosting product and service offerings, and optimizing customer acquisition methods. Also, DMBs should invest in robust financial management systems and practices, collaborate and share knowledge, and regularly evaluate revenue growth strategies to ensure alignment with organizational goals and stakeholder expectations. Secondly, stakeholders, including shareholders, customers, employees, and creditors, should encourage and aid DMBs in their pursuit of sustainable revenue growth. Lastly, Regulators, particularly CBN, NDIC, SEC, FRN among others should sustain their oversight of CBN Prudential Guidelines compliance while acknowledging the critical role of revenue growth in ensuring the financial stability and performance of DMBs.

iii. The study recommended that DMBs should review their ownership structures and consider implementing measures to align the interests and expertise of national and the foreign shareholders with compliance requirements. This may involve promoting transparent ownership practices, enhancing governance structures, and ensuring effective oversight by the board of directors and mobilize foreign direct investment to bolster foreign ownership thereby resulting to diluted synergistic approach as it concerns regulatory compliance.

Regulators, notably the Central Bank of Nigeria (CBN), should provide guidance and close oversight for DMBs facing ownership structure challenges, enforcing regulations that encourage compliant ownership structures. Also, Continuous evaluation by the DMBs should regularly assess the effectiveness of their ownership structure in alignment with CBN Prudential Guidelines. This evaluation helps identify areas for improvement and prompts necessary adjustments to enhance compliance should be made timely.

Suggestions for Further Research

This study examines how various corporate attributes influence the level of compliance among listed Deposit Money Banks (DMBs) in Nigeria with the provisions of the Central Bank of Nigeria (CBN) Prudential Guideline 2010. The study focuses on ten specific corporate attributes, namely: tangibility of assets, growth in revenue, ownership structure, and type of auditor, diversity within the board, firm size, and profitability - return on assets (ROA), composition of the audit committee, firm age, and firm leverage. Consequently, future research in this field should aim to consolidate the findings of this study with other research through the utilization of meta-analysis.

Further research could explore other factors that influence compliance behavior among Nigeria listed DMBs using different methodology to explain why assets tangibility, ownership structure and firm leverage were statistically insignificant in this study. Moreover, considering the diverse nature of the Nigeria economy and its ongoing financial crisis, it is crucial for future researchers to explore other industrys, such as other financial services and the oil industry, using the same variables and time frame as employed in this study. Additionally, this study only covers the DMBs prudential guideline (PG), there are other PGs for microfinance banks, mortgage banks and other financial institutions, future studies could focus on examining their impact and/or other regulatory acts, such as the Anti-Money Laundering regulations Act, foreign regulations Act, Companies and Allied Matters Act (CAMA), as well as the regulations set forth by the CBN and the Securities and Exchange Commission (SEC). Furthermore, with aim of identifying and weakness where possible, it would be beneficial to conduct a comparative analysis between compliance with Nigeria banking laws and the banking laws of another country. This comparative analysis could be conducted between a developed and a developing country, or between two developing countries with differing banking laws.

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