JETMASE Vol 4(1): 439 –456, June, 2022 Available online at
https://www.jetmase.com

Asset Management Corporation (AMCON) and Performance of Deposit Money Banks in Nigeria

Imide, I. O.(PhD)[1], Osadume, C. R.(PhD)[2*] and Uzomah, C. B.[3]
[1]Department of Economics, University of Delta, Agbor, Nigeria
[2&3]Department. of Marine Economics and Finance, Nigeria Maritime University, Okerenkoko, Nigeria
Correspondence: richard.osadume@nmu.edu.ng. Tel: +234 9057475353

Abstract

Asset Management Corporation of Nigeria (AMCON) is established for the purpose of acquiring the Non-Performing loans (NPLs) of banks with a view to freeing such banks from the burden of provisioning requirements – Substandard, doubtful and lost accounts. The main objective of this study is to examine the effect of asset management corporation (AMCON) on the performance of deposit money banks in Nigeria. Specifically, the study investigate the effect of non performing loan on the performance of deposit money banks in Nigeria; examine the effect of capital adequacy ratio on the performance of deposit money banks in Nigeria and assess the effect of average liquidity ratio of deposit money banks in Nigeria on the performance of deposit money banks in Nigeria. The study adopted an ex-post facto research design because the data for the study are secondary data which were generated from Central Bank of Nigeria Statistical Bulletin. Econometric techniques involving descriptive statistics, Augmented Dickey Fuller tests for Unit Roots and the Ordinary Least Square (OLS) were used for the data analysis. The regression result indicates that nonperforming loan of deposit money banks has negative and insignificant effect on return on equity while capital adequacy ratio of deposit money banks and average liquidity ratio of deposit money banks has significant effect on return on equity. The study thus concludes that asset management corporation has positive effect on return on equity and has improved the performance of Deposit money Banks in Nigeria. Amongst the recommendations is that managers of deposit money banks should from time to time sensitize customers with regard to nonperforming loan of deposit money banks, its risk exposure, trainings should be held for bank staff in short periods to acquaint them with modern developments of the danger in nonperforming loan of deposit money banks to improve the performance of deposit money banks in Nigeria. Managers of deposit money banks should strive toward the improvement of capital adequacy ratio to enhance the performance of deposit money banks and that mangers of deposit money banks can offers numerous products and services through average liquidity ratio of deposit money banks in an effective, efficient and cost effective manner to their customers that will improve the performance of deposit money banks in Nigeria.

Key Word: Asset Management Corporation, performance, deposit money banks, Nigeria

1.0 INTRODUCTION

Asset Management Corporation of Nigeria (AMCON) came on board in 2010 at a time when some deposit money banks in the financial Services industry are passing through difficult times. Some of the deposit money banks have been given up to September 2011 by the apex bank (CBN) to recapitalize or face liquidation. Asset Management Corporation of Nigeria (AMCON) is established for the purpose of acquiring the Non-Performing loans (NPLs) of banks with a view to freeing such banks from the burden of provisioning requirements – Substandard, doubtful and lost accounts. The process of acquiring the NPLs involves the injection of fresh funds thereby alleviating the liquidity and insolvency problems of the affected banks. AMCON is an interventionist initiative employed in the management of delinquent assets in the banking system. It operates as a variant of loan acquisition companies, but has been adjudged to be more effective in the managements of NPLs (CBN 2003). Non-performing loans have been identified as a major problem of banks. The preponderance of NPLs in the Nigerian banking system is alarming and has necessitated the various actions taken by the CBN. There is however, a gap in the existing NPLs management measures. It is therefore, believed that the adoption of other measures to complement the existing options will have far-reaching effects in the resolution of NPLs problems in the banking system.

Financial performance especially relating to deposit money banks is based on performance dimensions comprising: capital adequacy, asset quality, earnings and liquidity which are deeply rooted in the expectations of stakeholders which is in turn based on financial transparency. In the past, the Nigerian banking industry had been plagued with small size banks with low capital, high cost of operations and high performance credits. This weakness inhibits bank management in the performance of its development roles in the economy, thus hindering the achievement of government objectives such as price stability, macroeconomic stability, provision of employment and increased output. It also affects the ability to compete effectively in the international market. Since the banking sector is the hub around which all other economic activities revolves, the health and prosperity of the bank is a major source of concern to Nigerians especially the regulators.

The effectiveness of the financial intermediation role of banks in Nigeria is increasingly under threat as a result of soaring credit delinquency. Experience over the years shows that many credit customers of banks default in their repayment obligations. The consequence has been the deterioration in the quality of risk assets and a rise in the level of non-performing loans and advances (NPLs) with the attendant increase in the required loan loss provision. These impacts directly on the profitability of banks. The increasing ratio of NPLs to total credits has been a source of concern to both operators and the regulatory authorities. The steady growth of non-performing

loans (NPLs) in the Nigerian banks system, with the attendant consequences on liquidity and solvency as well as the need to take proactive measures to facilitate the implementation of the current restructuring of the banking system, has made the establishment of an Asset Management Company of Nigeria (AMCON) imperative. The Banking Supervision Annual Report (2008:65-66) put the figures of Non-performing credits and provision for bad and doubtful debts as follows: "Non-performing credits increased from N0.4 trillion in 2007 to 0.5 trillion in 2008. The ratio of non-performing credits to total credits of 6.26 percent during the review period was far below the trigger level of 35 percent for setting up a Crisis Management Unit as stipulated in the Contingency Planning Framework for Systemic Distress. The ratio was lower than 21.6 percent, 18.12 percent, 8.77 percent and 8.44 percent in 2004, 2005, 2006 and 2007 respectively. Provision for bad and doubtful debts grew from N0.2 trillion in 2004 to N0.4 trillion in 2008.The ratio of bad debt provision to total credits was 22.6 percent in 2004, 19.1 percent in 2005, 6.3 percent in 2006, 8.1 percent in 2007 and 6.1 percent in 2008".

Therefore, the rationale for the establishment of Asset and Management Corporation of Nigeria is timely. Specifically, the AMCON is expected to achieve the following objectives:

(i) Promote financial recovery by addressing the debt overhang of banks occasioned by NPLs.

(ii) Acquire, restructure, manage and/or dispose NPLs in the banking system.

(iii) Recover and sell off collaterals for NPLs as quickly as possible.

(iv). Maximize recovery value to reduce public cost.

The CBN has responded by taking measures to strengthen the administration of credits in the banking system and prevent contagion. In the face of the inadequacy of existing measures to stem the increasing incidence of NPLs, the exploration of complementary NPLs management measures has become imperative in order to stave off systemic distress in the financial system. The remaining part of the paper will take an overview of Literature review, methodology, types of Asset Management Corporation and Methods of asset transfer/funding; prerequisite for the successful operation of an asset management corporation and ends with conclusion.

1.1 Statement of the Problem

Non-performing loans (NPLs) were at the heart of the banking crisis that engulfed the Nigerian financial markets during 2008–10. A sharp deterioration in the quality of banks' assets followed, thereafter resulting in liquidity constraints and capital adequacy problem across all the Nigerian banks (Central Bank of Nigeria, 2011). International Monetary Fund (2013) identified the following factors as contributing to the Nigerian crisis identified by the authorities include: i.

Critical gaps in regulatory framework and regulations. ii. Macro-economic instability caused by large and sudden capital inflows. iii. Lack of investor and consumer sophistication.

12iv.Inadequate disclosure and transparency about the financial position of banks. v. Unstructured governance and weak management processes within the CBN. vi .Uneven supervision and enforcement, and weaknesses in the overall business environment. The government, through the central bank, played a leading role in financial system restructuring, including strengthening the legal and regulatory framework, injecting public funds, and setting up a new institution for crisis management. These findings are in line with the view of Fofack (2005:1), who wrote that there is a greater probability of a banking crisis occurring in Sub-Saharan Africa countries as a result of non-performing loan-related risks. Fofack (2005) stated that this is mainly because the region's banking system is dominated by a few large banks. Healing the banking system is therefore a crucial task for the central banks to ensure sustained recovery. Posen and Véron (2009:1) suggest that any lingering fragility of a country's banking industry would cause persistent disruption and/or misallocation of bank credit, resulting in a significant negative impact on economic activity which in turn discourages investment. Also, Posen and Véron (2009) believe that recurring banking sector fragility will not only reduce aggregate demand but also harm productivity growth since certain investment and R&D cycles will probably be skipped, with capital tending to be misallocated to lower-return projects, and causing long-term unemployment. There is some consensus that asset management companies (AMCs) have been a consistently successful tool employed by financial institutions and policymakers to resolve insolvent and non-viable financial institutions, restructure distressed but viable financial institutions, dispose of troubled assets and repair NPLs in banking systems. Aggarwal, Aritomo, Brenna and Clark et al. (2012:3) believe that creating an asset management agency (in other words, using the "bad bank" model) has become the preferred solution. This is validated by Terada-Hagiwara and Pasadilla (2004:8) who stated that theoretically, by removing NPLs from banks and transferring them to AMCs, banks regain the capacity to intermediate funds in the economy. PricewaterhouseCoopers (2009:9) state that during some prior crises, "bad banks" have been used successfully by financial institutions and policymakers to manage and restructure troubled assets on bank's balance sheets. Schäfer and Zimmermann (2009:9) observed that when the banks are freed of their toxic assets then the threat of bankruptcy, the risk of a reduction in lending due to a lack of capital, and other attendant negative effects, can be minimized or eliminated. A large body of empirical work has examined "bad banks" in developed economies (the US and Europe) and in the Asia Pacific region. However,

the bad bank concept is relatively new to Africa with very little empirical work, if any, as Nigeria's AMCON is the pioneer public-owned bad bank on the continent.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Key concepts relating to money deposit banks and AMCON activities were reviewed in this subsection.

2.1.1 Asset Management Corporation (AMCON)

According to the Governor of Central Bank of Nigeria cited in Egene (2009), of the ten (10) banks audited so far as at August 2009, the banks' balance sheets of five banks (Union bank, Finbank, Oceanic bank, Afrique bank and Intercontinental bank) had shrunken, shareholders' funds impaired and they now have liquidity problems. Their huge exposure to non-performing loans (margin loans) has affected the banks. These banks had spent length of time at the expanded discount window (EDW) introduced in September, 2008 by the apex bank. These five banks accounted for 90% of transactions at the EDW. The remaining banks accounted for 10%. According to the apex banks, these banks took money from the inter-bank to repay their exposure to the discount window. It is an indication that their balance sheets had shrunk. The management teams had acted in a manner that was detrimental to the interest of their depositors and creditors. According to the apex bank, the temporary capital injection of N420 billion into the banks in the form of Convertible Tier 11 Debt, is expected to be repaid to the CBN once the banks are recapitalized. Considering the fact that ownership of banks has moved from family to private, existing shareholders have not been informed how these funds would be converted when the bailout fund is fully repaid. The measure adopted by CBN to bail out the banks is adjudged as misuse of taxpayers' money and may eventually displace existing shareholders.

According to Ajekigbe (2009), from the classical and historical perspective, "Several factors led to the failure of banks between 1977 and earlier 2000. Some of the reasons advanced are poor asset quality, under capitalization, inexperienced personnel, illiquidity, inconsistent regulatory policies and supervision". Non-performing accounts and the evolving competition in the banking industry as a result of globalization has made it difficult for deposit money banks to play their major role

of financing economic activities arising from inadequate capital. Inadequate bank capital has led to a crisis of confidence in the banks to the extent that the original functions which is to support the volume, type and character of a bank's business, to provide for the possibilities of losses that may arise there from and to enable the bank to meet a reasonable credit need of the community have been eroded. Losses suffered by banks as a result of non-performing accounts led to bank failure especially in the areas of lending. The soundness, safety and profitability of a bank affect the quality of its loan portfolio. The last few years have both been traumatic and revolutionary for the Nigerian banking system.

According to Eke (1999): *"*Since the introduction of structural adjustment programme (SAP) in 1986 and the deregulation of the nation's financial system, banking business has raised a variety of performance questions. Although insured banks had recorded an appreciable increase in the volume of assets and deposits, their overall financial condition had deteriorated tremendously"…

The entry of the new generation banks from 1989 witnessed competition amongst banks. New generation banks introduced aggressive marketing for deposits, new technology etc. Between 1977 when rural banking was introduced till date the deposit money banks have opened branches across the rural areas and cities of Nigeria. This was facilitated and enhanced by the liberalization of banking license and changes in the capital structure of Nigerian banking by the regulatory authority (apex bank); the most being the recapitalization of Nigerian money deposit banks to N25 billion in 2005. Despite the change in capital structure, the financial health of some of the deposit money banks is yet to improve. With the present of Asset Management Corporation of Nigeria (AMCON), we still have merger and acquisition plans in the Nigerian banking industry. There is the Finbank and FCMB merger plan, Diamond bank is making effort to acquire Oceanic bank etc. What then is the essence of Asset Management Corporation of Nigeria?

2.1.2 Performance of Deposit Money Banks

Performance of Deposit Money Banks, generally it implies whether a bank has fared well within a trading period to realize its objectives. The only document that explains this is presumably the published financial statements. According to Rose, (2001), a fair evaluation of any bank's performance should start by evaluating whether it has been able to achieve the objectives set by management and stockholders. Certainly, many banks have their own unique objectives. Some wish to grow faster and achieve some long-range growth objective, others seem to prefer quiet life, minimizing risk and conveying the image of a sound bank, but with modest rewards to their

shareholders (Salehi & alipour, 2014). Ordinarily, stock prices and its behaviour are deemed to reflect the performance of a firm. This is a market indicator and may not be reliable always. However, the size of the bank, the volume of deposit and its profitability could be deemed as more reliable performance indicators. For the purpose of this study, profitability indicators, precisely the Return on Equity Capital (ROE) and the returns on Assets (ROA) are used to assess bank performance.

These ratios are indicators of management efficiency, and rate of returns. According to Rose, (2001), these profitability measures vary substantially over time and from one banking market to another. The ROE and ROA are popularly in use today. Uchenna, (2015) posit that the amount of net income earned in relation to total assets is an indicator of how efficiently a company uses its economic resources. They further stressed that when the ROE is higher than the ROA, the company has favourable financial leverage.

2.2 Theoretical Framework

The theoretical framework of this study hinges on the Bank Liquidity Theories which was *propounded* by Lord Keynes in (1936), according to the *theory* the amount of money available to deposit money banks and their ability to generate savings through deposits determines their money creating power and performance. This theory was propounded by Lord Keynes in (1936), according to him the theory seeks to explain the level of interest rate with regards to the interaction of two important factors: the supply of money and desire of savers to hold their savings in cash or near cash. Keynes defines this theory as the rewards of not hoarding but the rewards for parting with liquidity for the specified period. This theory, therefore characterized as the monetary theory of interest as distinct from the real theory of the classical school of thought. Keynes (1936) further posits that, the determination of interest rates will be found in the money market and there are basically the supplies of money exogenously determined, while the demand for money depends on the following three motives. Money is held to finance expenditures, including both transactions and of the level of income. Money is held for purpose other than as a medium of exchange. Speculative balances depend on the anticipated direction and magnitude of prospective changes in market interest rates. If individuals believe that market interest rates are likely to increase in the future, they have an incentive to hold their wealth in the form of liquid assets in order to avoid the capital loses of long-term assets that would accompany the expected increase in interest rates.

2.3 Empirical Studies

Ebiaghan, Ojugbeli and Emma, (2017) assessed the performance of the Assets Management Company of Nigeria (AMCOM) which was set up as a multipurpose resolution vehicle to buy up toxic assets of troubled banks by infusing fresh funds, thus mitigating the effects of the post-consolidation banking crises. Adopting the longitudinal survey research design, composite data covering all deposit money banks in Nigeria, were sourced from the Nigeria Deposit Insurance Corporation annual reports and accounts from 1993 to 2015, covering the period before and after the establishment of AMCON, using toxic assets as a proxy for the performance of AMCON, data were analyzed by running a multiple regression, using the Ordinary Least square (OLS) technique to test the formulated hypothesis, the results indicates that Shareholders Fund and Average Liquidity Ratio were statistically significant, while capital adequacy ratio was not statistically significant in relation to the performance of AMCON.

Abata (2015) examined the impact of AMCON, proxying a securisation, on the performance of Nigerian Banks. The study adopted a combination of descriptive and explanatory survey research designs. A carefully prepared and experts moderated data generating instrument was employed to gather the relevant data. These instruments were administered on fifty one (51) respondents drawn from relevant departments of the twenty one (21) Deposit Money Banks (DMBs) in Nigeria. Two key hypotheses were formulated and tested. While hypothesis one was tested using ordinary least square (OLS) regression analysis, hypothesis two was tested using chi-square non- parametric test. The two statistical tests were carried out at 5% level of significance, utilizing statistical package of social sciences (version 17.0). The findings revealed that AMCON has positively impacted on the asset quality and liquidity of these banks. In contrast, not much of the impact of AMCON has been felt on the capital adequacy of these banks. The findings also revealed that AMCON has contributed to the stability of the Nigerian Banking Industry.

Foluso, Abdul-Lateef, Rotimi, Adesina, and Ridwan, (2019) examined the role deposit money banks' loan facilities plays in funding SMEs businesses in Nigeria. The study employed the cross-sectional method of survey research. Ten (10) years financial performance index report of SMEs businesses was extracted from the Central Bank of Nigeria (CBN) statistical bulletin between the periods of 2008 – 2017 were selected. The index captured dependent and independent variables. Gross domestic product (GDP) is a proxy to SMEs while fund deposit, loan facilities and return on equity were proxies to deposit money banks variable. Data collected was analyzed using descriptive statistics and ordinary least square techniques. The study revealed the positive co-efficient value of 17.19434 and 15.84082 for fund deposit and loan facilities variables; and the

negative co-efficient value of -3.442694 for the returns on equity variable which affect the growth of SMEs in Nigeria.

Nelson and Michael (2018) investigated deposit money bank loans to small and medium enterprises and its effect on economic growth in Nigeria from 1992 to 2016. The study employed two predictor variables (deposit money bank loans to small and medium enterprises and bank lending rate), one predicted variable (gross fixed capital formation representing economic growth) and one controlled variable (inflation rate). Test carried out include unit root test, co-integration test and ordinary least square. The findings revealed that: There is positive significant relationship between deposit money bank loans to small and medium enterprises and gross fixed capital formation in Nigeria, there is negative and significant relationship between bank lending rate and gross fixed capital formation in Nigeria, and there is negative insignificant relationship between inflation rate and gross fixed capital formation in Nigeria

Hedwigis (2017) empirically analyzed banking role to performance improvement on Indonesian small and medium enterprises from 2005 to 2015. The study employed regression technique to measure bank credit to SMEs, number of SMEs and output value of SMEs. The results from the study indicated that bank credit to small and medium enterprises, number of small and medium enterprises and output value of small and medium enterprises has positive and significant effect on economic growth. Iloh and Chioke (2015) ascertained commercial bank credit availability to small and medium enterprises in Nigeria. Real gross domestic product was used as a dependent variable as a proxy on economic growth, while small and medium enterprises activities, commercial bank credit, exchange rate and lending rate as independent variables. The result from the generalized least square revealed that, commercial bank credit to small and medium enterprises has significant effect on Nigerian economic growth by positively affecting the gross domestic product

Ismaila, (2016) examined banking sector credit and performance of the Agricultural sector in Nigeria. The study applied econometric tests such as unit root, co-integration and its implied error correction model and Grange causality test, in which changes in AGDP was regressed on commercial bank credit to agriculture. The result of the analysis shows that the total money stated as Government Expenditure on agriculture is not statistically significant and not theoretically in line. However, the result shows that commercial banks' credit to the agricultural sector has a positive relationship with agricultural productivity. The available literatures provide a

comprehensive view of different scholars about the relationship between government expenditure on agriculture and agricultural output. However, most of the research findings are not in consensus.

Okorontah, and Odoemena, (2016) evaluating the impact of commercial banks' credit to agricultural sector under the Agricultural Credit Guarantee Scheme Fund in Nigeria. The result revealed that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while the other variables produced a significant negative effect.

Mary and Willy (2016) over the period 1974-2010 examined the impact of bank credit on economic growth. The result from Autoregressive distributed lag bound approach showed that private sector had significant positive effect on economic growth in Nigeria. In contrast, few studies have documented negative, little or no effect of credit on economic growth. These studies include Hassan et al. (2011), Levine (1997) and Levine et al (2000). In the same way, the study

2.3.1 Summary of the Empirical Review

Several studies have examined the effect of asset Management Corporation on deposit money bank in Nigeria; but these studies end up with conflicting results and conclusions. The studies from Omonigho (2017), Hedwigis (2017), Iloh and Chioke (2015) and Akingunola (2011) found a positive and significant relationship between asset Management Corporation and deposit money bank in Nigeria. The results from Benson (2017), and Okey (2016), found insignificant relationship between asset Management Corporation and deposit money bank in Nigeria; while the studies from Richard, (2016), Oluwarotimi and Adamu (2017) found a negative relationship between asset Management Corporation and deposit money bank in Nigeria. This disparity call for a study such as this at this time that Nigerian economy is facing challenges to employ more recent data to verify the previous claims. These shortcomings have somehow contributed to the knowledge gap in the literature, thus warranting a more systematic and comprehensive study of the effect of asset Management Corporation on deposit money bank in Nigeria.

3.0 MATERIALS AND METHODS

3.1 Research Design

The study adopted the *ex-post facto* research design because secondary data were sourced from Central Bank of Nigeria (CBN), Statistical Bulletin and Statement of Accounts, for the period under review. Return on equity is the dependent (Y) variable while the major explanatory variables

(X) considered in the study are where, Non Performing Loan of deposit money banks, Capital Adequacy Ratio of deposit money banks and Average Liquidity Ratio of deposit money banks are independent variables.

3.2 Model Specification

The model used for the study was the adaptation and modifications from the work of Onyenkachi and Uchenna (2019) whom analysed the effect of asset management on banks' performance of deposit money banks in Nigeria.

The model is stated thus:

ROE= f (NPL, CAR)

Where:

ROE = Return on Equity

NPL=Non Performing Loan of Deposit Money Banks

CAR= Capital Adequacy Ratio of Deposit Money Banks

ARL= Average Liquidity Ratio of Deposit Money Banks in Nigeria

The model was adapted and modified by introducing average liquidity ratio of deposit money as one of the explanatory variables in the study

ROE= f (NPL, CAR, ALR)

The Econometric Equation Form of the Model is:

$ROE = \beta_0 + \beta_1 NPL + \beta_2 CAR + \beta_3 ALR + \mu$--- - ---- ------ ----1

Where:

ROE = Return on Equity

NPL=Non Performing Loan of Deposit Money Banks

CAR= Capital Adequacy Ratio of Deposit Money Banks

ARL= Average Liquidity Ratio of Deposit Money Banks in Nigeria

μ = Stochastic Disturbance (Error Term)

f = Functional Relationship

$\beta 0$ = Intercept of Relationship in the Model Constant

$\beta 1$, $\beta 2$, $\beta 3$, are the coefficient of nonperforming loan of deposit money banks, capital adequacy ratio of deposit money banks and average liquidity ratio of deposit money banks on the

performance of deposit money banks in Nigeria. The data were analysed with econometric techniques involving descriptive statistics; Augmented Dickey Fuller Tests for Unit Roots and the Ordinary Least Squire Methods of analysis

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

This measure the individual characteristics of the variables used in this study. The result of the descriptive statistics is presented in the table below

	ROE	NPL	CAR	ALR
Mean	0.171818	3584.702	798.2782	822.8345
Median	0.140000	3679.880	312.0700	346.4700
Maximum	0.430000	6512.600	3204.760	4371.550
Minimum	0.010000	399.7100	11.03000	1.270000
Std. Dev.	0.123111	2318.399	1087.734	1309.164
Skewness	0.752254	0.020001	1.294326	2.016704
Kurtosis	2.800958	1.619529	3.272787	6.052426
Jarque-Bera	1.055616	0.874180	3.105453	11.72677
Probability	0.589897	0.645913	0.711670	0.472842
Sum	1.890000	39431.72	8781.060	9051.180
Sum Sq. Dev.	0.151564	53749732	11831644	17139096
Observations	**11**	**11**	**11**	**11**

Source: Author's E-views 9.0 computation

The descriptive statistics showed the mean and standard deviation. The mean is the average value of each variable over the years while the standard deviation shows the variability of the values. The descriptive statistics also showed the maximum and minimum values. The Jarque-Bera statistics is the test of normality of the time series variables.

4.1.2 Unit Root Test

Table 2: Summary of the Unit Root Result

Variables	T-statistics	Probability	Order of Integration
ROE	-6.088595	0.0000	1(0)
NPL	-3.867397	0.0053	1(0)
CAR	-4.619034	0.0010	1(0)
ALR	-5.531824	0.0031	1(0)

Source: E-view Version 9.0

The table above shows that return on equity, Non Performing Loan of Deposit Money Banks, Capital Adequacy Ratio of Deposit Money Banks and Average Liquidity Ratio of Deposit Money Banks in Nigeria assume stationary at levels. This is indicated by the probability values of the test which are below 0.05 levels of significance.

4.1.3 Analyses of the effect of asset Management Corporation on the Performance of Deposit Banks in Nigeria

Table 3. Ordinary Least Squire

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.667553	0.824890	10.809263	0.0260
NPL	-0.164745	1.010577	1.163021	0.6358
CAR	0.518247	0.672745	3.770347	0.0183
ALR	0.068816	0.039042	2.762604	0.0302
R-squared	0.712561	Mean dependent var		4.676947
Adjusted R-squared	0.655073	S.D. dependent var		7.153306
S.E. of regression	6.953540	Akaike info criterion		6.888364
Sum squared resid	1208.793	Schwarz criterion		7.165910
Log likelihood	-100.7696	Hannan-Quinn criter.		6.978837
F-statistic	19.349696	Durbin-Watson stat		2.971283
Prob(F-statistic)	0.006525			

Source: E-view Version 9.0

Non Performing Loan of Deposit Money Banks (NPL): The coefficient Non Performing Loan of Deposit Money Banks is negative at 0.164745 with probability value of 0.6358 which revealed that non performing loan of deposit money banks had negative and insignificant effect on return on equity (ROE). The implication is that 1 unit increase in nonperforming loan of deposit money banks will lead to 0.65 decreases in return on equity (ROE)

Capital Adequacy Ratio of Deposit Money Banks (CAR): The coefficient of capital adequacy ratio of deposit money banks is positive at 0.518247 with probability value 0.0183 which showed that capital adequacy ratio of deposit money banks had positive and significant effect on return on equity (ROE). This means that 1 unit increase in capital adequacy ratio of deposit money banks will lead to 0.518 increases in return on equity (ROE)

Average Liquidity Ratio of Deposit Money Banks (ARL): The coefficient average liquidity ratio of deposit money banks is positive at 0.068816 with probability value of 0.0302 which showed that average liquidity ratio of deposit money banks had positive and significant effect on return on equity (ROE). This means that the 1 unit increase in average liquidity ratio of deposit money banks will lead to 0.068 increases in return on equity.

The coefficient of the Adjusted R-squared = 0.655073 showed that about 66% of changes in return on equity is accounted for by the level of asset management corporation in Nigeria. This implies that asset management corporation in Nigeriais one major contributor on the performance of deposit money banks in Nigeria

The F-statistics (19.349696; p. < 0.05) indicated that all the variables of the model (Asset Management Variables) have significant effect on the performance of deposit money banks in Nigeria

The Durbin Watson statistics (2.971283) showed that there was no autocorrelation in the model employed.

4.2 Test of Hypotheses

To test the hypotheses, the statistical significance of the individual parameters in the Ordinary Least Squire analysis in Table 4 is use to test hypotheses.

Table 5 Summary of the Hypotheses

Variable	Probability	Coefficient	Conclusion
Constant	0.0260	0.667553	Statistically Significance
NPL	0.6358	0.164745	negative and Insignificant
CAR	0.0183	0.518247	Positive and Significant
ALR	0.0302	0.068816	Positive and Significant

Source: E- view 9.0

4.2.1 Hypothesis One

Decision Rule:

Reject null hypothesis if p-value is less than 0.05 (i.e. $P < 0.05$) and accept alternate hypothesis. Otherwise accept null and reject the alternate.

H0: Non Performing Loan of Deposit Money Banks (NPL) does not have positive and significant effect on the Bank's Return on Equity (ROE).

Ha: Non Performing Loan of Deposit Money Banks (NPL) has positive and significant impact on the Bank's Return on Equity (ROE).

From table 4 above, since the probability value is greater than 5% (0.6358<0.05), the null hypothesis is accepted while the alternative hypothesis is rejected implying that non performing loan of deposit money banks has negative and insignificant effect on return on equity. The implication is that 1 unit increase in nonperforming loan of deposit money banks will lead to 0.65 decreases in return on equity (ROE)

4.2.2 Hypothesis Two

Decision Rule:

Reject null hypothesis if p-value is less than 0.05 (i.e. $P < 0.05$) and accept alternate hypothesis. Otherwise accept null and reject the alternate.

Ho_2: Capital adequacy ratio of deposit money banks does not have positive and significant effect on the Bank's Return on Equity (ROE).

HI: Capital adequacy ratio of deposit money banks has positive and significant effect on the Bank's Return on Equity (ROE).

From table 4 above, since the probability value is less than 5 %(0.0183<0.05), the null hypothesis is rejected while the alternative hypothesis is accepted implying that capital adequacy ratio of deposit money banks has significant effect on return on equity. This means that 1 unit increase in

capital adequacy ratio of deposit money banks will lead to 0.518 increases in return on equity (ROE)

4.2.3 Hypothesis Three

Decision Rule:

Reject null hypothesis if p-value is less than 0.05 (i.e. $P < 0.05$) and accept alternate hypothesis. Otherwise accept null and reject the alternate.

Ho_3. Average liquidity ratio of deposit money banks does not have positive and significant effect on return on equity (ROE).

Hi. Average liquidity ratio of deposit money banks does not have positive and significant effect on return on equity (ROE).

From table above, since the probability value is less than 5% (0.0302<0.05), the null hypothesis is rejected while the alternative hypothesis is accepted; implying that average liquidity ratio of deposit money banks has significant effect on return on equity. This means that the 1 unit increase in average liquidity ratio of deposit money banks will lead to 0.068 increases in return on equity

4.3 Discussion of Findings

Nonperforming Loan of Deposit Money Banks: The result of the study indicates that non performing loan of deposit money banks has negative and insignificant effect on return on equity

The results of our findings are consistent with the work of Adu, (2016) in terms of nonperforming loan of deposit money banks, it was discovered that nonperforming loan of deposit money banks has negative effect on the performance of deposit money banks in Nigeria

Capital Adequacy Ratio of Deposit Money Banks: The result indicates that capital adequacy ratio of deposit money banks has significant effect on return on equity

The results of our findings are inconsistent with the work of Agwu, Atuma, Ikpefan, and Aigbiremolen, (2014) (2016), they posited that capital adequacy ratio of deposit money banks has negative and insignificant effect on the performance of deposit money banks in Nigeria.

Average Liquidity Ratio of Deposit Money Banks: The result indicates that, average liquidity ratio of deposit money banks has significant effect on return on equity. The result of our findings are consistent with the work of Asidok, and Michael, (2018)in terms of average liquidity ratio of deposit money banks, it was discovered that average liquidity ratio of deposit money banks has significant effect on the performance of deposit money banks in Nigeria

5.0 CONCLUSION

The regression result indicates that nonperforming loan of deposit money banks has negative and insignificant effect on return on equity while capital adequacy ratio of deposit money banks and average liquidity ratio of deposit money banks has significant effect on return on equity.

The study thus concludes that asset management corporation has positive effect on return on equity and has improved the performance of Deposit money Banks in Nigeria within the period under review

5.1 Recommendations

Amongst the recommendations is that managers of deposit money banks should from time to time sensitize customers with regard to nonperforming loan of deposit money banks, its risk exposure, trainings should be held for bank staff in short periods to acquaint them with modern developments of the danger in nonperforming loan of deposit money banks to improve the performance of deposit money banks in Nigeria. Managers of deposit money banks should strive toward the improvement of capital adequacy ratio to enhance the performance of deposit money banks. Mangers of deposit money banks can offers numerous products and services through average liquidity ratio of deposit money banks in an effective, efficient and cost effective manner to their customers that will improve the performance of deposit money banks in Nigeria.

Reference

Abata, M. A. (2015). Impact of Asset Management Corporation of Nigeria (AMCON) On the Securitisation in the Nigerian Banking Sector: *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA) An Online International Research Journal (ISSN: 2311-3162) 2015 Vol: 1 Issue 2*

Ajayi, M. (2005). Banking sector reforms and bank consolidation: conceptual framework" CBN Bullion, Vol.29 No.2 April-June.

Ajekigbe, J. M (2009). The Nigerian banking industry: challenges and prospects (1977-2008), Being a Text Valedictory Lecture Presented at Muson Centre, Onikan, Lagos on Tuesday 13 January, 2009, Organized by the Chartered Institute of Bankers of Nigeria.

Akinmoladun, L., Ogunleye, T. & Akintunde, T. (2010). Sick banks: how CBN Saved N2tr Depositors' Fund", Tribune, 22 January pp 4 and 12.

Ebiaghan, O. F., Ojugbeli, O. C & Emma, O. (2017). Toxic assets dilemma and the health of deposit money banks: assessing the performance of the asset management company of Nigeria. *International Review of Management and Business Research, 2(1), pp.223 – 233.*

Egene, G. (2009). CBN, Sacked Banks' MDs and Stock Market", ThisDay, Vol 14, No. 5232.

Eke, M. S. (1999). Banking soundness and monetary policy: Issues and Experiences in the Nigerian Economy", *Nigerian Journal of Banking and Finance, B & F Publication, Enugu*.

Emeka, O. & Omodele, A. (2010). "New banking Model Economy", DailySun, December 13, p.32.

Federal Government of Nigeria (2003). Central Bank of Nigeria Banking Supervision Annual Report

Federal Government of Nigeria (2004). Central Bank of Nigeria Annual Report and Statement of Accounts, Abuja.

Federal Government of Nigeria (2004): Central bank of Nigeria banking supervision annual report

Federal Government of Nigeria (2005). Central Bank of Nigeria banking supervision annual report
Federal Government of Nigeria (2006): Central Bank of Nigeria Banking Supervision Annual Report
Federal Government of Nigeria (2008): Central Bank of Nigeria Banking Supervision Annual Report
Federal Ministry of Information and National Orientation: "The Obasanjo Reforms: Banking Sector" A Publication of Federal Ministry of Information and National Orientation, Abuja.
Madubueze, A. J. (2008). Risk Management: A Must for Banks to Sustain the Gains of Banks Consolidation in Nigeria", Being a Text Valedictory Address by the President/Chairman Organized by the Chartered Institute of Bankers of Nigeria,May, 2
Moses-Ashike H. (2010). "Will All 121 MFBs With Provisional License Crossover to 2011 Successful"?, Business Day, Monday, December,13 p.21
Nwokoji, C. (2010). "New Regime is All About Risk Management", DailySun December 13, p.36.
Ogbonna, Amechi (2010). "New banking Model Economy: Rat Race to Beat Deadline Begins", DailySun, December 13.
Osae-Brown, A. (2010). "Rescued Banks Lead Market Gains in November", Business Day, Wednesday, December,8.
Selltize, C (1977). Research methods in social relations, Methuen, London.
Uchendu, O.A (2005). "Banking sector reforms and banking consolidation: The Malaysian Experience" CBN Bullion Vol.29 No. 2 April-June