SSR Journal of Economics, Business and Management (SSRJEBM)

Homepage: https://ssrpublisher.com/ssrjebm/

Volume 2, Issue 11, 2025 ISSN: 3049-0405

Impact of Financial Deepening on Deposit Banks Performance in Nigeria: Leads and Lags Model Approach

Iortyer Aondover Dominic & Akinwale Rabiat

Department of Economics, Federal University Lokoja, Kogi State Nigeria

Received: 20.11.2025 | **Accepted:** 05.12.2025 | **Published:** 08.12.2025

***Corresponding author:** Iortyer Aondover Dominic

DOI: *10.5281/zenodo.17855333*

Abstract **Original Research Article**

Financial sector experienced continuously, different forms of financial deepening measures, thus the study empirically investigates the impact of financial deepening on the performance of deposit banks in Nigeria proxied by return on assets from 2000 – 2024, The study specifically examined the impact of broad money supply, market capitalization, customers credit access, and customers deposits on return on assets. The leads and lags model of dynamic ordinary least squares (DOLS) was used to investigate the impacts. Findings revealed that all the financial deepening variables captured in the model has significant and positive impact on deposit banks performance in Nigeria. In the light of the findings, the paper recommends for sustained financial deepening measures for sustained performance of deposit banks in Nigeria.

Keywords: Financial deepening, Market capitalization, Broad money supply, Return on assets, Customers deposit.

Copyright © 2025 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution-Non Commercial 4.0 International License (CC BY-NC 4.0).

1.0 Introduction

The financial sector has over the years maintained its leading role in enhancing the economic growth and development of any nation. The effectiveness of the financial sector enhances the prosperity and economic growth of a country while the poor performance of this sector hampers the economic growth and structure of a country (Khan & Senhadji, 2019). Claessen and Feijen (2020) opined that without a developed financial sector, domestic savers and foreign investors would be more hesitant to part with their money to sound investments, resulting in lower economic output. They further stressed that a well-developed financial system enables firms to expand production and provides households with the ability to obtain essential assets like a house, insure against income shocks, start a company, receive cheaper remittances, and enjoy a pension when they retire.

The search for ways of bettering the standard of living of citizens has opened the corridors for alternative view points on paradigms of economic growth and development. Financial deepening has been identified as one of those strategies whose implementation can quicken the pace of development. This has prompted the introduction of different reforms in Nigeria overtime which were targeted at making the system more effective and at strengthening its growth potentials. However, despite the various reforms in the Nigerian financial sector, the sector still has not addressed the financial gaps in the system. This is because neither domestic

savings nor investments in country have appreciably increased since the introduction of the reforms as the sector remained largely oligopolistic and uncompetitive, as few large banks control the greater segment of the market in terms of total assets, total liabilities and total credit in the banking system. (Torruam, 2021).

Over the last decade, financial deepening and other growth factors have caused fluctuations in economic growth with the rate as low as 10.5% in 2003, 4.21 in 2012, 7.67% in 2013 and 6.22% in 2020 (Central Bank of Nigeria, 2022). Alisha & Bhutta (2019) opined that financial deepening has led to negative outcomes like restraining the financial markets to be efficient and reducing the profit margin and increased financial fragility of banks which may create financial crises if excessive risks are taken in presence of increased competition. According to Delay & Muhammad (2019), less than one-third of the country's micro, small and medium sized enterprises (MSMEs) have successfully obtained a loan from a financial institution. Instead most use personal savings or reinvested profits as a source of business financing and this has hindered the growth of MSMEs in Nigeria which has impacted negatively on economic growth. The financial gaps still persist. The Nigerian capital market was no longer seen as a market for long-term funds, but that of a short one. As a result of this, the market became overheated with so much speculative activities of companies that by the time the market caved in, it became difficult for them to exit through the narrow door as there were no mega investors to "check them out". Also, the financial sector like the insurance companies has been underdeveloped. Penetration of this sector is very low in relation to Gross Domestic Product, for instance, there has been minimal growth in written premium over the last decade in real terms and more than 90% of premium written is for deposit risk (Loukoianova,2018).

Carrying out financial intermediation consistently, deposit banks (deposit banks), need to generate profit. A bank performance is measured on its profitability if it can accrue financial gains from its operational activities of mobilizing idle funds from depositors to investors. In order words there is interconnectivity between financial deepening function and the performance of deposit banks. Between 2000 to 2010, the aggregate deposit banks performance was 0.25% to 1.28% annual performance measured in terms of profitability on return on assets, deposit mobilization and other performance index, (CBN, 2021). Within this period, credit facilities to customers increase from 2.8% to 3.8%. Idle funds mobilization increased to 8.6%. From 2011 to 2021, the indices of banks performances increased to 11.3%, thus implies a significant increase in general performance of deposit banks though individual deposit banks performance within the period was not commendable.

Thus, goal of this study is to examine the impact of financial deepening on the performance of deposit banks performance in Nigeria from 2000 – 2023.

1.1 Objectives of the study

The main objective of the study is to evaluate the impact of financial deepening on deposit banks performance in Nigeria while the specific objectives are to: 1, Examine the effect of broad money supply on deposit bank performance in Nigeria. ii Evaluate the influence of market capitalization on deposit bank performance in Nigeria. iii Examine the impact of customers credit access (loans) on deposit bank performance in Nigeria ivDetermine the impact of customers deposits on deposit banks performance in Nigeria..

2.0 Literature Review

2.1 Theoretical review

Two theories were adopted to serve as theoretical background for this study.

The is Supply Leading Hypothesis; and **, The Demand Following Hypothesis**. The supply leading hypothesis was first put forth by Schumpeter (1911) and later supported by the works of McKinnon (1973), Shaw (1973), Bencivenga & Smith (1991), Onwumere Ibe, Ozoh & Mounanu (2012) among others. The conventional view of the supply-leading hypothesis postulates that financial development causes economic growth. In a world with frictionless transaction, information and

monitoring costs, no financial intermediaries are needed. If transaction, information and monitoring costs are sufficiently high, no exchange among economic agents will take place. The desire to reduce those costs and enable exchanges led to the emergence of financial institutions and markets that make up the financial sector. The theory posits that a well-developed financial sector provides critical services to reduce transaction, information and monitoring costs and increase the efficiency of intermediation. This eventually results into faster and long-term economic growth (Schumpeter, 1911). This theory is related to this study since it provides one of the possible explanations of how development in the financial sector affects economic growth. This relationship is the core of this study.

The demand following hypothesis was put forth by Robinson (1952), and Patrick (1966) and later supported by the works of Ndlovu (2013) and Omotor (2017) among others. The demand-following hypothesis postulates that it is economic growth that leads to financial development. Robinson (1952), reveals that it is the necessity from high economic growth that creates demand in the financial sector. Thus, in this view, it is the improvements in the economy that drive higher demand for the use of money, which consequently promotes financial development. In other words, financial markets develop and progress as a result of increased demand for their services from the growing real sector. According to this model, the development of the real economy induces increased demand for financial services. The induced increase in financial services, in turn, generates the introduction of new financial institutions and markets to satisfy that increased demand for financial services. This hypothesis is important to this study because not only does it agree that there is a relationship between financial deepening and economic growth, but it also provides an alternative explanation suggesting that economic growth drives deepening of the financial sector.

2 .2 Empirical review

Studies like The Impact of Private Sector Credit on Economic Growth in Nigeria by Sandrina, (2015) used a Harrod-Domar and GAP models to assess the macroeconomic impact of foreign aid on economic growth and found that such injections are beneficial to developing countries. The results suggest that non-linearity and time lags in the aid-growth relationship, country heterogeneity and endogeneity of foreign aid should be factored when assessing the impact of foreign aid on economic growth of developing countries. Clemens and Radelet (2020) employed a "saturation point" technique to determine how excessive amount of aid above the saturation point will bring less-than-anticipated impact in stimulating growth and development in the recipient country. They found that large inflows of US Millennium Challenge Account (MCA) aid to recipient countries would have a less-than-anticipated impact, either in terms of absorpive capacity or in terms of stimulating growth and development. Narula (2022) undertook an in-depth explanation of how the nature of absorptive capacity changes with stages of economic development, and the importance of the different aspects of absorptive capacity at different stages. The study found that the benefits that accrue from marginal increases in absorptive capacity change over time. Fu (2021) investigated the impact of foreign direct investment (FDI) on the development of regional innovation capabilities using a panel dataset from China. The outcome indicates that FDI has a significant positive impact on the overall regional innovation capacity. FDI intensity is also positively associated with innovation efficiency in the host region and that the strength of this positive effect depends, however, on absorptive capacity and the presence of innovation-complementary assets in the host region. It noted that the type and quality of FDI inflows and the strength of local absorptive capacity and complementary assets in the host regions are crucial for FDI to serve as a driver of knowledge-based development. Farkas (2021) found that the contribution of FDI to economic growth is positive and significant depending on the level of human capital and the development of financial markets but its presence in developing countries must compliment rather than substitute a set of other growth determinants. Burnside and Dollar (2018) examined the relationship between aid and growth using data set focusing on the 1990s. The

evidence supports the view that the impact of aid depends on the quality of state institutions and policies. They also found that the interaction of aid and institutional quality has a robust positive relationship with growth that is strongest in instrumental variable regressions. Their results further show that in the 1990s the allocation of aid to low-income countries favored the ones with better institutions. Hansen and Tarp (2019) re-examined the literature on the aid–savings, aid–investment, and aid–growth relationships, and a comparative appraisal of more recent research contributions. Using an analytic framework for evaluating the empirical work, they found a coherent and positive picture of the aid–growth. In other words, that there is a robust aid–growth link even in countries hampered by an unfavorable policy. Audu (2018) examines the relationship between absorptive capacity, credit market development and economic development in Nigeria using Ordinary Least Squares. The model specified in the study and the caption of the work appears to irreconcilable and disjointed. Aside the numerous disadvantages associated with the use of OLS, the study actually looks at the impact of some macroeconomic variables on credit. Thus, credit rather than a growth proxy was used as the dependent variable without any indicator of absorptive capacity identified in literature appearing on the right-hand side of the specification. This paper fails to fill the gap of ascertaining the absorptive capacity of credit in Nigeria by determining the growth maximizing level of credit in the Nigeria economy.

Sharmiladevi (2021) examined the relationship between financial deepening (FD), foreign direct investment (FDI) and economic growth in India during the time period 2000 to 2019. A multiple regression model was built taking economic growth as dependent variable and financial deepening and FDI as independent variables. The result of the Pearson correlation coefficient and the regression model jointly indicate that financial deepening together with foreign direct investment is having a strong positive impact on the explanation of economic growth.

Nguena (2020) examined the implication of financial deepening dynamics for financial policy coordination in the West African Economic and Monetary Union (WAEMU) sub-region. The study adopted a hypothetical deductive theoretical approach and an empirical investigation in both static and dynamic panel data econometrics. The explanatory variables used are trade openness, financial openness, inflation, interest rates while the endogenous variable used is financial deepening. The study discovered that Exchange rate and reserves have a negative impact on financial deepening while GDP per capital growth rate, savings rate and density have a positive impact on financial deepening.

Onuonga (2019) examined relationship between economic growth and financial development in Kenya over the period 1980–2017. Financial development was measured by M2 and domestic credit to the private sector. The study used autoregressive distributed lag framework and Granger causality analysis to determine the direction of causality. Findings indicated that there was a long-run relationship among financial development, trade openness and economic growth in Kenya. Adu, (2022) studied financial deepening and economic growth in Ghana: The study investigated the long-run growth effects of financial deepening in Ghana using one indicator at a time among a set of control variables. The financial deepening variables used are private sector credit ratio to GDP, money supply ratio to GDP, total domestic credit to GDP and total bank deposit liabilities to GDP and set of control variables namely inflation rate, trade openness, real gross government expenditure. The study tests the variables using the ordinary least square method and found out that all the measures of financial deepening have a positive effect on economic growth in Ghana except broad money supply to GDP.

Aye (2021) investigated the role of financial development on economic growth in Nigeria. A bootstrap rolling window estimation was used to evaluate Granger causality between financial deepening and economic growth from 1961 to 2019 the result reveals periods where economic growth has predictive power for financial deepening: 1980-1982, 1985-1986, 1998, 2000, 2004 and 2008-2011. The results highlight the risk of misleading conclusions based on the

standard granger causality test which neither accounts for structural breaks nor time variation in the relationship between financial deepening and economic growth.

Okafor, (2020) investigated the causality and impact of financial deepening on economic growth in Nigeria between 1981 -2018. The Error correction model as well as the granger causality test was employed. The findings revealed that broad money supply has positive and non-significant impact on economic growth; private sector credit has negative and non-significant impact on economic growth. The causality test shows that neither broad money supply nor private sector credit is granger causal for economic growth and vice versa.

Several studies such as Nzotta, (2018), Torruam, . (2019) and Aye, (2022) have been carried out on the impact of financial deepening variables on economic growth in Nigeria. These studies have used variables such as broad money velocity, money stock diversification, economic volatility and Stock market capitalisation. However, there is a need to examine the impact of financial deepening on economic growth using variables such as insurance premium to GDP and private debt to GDP. Svirydzenka, (2020) identified these variables as measures of financial deepening. In view of this, the study contributed to existing knowledge by including insurance premium to GDP and private debt as an additional variable. This is because most studies on financial deepening concentrated on banking sector financial deepening variables.

3.0 Methodology

3.1 Model Specification

The specification of dynamic ordinary least squares takes the pattern of stock and Watson (1993), anchored on the intermediating theory as;

$$Y_{t\,=}\alpha_0 + BX_t + \sum_{0=ce}^{=r} d\Delta x_t - 1 + E_t \text{ ----------1}$$

Specifying the DOLS model in relation to the variables of interest for the study, and on the assumption that lags and leads are incorporated. The regressors are differenced to address the problem of autocorrelation and endogeneity.

Specifying the model with one lag and one lead.

$$ROA_t = \alpha_0 + B_1X_t + B_2X_{t+2} + B_3X_{t-1} + E_t ------ 2$$

Applying the lead and lag for all the regressors

$$\text{ROA} = \alpha_0 + B_1M2_t + B_2M2_{t+1} + B_3M2_{t-1} + B_4MCAP_t + B_5MCAP_{t+1} + B_6MCAP_{t-1} +$$

$$B_7CCA_t + B_8CCA_{t+1} + B_9CCA_{t-1} + B_{10}CDP_t + B_{11}CDP_{t+1} + B_{12}CDP_{t-1} + E_t ------3$$

differencing the equation3

$$ROA_t = B_0 + B_{1\,d\Delta}M2_t + B_2\,d\Delta M2_{t+1} + B_3 d\Delta\, M2_{t-1} + B_{4\,d\Delta}MCAP_t + B_5\,d\Delta MCAP_{t+1}$$

$$+ B_5\,d\Delta MCAP_{t-1} + B_6CCA_t + B_7CCA_{t+1} + B_8\,d\Delta CCA_{t-1} + B_9\,d\Delta CDP_t$$

$$+ B_{10}\,d\Delta CDP_{t-1}\,B_5\,d\Delta CDP_{t-1} + E_t ---------4$$

Where,

ROA_t =Return on assets at time t

$M2_t$ = Broad money supply at time t

$MCAP_t$ = Market capitalization at time t

CCA_t = Customers credit access at time t

CDP_t = Customers deposits t

$_{T+1}$= lead

$_{T-1}$= lag

Apriori Expectations

$\beta1, \beta2, \beta3, \beta4 > 0$

Table 1: Augmentd Dickey Fuller (ADF) Unit Root Test Results

Variable	ADF	Critical Value 1%	5%	10%	Order of integration
ROA	6.452842***	-4.498307	-3.658446	-3.268973	I(1)
M2	5.734695***	-3.808546	-3.020686	-2.650413	I(1)
MCAP	6.452254***	-4.67895	-3.644963	-3.261452	I(1)
CCA	-4.360189**	-3.831511	-3.029970	-2.655194	I(1)
CDP	-3.420597**	-3.788030	-3.012363	-2.646119	I(1)

Source: Author's Computation Using EVIEWS 9

* Indicates significance at 1%, ** at 5% and *** at 10% levels respectively.
Mackinon (1996) Critical value for rejection
Note: A variable is stationary at a given level when the ADF value is greater than the critical value.

The ADF unit root test results in Table 1 shows that Return on asset (ROA) , Broad money supply (M2) Market capitalization (MCAP), Customers credit access (CCA), and Customers deposits (CDP) were all stationary at first differencing, I(1),

3.2 TEST FOR MULTICOLLINEARITY

The Variance Inflation Factor (VIF) approach was employed to test whether the repressors in the model were highly correlated. As a rule of thumb, a tolerance of 0.1 or less (equivalently VIF of 10 or greater) is a cause for concern. The VIF result is represented in Table 4.1 The empirical result indicated that none of the repressors were highly correlated because neither the mean VIF nor any of the respective VIFs of the repressors were greater than 10.

Table 2: Results of the Variance Inflation Factor

Variable	VIF	Tolerance (1/VIF)
M2	1.1561332	0.864953
MCAP	1.999448	0.500138
CCA	8.162159	0.122517
CDP	1.425296	0.701609
Mean VIF	3.824149	

Source: Computation by Author

Table 3 Result of the Dynamic Ordinary Least squares (DOLS) Capturing the

Variable	Coefficient	Std. Error	t-Statistic	Prob.
M2	8.241009	1.30E-08	-5.635436	0.0341
MCAP	0.313266	0.224363	2.396246	0.0015
CCA	0.011385	9.84E-05	-3.880951	0.0187
CDP	6.182267	2.440126	2.533585	0.0223
D(M2)	-4.022109	1.233308	-0.327182	0.7568
D(M2(1))	-1.202108	6.373109	-1.890763	0.1172
D(M2(-1))	4.573309	1.91E-08	0.239082	0.8205
D(MCAP)	-0.304853	0.176772	-1.724553	0.1452
D(MCAP(1))	-0.023939	0.029099	-0.822678	0.4481
D(MCAP(-1))	-0.215684	0.111566	-1.933248	0.1110
D(CCA)	0.000290	0.000127	2.288654	0.0708
D(CCA(1))	0.000191	0.000119	1.612001	0.0679
D(CCA(-1))	-9.38E-05	0.000130	-0.721045	0.5032
D(CDP)	-4.091585	1.627319	-2.514311	0.0535
D(CDP(1))	0.967418	1.057788	0.914567	0.0024
D(CDP(-1))	-2.993347	1.765123	-1.695829	0.3507
C	1.244807	126.7413	1.252005	0.0059

R-squared	0.900005	Mean dependent var	665.0963
Adjusted R-squared	0.874020	S.D. dependent var	186.8022
S.E. of regression	66.30282	Akaike info criterion	11.29019
Sum squared resid	21980.32	Schwarz criterion	12.13327
Log likelihood	-107.1921	Hannan-Quinn criter.	11.48880
F-statistic	10.10586	Durbin-Watson stat	2.470764
Prob(F-statistic)	0.009068		

The dynamic ordinary least squares result presentation in table 4.3 Shows The robust outcome of the independent variables The Dependent variable in this discourse is the return on asset (ROA) as a proxy for deposit deposit banks performance. The Independent variables on the other hand are: Broad Money supply (M2), Market Capitalization (MCAP), Customers credit Access (CCA), and Customers deposit (CDP). These are Components of financial sector deepening as captured in this study.

From the result is only the parameter and other relevant values of the independent variables are explained. The leads (1) and lag (-1) are not Explained. This is because in the context of dynamic ordinary least squares (DOLS), The leads and lags variables are included in a model to address the problem of endogeneity (The conflict between variables over which should be a dependent variable and which should not). The leads and lags variable in addition resolves the problem of serial correlation which is the interdependency among stochastic error term of one period to another.

From the result therefore, a one unit increase in broad money supply (M2) will stimulate 8.24 unit increase in deposit deposit bank performance proxied by return on asset (ROA), this is consistent with theoretical underpinnings as money supply induced the performance of deposit deposit banks.

Similarly, the result revealed that market capitalization (MCAP) has a positive impact on the performance of deposit deposit banks as a one unit increase in market capitalization caused 0.31 unit improvement in the performance of deposit deposit banks. This is in line with apriori expectation. For bank deposit a unit increase caused 0.011-unit improvement in the

performance of deposit deposit banks as is also in line with apiori expectations. Apion expectation simply meun in line with theoretical conclusions

Customers deposit this is another variable that constitute financial depending as captured in this study The results shows its positive and significant impact on the performance of deposit deposit Banks from the result a one unit increase in customers deposit will trigger 6.18 in return on assets ceteris paribus. It also agrees with the apiori expectation the value of the consultant (c) as shown in the results implies that holding the explained variables constant deposit deposit banks performance will improve by 1.24-unit ceteris pathe consultant is significant.

The value of the adjusted square shows that 87% all the total impact of return on asset a proxy for the performance of deposit deposit Banks is determine by the explanatory variable: broad money supply (MS), market capitalization (MCAP), customers credit access (CCA) and customer deposit (CDP). This demonstrates the goodness of fit of the model and it's robustness. The F-sktistic probability values of 0.009068 implies that all the explanatory variables are significant in the model. The Durbin waste statistic value of 2.47 fails with the region of no serial correlation depicting that the model had no serial correlation.

Discussion of findings

The finding of the study emanating from the results shows that broad money supply has positive influence on the performance of deposit deposit bank the variable is significant in explaining the behavior of the dependent variable the outcome of broad money supply on deposit deposit Banks performance in Nigeria.

Agrees with the findings of Iortyer and Nasiru (2025) supporting the assertion that money supply influence the performance of deposit bank deposit positively.

Market capitalization which measures the amount of money items of the volume and values of stock or shares in the capital market shows a positive but neglig ible impact on The performance of deposit deposit banks in Nigeria. This implies that the growth experience in the stock market is not significantly transmitting today performance of deposit deposit bank this however contradict Uche (2024) as the behavior and activities of the Nigeria capital market has negative impact on bank performance. customer credit access. The rate of customer access to banks l oans's facility in Nigeria has positive impact on bank performance particularly the deposit deposit bank. The results of finding tallies with Bassey (2022) proved empirically that access to loan enhance the performance of deposit bank in Nigeria.

Finally, customer deposit one of the principal components of financial deepening is the aggressive drive for increase customers deposit, the deposits improved the capitalization base of deposit banks as well as available funds to increase lending and borrowing to customers and hence the interest changed improves deposit deposit banks performance through return on assets.

4.0 DIAGNOSTIC CHECK OF THE MODEL

The estimated model is subjected to some post-diagnostic checking. This is to ensure that the residuals from the estimation satisfy the basic assumptions of the regression estimation techniques.

To confirm the reliability of the estimates, it is required that the diagnostic test for the normality test of the coefficients agree with their respective null hypothesis.

The study conducted stability test of the model using Cumulative Sum of Recursive Residuals (CUSUM) and Cumulative Sum Squares of Recursive Residuals (CUSUMSQ). The CUSUM test is particularly good at detecting systematic departure of the coefficients, while the CUSUMSQ test is useful when the departure of the coefficients from constancy is haphazard rather than systematic. Both are derived from the residuals of the recursive estimation known as recursive residuals. Under the null hypothesis of perfect parameter stability, both the CUSUM and CUSUMSQ statistics are zeros. Given that, the expected value of a distance is always zero, a set $\pm$ 2 standard error bands is usually plotted around zero and any statistic lying outside the band, is taken as evidence of parameter instability. The

plots of the CUSUM and CUSUMSQ are shown in figure 1 and 2 respectively.

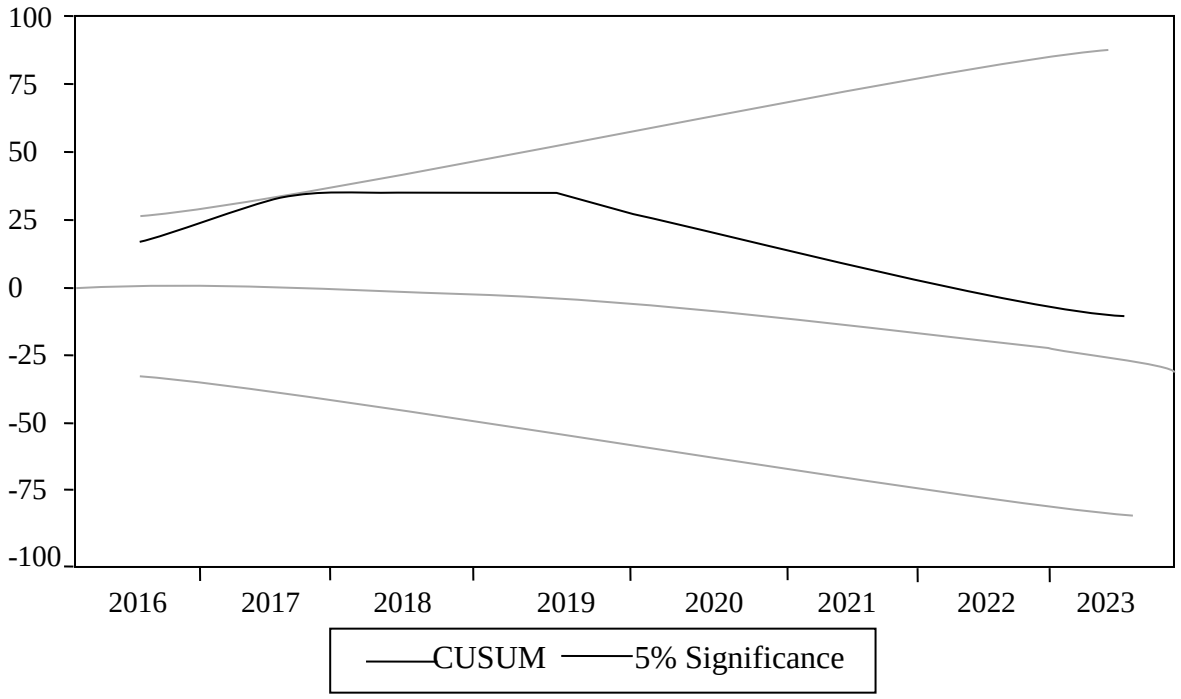


Figure 1: Cumulative Sum of Recursive Residuals (CUSUM)

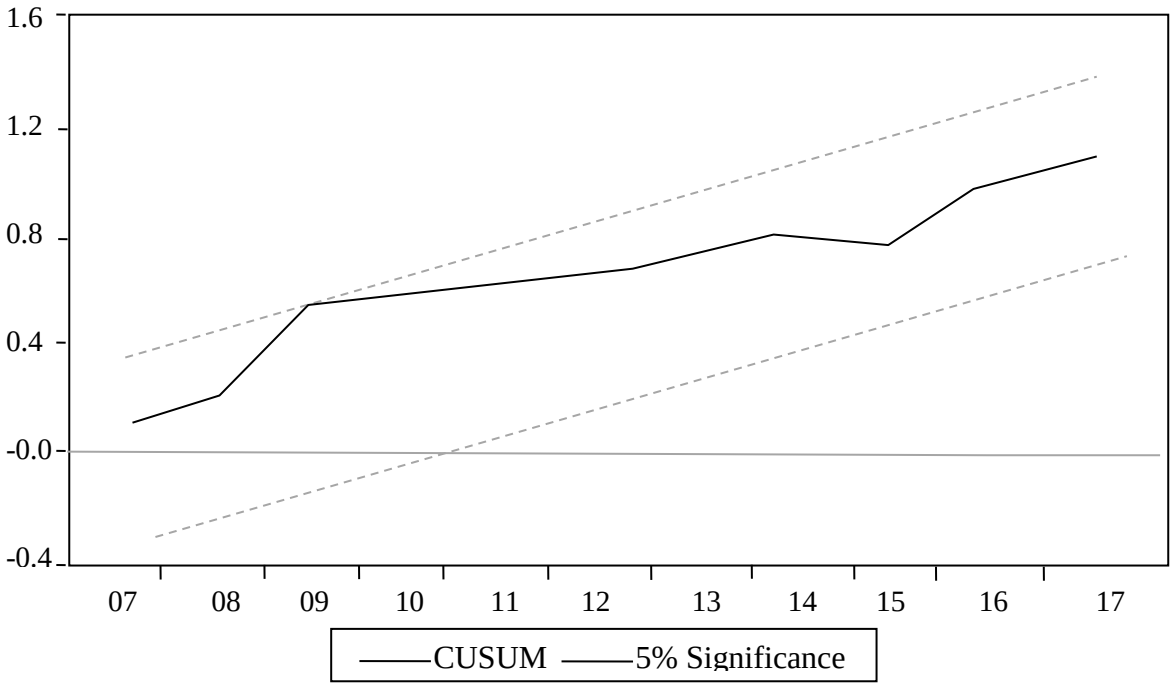


Figure 2: Cumulative Sum Squares Recursive Residuals (CUSUMSQ).

The plots of the CUSUM and CUMSUMSQ in Figure 1 and Figure 2 illustrate that the residuals are within the critical bounds at 5% level of significance. This signifies that the estimates of the DOLS model for this study are

stable, consistent and reliable and therefore can be used for policy issues.

4.1 Test for serial Correlation

Serial correlation also known autocorrelation was conducted to check for the independency of the error term to avoid spurious regression. The LM test result shows that both the probability value for F-statistics and observed R-squares are greater than 5% which negate the hypothesis that the error terms are correlated

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	5.652395	Prob. F(2,3)	0.0960
Obs*R-squared	17.38616	Prob. Chi-Square(2)	0.0002

4.2 Heteroskesdasticy Test

The heteroskesdascity test was conduct on the axiom that the variance of the explanatory variables are not homokedastic. However, the result using the Breusch-Pagan-Godfrey shows that the probability values of F- statistics (0.9901) and that of Obs*R-squared (0.9047) are all greater than 5%, which proved the variance of the variables are homokedastic

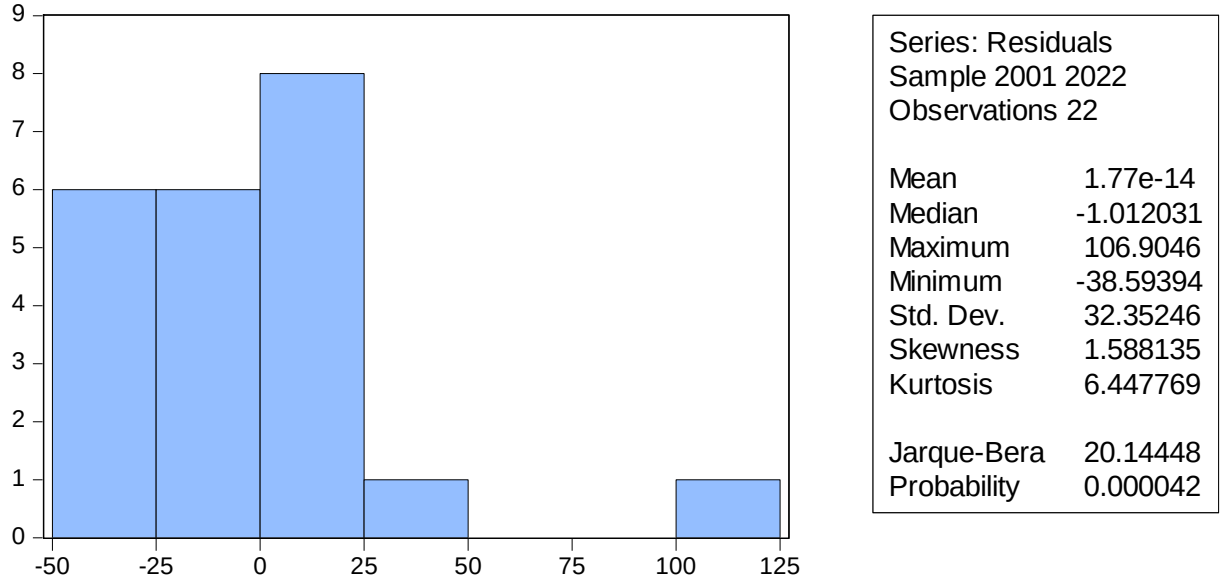
Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.224830	Prob. F(16,5)	0.9901
Obs*R-squared	9.205265	Prob. Chi-Square(16)	0.9047
Scaled explained SS	1.295149	Prob. Chi-Square(16)	1.0000

4.3 Normality Test

The residuals of the variables are normally distributed. This was informed by the Jarque-Berra (JB) value of 20.14448 with a p-value of 0.000042 which is greater than the 0.05 level indicating a non-rejection of the null hypothesis that the residual of a series is normally distributed when p-value of JB exceed 0.05.

Fig 3



4.4 Ramsey Reset Test

The test result shows the t-value probability of 0.1609 and F-statistic value of 0.1622 which is more than 5% proving that the model is well specified and there is no specification error.

Ramsey RESET Test

	Value	df	Probability
t-statistic	1.718194	4	0.1609
F-statistic	2.952190	(1, 4)	0.1622
Likelihood ratio	12.16077	1	0.0005

CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

The study was guided by the main objective of examining the impact of financial deepening on the performance of deposit banks in Nigeria. Financial deepening variables in this discourse are; broad money supply, market capitalization, customers access to credit, and customers deposits, which constitute the independent variable. Return on assets on the other hand is the dependent variable as a measure of performance of deposit banks in Nigeria using time series data from 2000 to 2024.

The findings from the analysis of this study confirmed the relevance of the theory underpinning increthat anchored the model, thus establishing that, financial deepening components captured in the model have significant impact on the performance of deposit banks This study conclude by buttressing the assertion that financial deepening inclined variables as modeled in the study have influence on deposit banks performance and by extension economic growth in Nigeria.

5.2 RECOMMENDATION

Based on the findings of the study, the following recommendation are made:

1. Sustained and controlled increase in money supply by monetary authorities to enhance adequate liquidity to deposit banks to improve there performance
2. Government should Create enabling fiscal and monetary environment capable of

improving the operations of capital market, thus improved the market capitalization base which will spill over to the performance of deposit banks.

3. Central Bank of Nigeria and deposit banks should do more to make customers easy access to credit facilities. This will improve the performance of deposit banks by increasing money supply and in turn yields returns for the banks
4. Stakeholders of deposit banks should promote sustainably campaigns and awareness for individuals and corporate organizations to deposits. This will increase the liquidity base of the deposit banks hence their performance.

References.

Adu, M. (2022). Profitability Analysis of Mergers and Acquisitions: An Event Study Approach, Journal of Macrothink Institute Business and Economic Research, 3 (1): 89-125.

Audu, S.N. (2018). Exploring the Nexus between Banking Sector Reforms and Performance :Evidence from newly acceded EU Countries, Bank of Greece working paper no 73, available online @ www.bankofgreece.gr, visited 21/03/2014simi Brownbridge, M. (1996). Financial Policies and the Banking System in Zambia, Available online at http://www.ids.ac.ukfiles/wp32, 09-05-2013.

Aye, G.G (2022), Capital market behaviour and the performance of the banking sector in Nigeria, Journal of economic review, 3(2), 101-121

Aye, G.G, (2021), Analysis of commercial bank loans to farmers on bank profitability In Nigeria, International journal of trade and commerce, Delhi, 6(3), 40 -58

Burnside,S. & Dollar S.K.(2018). A Study Of Banking Sector In India After Reforms, International Journal Of Research In It & Management (Ijrim), 2 (7): 40-48.

Central Bank of Nigeria (2012) A Case Study of Distressed Banks in Nigeria

Central Bank of Nigeria (2022) Banking Supervision Annual Reports: 10. .

Claesen,O.I & Feijen.B.B (2020). Mergers and Acquisitions and Banks Performance in Nigeria, Jorind, 10(2): 338-347.

Clemens, W. U.& Radele, D.O. (2020). An Empirical Assessment of the Determinants of Bank Profitability in Nigeria: Bank Characteristics Panel Evidence, Journal of Accounting and Taxation , 4(3): 38-43.

Farkas, E.D. (2021). Banking Sector Reforms and the Nigerian Economy: Performance, Pitfalls, and Future Policy Options, Munich Personal RePEc Archive (MPRA) Paper No. 3804, Available online at http://mpra.ub.unimuenchen.de/3804/, 22/03/2014.

Fu, R.(2021)."Assessing the Benefits and Costs of Financial Sector Reform in Nigeria:An Event Study Analysis", Selected Papers for 46th Annual Conference, Nigerian Economic Society, 23-25 August

Hansen, A. & Tard,S.(2019). Financial Reforms and Technical E_ciency in Indian Deposit Banking: A Generalized Stochastic Frontier Analysis, Available online at http://www.shsu.edu/~eco_www/, 17-06-2014.

Khan, U.& Senhadii,R.E. (2019). Impact of Ownership Structure on Bank Profitability in Nigeria, Available online at www.feb.uva.nl/rof/58 ,16/05/2013.

Loukoiandya S. (2018).Financial Liberalization and Banking Sector Performance in Ghana, African Journal of Business Management, 6(47):11598-11608.

Narula, M.A (2021) Determinants of Banks' Profitability in a Developing Economy: Evidence from Nigerian Banking Industry, Interdisciplinary

Journal Of Contemporary Research In Business, 4(9): 155-181.

Ndlovu, B. R. (2013). Study on Financial Sector Reforms in Nepal (Overall Impact and Public Ownership of Financial Institutions), Paper prepared for South Asian Network of Economic Institutes (SANEI), New Baneswore, 18-21 June.

Nguena, G.A,(2020). Evidence on Structure Conduct Performance Hypothesis in Pakistani Deposit Banks, International Journal of Business and Management, 5(9): 174-187.

Nzotta, H.V, (2019), Foreign direct investment and commercial performance in Ghana, Journal of business andEconomics, 8(2), 70-87

Okafor, E.R, (2020), Financial sector reforms and bank performance in Nigeria, International journal of applied research, 5(2), 90-112

Omotor, F,P. (2017). Resolving the African Financial Development Gap: Cross-Country Comparisons and a WithinCountry Study of Kenya, Forthcoming in NBER Volume on African Economic Successes, Available online at cadmus.eui.eu, 05/05/2013.

Onuongya, K.A. (2019). An Analysis of the Determinant of Deposit Banks Profitability in Malaysia Perpustakaan Sultanah Bahiyah Universiti Utara, Malaysia, Available online at etd.uum.edu.my/1018/, 26-05- 2013

Sandrina,T.O. (2015). Financial Sector Reforms and Bank Performance in Ghana, Overseas Development Institute, University of Ghana : 81-86.

Sharmiladevi, A A (2021). Impact of Financial Reforms on Efficiency of State-owned, Private and Foreign Banks in Pakistan, CMER working paper no 06-49, Lahore, Lahore University of Management Sciences.

Sviridzenda, M.V, (2020), Government financial policy reforms and deposit banks performance in Pakistan, Internal journal of trade policies and development, 5(2), 80-97

Torruan, M. H. (2021). Impact of Financial Liberalisation and Deregulation on Banking Sector in Pakistan, Pakistan Institute Of Development Economics (PIDE) Working Paper No 64, Islamabad.

Torruan,K (2019), Assessing nexus between Capital market operation and the banking sector performance in Nigeria, International journal applied research, 12(6), 18-36