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Optimum resources combination and mesh earnings of deposit money banks in Nigeria

Christopher Etim Nyong *, Innocent Oko Odey and Inyang Ochi Inyang

Department of Accounting, Faculty of Management Sciences, University of Calabar, Calabar, Nigeria.

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Abstract

The study focused on optimum resources combination and mesh earnings of Deposit Money Banks in Nigeria. The major objective of the study was to ascertain the optimum level of resource mixed and its consequence on the mesh earnings of the studied Deposit Money Banks. The research design used in the study was ex-post facto. The study covered a period of eight years. The study used a convenient sampling procedure in selecting the sample size, using convenience and accessibility to data as criteria. A secondary source of data collection was adopted in the study. Variables of mesh earnings, firmness and operative effectiveness were used to test the research hypotheses. All the tabulated ratios interpreted and regression analysis showed that the sampled banks performed below standard with regards to the test criteria; mesh earnings, firmness and operative effectiveness. However, in all results of the tests, it was discovered that there was no significant correlation between optimum resources combination and mesh earnings, firmness and operative effectiveness of Deposit Money Banks in Nigeria. Therefore, the following recommendations were made: Deposit money banks should give consideration to the variables representing mesh earnings because they are tactical variables that are within administration and the Board's control. Banks should adopt the mix source of bankrolling such as interior and exterior sources. The inside source should be retained earnings while the outside source should be shareholder fund. To evade liquidity drawbacks, the study recommended that banks should keep enough liquid assets so as to elude depositors' loses.

Keywords: Banks; Combination; Deposit; Earnings; Money; Resources

1. Introduction

A company needs financial resources in order to operate its business. For most firms financial capital is raised by issuing commitment securities and/or by selling collective stock. The optimum resource combination is how a firm mixes its overall operations and growth by using different sources of funds. Liability comes in the form of bond issue or long-term obligations payable, while equity is classified as common stock, preferred stock or retained earnings. Short-duration liability such as operational resources necessities is also considered to be part of the resource combination. The amount of the liability and equity that makes up a firm's resource combination has many risk and return implications. Therefore, corporate management has an obligation to use a thorough and discreet process for creating a firm's optimum resources combination. The resources combination is how a firm finances its operations and growth by using different sources of funds. The study of a corporation's optimal resources combination is very crucial in investment decision and resource control. As significant and vital as the assumptions of the investment decision are, it is ascertained that this decision cannot be taken under conditions where corporate income taxes and misery costs are not found and considered in the business environs, the use of commercial and monetary leverage, interest rate in pricing the resource/deciding on optimum resource combination during inflationary period, have greater impact on the worth and resources of the corporation. This view, known as the trivality intention statement, is one of the most important

* Corresponding author: Christopher Etim Nyong
Department of Accounting, Faculty of Management Sciences, University of Calabar, Calabar, Nigeria.

pieces of scholarly notion that has ever been put out. Generally, a firm that is deeply bankrolled by liability has a more belligerent investment combination and therefore poses greater risk to investors. This risk, however, may be the primary source of the firm's progression. Firms should choose and adjust their strategic mix of securities/optimum resource combination in order to maximize the value of the firm and ensure that their operations are not either highly geared or too lowly geared in order to achieve optimum funds/resources combination. Thus, the determinant of appropriate resources requirement and sources of raising funds are highly important. This is because funding represents the heart of all businesses. Lack of adequate resource has always been recognized and considered as the major causes of business disappointment and collapse.

Both liability and owners' fund can be found on the balance sheet. The assets listed on the balance sheet are purchased with these liability and owners' fund. Companies that use more debt than owners' fund to finance assets have a high leverage ratio and an aggressive resource structure. A firm that pays for assets with more owners' fund than liability has a low leverage ratio and a conventional resource combination. That said, a high leverage ratio and/or aggressive resource combination can also lead to higher growth rates, whereas a conservative resource combination can lead to lower growth rates. It is the goal of the firm management to find the optimal mix of liability and owners' fund, also referred to as the optimal resource combination [1, 2, 3, 4, 5, 6, 7, 8].

1.1. Theoretical and conceptual framework

1.1.1. The trade-off notion

If resources combination definition and readjustment do matter, it follows then that such decisions are not random as implied by Brealey and Myers [9, 10] and that decisions makers at the firm level may disputably embrace a strategy model to guide their choices. It is commonly elucidate that firms choose their mix of liability and owners' fund financing by trading-off expected costs and benefits of debt financing. The theory describes a firm optimal resources structure as the mix of financing that equates the marginal costs and benefits of debt financing. A major empirical prediction of the trade-off principle is that debt ratio will tend to be meaning reverting as firms use external resources markets to keep themselves at or close to their optimum debt levels. Trade-off principles however, leave undermined its underlying economic framework and involved the identification and measurement of costs and benefits, The resources combination can help to mitigate the inefficiencies in a firm's investment program that are caused by information asymmetries; they show that managers use private information to issue risky securities when they are overpriced. This results in an interaction between investment and financing decisions. Because market participants cannot separate information about new project from information about whether the firm is under or overvalued, market participants will misprice equity. If firm are required to finance new project by issuing equity, underpricing may be so severe that new capture more than the net present value of the new project which would result in a net loss to existing shareholders. Even, a positive net present value project will be rejected, leading to yet another investment problem; Brealey and Myers [9, 10], Brounen and Eichholtz [11]; Bradley, Jarrel and Han-Kim [12].

1.1.2. Resources combination elements

Further down unambiguous conditions, the more perceptible conjectural and empirically striving resource combination elements are connected to the following; Behavior on product input markets, differently informed shriveling of parties, principal-agent skirmishes of concern and governance, lack of a neutral stance in the taxation system with respect to financing costs and cash flow distributions to claim holders. Then again, the disparity tax handling of liability and owners' securities tends to generate an incentive for a preference for debt financing. Thus, if effective tax rates are peripheral and common at the Banks and the individual's levels, banks will tend to resort to the most tax-advantage source of financing. Therefore, all things remaining constants, firms would try to maximize their share of the government grant when selecting their resource combination. Thus, when income tax allowable of charge disbursements at the firm level is present, market value of the firm is an aggregate function of its financial bridge. Therefore, the value of the firm is maximized with all liability resource combination [9, 10].

1.1.3. Resources combination in the banking business

The banking industry has achieved great prominence in the Nigerian economic environment and its influence play leading role in granting credit facilities. Banks are simultaneously firms, financial intermediaries and regulated entities. The nature of inventive induced by regulatory authorities determines a unique interaction between a bank's capital base and its behavior. In line with the compulsory requisite of banks resources, normal banking firms are involved in both deliberate and unintentional resources combination decisions. Intentional resources combination decisions are taken in the very same setting as non-financial firms and arguably under the similar determining factor that are postulated in the resources combination theory for those firms. Unintentional resources combination decisions are enforced by compliance recommendation uttered by defilements of the compulsory system of resources

appropriateness ratios given out by supervisory body. Although, recognizing their importance and interactions, the focus of this study is confirmed to the deliberate resources combination decisions [14, 15, 16].

1.1.4. Growth opportunities and factors affecting financial leverage

In researches carried out by De Angels and Masulis [17], Jensen and Meckling [18], it was deduced that when a bank issues liability, managers have an incentive to engage in asset substitution and transfer wealth away from bondholders to shareholders. It is generally acknowledged that the associated agency costs are higher for banks with substantial progression prospects. Thus, the trade-off model predicts that firms with investment opportunities have less leverage because they have stronger incentives to evade under security and assets replacement that can arise from stockholder agency conflicts. This prediction is strengthened by Jensen and Meckling [18] permitted cash flow principle which predicts that firms with more investment chances have less need for the disciplining effect of liability payment to control unrestricted cash flows. Fama and Miller [13] explain how the predictions for book leverage carry over to market leverage. The trade-off principle predicts a negative correlation between leverage and outlay openings. Since the market value grows at least in ratio with investment outlays, the association between progression prospects and market leverage is also negative. Therefore, the more multifaceted form of the striking edict notion envisages that firms with huge predicted funds have less current financial bridge.

1.1.5. Resource combination and mesh earnings of Deposit Money banks

The Liability/owners' fund ratio is evident when the effect of the restructuring on earnings per share and return on equity is examined. In particular, the variability in both earnings per share and return on equity is much larger under the proposed resource combination. This illustrates how financial leverage acts to magnify gains and losses to shareholders. The first thing to be reported on an income statement would usually be revenue and expenses from the firm's principal operations. Subsequent parts include, among other things, financing expenses such as interest paid. Taxes paid are reported separately. The last item is net income. Net income is often expressed on a per share basis and called earnings per share. However, if the interest on liability resource is less than the rate of earnings of a firm, the remaining profit will increase the earnings of equity shareholders without any increase in their investments. Thus, increase in profit may lead to increase in the earnings per share and thereby the market price of shares. Accordingly, the striking mandate classic predicts negative relationship between leverage and the volatility of the firm's cash flow. The trade-off model allows for the same prediction but the reasoning is slightly different. More volatile cash flows increase the profitability of default, implying a negative relationship between leverage and volatility of cash flows.

Generally, volatility is measured as the standard empirical deviation of the first difference in annual earnings, scaled by the average of the firm's total assets overtime. Conventionally, investment problem increases with the volatility of the firm's cash flow. The issues are particularly noteworthy, first, are of the view that for firm which have variability in their earnings, investors will have little ability to accurately forecast future earnings based on publicly available information. The market will see the firm as a lemon and demand a premium to provide debt. Second, to lower the chance to issuing new risky equity or being unable to realize profitable investments when cash flows are low, firm with more volatile cash flows tend to keep low leverage [17, 18]. In the trade-off theory, agency costs, taxes and bankruptcy costs push more profitable firms towards higher book leverage. First, expected bankruptcy costs decline when profitability increases. Secondly, the deductibility of corporate interest payment induces more profitable firms to finance with debt. Finally, in the agency models of Jensen and Meckling [18] higher leverage helps to control agency problems by forcing managers to pay out more of the firm's excess cash. The strong commitment to pay out a large fraction of their pre-interest earnings to liability disbursement suggests a positive correlation between book leverage and mesh earnings. This notion is also unswerving with the beckoning suggestion by Fama and Miller [13] where higher levels of debt can be used by managers to single an enthusiastic future for the firm. In sharp dissimilarity in the striking order model, higher earnings should result in less book leverage. Firms prefer raising capital, first from retained earnings, second from debt and third from issuing new equity. This behavior is due to the costs associated with new equity issues in the presence of information unevenness. As indicated above, the trade-off principle predicts that leverage increases with mesh earnings since the market value also increases with profitability. This positive relation does not necessarily apply for market leverage. In contrast, the pecking order model predicts that firms with a lot of profits and few reserves have little liability. Since the market value increases with profitability, the negative correlation between book leverage and mesh earnings also holds for market leverage. Nevertheless, the empirical evidence is mixed as asserted by Jensen and Meckling [18].

1.1.6. Resource combination and financing mix of money deposit banks

The mixture of liability and owners' fund maintained by a firm is referred to as resource combination. The financial manager has the responsibility to determine how the firm obtains the financing it needs to support its long-period

investments. Thus, a firm's resource combination refers to the specific mixture of long-period liability and owner's fund the firm uses to finance its operations. The financial manager has two concerns in this area. First, how much should the firm borrow? Second, what the least expensive sources of funds for the firm? In addition to deciding on the financing mix, the financial manager has to decide exactly how and where to raise the money. The expenses associated with raising long-term financing can be considerable, so different potentials must be carefully evaluated. Also, businesses borrow money from a variety of lenders in a number of different ways. Selecting among lenders and among loan types is another job handled by the financial manager. Ratio analysis as a tool of measuring financial performing. The best way of avoiding the problem of comparing companies of different sizes is to calculate and compare financial ratios. Such ratios are ways of comparing and scrutinizing the connection between different pieces of financial information. Of course, financial ratios will be the best way to measure the financial performing of banks. The role of banks remain central in financing economic activities and its effectiveness could exert positive impact on the overall economy as a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Therefore, the elements of bank performing have attracted the interest of academic research as well as of bank supervision. Studies dealing with interior determining factor employ variables such as size, capital base, credit risk management and expenses controlling. The need for threat controlling in the banking sector is essential due to the nature of the banking business. Poor assets quality and low levels of liquidity are the two major causes of banks failures and represented as the key risk sources in terms of credit and liquidity risk and attracted great attention from researchers to scrutinize their impact on banks performing and mesh earnings [19, 20, 21, 22, 23].

2. Material and methods

2.1. Research Design

The research design used in this research study is case study or ex-post facto. Ex-post facto is used because the research relies on pre-existing causal relationship between variables.

2.2. Sources of Data

Published financial statements of the sampled Deposit Money Banks are the sources of data for this study. Data on the banks' financial position (balance sheet), financial performing (profit and loss accounts), statements of cash flows, statement of retained earnings and notes on the accounts are analyzed.

2.3. Methods of Data Collection

A secondary method of data collection is used in this research study. Data on the banks' net income, total assets, price per share, total owners' fund, return on owners' fund, return on assets, etc. were collected from the annual accounts and report of the sampled banks. And this covers a financial period of eight (8) years.

2.4. Population of the study

The population of the study consists of the existing and functional Money Deposit Banks and therefore quoted in the Nigeria stock exchange.

2.5. Sample Size and Sampling Techniques

In this research study, a judgmental sampling technique was adopted to select banks with available financial information. Five (5) banks emerged from the seventeen (17) money deposit banks in Nigeria, representing 29 per cent of the population. However, the criterion for the selection is convenience and accessibility to data and information needed for analysis.

2.6. Data Analysis Techniques

The data collected was presented in a tabular form with the aid of descriptive statistics and ratio analysis. However, for easy computation and analysis and to have a comprehensive understanding of the research findings, the pooled data were analyzed using least square regression in estimating the parameters of the model. The ratios of ROE, ROA, EPS and ROCE which indicates financial performing will be analyzed.

3. Results

3.1. Data Analysis

This sub-section presents the analysis of data obtained from the data generated from the financial statements of the sampled deposit money banks using SPSS Software Version 16. However, it will be followed by test of hypotheses.

3.1.1. Resources combination and mesh earnings of Deposit Money Banks

Table 1 Return on Assets of the Sampled Banks

Sr.No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	2.00	2.11	2.35	1.94	1.96	2.73	1.42	3.96	18.47	2.31
2.	Bank 2	3.22	3.55	3.20	3.00	2.40	2.60	3.21	2.98	22.16	2.77
3.	Bank 3	3.85	3.39	3.18	2.84	1.98	2.00	2.58	2.39	22.24	2.78
4.	Bank 4	1.50	2.00	1.87	1.35	1.80	2.63	0.92	0.15	12.24	1.53
5.	Bank 5	3.93	2.69	2.17	1.89	1.98	2.77	1.03	1.86	18.32	2.29

Table 2 Return on owners' fund of the Sampled Banks

Sr.No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	20.16	21.54	23.96	10.49	12.55	22.28	11.34	86.84	209.16	26.15
2.	Bank 2	41.23	28.73	27.30	26.30	23.70	20.96	25.14	29.80	223.20	27.90
3.	Bank 3	33.24	34.92	15.93	23.81	25.09	22.21	19.87	29.34	204.40	25.55
4.	Bank 4	21.71	23.17	26.29	24.08	12.03	21.26	6.87	1.15	136.56	17.07
5.	Bank 5	34.97	33.12	18.94	12.25	15.52	13.75	5.59	9.51	143.68	17.96

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 2 depicts the trends and averages of how shareholders' equity in the sampled banks generates profits for the period under review and measures the ability of the banks to generate adequate profits in relation to the funds invested in them by shareholders. It should however be noted that low returns indicate problems in servicing debts.

Table 3 Return on Capital Employed of the Sampled Banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	2.00	2.11	2.35	1.94	1.96	2.73	1.42	3.96	18.48	2.31
2.	Bank 2	3.22	3.55	3.20	3.00	2.40	2.60	3.21	2.98	22.16	2.77
3.	Bank 3	3.85	3.39	3.18	2.84	1.98	2.00	2.58	2.39	22.24	2.78
4.	Bank 4	1.49	2.00	1.87	1.35	1.80	2.63	0.92	0.15	12.24	1.53
5.	Bank 5	3.93	2.69	2.17	1.89	1.98	2.77	1.03	1.86	18.32	2.29

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 3 describes the trends and averages of how resources used in the operations of the sampled banks generates profits by the use of resources made available to them before making any distribution of those returns for the period under study.

Table 4 Earnings per Share of the Sampled Banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	1.97	2.31	2.00	1.60	1.26	2.14	2.12	8.74	18.00	2.25
2.	Bank 2	1.70	1.59	1.60	1.34	1.56	2.23	2.00	1.98	14.00	1.75
3.	Bank 3	1.25	1.38	1.10	1.45	1.63	1.73	1.57	1.64	12.00	1.50
4.	Bank 4	1.17	1.64	1.52	1.86	2.41	3.05	0.08	0.60	12.32	1.54
5.	Bank 5	3.75	1.68	1.36	1.91	1.89	3.45	0.73	1.06	17.76	2.22

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts

Table 4 contains the trends and averages of shareholders interest per each share in the sampled banks, compared to the EPS from previous years and indicates the rate of growth in EPS and share prices in the banks.

Table 5 Regression results on resources combination and mesh earnings of Deposit Money Banks in Nigeria

p-value constant	R	R Square	Adjusted R Square	Std. Error of the Estimate
0.095	1.000a	0.479	0.481	0.00431

a. Predictors: (Constant), EPS, ROE, ROCE

Source: Estimated Regression Result Generated by the Author from the Sampled Banks' Annual Reports and Accounts, using SPSS 16 Software Package.

Table 5 is a summary of the combined analyses of the effect of resource combination on the mesh earnings of Deposit Money Banks from the point of view of ROA, ROE, ROCE and EPS of the sampled banks for the period under review. The table shows no significant correlation between resources combination and mesh earnings. This is because, in testing H_{01} , the study observed that the descriptive data tables and the regression model accounted for 48% of the association between resources combination and the mesh earnings. It also observed a significant value of 0.054 making P-value (0.095) to be greater than the recommended significant value of 0.05. In all cases, the analyses show that all these estimated figures are not up to the level or standard to reject H_{01} , which predicted that "there is no significant connection between resources combination and mesh earnings of Deposit Money Banks in Nigeria". H_{01} is therefore accepted.

3.1.2. Resources combination and stability of Money Deposit Banks

Table 6 Total debt ratio of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	90.07	90.22	90.18	81.61	84.41	87.73	73.44	83.92	680.56	85.07
2.	Bank 2	92.19	87.64	91.20	86.71	84.50	93.79	90.11	89.12	715.28	89.41
3.	Bank 3	88.40	90.29	80.07	84.21	79.44	93.12	89.76	91.11	696.40	87.05
4.	Bank 4	93.15	91.35	92.89	94.41	85.05	87.62	86.60	86.90	718	89.75
5.	Bank 5	88.76	91.89	88.48	84.59	87.24	79.86	79.13	80.42	680.40	85.05

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts

Table 6 contains total liability ratio which indicate the percentage of total debt used to finance the operations of the business. The total liability takes into account all amount overdue of all maturities to all creditors. In this case, an analyst might say Bank One used 85.07% liability, Bank Two 89.41%, Bank Three 87.05%, Bank Four 89.75% while Bank Five used 85.05% liability. These values indicated that Deposit Money Banks in Nigeria are employing high level of debt in financing their operations.

Table 7 Liability/owners' fund ratio of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	59.10	70.20	35.14	54.42	34.10	94.50	53.03	110.57	463.04	57.88
2.	Bank 2	49.89	60.11	39.20	45.59	55.49	81.17	69.63	89.05	490.16	61.27
3.	Bank 3	52.89	55.44	69.79	81.60	79.09	62.39	61.71	71.60	533.60	66.70
4.	Bank 4	20.66	18.74	9.47	12.38	20.69	22.56	7.86	44.72	157.42	19.64
5.	Bank 5	60.29	70.89	58.48	50.01	49.50	53.30	62.49	55.18	460.16	57.52

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 7 contains ratio of liability/owners' fund utilized by the banks over the period covered by the study. This ratio is used to examine the extent to which a firm borrows money. Therefore, the higher the percentage of Liability/Owners' fund ratio, the greater is the degree of Financial Leverage.

Table 8 Interest cover of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	0.53	0.44	1.84	1.72	1.22	1.61	1.15	2.47	10.56	1.32
2.	Bank 2	0.38	0.42	1.76	1.74	1.33	1.59	1.39	2.01	10.64	1.33
3.	Bank 3	0.60	0.49	1.56	1.29	1.26	1.69	1.71	1.60	10.24	1.28
4.	Bank 4	2.66	2.82	3.17	2.25	2.69	2.83	2.97	2.60	22.00	2.75
5.	Bank 5	3.00	2.90	2.60	1.89	2.00	2.10	1.15	2.56	18.24	2.28

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 8 contains the trends and averages of interest covered over the period under review. This ratio measures how well a firm has its interest obligations covered, and it is often called the interest coverage ratio. Table 8 shows that Deposit Money Banks in Nigeria have very low interest coverage ratio which indicated poor performing.

Table 9 Shareholders' fund/total assets of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	9.90	9.78	9.82	18.49	15.59	12.27	27.56	16.08	119.52	14.94
2.	Bank 2	7.81	12.36	11.10	11.30	10.10	29.10	20.30	15.60	117.68	14.71
3.	Bank 3	11.60	9.71	10.46	9.29	13.14	13.00	11.11	12.76	91.04	11.38
4.	Bank 4	6.85	8.65	7.11	5.59	14.95	12.38	13.40	13.10	82.00	10.25
5.	Bank 5	11.24	8.11	11.46	15.41	12.76	20.14	20.87	19.58	119.60	14.95

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 9 shows the trend and averages of the shareholders fund/total assets of the sampled Deposit Money Banks. It shows the exposure the liabilities inherent in the deposit money banks in Nigeria. Thus, the higher the percentage the better for the creditors, while the lower the percentage, the riskier is the investors' money.

Table 10 Regression results on financial bridge and Stability of Deposit Money Banks in Nigeria

p-value	R	R Square	Adjusted R Square	Std. Error of the Estimate
0.089	0.686	0.471	-1.118	26.38617

Source: Estimated Regression Result Generated by the Author from the Sampled Banks' Annual Report and Accounts, using SPSS 16 Software Package.

Table 10 shows the estimated regression results of stability of Deposit Money Banks. The ratios of total liability, liability/owners' fund, interest coverage and shareholders' fund/total assets were measured and indicate no strong correlation between resources combination and stability of Deposit Money Banks in Nigeria.

HO₂ is tested through the observed descriptive data tables and regression model which accounted for about 47% of the relationship between financial bridge and stability, a significant value of 0.069, which makes P-value (0.089) to be greater than the recommended 0.005. Therefore all these analyses are below the level or standard to reject this hypothesis, which assumes that "there is no significant link between resources combination and stability of Deposit Money Banks in Nigeria". HO₂ is therefore accepted.

3.1.3. Resources combination and operating efficiency of Deposit Money Banks

Table 11 Assets turnover of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	10.53	10.65	11.25	9.80	11.47	10.25	10.57	13.48	88.00	11.00
2.	Bank 2	14.05	14.44	13.11	11.34	10.39	11.21	12.20	11.89	98.64	12.33
3.	Bank 3	19.27	15.08	11.29	16.07	14.31	10.13	10.59	14.12	110.88	13.86
4.	Bank 4	11.80	11.46	10.25	10.11	9.17	10.14	15.69	11.01	89.60	11.20
5.	Bank 5	13.82	10.66	8.88	17.66	10.09	11.31	16.15	9.46	98.00	12.25

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 11 contains the assets turnover ratios, which simply compares the turnover with the assets that the business has used to generate the turnover in order to determine the efficiency in the utilization of assets. It indicates how effectively a firm uses its investment in assets. It is always assumes that low ratio indicates either poor trading performing or overinvestment in costly fixed assets.

Table 12 Operating Expenses/total assets of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	5.72	6.33	6.62	6.03	5.69	4.32	15.38	7.60	80.32	10.04
2.	Bank 2	8.47	8.53	9.09	8.35	7.50	7.94	8.71	8.00	66.56	8.32
3.	Bank 3	7.14	5.94	6.51	8.80	7.11	10.29	4.94	5.51	56.24	7.03
4.	Bank 4	5.41	6.27	5.76	5.11	4.03	3.82	7.69	5.76	43.84	5.48
5.	Bank 5	8.93	7.14	5.51	5.14	5.13	5.06	6.57	4.98	48.48	6.06

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

Table 12 contains operating expenses/total assets percentages. This shows the level of operating expenses supported by banks total assets.

Table 13 Operating expenses/gross revenue of the sampled banks

Sr. No.	Banks/Years	1	2	3	4	5	6	7	8	Total	Average
1.	Bank 1	54.30	59.37	58.85	61.47	49.57	42.14	145.47	56.34	527.52	65.94
2.	Bank 2	60.38	59.04	69.38	73.67	72.13	70.89	71.52	70.55	547.60	68.45
3.	Bank 3	37.08	39.39	41.09	42.01	38.39	53.15	49.57	55.29	356.00	44.50
4.	Bank 4	45.87	54.74	56.20	50.55	43.94	37.71	49.00	52.30	390.32	48.79
5.	Bank 5	64.60	66.98	61.97	33.76	50.89	44.77	40.69	52.59	436.24	54.53

Source: Generated by the Author from the sampled Banks' Annual Report and Accounts.

In table 13, operating expenses is compared to gross revenue, an indication of the level of how operating expenses affect generated revenue and subsequent profits.

Table 14 Regression result on financial bridge and operational efficiency of Deposit Money Banks

p-value	R	R Square	Adjusted R Square	Std. Error of the Estimate
0.084	0.767	0.588	0.176	13.30940

a. Predictors: (Constant), OEGR, AT

Source: Estimated Regression Result Generated by the Author from the Sampled Banks' Annual Report and Accounts, using SPSS 16 Software Package

Table 14 contains the summary of resources combination and operational efficiency regression relationship. R-square of the model is 0.588 indicating that there is a weak relationship between resource combination and all the three variables, since the model accounted for only 58.8% out of 100% and the significant level of 0.0412.

In testing H_{03} , the study observed the entire operational efficiency ratio tables and the regression model accounted for just 58.8% of the correlation between resource combination and operational efficiency. The significance of 0.0412, which makes P-value (0.084) to be greater than the recommended 0.005, was also observed. As all the ratios and the results of the regression analysis are not up to the level or standard to contradict the H_{03} , which assumed that "there is no significant relationship between resources combination and operating efficiency of Deposit Money Banks in Nigeria" H_{03} is therefore accepted.

4. Discussion

The primary purpose of this study is to determine resources combination and mesh earnings of Deposit Money Banks in Nigeria. The study used secondary data for the eight years of the five sampled banks. It also analyzed the sampled banks through the eight years annual reports and accounts where regression analyses were performed, using SPSS 16 Software Package on all the variables in order to determine if there were any noteworthy connections between resources combination and the selected independent variables of mesh earnings, stability and operational efficiency. All the analyses were tested at the 0.005 level of significance and were found to be consistent with all the formulated hypotheses, that is, no significant association between resources combination and the selected variables.

5. Conclusion

This research investigates resource combination and mesh earnings of Deposit Money Banks in Nigeria. The research was conducted using three (3) different financial performing measures. The research used these measures as proxies for the agency costs arising from conflicts between debt holders and equity holders or from different principal agent objectives. The population of the study consists of all the listed banks in the Nigerian Stock Exchange, and there from, five (5) banks were judgmentally selected to represent the sample size of the study. The descriptive data tables and regression analyses results showed that financial performing of banks was not linearly related with resource combination. The study therefore found no evidence to contradict the formulated hypotheses and concluded that resources combination does not always influence financial performing. This research gives an interesting picture of resources combination and mesh earnings of Deposit Money Banks in Nigeria. This means that, the findings of this study can add to the existing body of knowledge or literature, and can serve as a starting point on which future studies can be done. On the practical dimension, this study may help banks' decision makers to focus on the major banking activities that may increase the banks ranking and financial performing position when compared with other banks internationally.

It is hoped that this study will help to stimulate further study of these issues, as the study believes that there are many exciting avenues of inquiry that would repay serious research efforts. In future research, it will be of interest to extend this analysis across different countries and across different industries, as well as focus on different aspects of ownership configurations. As the banking industry gradually recovers from the recent economic and financial crisis, attention must be paid to resource combination and mesh earnings as a potential strategic advantage.

Recommendations

In the light of the above findings, the following recommendations are hereby made: Deposit money banks should give consideration to the variables representing mesh earnings because most of these are tactical variables that are within administration and the boards' control. Banks should adopt the mix source of bankrolling such as interior and exterior sources. The inside source should be retained earnings while the outside source should be shareholder fund. To evade liquidness drawbacks, the study recommended that banks should keep enough liquid assets so as to evade depositors' loses. This is because when depositors' demands cannot be met from liquidness, this will force the banks to fall back on borrowings that will in the long run increase their liabilities. The study also recommended that excess funds should be invested in assets that will provide the banks with more liquidness, such as government securities. Banks should reduce their obligation issue and if possible, should not make any liability issue at all. The reason for this is that obligation issue is too expensive in Nigeria. This is because of high market value of owners' shares when matched with the token share prices. Whether or not profit is made, the fixed interest rates on obligations will be paid. As a result of the reduction in debt issue, banks should reduce some of its categories of tangible assets that involve non-value added costs and invest some in liquid assets [24, 25].

To remedy solvency problems, this study recommended that, there should be a policy making loses on deposits in failed banks tax deductible, though that would only provide a partial insurance so that depositors could be covered in the event of solvency problems. To tackle the issue of resource combination from its base, the study recommended that resource combination and its impact on all the facet of firms live should move from hypothetical level to practical level. In doing this, the managers and captains of industries as well as stock exchange operators should be fully involved in the issue of optimal resource combination and how it affect firms. There is an urgent need for controlling of Deposit Money Banks to put in place programs of greater labor market flexibility and substitute labor for capital, in order to make the banks more efficient and lower the levels of non-performing loans and raise the levels of equity/assets ratios. Management should also ensure the resilience and efficiency of the financial institutions with the aim of intensifying the robustness and stability of the banking sector. Finally, banks should effectively and efficiently utilize the available funds by embarking on leasing funding for improved returns on assets as supported previous studies [26, 27, 28, 29, 30].

Compliance with ethical standards

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Disclosure of conflict of interest

The Authors declare no conflicts of interest, as all analysis were unbiasedly carried out.

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