EFFECTS OF BANK REGULATIONS ON THE DEPOSITS OF DEPOSIT MONEY BANKS

IN NIGERIA

BY

NOFIU MAYOWA REBECCA

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A PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES, MOUNTAIN TOP UNIVERSITY, OGUN STATE, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR DEGREE (B.Sc.) IN BANKING FINANCE

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CERTIFICATION

This is to certify that this research work was carried out by NOFIU MAYOWA REBECCA with matric no 15020102002 in partial fulfilment of the requirements for the award of bachelor of science(Bsc) degree in banking and finance at the Department of Accounting and Finance, College of Humanities, management and social sciences, Mountain Top University, Ogun State, Nigeria.

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(Head of Department)

DEDICATION

I dedicate this research project to Almighty God for his grace and favour. To my mother, your teachings and support is always cherished. This project would not have been successfully completed without your enormous support, love and patience. To my late dad, you did not labour in vain.

ACKNOWLEDGEMENTS

ABSTRACT

The study assess the effect of banking regulation on the deposits of Nigerian deposit money banks with emphasis on the role of the Central Bank of Nigeria and The Nigerian Deposit Insurance Corporation. It evaluates the roles and contributions of CBN and NDIC to the Nigerian deposit money banks. This study evaluates the effects of liquidity ratio, cash reserve ratio and loan to deposit ratio on the deposits of Nigerian deposit money. The study used ex-post facto research design using secondary data obtained from Central Bank of Nigeria statistical bulletin for the period of 7 years from 2012-2018 on quarterly basis. Data obtained was analyzed using SPSS version 22 and results obtained is tested for significance using ANOVA. The result indicate that liquidity, cash reserve and loan to deposit ratio have significant positive effect on the total deposits of deposit money banks in Nigeria. The study recommend that the regulatory role of CBN and NDIC should be enhanced on the incidence of widespread bad loan portfolio the in Deposit money banks and the regulators of deposit money banks should ensure regular payment of claims to customer's deposits in the event of liquidation of banks as these would go a long way in restoring people's confidence in the banking industry in Nigeria.

Keywords: *financial intermediation, deposits, liquidity ratio, cash reserve ratio, total deposits ratio.*

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Banking sector plays a vital role in every economy which enhances growth and development. Banking is an economic activity which deals with the intermediation of funds between the surplus and deficit economic units (Ogunbiyi&Ihejirika, 2014). In the course of this intermediation activity, banks charge borrowers interest through funds provided by depositors and these depositors also receive interest (Wambari, 2017). In an effort to bring up an efficient banking system, the governments of each nation make an effort secure the deposits of savers while encouraging efficient allocation of funds.

Globally, the business of banking is highly regulated because of the pivotal position the financial industry occupies in most economies (Iyade, 2006). The sole aim of banking regulation is to ensure solvency and improve liquidity of banks (Lee et.al, 2013). For banks to have a good banking system and to enhance solvency of these institutions, it must be well regulated. A weak banking system is suppressive, distortionary and disconnects the intermediation process, which could trigger macroeconomic instability (CBN 2013). Having a safe and strong banking system is vital to protect investors, the economy and the financial markets (Bouheni.et.al, 2014).

The banking industry of any country comprises the apex bank (the Central Bank) and all other banks (commercial, merchant,etc.) existing and operating in that country's economy(Ike,1999).In Nigeria, the authorities in charge of regulatory and supervisory activities is the Central Bank of Nigeria(CBN) and Nigerian Deposit Insurance Corporation.Effective co-operation exists between these two agencies on both the focus and modality for regulating the insured banks.This is broken down in the formulation of supervisory strategies and surveillance on the activities of

the insured banks, establishment of a credible data management and information sharing system.The apex of the regulatory authority is the Central Bank of Nigeria.CBN's active participation in banking sector financial regulation is intended to safeguard the resources of depositors, reinforce deposit money banks against inner and external shocks, and encourage monetary stability with a perspective to affecting economic industry performance and general economic enhancement (Ogbeide&Akanji, 2017).

In an efforts to ensure the stability of the banking industry and in response to the problem of distress, the regulatory authorities have been applying various ways to curb failure since the late 1990s. However, depending on the severity of the distress, NDIC in collaboration with the CBN, has successfully adopted such measures as provision of liquidity support through accommodation \bill, assumption control and management, restructuring and sale of some distressed banks as well as liquidation of the severely distressed banks as a last option.

In order to safely secure customers deposits, the Central Bank of Nigeria uses several ratios to control the activities of banks. Some of the ratios are; loan to deposit ratio which is used to access the liquidity value of banks by comparing the total loan of a bank to its total deposits, cash reserve ratio which is used to regulate the reserve requirement of banks, liquidity ratio which is used to regulate the level at which banks can lend to customers. In recent times, banks have been seen in the act of diverting customers' deposits to other financial institutions in order to yield profits for them. The establishments of bank regulators have curbed these acts. This study therefore seeks to determine the effect of banking regulation on the deposits of Deposit Money Banks.

1.2 STATEMENT OF RESEARCH PROBLEM

The main purpose of regulating banks is to have a safe and sound financial system in the economy. The regulations are mainly concerned with the quality of the risk assets of banks, quality of the bank's board and corporate governance, compliance with important ratios such as loan to deposit ratio, capital adequacy ratio, liquidity ratio, cash reserve ratio among others (Iyade,2006). In Nigeria, inadequate regulatory framework, low level of information system, high level of nonperforming loans, lack of effective risk asset data base and regular illiquidity in deposit money banks have contributed to the problems of banks thereby leading to bank distress which in turn affects deposits of customers in their vaults.

Deposit money banks activities in Nigeria came under public scrutiny during the 1995-1999 era, a period in which the banking sector had been rocked by distress and financial crisis (Isreal&Omone, 2018).Distress in the Nigerian banking industry began between 1930 and 1950 when, when the Central Bank of Nigeria was established, 21 banks failed between 1930 and 1958. Weak corporate governance and low-level reserve requirements are the major causes of bank distress (Adekanbi,2017).Usually, when clients go to banks to withdraw, sufficient reserve should be created accessible as required by the CBN.A bank in trouble has an opportunity to regain its solvency, while a failed bank loses any opportunity of survival.In Nigeria, failed banks ' final target is the Nigeria Deposit Insurance Corporation (NDIC), where the final liquidation takes place.

According to oforegbunam (2011), several banking developments have taken place in the Nigerian banking sector from the banking advertisement dated to 1892 to the current day of consolidation.Distress in Nigeria's banking industry's history is not a completely fresh phenomenon, and it has had far-reaching economic implications. . Bank distress causes a lot of

problem to the stability of banking system and poses threat to the deposits of Deposit Money Banks.

1.3 RESEARCH OBJECTIVE

The general objective is to determine the effects of banking regulations on the deposits of Deposit Money Banks (DMBs) in Nigeria. The main objectives include:

i. To determine the effect of liquidity ratio on the deposits of Nigerian Deposit Money Banks.

ii. To determine the effects of cash reserves ratio on the deposits of Nigerian Deposit Money Banks.

iii. To determine the effects of loan to deposits ratio on the depositsof Nigerian Deposit Money Banks.

1.4 RESEARCH QUESTIONS

i. What are the effects of liquidity ratio on the deposits of Nigerian Deposit Money Banks?

ii. What are the effects of cash reserves ratio on the deposits of Nigerian Deposit Money Banks?

iii. What are the effects of loan to deposit ratio on the deposits of Nigerian Deposit Money Banks?

1.5 RESEARCH HYPOTHESIS

This study will test the following hypotheses:

1. Ho: Liquidity ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

2. Ho: Cash reserves ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

3. Ho: Loan to deposit ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

1.6 SIGNIFICANCE OF THE STUDY

Regulatory authorities play a crucial role in the financial system of any economy through the establishment of several policies aimed at satisfying the management of banks' assets and liabilities which ensures the safety of depositors' funds. This study seeks to provide more knowledge to depositors of fund in Deposit Money Banks how bank regulation is being conducted, several laws related to insuring deposits and its effect on their deposits. This study seeks to serve as a source of information to regulatory authorities on how greatly they have impacted banking activities and where necessary steps are needed to be taken. This study will also be a source of knowledge to researchers on determining the relationship between bank regulation and deposits of Deposit Money Banks.

1.7 LIMITATION OF THE STUDY

This study looks on the effects of banking regulations on the deposits of deposit money banks for the period of 7years, from 2012-2018. This study is limited to a 7year period. Insufficient

materials, high cost of materials, time factor, lack of some statistical data and lack of knowledge tend to limit the researcher's work

1.8 SCOPE OF THE STUDY

This study looks on the effects of banking regulations on the deposits of deposit money banks for the period of 7years, from 2012-2018.

1.9 OPERATIONAL DEFINITION OF TERMS

1. Bank regulation: This is a body or set of rules and regulation the government or regulatory authority of a banking sector imposes on financial institutions.

2. Liquidity ratio: This is the ratio used to control the amount at which banks lend out

3. Cash reserve ratio: This is the minimum amount of money that must be held as reserves in the bank.

4. Loan to deposit ratio: This is the ratio used to access the liquidity of a bank.

5. Financial intermediation: This is the process of transfer of funds from the surplus economic units to the deficit economic units.

6. Deposit Money Bank: This is a financial institution whose traditional function is to act as an intermediary between the surplus economic units and deficit economic units.

7. Liquidation: This is the process whereby a company seizes operation.

8. Bank distress: This is the process where the bank is unable to make payments to its depositors thereby causing the bank to default on its maturity claims.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter of the study gives a depth knowledge on the dependent and independent variables where the dependent variable is deposits of customers and the independent variable is bank regulation. The conceptual review explains the concepts of bank regulation and deposits. The theoretical review explains the theories related to the study. The empirical review explains the past studies relating to bank regulation and its effect on the deposits of deposit money banks.

2.1 CONCEPTUAL REVIEW

2.1.1Banking regulation

Regulation can be described as an official law enforced on people or groups of people by the state or by several officials.Regulation is seen as a body of particular regulations enforced either by the state or an industry-wide agreement that regulates the operations of the industry organizations (Gummi,2015).According to Llwellyn 1986, bank regulation is described as a body of particular regulations or accepted behavior either enforced by the government, other external or self-imposed by the industry's explicit or implicit contract limiting Deposit Money Banks ' operations and operations (Iyade, 2006).Bank regulation acts as a core for stabilizing and ensuring the banking system's effectiveness.

According to Chude and Chude (2014), banking regulation can be described as supervising and controlling banking operations with the objective of defending depositors ' value and ensuring the banking industries efficient functioning.Regulation is the government's rational response to

these fresh mistakes in the economy.Failure to respond would lead in either excessive risk taking by financial institutions or monopoly power growth and development, which is a natural economic consequence of such market conditions.Ultimately, with this view, banking regulation is justified by an appeal to the presence of market failure, without which such regulation would be pointless and Pareto would achieve optimal allocation of funds.However, when considering banking regulation, there is an extra level of complexity.This significantly changes the data landscape and makes it harder to achieve Pareto efficiency (Stiglitz (1994)).

The 1952 Banking Ordinance implemented minimum requirements for disbursement of capital and reserve funds.The 1958 Central Bank Act and 1959 Banking Ordinance were enacted.The banking law was further strengthened with the enactment of the banking decree of 1969.This consolidated previous banking legislation; lifted the minimum paid-up capital requirement.

Banking regulation in Nigeria deals primarily with policies and quasi-legal structures produced in the form of bye legislation, codes, acts and decrees developed during the military government (Ajayi, 2015).Regarding banking, regulation can be described as bank regulators ' procedures and steps for controlling, regulating and supervising banks ' operations.In Nigeria, there are bank regulators, Nigeria's Central Bank, which is banks ' apex regulatory authority, and the Nigerian Deposit Insurance Corporation (NDIC).

2.1.2 Objectives of banking regulations

Banks around the world are more regulated than other organizations because of their positions as economic intermediaries.As financial intermediaries, banks are mobilizing resources from the units of excess spending at a cost to the units of deficit spending at a price both within and outside the coasts of a country.It is the responsibility of banks to ensure that the funds transferred

can be accessed by the depositors when required in fulfilling their function as financial intermediary.The spread between the cost of the funds and the price of the loans thus given is the most significant single source of revenue for banks.The objectives and emphasis of bank regulation vary from jurisdiction to jurisdiction.The most common goals are: reducing the quantity of risk experienced by bank lenders, reducing systemic risk — decreasing the risk of bank disruption causing countless or substantial bank failures owing to adverse trading conditions, and avoiding bank misuse — decreasing the probability that banks will be used for criminal purposes.

Giddy (1984) created the objectives of banking regulation and supervision in monetary policy, i.e. the ability of banks to produce money by expanding credit ; the role of banks in allocating credit ; the need to ensure competition and innovation by stopping cartels ; and because banks are depositors of public money and managers in the payment system.They're extremely susceptible to collapse.In brief, the rationale for bank regulation and supervision can be summarized as follows: efficiency, selection diversity, competition, stability of the banking system, macroeconomic stability, and social and development goals.The disclosure of information by banks is primarily intended to ensure that supervisors, depositors, investors and the general public are adequately informed of the performance / condition of the bank. It is essential to enforce appropriate disclosure.

2.1.3 Approaches to banking regulations

The four approaches to banking regulation are standard and applicable in all jurisdictions, though here and there with some differences.The first approach is to disclose two types of information.Disclosure to the general public by announcing results and offering full disclosure to bank executives where disclosure by the government may not be vital to protect customers ' privacy.The level of 36 disclosure and timing of information to the various stakeholders should be articulated in order for banks to comply as a routine.

The second approach is self-regulation through the use of internal audit and controls, external audit and audit committee.Self-regulation involves the various independent controls and reviews that the bank itself has put in place to ensure that it does not deteriorate its sound procedures.Self-regulation and self-discipline should be more effective than regulating a government agency.It is also produced from industry norms; therefore, to encourage adherence, the stigma of peer and competitor non-compliance is adequate.Self-regulation generally fails due to competition or when market rulers are weak themselves.

The third approach is two methods of regulating the banking system.The on-site review is to determine the financial condition of a bank.It also aims at verifying the accuracy of banks ' periodic reports sent to regulatory authorities, analyzing those aspects of a bank that cannot be correctly monitored through off-site surveillance, and confirming and ensuring compliance with the established legislation, laws and regulations.On-site examiners evaluate the quality of assets, management, earnings, capital and fund management as well as accounting and internal control systems.

2.1.4 Measurement of the quality of banking regulation

According to the Basel Committee (1999), achieving a sound banking system by means of excellent regulation is not an end in itself because it also contributes to macroeconomic development by enhancing resource allocation effectiveness.Neyaptı and Dincer (2004) suggested a list of criteria based on banking legislation for measuring the quality of bank regulation and oversight (RS). They are;

- **Capital requirements**: The minimum requirement for licensing capital, limitations on holding risky assets and constraints on capital purchases all plan to fulfill the objective of restricting banks ' excessive risk-taking (Cleassens, 1997).

- **Lending**: Establishing credit standards is critical to ensuring the health of the bank.Therefore, price, interest, and exchange rate risk constraints in lending, the existence of borrowers ' controls, the decision to lend to large borrowers and executives, and public lending restrictions all provide significant data for regulatory measurement.Detailed data on each of the above enables to define and monitor the banking system's credit risk.

- **Ownership structure**: Information on shareholder economic status and shareholder transfer is all oriented towards achieving and maintaining prudent banking system economic norms.Directors and executives: qualifying constraints on bank executives and executives are intended to assess the competence, trustworthiness and responsibility of bank management, which is important for prudence in banking operations.

- **Reporting-recording requirements**: Information on working plan control structures and scope of details on on-site oversight and; coverage and frequency of reporting demands all enable close surveillance of the results of banks.In addition, they all assist to create

sound company procedures and discourage fraud, the imprudent behavior of banks and the taking of unnecessary danger.

- **Corrective action**: In the event of inadequate regulation resulting in the accumulation of poor loans, illiquidity or bank insolvency, the supervisory officer may intervene in various ways, such as assigning a conservator or liquidation trustee, offering credit, removing the license, imposing penalties or limiting banking operations.

- **Supervision**: The level of data given in both supervisory reports and the supervisor's rights and responsibilities helps to assess the efficiency of monitoring the execution of regulatory standards.

2.1.5   The Central Bank of Nigeria

The CBN is the apex regulatory authority of the financial system in the country.It was set up by the 1958 CBN Act and began activities in 1959.The current legal framework within which the CBN operates is the 2007 CBN Act repealing and amending the 1991 CBN Act.The Act offers that the CBN shall be a fully independent body in the fulfillment of its tasks under the Act and the Banks and Other Financial Institutions Act to promote stability and continuity in financial leadership.As specified in the act, one of the bank's main goals is to guarantee price stability and a sound financial system.To accomplish this goal, the CBN formulates strategies to oversee economic markets ' banks and significant players. The instruments used to achieve these functions are: open market operations, monetary policy committee, rediscount rate, moral suasion and reserve requirement (cash reserve ratio, liquidity ratio and loan to deposit ratio).

- **Open Market Operation**:This is the process of purchasing and selling securities from and depositing money banks to increase or decrease the circulating volume

and flow of money.If the central bank chooses that the country's circulating funds are too low and intends to raise them, it will purchase commercial bank bonds.This will boost the amount of cash in deposit money banks ' ownership and boost their capacity to grant more loans to members of the public, which will assist to add more cash in circulation.

- **Moral Suasion**:This is moral belief, not the use of force of law by the central bank. It takes the form of the gentle attraction of the central bank to company banks as to what kind of borrowing approach to expand or contract money supply they should take.

- **Cash Reserve/Liquidity Reserve Ratio**:This demonstrates the required proportion of selected assets and securities to the deposit liabilities of deposit-money banks.Short-term government securities, like treasury bills and treasury certificates, are commonly used assets.Deposit money banks are required by law to keep a certain percentage of their total cash in their vaults with the central bank.

- **Monetary policy committee**: The Monetary Policy Implementation Committee (MPIC) was established at the 192nd Monetary Policy Committee (MPC) meeting on 25 October 2005.At the start, the membership of the Committee included the Deputy Governor (Economic Policy) as the Monetary Policy Committee Secretariat, which subsequently became part of the new Department of Monetary Policy in November 2005, serves as the Secretariat.At its second meeting on 31/10/05, the membership was expanded to include the managers of the Departments of Banking Supervision, Trade & Exchange and Information

Technology. Chairman, Research and Statistics Directors and Banking Operations Departments.

2.1.6 The Nigerian Deposit Insurance Corporation (NDIC)

Launched by Decree No. 22 of 1988, the Nigeria Deposit Insurance Corporation (NDIC) started activities in March of 1989.The NDIC is an autonomous body (i.e. an independent public agent) operating as an additional supervisory authority over licensed banks and other deposit-making financial institutions.NDIC's functionality is:

- **Protection of customers deposits through supervision:**Banks are supervised to protect depositors, to ensure financial stability, to develop an efficient and competitive system and to protect customers.The corporation oversees insured banks to evaluate the health of banks in relation to these variables, as no deposit insurer would wait for another party to inform them that their insured organizations have failed.This includes on-site evaluation and off-site tracking operationally, both of which strengthen each other.Off-site surveillance provides early warning signals that help prioritize on-site evaluation and evaluate potential problem areas.

- **Solution providers to bank distress:**It is worth noting that the Corporation was created when the banking system was already in difficulty.In fact, the system had about seven banks that were technically insolvent in 1988.Nevertheless, to insure all banks, the NDIC was required by statute.It therefore had to struggle at an early point of its coming into being with the resolution of distressed banks.The NDIC, in collaboration with the CBN, has successfully taken steps such as financial

assistance, prompt corrective action, monitoring and management, depending on the severity and peculiarity of the distress.

2.1.7 Roles of regulatory authorities in Deposit Money Banks.

- **Serves as lender of last Resort to Banks**:The CBN maintains current account for deposit money banks.It also offers house clearing facilities for the processing and settlement of bank instruments.Similarly, it performs commercial finance duties on behalf of bank customers.Finally, it provides temporary accommodation to banks in the performance of its duties as lender of last resort.

- Develop appropriate supervisory policies within their supervisory remit for the various organisations.

- Increase the minimum paid-up assets of each category of financial institution.

- Ensuring confidence of the public in the banking sector

2.1.8 Monetary policy rate

Monetary policy is the technique of drawing up, announcing and enforcing the central bank, currency board or other skilled monetary authority of a country's action plan that controls the quantity of cash in an economy and the channels that provide new money.Monetary policy involves managing money supply and interest rates to obtain the macroecomonic variables equilibrium.Monetary policy is based on two primary tools, although they differ in detail, the interest that the central bank lends to commercial banks and other customers primarily to the government (Joseph &Thaddeaus, 2013).

Monetary policy management in Nigeria converted almost all financial problems from an era of administrative control and regulation into a market-based scheme in 1986 (Anyanwu, 1998).TheCBN adopted direct monetary management controls such as determining the base rate, interest rates, and money supply before the liberalization program started in Nigeria.As in other less developed countries (LDCS) (Akinlo and Yinusa, 2007), the reason for this is rooted in the market failure paradigm.

2.1.9 Liquidity ratio

Bhattacharya (2004) describes liquidity as ' a business can retain liquidity if it holds assets that could be moved or sold rapidly with minimum transaction costs and value loss.'A liquidity ratio is a financial ratio that demonstrates whether a company's current assets are sufficient to meet the company's obligations when due.A company's working capital amount is also cited as an indicator of liquidity.A company with a large amount of hard-to-sell inventory, however, may have a large amount of working capital and a favorable current ratio, but may not have liquidity.

Consequently, the inventory turnover ratio and the accounts receivable turnover ratio can provide insights into a company's ability.

From the central bank point of view, the liquidity of the banking system is related to the total balance of all banks ' reserve accounts with the central bank.The full quantity of banking system liquidity is strongly influenced by the economic operations and economic goals of the central bank.Monetary aggregate stability means that the central bank strikes a balance between supply of demand and liquidity in the banking system.Through its open market operations, the central bank injects liquidity (pure central banks require

deposit money banks (DMBs) to keep a minimum liquidity ratio that ensures banks can meet current liabilities and settle outstanding liabilities when due.The liquidity ratio is assessed in relation to current liabilities as a liquid asset ratio.Liquid assets include cash, short-term securities and government bonds, while chasing national securities, reverse repo activities, or expanding credit facility (CBN 2013) presents other liabilities.

A bank's market value correlates favorably with liquidity if the bank earns greater earnings and is also able to access adequate resources in a timely way to fulfill payment commitments (Barth et al. 2003).

2.1.9   Loan to deposit ratio

Loan deposit ratio is a helpful tool for determining bank liquidity and affects banks ' profitability by extension.The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's full loans over the same period with its full deposits.The LDR percentage is shown.If the ratio is too large, the bank may not have enough liquidity to cover any unforeseen fund requirements.Conversely, if the ratio is too low, the bank may not gain as much as it might be.

2.1.10 Cash reserve ratio

Cash Reserve Ratio (CRR) is a specified minimum proportion of total client deposits retained either in cash or as central bank deposits by commercial banks as reserves.CRR is established in accordance with the central bank of a country.In monetary policy, the required reserve ratio is sometimes used as an tool that affects the country's borrowing and interest rates by changing the

amount of funds available to banks to make loans.CRR's goal is to ensure that banks do not run out of cash to meet the payment demands of their depositors.CRR is a main monetary policy tool and is used to regulate money supply in an economy.

The CRR specifications give greater checks to the central bank a type of liability to the bank that offers the banks with profit.When a client transfers into a bank, the legal title of the cash is surrendered to the bank.By doing so, banks would lend to investors, which would then turn into banks ' assets.

2.1.11Deposits

Deposit is defined as a sum of money a bank owes its depositors. Deposits are funds accepted by banks from customers under several terms and conditions. To an investor, deposits are the most secured and liquid financial assets available, which can accelerate bank lending to various sectors(Joseph&Thaddeaus, 2013). The cannons of liquidity, profitability and security is combined by the important featuresbank deposits have.

2.1.11.1   Deposits from Customers

These are the types of deposits banks get directly from customers either through cash, cheques or other forms of conducting bank transaction. For an individual to be called a bank customer, he or she must have an account with the bank onto which transactions will be conducted. The deposit accounts of a bank are of four types; the savings deposit account, the current deposit account, the time deposit account and the domiciliary deposit accounts.

2.1.11.2 Savings Deposit Account

Savings deposit account is one of the banking products offered by banks to their clients who at a particular moment pay interest on the account balance.Savings deposit accounts are accounts kept with a financial institution paying greater interest than accounts checking.Deposits and withdrawals may be produced in a savings account.Saving account holders do not have the right to check, but receive ATMs.

2.1.11.3 Current Deposit Account

Also known as demand deposit accounts are the present deposit accounts.Deposits in these accounts are removed by using unrestricted checks.No interest is paid on these deposit accounts by banks, but on these accounts banks charge commission.These deposit accounts ' significant customers are companies that use them for company transactions.Banks keep track of all transactions produced on this account and periodically send an account declaration to the account holder.

2.1.11.4 Time Deposit Account

A Fixed / Tenured Deposit is a tenured income account with a specified amount invested at a

stage and tenure looked upon.The grant may be either reinvested or returned to you with interest earned at the end of the agreed period (tenure) and based on your requests. These deposit accounts are also referred to as term deposit or fixed deposit.Fixed deposits on demand are not payable.The money deposited in such accounts can only be paid on the maturity of the first deposit period.

2.2 THEORETICAL REVIEW

This aspect of the study discusses the theories that explains development of both the dependent and independent variables. This study reviews the following theories related to the study; risk management theory, agency theory, loanable fund theory, financial intermediation theory and liquidity preference theory but this study anchors on the risk management theory.

2.2.1 Risk management theory

The theory of risk management, established in 1991 by Davis.This theory describes the quantity and timing of such hazards on other components (layers) of the financial system to financial institutions.The primary objective here is to guarantee that the amount of danger in the scheme, the volatile nature of the economic industry requires an ultra-sound to guarantee that risks are minimal and that members carry less strain in the economic system (Gummi, 2015).Risk management tries to define hazards and take needed action to diminish an organization's impending impacts.As the risk management process is rather abstract, a number of risk management norms have been created, such as COSO, FERMA and CAS.

The guidelines provided by these norms are widely relevant and enable hazards to be addressed in a wide range of situations, from financial portfolio risk to health care and from oil drilling to arranging sporting activities.

2.2.2 Agency theory

This theory is regarded by Jensen and Meckling (1976) to be one of the oldest in economics history.According to Jensen and Meckling (1976), the people who manage the money of other people can not watch over the money the same way one would expect the owners to watch it and

that negligence would prevail in managing the company's affairs.The theory of the agency describes the issues that arise in the company owing to separation between owners and executives and how to decrease the issue (Panda&Leepsa, 2017).In a Deposit Money Bank, the companies that assist depositors maintain their money are the agents or directors.The main ones are the clients who provide deposits to the banks. The big issue is whether these executives are performing for owners or for their own advantage (Panda&Leepsa, 2017). Berle and Means initially developed the theory of the agency (1932)

There has been witness to the existence of agency problems in various academic areas.The evidence discovered in various areas such as finance (Ronen & Balachandran, 1995 ; Watts & Zimmerman, 1983) finance (Fama, 1980 ; Fama& Jensen, 1983 ; Jensen, 1986), economics (Jensen &Meckling, 1976 ; Ross, 1973 ; Spence &Zeckhauser, 1971), political science (Hammond & Knott, 1996 ; Weingast& Moran, 1983), psychology (Adams, 1996 ; Kiser & Tong, 1992), organizational behavior (Kosnik&Bittenhausen, 1992).

The universal existence of the agency problem in various types of industries has made this theory as one of the most vital theory in the financial and economic area (Leepsa&Panda, 2017).The intervention of regulatory authorities is important in order to protect the deposits of customers when it is within the capacity of the Deposit Money Banks. The major view of this theory is that government regulatory authorities must be present to supervise and reduce the negligence of Deposit Money Banks towards the protection and safety of customers deposit (Gummi, 2015).

2.2.3 Loanable fund theory

The loanable funds theory describes the relationship between funds available for borrowing interest rates. Both the money supply available for borrowing and demand for money to be borrowed depend upon interest rates. The loanable funds market consists of borrowers and lenders of money.According to this theory, the interest rate is the price of credit which is valued by the demand and supply for lonablefunds(Inedu, 2015).

The loanable funds theory is a flow theory that examines the interest rate by the demand for and supply of loanable funds. The doctrine of loanable funds expands the classical theory, which only by saving and investing determined the interest rate, in that it adds bank credit. The complete quantity of credit available in an economy may exceed personal savings due to the ability of the bank scheme to generate credit from thin air. Supply of loanable fund comes from savings and bank credits while the demand of loanable fund according to this theory, has three sources; government, businessmen and consumers who need them for purposes of investment, hoarding and consumption.

2.3 EMPIRICAL REVIEW

Iganiga (2010), investigated the effect of financial regulation on the effectiveness of financial institutions with emphasis on banking sector, using data from 1986, and applying classical least square technique. As domestic savings increasesby 5% and capital base of institutions rekindled public confidence and increasing savings by 3.6%.

González (2003), explored the topic bank regulation and risk taking incentives with an emphasis on international comparism of bank risks. This study used a panel database of 251 banks within

36countries to analyze the impact of bank regulation on bank charter value and risk-taking. After the analysis, the result indicates that regulatory restrictions increase banks´ risk-taking incentives by reducing their charter value. The result of this study showed a negative relationship between regulatory restrictions and the stability of a banking system

Saeed (2014) examined using loan to deposit ratio to avert risk;a case study of 2008 liquidity crisis. The data for this study were sourced from Major British Banking Groups (MBBG) and werecritically analysed.Data of Loan-to-Deposit (LTD) ratio were sourced from the selected UK banks for the period from 2003 to 2012 The findings of this study revealed that banks which sustained the LTD ratio were able pass through the crisis of 2008, and other banks which rely more on borrowed funds or banks with increasing LTD ratio, became the victim of financial crisis.

Ningi and Dutse (2008), explained the impact of CBN's consolidation in the banking sector, they found a significant difference as the CBN's decision has changed the market structure, increased the efficiency of deposit money banks, create opportunities for participants and raised their intermediation potentials.

Isreal and Omone (2018) examined the determinants of earnings in Nigerian deposit money banks. This study explored the relationship between gross earnings and its determinants. Data used for the purpose of this study were sourced from annual report of selected banks within the period 2002-2016. Ordinary least square (OLS) was used to test the relationship between the dependentvariable Banks' Earnings measured by Return on Asset (ROA) and the independent variables as: Capital base, Customers deposits, Investments, Loans and Advances, Liquidity ratio, Bank size and Inflation. The result of this study revealed that there is a significant and positive relationship between bank earnings and capital base and bank size, while investment,

loan and advance, demand deposit and inflation are significant but have negative impact on bank's earnings.

Iyade (2006), investigated on the topic the impact of regulation and supervision on the activities of Nigerian banks with emphasis on the role of the Central Bank of Nigeria and The Nigerian Deposit Insurance Corporation.The result shows that the regulatory framework of the Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation are insufficient to guarantee effective and efficiency ofbanking practices in Nigeria.

Onyekwelu, et.al (2018) examined the effect of liquidity on financial performance of deposit money banks in Nigeria. a sample of 5 banks were used for the study. Secondary data was collected from each banks for a ten year period, 2007-2016. The data were analysed using multiple regression analysis. The result of this study showed that liquidity has a positive and significant effect on bank's profitability ratios and that liquidity also has positive and significant effect on return on capital employed.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter focuses on the procedures involved for the implementation of the objectives and research question of the study. In order to fulfil the research objectives of this study, the research methodology will discuss; research design, population of the study, sampling technique, sample size determination, method of data collection, method of data analysis, model specification, and measurement of variables.

3.1 RESEARCH DESIGN

The study used an ex-post-facto research design. This study applied the use of time series data for the period 2012-2018. The data were obtained from the CBN statistical bulletin. The study used descriptive statistics design to anaylse the mean, variance, standard deviation. The independent variables in this study are liquidity ratio, cash reserve ratio and loan to deposit ratio. The dependent variable is the total deposits of all Deposit Money Banks(DMBs).

3.2 POPULATION OF THE STUDY

The population of this study consists of all Deposit Money Banks in Nigeria. As at 31 September 2018, there are 21 deposit money banks licensed by CBN, who have international, national and regional authorization to carry on banking business. In Nigeria, there are 8 banks with international sssauthorization, 10 banks with national authorization and 2 banks with regional authorization.

S/N	LIST OF DEPOSIT MONEY BANKS IN NIGERIA
1	GUARANTY TRUST BANK PLC
2	ZENITH BANK PLC
3	CITIBANK NIGERIA LIMITED
4	FIRST BANK PLC
5	KEY STONE BANK
6	PROVIDUS BANK
7	STERLING BANK
8	SUN TRUST BANK NIG LTD
9	STANDARD CHARTERED BANK NIG LTD
10	HERITAGE BANK
11	UNITY BANK PLC
12	ECO BANK
13	POLARIS BANK
14	STANBIC IBTC BANK LTD
15	FIRST CITY MONUMENT BANK
16	FIEDELITY BANK

17	WEMA BANK
18	UNION BANK
19	UNITED BANK FOR AFRICA
20	ACCESS BANK
21	DIAMOND BANK

3.3 SAMPLE SIZE DETERMINATION

A sample of 21 deposit money banks listed by CBN is used for this study. Secondary data used for this study were sourced from the CBN annual statistical bulletin for the period of 7 years, from 2012-2018 on quarterly basis.

3.4 METHOD OF DATA COLLECTION

Data collection refers to a means by which relevant information is gotten from the selected subjects of a study(Ngure, 2014).In this study, data was sourced using secondary method. Data on prescribed and actual liquidity ratio, prescribed and actual cash reserve ratio, prescribed and actual loan to deposit ratio and total deposits of all deposit money banks were sourced from CBN financial sector statistical bulletin on quarterly basis for the period of 7 years.

3.5 METHOD OF DATA ANALYSIS

Data collected for this study will be analyzed using regression analysis on Statistical Package for Social Science (SPSS). The regression analysis is a statistical process for estimating the relationships among variables (Maiga, 2017).

3.6 MODEL SPECIFICATION

The models take these forms:

$$TD = \alpha_1 + \beta_1 Lr + \beta_2 Crr + \beta_3 Ltdr + \varepsilon_t$$

Where:

Td= Total deposits

Lr= Liquidity ratio

Crr= Cash reserve ratio

Ltdr= Loan to deposit ratio

CHAPTER 4

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter provides the analysis of the data collected, interpretation and discussion of findings. The data collected was analysed and interpreted in line with the objectives of the study which was to determine the effect of banking regulations on the deposits of Nigerian Deposit Money Banks.

4.1. Data Presentation, Analysis and Interpretation

This chapter analyses and interprets the results gotten from the study. It begins with descriptive statistics and then the regression results

4.1.1 The summary of the descriptive statistics of the variables for this project are presented in table 4.1.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity Ratio	20	35.60	96.60	46.2300	13.57401
Cash Reserve Ratio	20	8.00	31.00	16.9500	6.20675
Loan to Deposit Ratio	20	33.40	81.10	57.9600	15.00899
lnTD	20	9.35	9.82	9.6336	.15478
Valid N (listwise)	20				

Source: Output of data analysis by author using SPSS.

Table 4.1 presents the descriptive statistics for the dependent and explanatory variables. From the table, liquidity ratio has minimum and maximum values of 35.60 and 96.60 respectively and

the mean value of 46.2300as well as the standard deviation value of 13.57401. The standard deviation of 13.57401signifies that the data deviate from the mean value from both sides by 13.57401implying that there is a wide dispersion of the data from the mean because standard deviation is lower than the mean value.

The table also shows that the mean of the liquidity ratio of all the deposit money banksis 46.2300 with standard deviation of 13.57401, and minimum and maximum values of 35.60 and 96.60 respectively. This implies that the total deposits of deposit money banks on liquidity ratio is on average 46.2300, and the standard deviation value indicates that the liquidity ratio of the deposit money banks deviates from the mean value from both sides by 13.57401, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

Moreover, the table shows that the mean of the cash reserve ratio of the deposit money banks is 16.9500 with standard deviation of 6.20675. The minimum and maximum values are 8.00 and 31.00respectively. This implies that cash reserve ratio of the deposit money banks is on average 16.9500, and the standard deviation value indicates that the value deviates from the mean from both sides by 6.20675, implying that there is no significant dispersion of the data from the mean because the standard deviation is lower.

Furthermore, the table shows that the mean of the loan to deposit ratio total of the deposit money banks is 57.9600 with standard deviation of 15.00899. The minimum and maximum values are of 33.40 and 81.10 respectively. This implies that loan to deposit ratio of the deposit money banks is on averageof 57.9600. The standard deviation indicates that the value of the loan to deposit ratio deviates from the mean value from both sides by 0.13948. This implies that there is no significant dispersion of the data from the mean because the standard deviation is lower.

4.2. Test of Hypotheses

The hypotheses were tested using regression analysis.

4.2.1 Regression result

HYPOTHESES ONE

OBJECTIVE ONE: To determine the effect of liquidity ratio on the deposits of Nigerian Deposit Money Banks.

H_0: Liquidity ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

H_1: Liquidity ratio has a positive effect on the deposits of Nigerian Deposit Money Banks.

Table 4.1.1:   **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.403[a]	.163	.116	.14551

a. Predictors: (Constant), Liquidity Ratio

Source: Researcher's computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s). The sig of R indicates the direction of the relationship (positive or negative). The value of R range from -1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.1.1, R= O.404 .This mean there is a positive relationship between the total deposit and liquidity ratio, while its value show low scale relationship.

The R squared (coefficient of determination) show the degree of linear- correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be optimistically estimate how well the model fit the population.

Table 4.1.1, show R square of 0.163, which means that liquidity ration can only explain 16.3% variation in the value of total deposit while holding other independent variables constant.

Adjusted R square only adjust for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to a more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is 0.116.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the sample statistic is.

Table 4.1.2:   **ANOVA[a]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.074	1	.074	3.497	.078[b]
	Residual	.381	18	.021		
	Total	.455	19			

a. Dependent Variable: lnTD

b. Predictors: (Constant), Liquidity Ratio

Source: Researcher's computation, 2019

The ANOVA table tells us the overall significance of the model. The F-statistics is the regression mean square (MSR) divided by the residual mean square. F- Statistics determine whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.1.2 show an F-statistics value of 3.497 and a p-value of 0.078 which is more than 0.05. It suggests that there is no significant relationship between total deposit of banks and liquidity ratio. H_0 is therefore accepted and H_1 rejected.

Table 4.1.3:   **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	9.846	.118		83.261	.000
	Liquidity Ratio	-.005	.002	-.403	-1.870	.078

a. Dependent Variable: lnTD

Source: Researcher's computation, 2019

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

HYPOTHESES TWO

OBJECTIVE TWO: To determine the effects of cash reserves ratio on the deposits of Nigerian Deposit Money Banks.

H_0: : Cash reserves ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

H_1: : Cash reserves ratio has a positive effect on the deposits of Nigerian Deposit Money Banks.

Table 4.2.1:   **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
o1	.875[a]	.766	.753	.07699

a. Predictors: (Constant), Cash Reserve Ratio

b. Source: Researcher's computation, 2019.

In Table 4.1.2, R value is 0.875. This mean that the positive correlation between the total deposits and cash reserve ratio is 87.5%. The R square value is 0.766 (76.6%) meaning that cash reserve ratio can explain 76. 6% variation in total deposits of banks while holding other independent variables constant.

Table 4.2.2: ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.348	1	.348	58.793	.000[b]
Residual	.107	18	.006		
Total	.455	19			

a. Dependent Variable: lnTD

b. Predictors: (Constant), Cash Reserve Ratio

Source: Researcher's computation, 2019

Table 4.2.2 show an F-statistics value of 58.793 with a p-value of 0.000. This is less than 0.05 (5%) significance value. This suggest the adoption of H_1 of significant relationship and the rejection of H_0 of no significant relationship between total deposits and cash reserve ratio.

Table 4.2.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	9.264	.051		180.881	.000
Cash Reserve Ratio	.022	.003	.875	7.668	.000

a. Dependent Variable: lnTD

HYPOTHESES THREE

OBJECTIVE 3:What are the effects of loan to deposit ratio on the deposits of Nigerian Deposit Money Banks?

H_0: Loan to deposit ratio does not have a positive effect on the deposits of Nigerian Deposit Money Banks.

H_1: Loan to deposit ratio has a positive effect on the deposits of Nigerian Deposit Money Banks.

Table 4.3.1:   **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879[a]	.772	.760	.07590

a. Predictors: (Constant), Loan to Deposit Ratio

Table 4.3.1 revealed R value of 0.879, signifying a high (87.9%) positive relationship between the total deposit of banks and loan to deposit ratio. The R square value of 0.772 depict a 77.2% variation in total deposit that can be explained by loan to deposit ratio.

Table 4.3.2: ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.351	1	.351	61.007	.000[b]
Residual	.104	18	.006		
Total	.455	19			

a. Dependent Variable: lnTD

b. Predictors: (Constant), Loan to Deposit Ratio

Table 4.3.2 revealed an F-statistics value of 61.007 with a corresponding p-value of 0.000. The p- value is less than the 0.05 (5%) significance level. This suggests a significant relationship between the total deposit and loan to deposit ratio. The H_0 of no significant relationship is therefore rejected and H_1 of significant relationship accepted.

Table 4.3.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	9.108	.069		131.333	.000
Loan to Deposit Ratio	.009	.001	.879	7.811	.000

a. Dependent Variable: lnTD

Table 4.4.1:   **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924[a]	.854	.826	.06451

a. Predictors: (Constant), Liquidity Ratio, Cash Reserve Ratio, Loan to

Deposit Ratio

Source: Researcher's computation, 2019.

Table 4.4.1 showed an R value of 0.924. This mean a 92.4% positive relationship between the

three independent variables (Liquidity ratio, cash reserve ratio and loan to deposit ratio) and the

total deposit. The R squared value is 0.854 signifying 85.4% variation in total deposit attributed

to the three variables.

Table 4.4.2:   **ANOVA[a]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.389	3	.130	31.129	.000[b]
	Residual	.067	16	.004		
	Total	.455	19			

a. Dependent Variable: lnTD

c. Predictors: (Constant), Liquidity Ratio, Cash Reserve Ratio, Loan to Deposit Ratio

Source: Researcher's computation, 2019

In Table 4.4.2, the F-statistics value is 31.129 with a corresponding value of 0.000. This value is less than 0.05 (5%0 significant level. This signify a significant relationship between the dependent variable, total deposit and the independent variables jointly.

Table 4.4.3:   **Coefficients**[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	9.086	.111		82.056	.000
Loan to Deposit Ratio	.005	.002	.528	3.058	.008
Cash Reserve Ration	.012	.004	.474	2.927	.010
Liquidity Ratio	.001	.001	.061	.550	.590

a. Dependent Variable: lnTD

Source: Researcher's computation, 2019

Table 4.4.3 shows the overall significant contribution of each of the three independent variables in the model. A part from Liquidity ratio that show an insignificant contribution (0.590), the two other independent variables revealed significant contribution (0.008 and 0.010).

Therefore

$TD = 9.086 + 0.005(LTDR) + 0.012 (CRR) + 0.001(LR) + e_t$

4.2.2 Interpretation and summary of result

HYPOTHESIS I

The correlation coefficient (R) stood at 0.403% indicating that there is a (40.3%) positive relationship between total deposits and liquidity ratio. This relationship is weak.

R-square of 0.163, which means that liquidity ratio can only explain 16.3% variation in the value of total deposit while holding other independent variables constant. Also, the R-square value adjusted for the number of variables in the regression stands at 0.116.

The F-statistics value of 3.497 was greater than the p-value of 0.078 suggesting that there is no significant relationship between total deposits and liquidity ratio and that H0 is therefore acceptedand H_1 rejected.

HYPOTHESIS II

The R value stood at 0.875 (87.5%). This revealed a positive relationship between total deposits and cash reserve ratio .The R square value is 0.766 (76.6%) meaning that cash reserve ratio can explain 76.6% variation in the deposits of banks while holding other variables constant.

The f-statistics value is 0.523 with a corresponding p-value of 0. 473. The p-value is more than the significance value of 0.05 (5%). This suggests no statistically significant relationship

between return on equity and the board committee. This signifies the acceptance of H_0 and the rejection of H_1.

HYPOTHESIS III

The R value of 0.879% shows a high (87.9%) positive relationship between the total deposits and loan to deposit ratio. The R squared value shows the variation in the value of total deposits that is attributed to loan to deposit ratio. The value is 0.772% signify 77.2% variation. This suggests significant relationship between the total deposits and loan to dep ratio. The F-statistics value stood at 61.007 and p-value of 0.00 respectively. The p-value is more than 0.05 (5%) critical value. This imply the adoption of H_1 (Null) hypothesis and the rejection of H_0 (Alternate) hypothesis.

SUMMARY

The overall R value of 0. 924 show a (92.4%) positive relationship between the three independent variables and total deposits. The R squared value of 0.854 (85.4%) signifies the value of variation in total deposits that can be attributed to the three independent variables jointly.

The F-statistics of 31.129 and the corresponding p-value of 0.000 depict that jointly, there is a statistically significant relationship between total deposits and the independent variables . Therefore, the overall contribution of the independent variables to the modelshow that all the variables do contribute significantly to the model apart from liquidity ratio that shows an insignificant contribution (0.590), the two other independent variables revealed significant contribution (0.008 and 0.010).

Therefore the regression equation extracted from the analysis is thus given as:

TD=9.086 + 0.005(LTDR) + 0.012 (CRR) + 0.001(LR)

4.3 Discussion and findings

In this study the correlation coefficients between the variables revealed that the three independent variables and total deposits has a positive relationship . It has been revealed again that liquidity ratio has a positive relationship with the total deposits but there is no significant relationship between them.

The model summary revealed that the independent variables: liquidity ratio, cash reserves and loan to deposit ratio have a correlation of an F-statistics of 31.129 and a corresponding p-value of 0.000. This depict that jointly, there is a significant relationship between total deposits and independent variables jointly. This finding suggests the proportion of the assets of banks kept in liquid form is positively correlated with deposit but not significant. This is against the conclusion drawn by Isreal and Omone (2018) in their study on the determinants of earnings in Nigerian deposit money banks. This study used the Ordinary least square (OLS) which showed a significant and positive relationship between bank earnings andCustomers depositand Liquidity ratio.

The findings also suggests that the proportion of assets of banks kept in cash form is positively and significantly correlated with deposits.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The study sought to establish the effect of banking regulation on the deposits of deposit money banks. The study used an ex-post factoresearch design to achieve the research objectives. Multiple regression analysis was used to determine the relationship between banking regulations and total deposits measured by liquidity, cash reserve and loan to deposit ratios.The study used the liquidity ratio, cash reserve ratio and loan to deposit ratio as the independent variables while total deposits was the dependent variable. The study found that liquidity ratio does not have a significant relationship on the total deposits of banks.The study found that cash reserve ratio has a significant relationship on the total deposits of banks. The study found that loan to deposit ratio has a significant relationship on the total deposits of banks. The study found a significant positive relationship between banking regulations and total depsits with a coefficient of correlation of 0.924%.

5.2 CONCLUSION

The main objective of this study was to determine the effect of banking regulation on deposits of deposit money banks in Nigeria. From the finding above, the study concludes that banking regulations have significant positive effect on the total deposits of the 21 deposit money banks in Nigeria at 92.4% confidence level.   The study also concludes that banking regulations volatility has positive effect on deposits and profitability of deposit money banks. This study further concludes that the regulatory functions of the CBN and the NDIC have not been effective in curbing distress in the Nigerian banking system and depositors' confidence in the banking system needs to be encouraged through an integrated process involving all stakeholders.

5.3 RECOMMENDATION

Based on the findings of this study, the banking regulatory structures should stay with some slight changes;

- The Insurance premium of N50, 000 paid to deposit money bank customers by the NDIC in the event or occurrence of distress should be increased to boost the confidence of customers in the banking system..

- The confidence of depositors in the banking system needs to be encouraged through several processes involving all stakeholders.

- Effectiveness of theissues of weak corporate governance in deposit money banks needs to be improved by the regulators.

- The Regulatory role of CBN and NDIC should be enhanced on the incidence of widespread bad loan portfolio the in Deposit money banks.

- The regulators of deposit money banks should ensure regular payment of claims to customer's deposits in the event of liquidation of banksand this would go a long way in restoring people's confidence in the banking industry of Nigeria

- Ensuring efficient and effective monitoring of bank returns.

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Appendix:

LR	CRR	LTDR	TD	logTD
46.5	8.0	48	11530.8	9.35
49.2	8.0	46.9	11784.8	9.37
47.6	12.0	44.6	12387.1	9.42
49.7	12.0	42.3	13132.1	9.48
96.6	12.0	38.3	13804.4	9.53
65.1	12.0	43.9	13975.7	9.55
44.9	12.0	33.4	12847.4	9.46
46.2	12.0	36.3	13767.4	9.53
37.9	15.0	58.1	15700.5	9.66
35.9	15.0	58.7	15756.1	9.66
41.1	15.0	66.5	16275.3	9.7
38.3	20.0	64.2	17158.2	9.75
38.4	20.0	66.1	17461.2	9.77
39.9	31.0	67.8	17344.3	9.76
40.0	25.0	70.7	16867.6	9.73
42.3	20.0	69.6	17276.7	9.76
39.7	22.5	67.8	17232.4	9.75
35.6	22.5	74.9	18310.2	9.82
43.7	22.5	81.1	17851.5	9.79
46.0	22.5	80.0	18326.9	9.82

Keys:

LR = Liquidity Ratio

CRR = Cash Reserve Ratio

LTDR= Loan to deposit Ratio

TD = Total Deposits

LogTD= Logarithms of total deposits