Efficacy of Management Quality on the Operational Efficiency of Financial Service Operators: Evidence from Selected Nigerian Deposit Money Banks.

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ABSTRACT

This study sought to specifically ascertain the impact of operating expense on the Price Book Value of Nigerian DMBs; ascertain the impact of asset management on the Price Book Value of Nigerian DMBs, and finally to ascertain the impact of bank size on the Price Book Value of Nigerian DMBs. Data were retrieved secondarily from the audited statement of the sampled banks during 2009-2019. A panel regression was employed and the results of the inferential statistics indicate that adopted surrogates for management quality have a significant impact on the price book value being the proxy for operational efficiency of the sampled DMBs. This implies that banks with efficient management quality perform better than those with poor management quality. The study recommends that For Nigerian DMBs to achieve enhanced and sustained profitability, management strategies need to be instituted with a view of ensuring operating expenses minimization to prevent a systemic collapse.

Keywords: Management Quality, Operational Efficiency

Jel Classification Code:G21, M10, C23L22, L10

1.0 INTRODUCTION

The operational efficiency of the banks either individually or at the aggregate level is of great concern to the industry players due largely to its expected influence on the growth rate of a country economy. The operational efficiency of each bank depended on their characteristics and the distinctive advantages they possess (Aviliani, Hermanto, Tubagus &Heni, 2017).

Management quality is a major ingredient that induce the overall operational efficiency of bank The performance and efficiency of management is usually a reflection of organizational discipline, control systems as well as staff quality that induced how resources are deployed in terms of operating income generation maximization and operating costs rationalizations (Nadica, 2016).

The operational efficiency of banks is mainly centred on the competence of the bank management in the area of revenues generation and costs minimization. Management quality plays a major role in determining the price book value of financial service operators given credence to the fact that the price book value is the reflection of organization goodwill (Ibrahim,2018). However, most of the previous studies such as Felicia (2017), Eze (2018), Kolapo and Dapo (2018), Lucky and Nwosi (2019) and Ogechi and Fredrick (2020) among many others that examined the determinant of banks operational efficiency in Nigeria did not specifically study the impacts of management quality on banks operational efficiency. The

inability of Felicia (2017), Eze (2018), Kolapo and Dapo (2018), Lucky and Nwosi (2019) and Ogechi and Fredrick (2020) among many others to cover the impacts of management quality on banks operational efficiency leaves the impact of management quality on banks operational efficiency in Nigeria as not being fully researched on, yet the country has witnessed a surge in the number of deposit money banks in the recent years in connection with poor management quality and operating strategies by the affected banks. The gap must be filled by taking a look at how the management quality of banks affect their operational efficiency concerning how financial institutions perform their intermediation role of savings utilization and allocation. To guide the thrust of this study, the following null hypotheses were tested:

H_{01}: Operating expenses has no significant impact on the Price Book Value of Nigerian Deposit money banks.

H_{02}: Asset management does not significantly affect the Price Book Value of Nigerian Deposit money banks.

H_{03}: Bank Size has no significant impact on the Price Book Value of Nigerian Deposit money banks.

2.0 LITERATURE REVIEW

Banks operational Efficiency

Antonio (2015) cited by Ibrahim (2018) posited that since the early 1990s, the advancement in the telecommunication industry had led to technological diffusion which has allowed banks to perform many of their traditional services more efficiently. Consequently, the cost-to-income ratio, a proxy for operational efficiency, has been declining almost everywhere to different degrees. Dimitris (2008) opined that operational efficiency is the ability of a bank to maintain income stability and growth. A bank with good operational efficiency is a bank that can withstand negative shocks and contribute to the stability of the financial systems. Eze (2018) opined that operational efficiency is a prerequisite for improving the profitability of the banking system, owning largely to the fact that most of the topmost rated banks enjoy the lowest efficiency ratios. In the opinion of Ngumi (2017), operational efficiency is a measure of how profitable a bank is relative to its competitive advantage to its assets size and net interest margin.

Dutta and Bose (2007) posited that the competitive advantage of a bank could be expressed concerning its price book value, which measures banks operational efficiency in terms of the market expectation of future earnings.

Price Book value

Ibrahim (2018) opined that price book value is a financial proxy used to compare a company's current market value to its book value where the company's market capitalization is divided by the company's total book value from its balance sheet. It is the reflection of company goodwill given credence to the fact that the price book value of a company usually provides information about the financial health of the company to intending investors which induce their investment decisions. In the same vein, Aremu (2020) posits that price book value provides information on the ability of a firm to generate profits from operating activities in connection with management capacity.

Management Quality and Banks Operational Efficiency

According to Robert (2016) who posited that management plays a big role in determining the future of the banks. However, management assumed the responsibility of overviewing of bank's operations by making ensure that banks earned higher income interest spreading concerning portfolio management. Benazir and Shirin (2016) stated that the performance of management capacity could be viewed from the angle of organization culture and control mechanisms. However, the capacity of banks management is usually being examined with the aid of certain ratios of off-site evaluation of a bank in the capacity of the management to spot trouble areas with the view to ensure efficient utilization of the bank facilities as well as cost reductions (Ibrahim,2019).

In the opinion of Job (2014), the capability of management to use its resources efficiently, minimize its operating costs and maximize its income is indeed a reflection of its operational efficiency. Management quality can be measured with the profit to income ratio. Higher operating profits to total income indicate efficient management to operational efficiency and income generation activities. Also, the expense to asset ratio indicates the level of management efficiency concerning operating expenses rationalization. A higher-income interest spread is only achievable when a bank can increase the growth of lending due to surplus income. Zawadi (2014) cited by Ibrahim(2019) suggest that management quality is the ability of management of the banks to manage its operating costs more efficiently through cost rationalization and this involves the process of allocating the available resources to viable investments by making sure that the right combination of people and technology come together to enhance the productivity as well as the core value of the bank for routine operations to the desired level.

2.1 Theoretical Review

This study hinged on the Conventional Economic Efficiency Theory, this theory was developed by Mullineaux (1978) and it was adopted as a framework given cognizance to its connectivity to the subject matter. The Conventional Economic Efficiency theory gives cognizance to the fact that the lending activities is the core function of the banks which require allocative (price) efficiency criteria and productive (technical) efficiency criteria for the attainment of banks intrinsic and extrinsic values (Ibrahim,2019). Allocative (price) efficiency criteria have to do with credit portfolio management while productive (technical) efficiency criteria have to do with cost structure management of banks. This theory encouraged banks to adopt productive (technical) efficiency criteria that will ensure cost minimization to operating efficiency and staffs productivity; this will no doubt enhance banks operational efficiency. The theory provides a basic context for understanding a variety of micro factors associated with banks operational efficiency. For a financial service operator to operate at an efficient level, all the services and products offered must have optimal pricing because productive efficiency only takes place when a bank employs all of its resources efficiently aimed at maximizing values. In the light of the foregoing, the researchers deem it fit to draw a line of appropriateness for the adoption of the Conventional Economic Efficiency theory for this study because of its link with the subject matter.

2.2 Empirical Review

Dahlia and Dianna (2012) investigate the impact of market interest rate risk on bank operational efficiency between 2000-2008 in Jamaica. The topmost National Commercial Bank

(NCB) and Bank of Nova Scotia (BNS) Jamaica Ltd serve as the fair representation of the population under study. The results of the empirical finding indicate that market interest rates and treasury bill rates as part of the regressors for independent variables have a statistically insignificant effect on selected banks profitability which served as a proxy for operational efficiency across the two major banks in Jamaica. Finally, interest rate risk (volatility) have a negative but statistically significant effect on bank profitability being the surrogate for the operational efficiency of the selected banks.

Maryam et al (2014) evaluated the impact of macro-economic factors concerning Pakistani commercial banks' performance. Market value-added, cash flow return on investment, cash value-added, shareholders value-added, and economic value was adopted as performance index as an alternative to the conventional accounting-based. The study covered 2009 _ 2013. OLS techniques were used to test this claim with a sample drawn from commercial banks listed on Karachi Stock Exchange. The outcome of the study reveals that Gross Domestic Product and Inflation rate as regressors for the independent variables are strong determinants of commercial banks performance in Pakistan.

Zawadi (2014) investigated the effects of bank-specific and macroeconomic factors on banks' profitability in Tanzania. A total of 23 banks were purposely selected to serve fair representation of the population under study from 2005 to 2013. However, the result of the study shows that bank-specific factors were the main determinants of banks' profitability in Tanzania. While the macroeconomic factors do not have a clear cut effect on the Tanzania banks' profitability. This showed that the performance of banks in Tanzania was mainly induced by management decisions.

Nadica (2016) examined the determinants of Banks Operational Efficiency in the Macedonian banking industry. Using the Net-Interest Margin (NIM) as a measure of Bank operational efficiency. A regression analysis was employed for the period between 2008 and 2011 to determine the factors that affect NIM. The results show that a high net-interest margin which is a proxy for operational efficiency has a positive and statistically significant relationship with staff productivity which was proxied with staff wage. Similarly, the results indicate that risk management capacity, bank size and expenses management all as independent proxies have no statistically significant impact on bank operational efficiency.

Euphemia (2016) examined the impact of interest rate sensitivity as a determinant of commercial banks' interest profitability (Net Interest Margin) between 2001 and 2014. Data was sourced secondarily from the audited statements of the purposively selected sampled banks which served as the fair representation for the population under study in South Africa. The finding revealed that interest rate (repo rate) volatility as a surrogate for the independent variable has a positive statistically significant effect on the profitability of the selected banks. This suggests that as the repo rate increases, the profit of selected commercial banks also increases. It was also found that interest rate changes as part of the adopted proxies for the independent variable equally have a positive statistically significant effect on the net worth of the selected commercial banks. Finally, the result of the finding suggested that other macroeconomic factors that were adopted as regressors for the independent variable do not

have sound side direct effect on the selected banks' profitability, but rather on the selected banks' net worth, particularly, the rate of inflation and the rate of the money supply.

Kolapo and Dapo (2018) evaluated the effect of liquidity management on the operational efficiency of commercial banks in Nigeria. Data was collected from three banks which were selected randomly to represent the whole banking sector in Nigeria. Operational efficiency was represented with after tax profit as the dependent variable and Bank cash assets (CA), Bank Balance, Treasury Bills and certificates were adopted as independent variables. The Regression result revealed that all the independent variables have a significant impact on after tax profit as the dependent variable.

Arjera (2019) analyzed the determinants of profitability of all the commercial banks in Albania, banks using panel data from 2009_2014. Return on Asset being the adopted variable as a measure of profitability for the population under study while macro factors (Gross Domestic Product (GDP) Inflation Rate (IR) Exchange Rate(XR) High powered money) bank-specific factors (bank size, capital adequacy and operational efficiency) were the surrogates for the independent variable. The result of the finding showed that Gross Domestic Product(GDP), as well as other adopted macro factors which include Inflation Rate (IR) Exchange Rate(XR) High, powered money) have no sound side impact on the profitability as a measure of the performance of the selected Albania Banks. While bank size, capital adequacy and operational efficiency constitute the main determinant of Albania banks performance. Eze (2018) empirically examined the determinants of bank profitability in Nigeria from 2005_2016. Data were extracted from the audited statement of the sampled banks. Findings show that the profitability of the selected bank is largely determined specifically by credit risk management capacity and other bank-specific factors concerning the internal organization of banking firms. While the macro-economic factors such as the Exchange rate have no statistically significant effect on the selected banks return on equity and non-interest margin as a measure of profitability.

Lucky and Nwosi (2019) examined the relationship between asset quality and the profitability of commercial banks in Nigeria from 1980 to 2013. The ordinary least square (OLS) econometrics method was used to analyse the hypothesis. The result of the finding reveals that positive relationships exist between the dependent (profitability) which was measured by return on assets ratio (ROA) and independent variables (credit portfolio management and Liquidity management).Agbada (2019) investigated the impact of effective loan management on banks performance in Nigeria. The outcomes of this research showed a significant link between effective liquidity management and banks performance and the soundness of banks enhanced by effective liquidity management. Andabai (2020) examined the impact of Liquidity Management on Banks' Profitability in Nigeria from 1989-2019. The result of the finding reveals that positive relationships exist between the dependent (profitability) and independent variable (liquidity management). Liquidity management includes the broad money supply and aggregate bank deposits and profitability was measured by return on assets ratio (ROA). The ordinary least square (OLS) econometrics method was used to analyse the hypothesis. Maqsood, (2020) examined the impact of credit risk management on Profitability in the Banking Sector of Pakistan, the result of the finding shows that credit risk management has a significant impact on banks profitability. The data that were used in this study was taken

from the financial statement of 8 different banks from 2004_ 2019. The regression and correlation techniques were used in this study. Independent variables were proxied as the capital adequacy (CA), Current ratio (CR), Non-preforming Loan (NPL) and cash ratio (CASR) and return on assets (ROA) as the dependent variable. Ayinde (2021) investigated the impact of capital adequacy on the financial performance of deposit money banks in Nigeria from 2010_20119. The outcome of the findings shows a significant relationship between Loans to total assets, Loans to short term liabilities and deposits, Bank's loans, customer deposits to Total assets and return on assets (ROA).

3.0 METHODOLOGY

The study employed Ex-post facto research design considering the nature of the study. Analysis was based on available annual secondary data collected from the audited statement of the selected DMBs that serve as the fair representation of the population under study.

3.1 Model Specification

The operational efficiency of the selected banks was analyzed through the balanced panel data. Operational efficiency of the selected banks was depicted by Price Book Value (PBV) while management quality was depicted with Operating Expenses, Asset Management, Bank Size, Non-Performing Loans and Loan Loss Provision. This study was modelled according to the work of Eze (2018) and Arjera (2019). Specifically, this study adapted the model of Arjera (2019) which studied the determinants of Bank Profitability in Albania.

In a bid to test for the significance of the formulated hypotheses the below models were formulated as follows:

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$PBVi,t = f(MAQ)$ ……..3.1

$MAQ = OEi,t + AMi,t + BSi,t + NPLi,t + LLPi,t$ ……..3.2

Where:

PBVi,t = Price book value of the selected banks in year t

MAQ = Management Quality of the selected banks

OE_{it} = Operating expenses in year t

AM_{it} = Asset management in year t

BS_{it} = Bank Size in year t

NPL_{it} = Non performing loan in year t

LLP_{it} = loan loss provision in year t

The model to be estimated becomes:

$PBV_{i,t} = \beta_0 + \beta_1 OE_{i,t} + \beta_2 AM_{i,t} + \beta_3 BS_{i,t} + \beta 4 NPL_{i,t} + \beta 5 LLP_{i,t} + \mu i,t$……..3.3

β_0, β_1, β_2 β_3, β_4, and β_5 parameters of estimation

u_{it} = the error term

i = cross-sectional variable

t = time series variable

3.2 Sources of Data

The study covers the ten topmost banks based on the credit score rating by Fitch rating and Bankers' magazine as of January 2020.

Table 1: Variables Measurement and a *Priori* Expectations

Variable	*Determinants*	*Proxies*	*Measures*	*Notation*	*Expected Relationship*	*Remarks*
DEPENDENT(OPERATIONAL EFFICIENCY OF THE SELECTED BANKS)		Price book value	Price of share/ equity value	PBV		
INDEPENDENT VARIABLES (MICRO ENVIRONMENT FACTORS)	**Management Quality**	Operating expense	Operating expense/Total Asset	OE	Negative(-)	As expected
		Asset management	Operating income/Total Asset	AM	Positive(+)	As expected
		Bank Size	Log of employees	BS	Positive e(+)	As expected
		Non-performing loan	Non-performing loan/Total loan	NPL	Negative(-)	As expected
		Loan loss provision	Loan loss provision/ Total loan	LLP	Negative(-)	As expected

Source: Authors computation (2020).

4.0 Research Findings

Table 2: Descriptive Statistics of the Variables

Variables	Obs	Mean	Std. Dev.	Min	Max
Pbv	80	.0904	.1087	0.0151	.5502
Oe	80	.0836	.0198	0.0114	.0950
Am	80	.0525	.0329	0.0124	.0865
Bs	80	.0824	**.0105**	0.0212	.0919
Npl	80	.0820	.0194	0.0232	.0938
Llp	80	.0769	.0183	**0.0312**	.0907

Source: Authors computation (2020).

Table 2 presents the descriptive statistics for the dependent and explanatory variables of selected DMBs. The table present information on the character that each of the collected data exhibit. From table 1 price book value has a minimum and maximum values of 0.0151 and 0.5502 respectively and the mean value of 0.0904 as well as the standard deviation value of 0.1087. Also, the mean of the operating expenses of the selected banks is 0.0836 with a standard deviation of 0.0198. A minimum and maximum values of 0.0114 and 0.0950 respectively. Also, the table shows that the mean of the Asset management of the selected banks is 0.0525 with a standard deviation of 0.0329. The minimum and maximum values are 0.0124 and 0.0865 respectively. This implies that the Asset management of the sampled banks on

average stood at 0.0525, and the standard deviation value indicates that the value deviates from the mean from both sides by 0.0329. The mean of the Bank Size for the sampled DMBs stood at 0.0824 with a standard deviation of 0.0105. The minimum and maximum values are 0.0212 and 0.0919 respectively. This implies that the bank size of the sample DMBs stood at .0824 on average. The standard deviation signal that the value of the bank size of the sampled DMBs deviates from the mean value from both sides by 0.0105. The mean of the non-performing loan of the sampled banks stood at 0.0820 with a standard deviation of 0.0194. The minimum and maximum values are 0.0232 and 0.0938 respectively. This implies that the non-performing loan sample banks are on average 0.0820. The standard deviation signal that the value of the sampled banks non-performing loan deviates from the mean value from both sides by 0.0194. The table equally shows that the mean of the loan loss provision of the sampled banks stood at 0.0769 with a standard deviation of 0.0183. The minimum and maximum values are 0.0312 and 0.0907 respectively. This implies that the loan loss provision of the sample banks is on average 0.0769. The standard deviation signal that the value of the sampled banks loan loss provision deviates from the mean value from both sides by 0.0183.

Table 3: Pairwise Correlation Analysis among the variables

b	Pby	Oe	Am	bs	npl	Llp
Pbv	1.0000					
oe	-0.2126	1.0000				
am	0.2006	0.0381	1.0000			
bs	0.5454	0.1591	0.2943	1.0000		
Npl	-0.0624	-0.0613	-0.1053	0.0324	1.0000	
Llp	**-0.0206**	0.0610	-0.1060	0.1535	-0.1125	1.0000

Source: Authors computation (2020).

Table 3 above presents the summary of the results of correlation analyses among the adopted variables specifically to establish whether the level correlations between each pair of the dependent and independent variables do not pose the threat of multi-collinearity to avoid the problem of wrong model specification.

Table 4: Hausman Specification Result

	Fixed	Random	Difference	S.E.
Oe	-0.8625	-0.7056	-0.1568	0.0579
Am	1.0933	0.9493	0.1439	0.0550
Bs	0.0018	0.0121	0.0103	0.0189
Npl	0.2975	0.3204	0.0228	0.0106
Llp	-0.0387	-0.1012	0.0625	0.0223

Source: Authors computation (2020)

Test: H0: difference in coefficients not systematic

chi2(5) = 13.52 Prob>chi2 = 0.0036

Table 4 above provides the statistical information on both the random and fixed effects of the estimated panel respectively. Based on the result of the Hausman test the result reveals a chi2 value of 13.52 with 0.0036 probability which was below the 0.0500 significant margins. Which indicate that the fixed effect is the best model to be estimated for this study. Therefore, the fixed effect was selected and interpreted as the appropriate model.

Table 5: Regression Results Fixed-effects (within) regression

Pbv	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Oe	-0.8625	0.2908	-2.97	0.004	-1.4431	-.2820
am	1.0933	0.2734	4.00	0.000	0.5474	1.6392
bs	0.0018	0.0460	0.04	0.968	0.0938	0.0901
npl	-0.2975	0.0510	-5.83	0.000	-0.1956	0.3994
llp	-0.0387	0.0505	0.77	0.445	-0.1396	0.0620
Cons	0.0591	0.0040	14.71	0.000	0.0511	0.0671
R-square	50.9					
F-statistics	0.0000					
Observation	80					
Number of groups	10					
Obs per group	8					

Source: Author'scomputation (2020)

Table 5 above present the result of the panel data regression (fixed effect) which reveal that the coefficient of $\mathbf{R^2}$ has a value of 0.5098 this suggests that explanatory variables (Operating expenses, Asset management and bank size with the inclusion of the other adopted control variables) were able to explain 50.98% of the total variation in the operational efficiency of the sampled bank depicted by Price Book Value (PBV) implying that the remaining 49.02% which was not accounted for were the stochastic element of the model which represent the error terms.

The F-statistics can be said to be significant at 1% considering its probability value of 0.0000 which posits that all the adopted independent variables were jointly significant in explaining PBV (operational efficiency of the sampled banks). Given this, the model could be said to exhibit a reasonable level of goodness of fit.

The coefficients of the constant (C) has a value of 0.0591. This suggests that if all the explanatory variables are held constant, the explained variable, which is depicted by PBV, will surge by 0.0591 units. This shows that regardless of the change in the explanatory variables the sampled banks Price Book Value will respond according.

Operating expenses as part of the regressors for management quality shows a negative coefficient of -0.8625 and it was statistically significant at 5% level as contained in table 4 above. This posits that in a situation where other predictor variables are held constant, by implication a unit change in operating expenses will account for a 0.86256 unit decline in the PBV. This is in line with the outcome of Dimitris (2008), Dahlia and Dianna (2012), Eze (2018) and Ibrahim (2018) who all reported a negative relationship between banks operating expenses and the financial health of banks. Stating that the higher the operating expenses of a financial service provider, the lower the interest revenue becomes.

Asset Management as part of the regressors for management quality reveals a positive coefficient of 1.0933 with Price Book Value (PBV) and it was statistically significant at 1% is

contained in table 4 above, this suggests that where other regressors are held constant, a unit increase in the asset management will account for an increment of 1.0933 units in the Price Book Value (PBV) of the population under study. This is in agreement with the studies of Job (2014), Felicia (2017) and Ibrahim (2018) who all reported a positive relationship between asset management and the performance of banks, which they measured with Return on Asset and Earning per share. Stating that asset management is an income-generating activity for banks, which means that the more efficient a bank is in terms of asset management, the more operationally efficient it becomes. To corroborate this assertion, a study by Ogechi and Fredrick (2020) Posited that each bank has different characteristics; therefore, asset management policies affect their performance on different levels.

Bank Size has a positive coefficient of 0.0018 with PBV but is statistically insignificant at 5% is contained in table 4 above. This suggests that where other regressors are held constant, a unit change in the Bank size will account for an increase of unit .0018 in the PBV. This is in line with the outcome of Nadica (2016) who found a positive relationship between bank size and ROA which was adopted as a measurement of the selected banks, stating that the effect of a growing size has benefits like economies of scale and reduced costs or economies of scope and product diversification, that provide access to markets that small banks cannot benefit also large banks may be able to exert market power through stronger brand image.

Non-performing loan as control variable shows a negative coefficient of -0.2975 and it is statistically significant at 5% level as contained in table 4 above. This posits that in a situation where other predictor variables are held constant, by implication a unit change in NPL will account for 0.2975 units decline in the PBV. This is in line with the adopted theory. Similarly, this conforms with the a-priori expectation that was early made for this study. However, this is contrary to the outcome of Benazir and Shirin (2016) who provides a positive relationship between NPL and the Return on asset stating that Non-performing loans fairly affect the profitability of some banks and this is a result of shifting cost on loan default to other customers. However, this study posits a bidirectional relationship between NPL and PBV.

Loan loss provision has a control variable that also shows a negative coefficient of -0.0387 but is not statistically insignificant at a 5% level as contained in table 4 above. This posits that in a situation where other predictor variables are held constant, by implication a unit change in Loan loss provision will account for 0.0387 units decrease in the PBV. This is in line with the adopted theory. Similarly, this is in agreement with the a-priori expectation that was early made for this study. However, this is not in line with the outcome of Benazir and Shirin (2016) which provide a positive relationship between loan loss provision and the Return on asset stating that loan loss provision does not affect the profitability of banks, because loan loss provision is mandatory for banks, therefore banks usually shift the cost of loan loss provision on other customers.

4. Conclusion and Recommendations

Based on the empirical findings of this study, it was revealed that management quality plays a crucial role in accessing the level of problem that banks are confronted with in terms of cost structure rationalization and asset management. This is evidenced by the negative coefficient that was reported on the operating expenses, which signal that higher operating expenses

possess a serious threat to the operational efficiency of DMBs. A positive coefficient that was reported on asset management as a performance indicator posits that the selected banks are doing well in terms of revenue-generating activities (Asset Management). Although Bank size which measures the selected DMBs economy of scale has no clear cut effect on the performance of the selected banks. This was evidenced by the reported inferential result, which was not statistically significant.

A negative coefficient that was reported for both the non-performing loan and loan loss provision called for a sound credit risk management strategy to enhance the operational efficiency of the selected DMBs. Although the sampled banks are taken into cognizance in preventing and mitigating the incidence of loan default, this is no doubt the result of a statistically insignificant result that was reported on the loan loss provision.
In the light of the above, recommendations were put forward as follow:

For Nigerian DMBs to achieve an enhanced and sustained profitability through interest income, from loans and advances, appropriate microenvironment management strategies need to be instituted with a view of ensuring an efficient management quality concerning operating expenses minimization and asset management maximization to prevent a systemic collapse. Considering that operating expenses rationalization and asset management which is revenue-generating activities constitute the major determinant of financial service operators' operational efficiency.

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