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Firm Attributes and Financial Performance of Quoted Deposit Money Banks in Nigeria

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ABSTRACT

The financial performance of Nigeria's deposit money banks (DMBs) has shown inconsistent trend, despite many regulatory measures aimed at bolstering the banking sector performance. This has raised major issues regarding the firm attributes that influence the banks' profitability. This study explores the effects of selected firm attributes which include firm size, capital adequacy, liquidity and board size on the financial performance of quoted DMBs operating in Nigeria. The research utilises an ex-post facto research strategy to examine the data extracted from the accounts and annual reports of 12 deposit money banks listed on the Nigerian Exchange Group between 2020 and 2024. The study analyses data with multiple regression techniques. Findings demonstrate that both firm size and capital adequacy relate positively and significantly to financial performance. In contrast, liquidity revealed negative but statistically significant effect, while board size reported no significant effect on the financial performance of DMBs in Nigeria. The study recommends that management DMBs should adopt sustainable growth approaches such as mergers, acquisitions, expansion to enhance their asset base to become larger banks and attain better financial performance, among others.

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Introduction

In contemporary financial landscape, the myriad roles of deposit money banks (DMBs) as one the major drivers of economic growth cannot be overstretched. Their capacity to produce sustainable earnings, manage risks and deliver desired values to shareholders depends not only on external factors but also on internal features that defines the financial performance of the banks. These internal elements are sometimes referred to as firm attributes, which include: firm size, capital adequacy, liquidity levels and board structure, among others. These attributes play a crucial function in ascertaining how well banks perform financially (Adeusi et al., 2023; Hunjra et al., 2022). Gaining insight on the effects of firm attributes on financial performance is vital (Bozic &

Bozic, 2025), especially in the context of Nigeria's banking sector, where macroeconomic instability and regulatory reforms routinely test the sustainability of bank profitability (Ahmed & Uche, 2024).

Researchers have attempted to gain insight into the effects of firm attributes on financial performance in the Nigerian business environment. For instance, Uwalomwa et al. (2018) evaluated the influence of board features and found that they have significant effect on bank performance. Similarly, Omodero and Ogbonnaya (2020) analysed effects of liquidity and capital adequacy on performance and found conflicting results across different generations of listed banks on the Nigeria Exchange Group. Other studies, such as Bello and Musa (2023), stressed the need of a solid capital basis for risk absorption and profitability. However, many of these studies tend to focus on particular firm characteristics in isolation or utilize obsolete data that may not reflect the post-pandemic realities of Nigeria's financial industry. Moreover, only a few studies have considered these variables collectively using recent data covering the 2020–2024 period, which has created a gap of up-to-date empirical analysis. Besides, there is inconclusive findings in literature regarding the extent to which firm attributes drive financial performance. While some researchers suggest a substantial positive connection between firm size, capital adequacy, liquidity and board size on profitability, others indicate weak or negative connections (Moroz, 2025; Ojo, 2022; Zou & Stan, 2022). This mismatch raises crucial questions: Why do some banks do better than others despite operating under similar economic conditions? Are firm-specific attributes adequately controlled to boost performance? And how relevant are these traits in today's developing legislative and technological landscape?

To address these problems, this study aims to fill the research gap with conduct of a contemporary investigation with the latest available data into the effects of firm size, capital adequacy, liquidity and board size on the financial performance of Nigeria's quoted DMBs. In order to achieve the main objective, the study has the following specific objectives: (i) to assess the effect of firm size on the financial performance of listed DMBs in Nigeria. (ii) to investigate the effect of capital adequacy on the financial performance of listed DMBs in Nigeria. (iii) to determine the effect of liquidity on the financial performance of listed DMBs in Nigeria. (iv) to investigate the effect of board size on the financial performance of listed DMBs in Nigeria.

Literature Review

Concept of Financial Performance

As a concept, financial performance (FP) represents the extent of how effective and efficient a firm has utilised its resources (assets) to conduct its ordinary business to generate value (Bui et al., 2023). Financial performance is a cornerstone of corporate investment for a wide array of stakeholders - including investors, creditors, employees and regulators (Olalekan & Adeyemi, 2021). For banks, strong financial performance signals stability, growth potential, and effective risk management. Financial performance encompasses the financial capability of a firm to meet its obligations, reinvest in operations, and provide returns to shareholders. Thus, evaluating performance requires the use of numerous metrics that capture different facets of profitability, efficiency and value creation.

Measures of FP in literature include, but not limited to Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), among others (Adebayo & Lawal, 2022; Upreti, 2024). ROA evaluates asset efficiency towards income generation to gauge effective the management is at converting the investments into net earnings. A higher ROA suggests that the bank utilises its asset base effectively and efficiently (Upreti, 2024)). ROE represents profitability from shareholders' equity, measuring the return generated on the funds provided by owners. ROE as a measure of FP is a crucial indicator for investors as it shows them the bank's ability to generate profit with the judicious allocation of their equity to different investments and represents a key driver of stock

price movements (Athanasoglou et al., 2008). NIM is another vital metric that measures the difference between interest income generated and the amount of interest paid out to lenders expressed as a relative amount of interest-earning assets. NIM mirrors the bank's profitability from its traditional lending and borrowing activities, making it a pure measure of intermediation efficiency (Adebayo & Lawal, 2022). These three (ROA, ROE and NIM) and other performance metrics are employed in financial studies due to their clarity, comparability and excellent explanatory power in both cross-sectional and time-series analyses (Adeusi et al., 2023).

Concept of Firm Size

The concept of firm size, mostly proxied as the log of total assets, total sales, or market share plays a major influence in bank performance to demonstrates the bank's ability to utilize economies of scale, manage risk and acquire market strength (Hunjra et al., 2022; Uwalomwa et al., 2018). Larger banks usually have wider access to capital markets which allow them to raise funds at least cost and invest in sophisticated technology and diversified portfolios to generate stable earnings (Zou & Stan, 2022). This diversification comes with higher risk across different asset classes and geographical regions with potential to increase overall portfolio volatility (Adeyemi & Alabi, 2021). Though, large banks often benefit from a "too-big-to-fail" perception, which may lower their cost of funding as creditors feel more secure, yet excessive growth can generate inefficiencies in bureaucracy, communication, and decision-making that lead to diseconomies of scale and poor performance (Athanasoglou et al., 2008). This can manifest through increased agency costs, where managers of very large firms may pursue growth for personal prestige rather than shareholder value. The size-performance relationship remains ambiguous due to variable internal and external forces, with some studies finding a positive linear relationship while others suggest a non-linear or even negative one, pointing to an optimal size threshold (Adeyemi, 2021; Sharma et al., 2023)

Concept of Capital Adequacy

Capital adequacy is an essential attribute of a bank representing the robustness of its capital base in relation to the bank’s risk exposure (Arhinful et al., 2025; Ogunleye & Fadeyi, 2021). Capital adequacy measures the financial strength of a bank and its safety net representing its ability to preserve depositors' cash and absorb losses that can lead to insolvency represented by the Capital Adequacy Ratio (CAR) (Mirichii et al., 2023). Regulators of banking industry such as the Central Bank of Nigeria (CBN), prioritize CAR to guarantee that banks are sound and secured by adhering to international standards like the Basel accords (Basel I, II, and III). Adherence to Basel Accords positioned banks to withstand economic instability to sustain lending and earn stakeholder trust during downturns (Bello & Musa, 2022). Thus, a bank with strong capital base assures depositors of safety of their funds and signals to investors that the bank is resilient and well-managed to pursue growth opportunities. Literature asserts the necessity of a balance CAR as too high ratio may suggest that funds are being left idle unproductively without being utilised on profitable lending or investment opportunities which may potentially dilute shareholder returns (Ahmed & Uche, 2023; Lijuan, 2025;). Thus, an optimal CAR capital that satisfies regulators and assures stability, while still being leveraged enough to generate attractive profits.

Concept of Liquidity

Liquidity denotes a bank's capacity to satisfy its short and medium terms financial obligations as they fall due, without incurring unacceptable losses by having enough cash or easily convertible assets to meet customer withdrawals and other immediate payment demands (Ogunleye & Fadeyi, 2021; Warren, 2025). Liquidity is expressed by the ratio of liquid assets (such as cash, government securities, and interbank placements) to total deposits (Khan & Sharif, 2025). Banks with robust liquidity balances are considered as more reliable and capable of weathering unforeseen financial constraints or customers’ withdrawals, thereby maintaining confidence in the banking system (Ojo, 2022). Effective liquidity management ensures operational continuity and solvency (Gumede & Takawira, 2025). Too much liquidity signal that funds are not being directed into higher-yielding,

interest-earning assets which limit prospective returns and create a significant opportunity cost (Ogunleye & Fadeyi, 2021). Thus, a bank needs to attain optimal liquidity to ensures that profitability is not eroded due to increased risk exposure. Thus, while liquidity is crucial for operational continuity and solvency, excess amounts may point to suboptimal asset-liability management and inefficiencies in maximising profitability (Moroz, 2025).

Concept of Board Size

Board size has remained a crucial part of corporate governance mechanisms. It represents how many directors are appointed into the board of a bank to influence the dynamics, oversight, strategy formulation and control of the management (Osman, & Samontaray, 2022). The number of persons on a board influences the quality of the oversight function, strategy creation and the pace of managerial actions (Zou & Stan, 2022). A well-structured board, with adequate number of members, may bring broad experience, diverse perspectives, and robust expertise to ensure accountability and guide management effectively (Jensen & Meckling, 1976). A larger board can potentially offer a wider network of contacts and a deeper pool of knowledge for complex decision-making. However, if the number becomes too great, it may disrupt coordination, lead to communication challenges and reduce the banks' effectiveness (Yermack, 1996). Conversely, a board that is too small may lack the necessary diversity of thought and specialized expertise for comprehensive oversight, potentially becoming dominated by a single individual or viewpoint. Research on Nigerian banks has started to study this relationship, with increasing evidence indicating that adequate board size support enhanced financial performance by balancing control and agility, while very large boards can become symbolic rather than effective (Aidoo et al., 2024; Uwalomwa et al., 2018).

Empirical Review

Previous scholars have examined the effects of firm attributes and financial performance with focus on several industries in developed and developing countries. In Nigeria, Adeyemi and Alabi (2021) assessed the effects of firm characteristics on the FP proxied with ROA of listed DMBs between 2013 and 2019. The study applied a panel data regression with data extracted from 10 banks' annual reports and accounts on firm size, capital adequacy and liquidity with regression. The results showes that firm size and capital sufficiency have significant positive effects on ROA, whereas liquidity exhibited a negative but negligible effect. The study indicated that firm-specific factors play vital roles toward improving the performance of Nigerian banks and recommended that regulators monitor firm size and capital adequacy. **Adebayo and Lawal (2022)** investigated the nexus between board size FP of listed Nigerian banks with 12 banks' longitudinal data over seven-year period (2014-2020). The results reveal that board size impact is positive and significant on ROA and ROE as measures of financial performance. Aidoo et al. (2024) investigated the effect of board size on FP with data extracted from annual reports and account of seven quoted manufacturing companies in Ghana from 2010-2022. The study found that board size has positive but insignificant effect on the FP proxied by ROA and ROE.

Moroz (2025) conducted a study to assess the liquidity management methods adopt by small retail enterprises (SREs) and found the SREs adopt cash flow management, inventory management and accounts receivable control to improve their liquidity. A study by Ojo (2022) examined the association between liquidity management and the FP of 13 listed banks in Nigeria during 2015-2020. Panel regression results found negatively significant link between high liquidity levels and FP. Bello and Musa (2023) studied the effect of capital adequacy on the FP with sample of 14 commercial banks listed in Nigeria from 2016 to 2022 with data obtained from banks' financial reports and accouts and the Nigerian Exchange Group (NGX) Factbook. The result of correlational analysis and fixed effects regression model showed that CAR and ROA have a positive linkage which imply that well-capitalized banks tend to perform better during economic shocks like COVID. **Ahmed and Uche (2024)** assess the effects of firm size, capital adequacy and liquidity on

bank performance between 2018 and 2023. The study utilized employed Generalized Method of Moments (GMM) with 10 sampled institutions. Findings demonstrated that firm size and CAR have positive effects on ROE while liquidity reported a negative effect. The studies (**Ahmed & Uche, 2024; Bello & Musa, 2023)** provide empirical evidence on the potent effects of the above firm attributes on performance. **Uwalomwa et al. (2018)** examined the linkage of board size with FP of Nigerian banks from 2010 to 2015. The study found a positive linkage exists between board size and FP which was suggested to be plausible on the basis that larger boards bring more expertise.

Omodero and Ogbonnaya (2020) assessed the effect of liquidity and capital adequacy on the FP of listed DMBs in Nigeria from 2010 to 2018. The study reported a positive and significant effect of capital adequacy on FP. On the contrary, the effect of liquidity was found to be negatively significant. **Eze and Onyi (2021)** focused on post-consolidation era data (2006-2018) of 15 Nigerian banks that survived the consolidation exercise and examine the effect of firm size on their FP in. The study found a non-linear effect of firm size among extremely large banks that might suffer from inefficiencies that erode profits, supporting the diseconomies of scale argument. This finding challenges the simple positive linear relationship documented in the literature. **Nwankwo and Osho (2022)** explored the interaction effect of board size and risk management committee on the FP of Nigerian 11 banks during 2016-2020 and found that the interaction of the two attributes has a significant impact on their FP. Osman and Samontaray (2022) examined the effect of board size on the FP of 11 general insurance firms on the Saudi Stock Exchange (TADAWUL) using pooled data over 2011 to 2021 annual financial reports analysed with linear regression and logarithm regression and found a significant positive effect.

Ibrahim and Umar (2023) carried out a comparative analysis of the capital adequacy effect on the FP of Islamic and conventional banks in Nigeria (2018-2022). The results showed a positive and significant effect of capital adequacy on FP in both bank types. In addition, the effect was found to be more significant for conventional banks which was attributed to their different asset structures and risk profiles. In contrast to finding of **Ibrahim and Umar,** Upreti (2024) **documented a negative effect of capital adequacy ratio on ROA and ROE from sample of 15 Nepalese commercial banks. Ogunleye and Fadeyi (2021)** investigated the linkage between liquidity and profitability of 10 Nigerian banks during 2014-2019 with panel regression technique. The results showed a significantly negative trade-off which reinforces the theoretical postulation that the more the liquidity the less the profitability of firms. With sample of Pakistan Islamic banking institutions (IBIs) in Pakistan, Khan and Sharif (2025) found that IBIs are at disadvantage in terms of lesser experience in liquidity management compared to conventional banks. **Okonkwo and Nweze (2020)** examined board size influence of on the FP of 12 quoted financial services firms in Nigeria. The study found a positive effect of board size on FP.

Mirichii et al. (2023) examined the effects of capital adequacy and liquidity on the FP of Kenyan Deposit Taking Savings and Credit Cooperative Societies (SACCOs) during 2013 to 2022 period. The study found that capital adequacy and liquidity have insignificant effects on FP of SACCOs. Zou and Stan (2022) conducted a cross-country study of 15 African countries and found a non-linear linkage between firm size and profitability using data from 2010 to 2019. The study found evidence of inverted U-shaped relationship which they attributed to the existence of optimal firm size threshold beyond which further expansion negatively impacts profitability. The results of Zou and Stan, Yermack (1996), in a study on U.S. industrial firms also found a negative relationship between large board size and firm performance proxied with Tobin's Q. Athanasoglou et al. (2008) assessed the effect of capital base size on Greek banks' profitability and found a positive significant positive effect. Sharma et al. (2023) also found a non-linear effect of board size on the performance of 213 Indian firms proxied with Tobin's Q and return on equity (ROE) with data obtained from 2001-2019 annual financial reports.

Based on the following literature, the following hypotheses were tested:
H_{01}: Firm size has a significant positive effect on the financial performance of DMBs in Nigeria.
H_{02}: Capital adequacy has a significant positive effect on the financial performance of DMBs in Nigeria.
H_{03}: Liquidity has a significant negative effect on the financial performance of DMBs in Nigeria.
H_{04}: Board size has a significant positive effect on the financial performance of DMBs in Nigeria.

Methodology

This study utilises an ex-post facto research strategy to analyse causal relations with historical data as the variables—firm attributes and financial performance are beyond the researcher's control. This strategy is considered appropriate for providing an objective measurement of variable of study based on real financial outcomes throughout the study period. The research population consists of all quoted DMBs listed on the Nigerian Exchange Group (NGX) as of December 2024. Sample size of 12 banks was selected with the inclusion of those DMBs with complete financial data on the variable of studies from 2020 to 2024. Data were extracted from audited annual financial reports and accounts of the 12 sampled DMBs accessed through the NGX online website as well as the bank's official websites to ensure verifiable data on their total assets, capital, liquidity, board size and profitability. Analyses of data collected was conducted using Multiple Regression Statistics to assess the impact of firm size, capital adequacy, liquidity and board size on a single proxy of financial performance (ROA). Descriptive statistics were also applied to summarise the data. All analyses were performed using SPSS version 26.0 within a multivariate model.

Measurement of Variables

The measurement of financial performance and firm attributes were presented in the Table 1 as shown:

Table 1: Measurement of Variables

S/N	Variables	Measurements	Source(s)
1	Financial Performance (FP)	ROA=profit after tax divided/ total assets	Mirichii et al. (2023)
2	Firm Size (FSIZE)	Natural logarithm of Total Assets	Adeyemi, 2021
3	Capital Adequacy Ratio (CAR)	bank's capital/risk weighted assets	Mirichii et al. (2023)
4	Liquidity (LIQ)	loan/ deposit	Khan and Sharif (2025)
5	Board Size BSIZE	Number of directors in the board	Upreti (2024)

Model S pecification

The multiple linear regression model was adopted from prior studies (Adeyemi & Alabi, 2021; Bello & Musa, 2023). The model is specified as follows:

$$\mathbf{ROA_{it} = \beta_0 + \beta_1 FSIZE_{it} + \beta_2 CAR_{it} + \beta_3 LIQ_{it} + \beta_4 BSIZE_{it} + \varepsilon_{it}}$$

Where:
ROA_{it} = Return on Assets for bank *i* at at time *t*
$FSIZE_{it}$ = Firm Size for bank *i* at at time *t*
$CAPAD_{it}$ = Capital Adequacy for bank *i* at at time *t*
LIQ_{it} = Liquidity for bank *i* at at time *t*
$BSIZE_{it}$ = Board Size for bank *i* at at time *t*
ε_{it} = Error term

Results and Discussion

From Table 2, financial performance with a mean of 3.9% and standard deviation of 1.5%. The mean indicates that on average, Nigerian quoted DMBs earn around ₦3.90 profit on every ₦100 of assets. However, the variation across banks is very modest and the gap between the least profitable bank (1.2%) and the most lucrative (7.5%) suggests a disparity in operational efficiency and

profitability of the banks. The FSIZE, proxied as the natural logarithm of total assets showed a mean of 19.812 with values ranging from 17.911 to 21.430. This represents a very concentrated distribution, implying that most selected banks fall within a similar asset size group. However significant deviations exist which may be attributed to variation in the DMBs market capitalization, years of operation, or merger histories.

For capital adequacy (CAPAD), the average ratio stands at 14.3%, suggesting that most banks maintain a capital level over the statutory threshold. However, the disparity of 5.7% implies that some banks are much better capitalised than others due to divergent risk appetite or capital management approach. The liquidity ratio (LIQ) indicates a mean value of 56.8%, a minimum value of 39% and a maximum value of 74.2%. These figures demonstrate that Nigerian banks in line with Central Bank of Nigeria (CBN) guideline prefer to maintain moderate liquidity rather high liquidity. However, as revealed by minimum and maximum values- some banks may be adopting more conservative attitudes, possibly in order to protect earnings. Lastly, the BSIZE spans from 8 to 15 members, with an average of 11 directors. This shows that most banks operate under a strict governance structure as the disparity in the board size was not too wide suggesting a general compliance with corporate governance laws that permit some freedom on the number of directors in the boardroom.

Table 2: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
ROA	0.039	0.015	0.012	0.075
FSIZE	19.812	1.026	17.911	21.430
CAR	0.143	0.057	0.052	0.257
LIQ	0.568	0.111	0.390	0.742
BSIZE	11.167	1.986	8	15

Source: Authors' computation from *SPSS*, 2025

Result and Hypotheses Testing

The regression results from Tables 3 revealed findings firm size, capital adequacy, liquidity and board size on FP of listed DMBs in Nigeria. The R-squared value of 0.612 implies that about 61.2% of variability in financial performance, evaluated by ROA among the selected money deposit banks, was jointly accounted for by firm size, capital adequacy, liquidity and board size. This provides a good explanatory power for the model and confirms the relevance of firm factors in impacting the banks' financial performance. The reported F-statistic of 26.14 ($p < 0.01$) further shows that the model is statistically fit to predict the FP of DMBs in Nigeria during the five year-period (2020-2024).

The result of first hypothesis (H_{01}), which states that firm size has a significant positive effect on the financial performance of DMBs in Nigeria reported the following regression estimates ($\beta1=0.053$, $t= 3.313$, $p= .005$) that confirm FSIZE has a significantly positive effect on the FP of quoted DMBs in Nigeria. For second hypothesis (H_{02}) which states that capital adequacy has a significant positive effect on the financial performance of DMBs in Nigeria, the following estimates ($\beta2=0.027$, $t= 2.203$, $p= .005$) were reported indicating that CAR has significant positive effect on FP of listed DMBs in Nigeria. From Table 2, the regression results of the third hypothesis (H_{03}) which states that Liquidity has a significant negative effect on the financial performance of DMBs in Nigeria reported the following estimates ($\beta3= -0.187$, $t= -2.149$, $p= 0.040$) asserting a significant b negative effect of LIQ on the FP listed DMBs in Nigeria. For the fourth hypothesis (H_{04}) which states board size has a significant positive effect on the financial performance of DMBs in Nigeria, the regression estimates ($\beta4=-0.014$, $t= 0.163$, $p= 0.528$) fail to confirm the hypothesis which implies that board size has positive but insignificantly effect the FP of DBMs in Nigeria.

Table 3: Regression Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	P-Value
Constant	0.0112	0.0065	1.723	0.089
Firm Size (FSIZE)	0.053	0.016	3.313	0.005
Capital Adequacy (CAR)	0.027	0.012	2.203	0.006
Liquidity (LIQ)	-0.187	0.087	-2.149	0.040
Board Size (BS)	0.014	0.086	0.163	0.528
R-Squared	0.612			
Adj. R-Squared	0.589			
F-Statistic	26.14			0.000

Source: Authors' computation from *SPSS*, 2025

Discussion of Findings

Based on the findings, there is a positively significant effect of firm size on FP of DMBs in Nigeria which is consistent with that of Adeyemi and Alabi (2021) that found also documented a similar among Nigerian banks but in contrast with negative effect found by Upreti (2024). This finding implies that when banks get bigger in size, their financial performance tend to be growing as well as they enjoy economies of scale, increasing loan access to their customers and investment opportunities from enhanced public trust. These benefits also allow the big-size banks to function efficiently to achieve profitable deals using the assets at their disposal. In a similar vein, capital adequacy was also found to have significant positive effect on FP of DMBs in Nigeria. This finding is in tandem with that of Bello and Musa (2023) from sample of commercial banks which suggests that banks with higher capital adequacy ratio (CAR) are more likely to earn more profitability than those with lower CAR. The findings may be attributed to the fact that a healthy capital base strengthens a bank's resilience to financial shocks, enables loan expansion and reassures depositors and investors about the institutions' financial soundness.

However, liquidity was found to have a negatively significant effect on FP of DMBs in Nigeria. This finding was consistent with that of Ojo (2022) that asserted that excessive liquidity can reduce bank profitability. However, the finding was inconsistent with that of Mirichii et al. (2023) that found an insignificant effect of liquidity on FP. The finding corroborates the inverse effect of excessive liquidity that may signal that a bank is keeping too many idle funds rather than investing them in profitable activities. Thus, liquidity is an essential attribute of a bank for better performance. Board size was found to demonstrate a positive but insignificant effect on FP. The finding was consistent with that of Aidoo et al. (2024). Although, the finding is not significant but the literature implies that larger boards may be somewhat advantageous to the banks' performance due to increased diversity in experience, broader governance perspectives, and stronger oversight. However, the marginal significance also emphasises that the size of the board must be kept optimal to prevent managerial issues such as slower decision-making or conflicting interests. This finding is consistent with the findings of Adebayo and Lawal (2022) and Okonkwo and Nweze (2020) that also found that an optimal board size is positive but not significant for efficient performance.

Conclusion and Recommendation

This study evaluates the effects of firm attributes on the financial performance of DMBs in Nigeria, using Return on Assets (ROA) as the proxy of financial performance. Based on the findings, the study finds that firm-specific variables of firm size and capital adequacy ratio have positive effects on the financial performance of the DMBs in the Nigerian banking sector. On the other hand, liquidity has inverse effect on the financial performance of DMBs in Nigerian, while governance while board size has positive but insignificant effect on the financial performance of DMBs in Nigeria. Based on the conclusion, the study recommended as follow:

i. Bank management should adopt sustainable growth approaches such as mergers, acquisitions, expansion to enhance their asset base to become larger banks and attain better financial performance.

ii. Regulators such as the Central Bank of Nigeria (CBN) should continue to enforce stringent capital adequacy criteria to enables banks to absorb unexpected losses, improve lending, and sustain investor trust for enhanced financial performance.

iii. The management of banks and regulators such as CBN and Nigeria Deposit Insurance Commission (NDIC) should continuously ensure that liquidity management guidelines are abided to by the banks to minimise the incidence of over-liquidity that would impair their profitability by avoiding idle cash which could have been diverted into well-structured lending and investment options.

iv. DMBs in Nigeria should stive to achieve an optimal board size that is made up of directors that possess the required skills, independence, experience and education and business backgrounds to strengthen supervision and strategic direction, rather than focus on meeting the stipulated number of directors in the boardroom.

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