Asset Quality and Deposit Money Bank Performance in Nigeria

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Abstract: The banking industry globally plays a vital role in social and economic activities development of any economy through loan extension to investors. The banking industry in Nigeria has been plagued with problems of high level of non-performing loan, untraceable insider loans and challenges of poor assets quality management, thus reduced aggregate financial performance in terms of return on equity, profit after tax, return on assets and market value. The study therefore examines the effect of assets quality on Deposit Money Banks Performance in Nigeria. The research design used was ex-post facto research design. The study population comprises of the 16-deposit money bank quoted in the Nigerian Stock Exchange over a period of 10 years ranging from 2009 to 2018. A sample size of 10 leading quoted deposit money banks was selected and purposive sampling technique was employed. The findings revealed that assets quality measures significantly effect on assets of selected quoted deposit money banks in Nigeria (Adjusted R2 = 0.28, F-statistics = 6.56; p = 0.00<0.05. The study concluded that assets quality measures significantly affect performance components in terms of return on assets deposit money banks in Nigeria. Therefore, the study recommended that deposit money banks in Nigeria should embraced credit risk identification, measurement, monitoring and controlling, and customers credit screening to achieve sound assets quality thus reduced the rate of non-performing loans and increase aggregate financial performance measures.

Keywords: Asset quality, financial performance, non-performing loan, return on asset

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1. INTRODUCTION

The key objectives of for-profit organizations such as depository banks are to maximize shareholder wealth, ensure financial performance, and maximize shareholder value. Achieving these objectives depends on the ability of a deposit bank's management to institutionalize effective asset quality management. Globally, asset quality management is considered extremely important by the banking industry as it helps to determine the financial performance of the bank. Mburu (2017) pointed out that asset quality problems can become the future time bomb for banks, leading to a decline in financial performance if not properly monitored. The persistent poor financial performance of deposit banks could be partly explained by the high level of ineffective management of asset quality such as nonperforming loans and untraceable loans. Other possible causes include weak internal control, information asymmetry, and inadequate governance mechanisms (Kolapo & Olaniyan, 2018).

The stability and survival of deposit-taking institutions are at serious risk due to the increasing trend of deteriorating financial performance. Cheruiyot (2016) opined that the decline in financial and non-financial performance of the banking sector is caused by the increase in non-performing loans and poor corporate governance, which has resulted in huge financial losses for banks and their customers, erosion of shareholders' capital and banks' capital base, and loss of customers' confidence in the banking sector

Asset quality is the credit quality and overall risk associated with the various assets of a person or institution (Okpara, 2017). It is mainly used by banks to determine which assets are financially risky and what allowance should be made for potential losses (Abata, 2014). In general, asset quality can be used to represent non-performing loans in the banking sector. Non-performing loans are credit facilities that often cannot be repaid by borrowers (Adeolu, 2014). They can therefore be classified into three categories, namely substandard, doubtful or lost (CBN, 2010).

According to Atoi (2018), the weak state of Nigerian banks in 2005 led to a consolidation of the sector through mergers and acquisitions aimed at improving its efficiency, size, and development role. In this process, the minimum capital of banks was raised, and the number of banks was reduced to twenty-five, which was reduced to twenty-four through market-driven mergers and acquisitions. With the onset of the global financial crisis in 2008/2009, the banking system entered a situation of high credit risk. The asset quality of Nigerian banks declined significantly as non-performing loans skyrocketed, which in turn had economic consequences. Non-Performing Loans (NPLs), financial performance and stability of the banking system have received more research attention especially after the 2008/2009 global financial crisis which led to credit crunch in most economies. The banking sector, which flourished in the pre-crisis period, was forced to a sudden halt in credit growth in 2008 (IMF, 2012). More recently, Udemeobong, Efiong, and Imong (2019) have argued that nonperforming loans are a major problem for bank stability in the face of the staggering economic downturn. Udemeobong et al. (2019) and Ogboru (2019) emphasized that non-performing loans and abusive loans by insiders are the major cause of deposit bank collapse in Nigeria.

Based on these persistent problems of increase in non-performing loans and decline in financial performance indicators that dominate the Nigerian banking sector, this study will examine the asset quality and performance of deposit-taking banks in Nigeria.

The objective of the study was to examine the asset quality and performance of deposit banks. This hypothesis was tested to validate the data.

2. Literature Review/ Theoretical Framework

2.1 Conceptual Review

2.1.1 Financial Performance

Mazviona, Dube, and Sakahuhwa (2016) defined financial performance as the management of financial resources by an organization in various ways to achieve competitive advantage. They believe that high financial performance reflects management effectiveness and efficiency. Mandala, Kaijage, Aduda, and Iraya (2017) considered financial performance in terms of bank viability. They defined financial performance as the bank's ability to utilize its financial resources. They view financial performance as the bank's ability to maximize its financial strengths, overcome its weaknesses, neutralize threats, and exploit opportunities. Onyali and Okerekeoti (2018) believe that a company's financial performance is the various subjective measures of how well a company can use its given assets from its primary mode of operation to generate profits (Peters & Bagshaw, 2014). Eyenubo (2013) considered that success in meeting predefined objectives, targets, and goals within a given time frame is financial performance.

2.1.2 Return on Assets

Return on assets (ROA) is "the accounting excess of revenues over actual expenses of a given portfolio of assets, measured by amortized historical cost" (Sang Cho, Chung & Young 2019). Return on assets is used to determine how effective capital employed is, and it also provides a basis for investors to measure the returns the company is earning on its investments in capital assets (Epps & Cereola 2008). Return on assets (ROA) shows the amount of return earned on invested capital. It indicates the number of kobo earned on each naira of assets. Return on equity can be calculated as follows: Net profit/average total assets. Return on equity can be used to determine how profitable a company is in relation to its total assets. It provides information on how efficiently management uses its assets to generate profits, i.e., it measures the company's efficiency in using its assets to generate net income.

2.1.3 Asset Quality

Asset quality can be viewed as the credit risk associated with any asset that requires interest payments, such as investment and loan portfolios (Ogboru, 2019). Aguenaou, Lahrech, and Bounakaya (2017) referred to asset quality as credit risk because the main activity of banks is lending. Ombaba (2013) defined asset quality as the total risk associated with the various assets held by financial institutions. According to Nzoka (2015), asset quality is mainly used by banks to determine how many of their assets are financially risky and how much allowance should be made for potential losses. According to Abata (2014), asset quality is the assessment of an entity's assets to facilitate the measurement of the level and scope of credit risk associated with its activities. Asset quality of a deposit-taking bank is mainly observed based on the bank's ability to collect its outstanding loans and advances on time, as indicated by the percentage of bad debts to total gross loans issued (Kabir & Dey, 2014). Asset quality refers to the left side of a

bank's balance sheet and focuses on the quality of loans that provide income to a bank (Abaat, 2014).

2.1.4 Non-Performing Assets (NPA)

Bawa, Goyal, Mitra, and Basu (2018) define non-performing assets (NPAs) as assets that no longer generate income by earning interest on the principal amount of the loan and repaying the principal amount of the loan. Vikram and Gayathri (2018) refer to non-performing assets as assets of a borrower that are classified as substandard, loss-making, or doubtful by a financial institution according to asset classification guidelines. Nonperforming assets occur when the borrower intentionally defaults on the loan or is unable to repay the loan due to poor economic conditions affecting its business. According to Banerjee et al. (2017), non-performing assets reflect the extent of existing credit risk associated with loan and investment portfolios. Non-performing assets are non-performing loans where borrowers do not meet their repayment obligations (Nzota, 2015). Non-performing assets exist when interest and principal payments are 90 days or more past due. Ibrahim and Thangavelu (2014) defined a nonperforming loan as a credit facility where interest and/or principal payments are "past due' for a specified period of time.

2.2   Theoretical Overview

2.2.1 The Anticipated Income Theory

The theory of anticipated income was developed by Prokhanov in 1944 based on the practice of term lending by U.S. commercial banks. According to this theory, the bank plans to repay the term loan from the borrower's anticipated income, regardless of the nature and character of the borrower's business. A term loan has a maturity of more than one year and not more than five years. It is granted against the pledge of machinery, stock and even real estate. When granting this loan, the bank restricts the borrower's financial activities. The bank takes into account not only the collateral, but also the expected income of the borrower at the time of granting the loan. Thus, a loan is repaid by the bank from the borrower's future income in installments, rather than in a lump sum when the loan matures.

2.2.2 Agency Theory

The agency problem was first highlighted by Adam Smith in the 18th century and explored by Ross (1973), a detailed description of the theory was presented by Jensen and Meckling in 1976 and by Fama and Jensen in 1983. According to Ogboru (2019), agency theory describes the relationship between principals, such as shareholders, and agents, such as management. Here, the principal delegates work to the agent. Williamson (1987). The agency relationship is described by Jensen and Meckling (1976) as a contract in which one or more persons (the principals) appoint another person (the agent) to perform a specific service on their behalf, which involves delegating some decision-making authority to the agent. In agency theory, shareholders appoint managers or directors and delegate to them the authority to run the company on behalf of the shareholders (Clarke, 2004). The agency relationship between two parties is defined as a contract between the owners (principals) and the managers or directors (agents) (Jensen & Meckling, 1976). Based on agency theory, shareholders expect managers or directors to act and make decisions on behalf of and in the interest of shareholders. However, managers or directors

do not necessarily always make decisions in the best interest of shareholders (Padilla, 2002).

The separation of ownership and control creates an innate conflict between shareholders (principals) and management (agents) (Ogboru, 2019). This conflict of interest can also be exacerbated by ineffective monitoring of management by shareholders, as shareholders are dispersed and therefore unable or have no incentive to exercise the necessary monitoring functions. This results in the managers of the firm pursuing their own objectives at the expense of the shareholders (agency cost) (Hart, 1995). Agency costs can be defined as the loss of value to shareholders that results from the divergence of interests between shareholders and management. Thus, there are three aspects of agency costs, namely: monitoring costs, residual losses, and retention costs.

Monitoring costs are the costs incurred by shareholders to monitor management's actions and performance to ensure that management is acting in the best interests of shareholders. An example of this is the cost of auditing financial statements prepared by a company's management. Residual loss. These are losses incurred when management makes decisions that are not in the best interest of shareholders, but in the best interest of management itself. An example of this is the acquisition of a subsidiary at a price higher than its value. Managers would benefit from the higher status that comes with managing a larger group of companies, while the cost to shareholders would come from the decline in share price that would result from paying too much for the acquisition.

Retention costs are costs incurred to incentivize management to act in the best interests of shareholders.

2.2.3 Commercial Credit Theory

This theory was developed by Adam Smith in England in the 18th century (Sanghani 2014). It was developed in the nineteenth century (Sanghani 2014). The commercial credit theory or the real bills doctrine states that a commercial bank should only make short-term, self-liquidating productive loans to firms that improve the commercial bank's profit situation through interest on the loan. Loans to finance the production and development of goods in the successive stages of production, storage, transportation and distribution are considered self-liquidating loans (Rajan 1998).

Basically, this is an asset management theory that emphasizes liquidity; the doctrine states that banks should limit their earning assets to real bills and short-term self-liquidating loans for commercial purposes. In this way, it has been argued, banking institutions could maintain the liquidity necessary to meet deposit withdrawal requirements on demand (Casu 2006). This theory also states that whenever commercial banks make short-term, self-liquidating productive loans, the central bank should lend to banks on the basis of these short-term loans in order to make more loans to loss-making units, which in turn increases the financial capacity of banks. This ensures that an adequate level of liquidity is available to each bank and an adequate amount of money is available to the economy as a whole, thereby improving bank lending and performance. (Merris 2002).

2.3   Empirical Review

Rakesh, Varun, Debasiah, and Saumya (2019) examined the determinants of asset quality in Indian banks. The study used a time series research design. Secondary data from 2000

to 2014 were used. The results of the descriptive statistics showed that bank-, industry-, and macroeconomic-specific factors were responsible for the increase in nonperforming loans in Indian commercial banks. The study recommends that nonperforming asset forecasting models should consider macroeconomic and industry-specific factors in addition to bank-specific factors. Oba (2018) examined the impact of capital adequacy on asset quality of deposit-taking banks in Nigeria. The study used secondary data from 2008 to 2010. The results of the regression analysis showed a positive and significant relationship between capital adequacy and asset quality of banks. The study recommended that banks should maintain optimal capital ratios given their influence on asset quality

Aspal, Dhawan, and Nazneen (2019) used capital adequacy, asset quality, and return on assets as one of the variables in their study on bank-specific characteristics and bank performance. The secondary data were from 2008-2014 and the multiple regression showed that capital adequacy does not have a significant effect on return on assets, but asset quality has a significant effect on return on assets AbdulGafoor, Mariappan, and Thyagarajan (2018) studied how board structure affects banks' asset quality. The study relied on secondary data from 2001 to 2014, and the regression results showed that the proportion of independent directors and financial experts has a significant positive impact on asset quality. The size of the board of directors, the number of board meetings, and the dual role of the CEO were found to have no significant effect on asset quality. Abata (2014) conducted a study on asset quality and bank performance. The study was conducted on commercial banks in Nigeria. The study used loan loss ratio (classified loans and receivables/total loan portfolio) and total investment to total assets ratio (total loans/total assets). Secondary data were collected from 1999 to 2013 from the annual reports of selected banks. The data were subjected to regression and correlation analysis, and the results showed that asset quality has a statistical relationship and influence on bank performance. The study recommended measures to promote revenue diversification, minimize credit risk, and encourage banks to minimize their liquidity holdings.

3.   METHODOLOGY

This study used an ex post facto research design using secondary data. Data were extracted from the financial statements of selected depository banks listed on the Nigerian Stock Exchange for the period 2009 to 2018. The target population for this study included all 16 listed depository banks listed on the Nigerian Stock Exchange as of December 31, 2018. From the total population of listed depository banks in Nigeria, 10 listed depository banks (5 depository banks from international categorization and also 5 depository banks from national categorization) were selected as sample size.

3.1   Model Specification

Research Question: What is the impact of asset quality on return on assets?
Research Objectives: To determine the influence of asset quality on return on assets.
Research Hypothesis (H01): Asset quality has no significant impact on return on assets of selected listed deposit banks in Nigeria.

Model:

y1 = f(x1, x2, x3, x4)
y1it = β0 + β1x1it + β2x2it + β3x3it + β4x4it +ϑi + εit
ROAit = β0 + β1(NPTA)it + β2(GPGA)it + β3(NPNA)it + β4(TITA)it +ϑi + εit -------------
Model 1

Where:
    β0 = regression intercept
    β1 = Coefficients
    εi = unobserved individual
    ϑit = error term
    NPTA= net non-performing assets to total assets
    GPGA= gross nonperforming assets to gross loans
    NPNA= net non-performing assets to net loans
    TITA= Total investments to total assets ratio

4. DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

The statistical properties of the variables are highlighted in Table 1; the focus here is on the mean, skewness, and kurtosis for the variables included in this study. As shown in Table 4.1, the NPTA and GPGA standard deviations of 0.878310 and 2.874629 reflect that both NPTA and GPGA had a high skewness within the time periods studied, meaning that both NPTA and GPGA were widely scattered around the mean of 1.50 and 10.72, respectively. The NPNA and TITA standard deviation of 3.009377 and 3.628809 reflects that both NPNA and TITA have a high tendency within the periods surveyed, which means that both NPNA and TITA have a wide dispersion around the mean of 2.472222 and 7.555556, respectively.

Table 1. Statistic Characteristics of the Variables

	NPTA	GPGA	NPNA	TITA	ROA
Mean	1.500000	10.72222	2.472222	7.555556	0.109623
Median	2.000000	11.50000	1.500000	7.000000	0.096237
Maximum	3.000000	15.00000	9.000000	14.00000	0.253606
Minimum	0.000000	7.000000	0.000000	1.000000	-0.015552
Std. Dev.	0.878310	2.874629	3.009377	3.628809	0.079682
Skewness	-0.641500	0.026581	1.361086	-0.086303	0.196551
Kurtosis	2.333333	1.467594	3.422953	2.270198	1.731962
Jarque-Bera	3.135802	3.526640	11.38366	0.843605	2.643675
Probability	0.208482	0.171475	0.003373	0.655864	0.266645
Sum	54.00000	386.0000	89.00000	272.0000	3.946434
Sum Sq. Dev.	27.00000	289.2222	316.9722	460.8889	0.222223
Observations	100	100	100	100	100

Source: Author's Computation (2020)

ROA has a standard deviation of 0.702414 and 0.079682, which means that ROA has a strong tendency within the periods studied, i.e., ROA is widely scattered around the mean of 1.088520 and 0.09623.

The Hausman test was performed to determine the most appropriate estimation method for the fixed and random effects analysis. The results presented in Table 2, with a ρ-value of 0.28, which is above the 5 percent significance level chosen for the study, show that the random effect is the most appropriate estimator according to the null hypothesis, which

states that there is a nonsystematic difference in the model coefficients; therefore, the null hypothesis is accepted in the study. On the other hand, the results of the confirmatory test of the Hausman results using the Breusch-Pagan-Lagrange multiplier with a ρ-value of 0.39, which is above the acceptable significance level of 5%, negate the result of the Hausman test, which concluded that the random effect is the most appropriate estimator; therefore, the Breusch-Pagan-Lagrange multiplier rejects the suitability of the random effect and accepts that the pooled OLS regression estimates are the most appropriate estimator.

Table 2. Analysis of Hypothesis

Method	POOLED OLS			Fixed effects			Random effects		
Variables	Coeff	t-stat	Prob	Coeff	t-stat	Prob	Coeff	t-stat	Prob
NPTA	-1.02	3.69	0.02	-0.02	0.78	0.45	-0.02	-0.74	0.06
GPGA	0.94	2.02	0.00	0.11	1.11	0.28	0.09	0.97	0.33
NPNA	0.03	0.11	0.28	0.01	0.46	0.65	-0.02	-0.71	0.03
TITA	-0.15	-1.53	0.79	-0.05	-1.96	0.06	-0.02	-0.72	0.02
Constant	0.06	1.32	0.20	0.02	0.60	0.55	0.01	0.04	0.77
	Adj. R-squared = 0.28			Adj. R-squared = 0.11			Adj. R-squared = 0.21		
	F = 6.56			F = 10.38			Wald chi$^2_{(5)}$ = 15.41		
	Prob > F = 0.00*			Prob > F = 0.01*			Prob > chi^2 = 0.00*		

Hausman Test: Chi$^2_{(5)}$ = 5.30, Prob> chi^2 = 0.28
Breusch-Pagan LM Test: Chi$^2_{(1)}$ = 9.15, Prob> chi^2 = 0.39
Breusch-Pagan/ Cook-Weisberg Test: Chi$^2_{(1)}$ = 2.12, Prob> chi^2 = 0.72
Wooldridge Test: F$_{(1, 11)}$ = 10.15, Prob >F = 0.63

Dependent Variable: Return on Assets (ROA) Significance @ 5%
Source: Author's Computation (2020)

Main Model:
ROA = 0.06 -1.02NPTA +0.94GPGA + 0.03NPNA -0.15TITA

The Breusch-Pagan/Cook-Weisberg test was performed for heteroskedasticity, i.e., whether the fluctuations in the residuals of the model are consistent over the period "t". The result with ρ-values of 0.72, which are above the chosen significance level of 0.05, shows that the differences in the error terms of the model are not trended. This means that the model is not homoscedastic, which in turn means that a heteroscedasticity problem is present.

The Wooldridge test was performed to determine if the coefficients of the model and its residuals are correlated over time, as this could cause the error terms to be lower than expected and the coefficient of multiple determinations to be higher than expected. The result of this test with a ρ-value of 0.63, which is above the chosen significance level of 5%, shows that there is no first order autocorrelation. This means that there is no correlation problem between the coefficients of the models and their residuals.

The probabilities and signs of the t-statistics presented in Table 4.6 show that the ratio of net nonperforming assets to total assets (NPTA) (t-stat =3.69, p-value = 0.02 < 0.05) and the ratio of gross nonperforming assets to gross loans (GPGA) (t-stat =2.02, p-value = 0.00 < 0.05) have a positive and significant impact on return on assets (ROA), but the ratio of net nonperforming assets to net loans (NPNA) (t-stat =0.11, p-value = 0.28 < 0,05) and the ratio of total investments to total assets (TITA) have a negative but not significant impact on the return on assets (t-stat = -1.53, p-value = 0.79 > 0.05) of listed deposit banks in Nigeria. The coefficient of the regression result measures the magnitude and direction of the effect of the explained and explanatory variables; NPTA with a coefficient of -1.02 means that a reduction in NPTA would lead to an increase in return on assets of 1.20;

GPGA has a positive and significant effect on return on assets with a coefficient of 0.nPNA has a coefficient of 0.03, which means that an increase in NPNA would lead to an increase in ROI by 3.0, as well as the coefficient of TITA with -0.15, which means that a decrease in TITA would lead to an increase in ROI, but both NPNA and TITA have no significant impact on ROI.

The explanatory power of Adj.R2 of the combined measures of asset quality (NPTA, GPGA, NPNA, and TITA) on return on assets (i.e., the coefficient of multiple determinations) using Pooled OLS is 0.28, which means that only 28 percent of the variation in return on assets is explained by the combined influence of the explanatory variables (NPTA, GPGA, NPNA, and TITA), while the remaining 68 percent is caused by other determinant variables that are outside the scope of this study. Considering the result of the F-statistic with a p-value of 0.00 (0 percent), this is an indication that all explanatory variables (NPTA, GPGA, NPNA, and TITA) jointly and significantly influence the dependent variable (ROA).

Looking at the individual models for the first hypothesis, we find that each of the asset quality measures has a significant impact on ROA, with the exception of NPTA and TITA, which do not have a significant impact on ROA at the 0.05 significance level. The F-statistic is 6.56, while the p-value of the F-statistic is 0.00, which is lower than the assumed value of 0.05 for this study. Therefore, the null hypothesis 4 was rejected, implying that asset quality has a significant effect on return on assets of deposit money banks in Nigeria.

The objective of this study was to determine the effect of asset quality on return on assets of deposit banks in Nigeria. The study found that asset quality has significant effect on return on assets of deposit banks in Nigeria. Several studies such as Aspal, Dhawan, and Nazneen (2019) and Lawal, Oluoch, and Muturi (2018) found that asset quality has a positive significant impact on financial performance of banks in terms of return on assets and operational efficiency of banks. Nimesh and Biao (2018) pointed out that poor asset quality has a significant negative effect on banks' return on assets.

Kavitha and Muthukrishna (2019), Patidar (2012) Singh (2013) and Toby (2014) also found that asset quality has a significant impact on banks' after-tax profit and that NPAs need to be reduced and controlled to improve banks' efficiency and profitability. Devi and Pant (2018) and Das and Dutta (2014) also found that non-performing loans have a significant impact on the financial performance of banks and that NPAs have a large impact on the net profits of selected public and private banks. Similarly, Devi and Pant (2018) found that banks' performance is low due to poorer management of non-performing loans. Similarly, Kamande (2017) showed that there is a positive and significant relationship between return on assets, asset quality, and capital adequacy. It was also found that asset quality affects bank profitability. Kamande (2017) also found that asset quality affects bank profitability and that asset quality has the greatest impact on banks' return on assets. Kiran and Jones (2016) and Oba (2018) also found that asset quality has a significant negative relationship with bank profitability. Considering the fact that majority of the previous empirical findings established that asset quality has a significant impact on banks' return on assets, this study rejected the null hypothesis that asset quality does not have a significant impact on return on assets of deposit money banks in Nigeria.

5.   CONCLUSIONS AND RECOMMENDATIONS

This study examined the impact of asset quality and deposit-taking institution performance in Nigeria. The multiple panel regression estimates show the impact of asset quality dimensions on the performance of Deposit Money Bank in Nigeria. The study concluded that asset quality has a significant impact on the return of selected listed deposit money institutions in Nigeria. Overall, the study concluded that asset quality affects the financial performance of deposit banks in Nigeria.

The study recommended that better financial performance of deposit banks can be achieved by improving the level of asset values and asset quality by reducing the rate of non-performing loans through identification, measurement, monitoring and control of credit risk in order to increase the bank's after tax profit.

Managers of Nigerian deposit banks should focus on improving their fixed assets to enhance their financial performance. This will enable the banks to take full advantage of the business opportunities and diversify their portfolios across a variety of investments, which will enable them to take advantage of risk minimization and return maximization in their activities, which will increase the market share of the deposit banks.

5.1   Implications of the Findings

The findings of the study have implications for the banking sector in Nigeria, the general public and future researchers. This study provides empirical evidence that asset quality has significant impact on financial performance (return) of deposit banks in Nigeria.

5.2   Contribution to Knowledge

This study examined the impact of asset quality and performance of deposit money banks in Nigeria. This study is an update of the existing literature on asset quality and financial performance in Nigeria. Specifically, the paper identifies the following contributions.

For policy makers, the study contributes to knowledge by educating bank managers and Nigerian banking regulators on the weighty importance of asset quality in determining bank survival, bank contribution to economic activities and overall performance.

In terms of theoretical contribution, this study was able to establish the link between the theories underlying the work and the objectives of the study. The theory of commercial credit is mainly based on the idea that banks lend to investors, thus increasing the bank's overall financial performance

Although there must have been a number of studies and compilations of empirical studies in the area of asset quality and deposit bank performance in Nigeria, this study nevertheless contributes to the existing body of knowledge by updating the data collection period and reassessing the empirical work on sub-variables of both asset quality and return on assets.

The study also contributed to the knowledge of accounting practices by establishing how asset quality and bank performance can be measured and how dynamic accounting practices handle and manage bank asset quality, which in turn improves overall bank performance.

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