BANKS LIQUIDITY RATIO AND RETURN ON EQUITY OF NIGERIA DEPOSIT MONEY BANK IN NIGERIA

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ABSTRACT

This study investigated banks liquidity ratio and return on equity of Nigeria deposit money bank in Nigeria in which banks liquidity ratio and return on equity of Nigeria deposit money bank and effect of acid-test-ratio on banks financial leverage were examined. The study population of the study comprised Nigeria deposit money banks listed on the floor of Nigeria Stock Exchange as at 2021. Sample of bank selected was Zenith Plc, Guaranty Trust Bank Plc (GTB), First Bank Nigeria Limited, Access Bank Plc, and United Bank for Africa Plc based on global ranking order and the fact that they are listed on Nigeria Stock Exchange. To determine the effect of banks liquidity ratio and return on equity of Nigeria deposit money bank, Panel Ordinary Least Square (OLS) regression model was employed to analyze the data collected for the period of 2006-2020. The findings of this study revealed coefficient of 0.049927 which implies 1% change in current ratio would result to 4% increase change in operating efficiency and p-value of 0.0183 shows that current ratio has statistical significant effect on operational efficiency of the selected banks within the period under study; coefficient of 0.023031 implies 1% increase change in acid test ratio (ATC) would lead to 2% increase change in bank's financial leverage of the selected DMBs, p-value of 0.01433 shows that acid test ratio has statistical significant effect on financial leverage of the selected banks within the period under study. The study recommends that the study recommends Nigerian banks should strive to

maintain optimal liquidity ratio to achieve efficiency in its operations and reduce operational expenses to the barest minimal.

Keywords: Liquidity Ratio, Return on Equity, Current Ratio, Operational Efficiency, Acid Test Ratio and Financial Leverage.

INTRODUCTION

Background to the Study

Liquidity is a financial organization's ability to meet its money and insurance commitments without bringing about avoidable misfortunes. Sufficient liquidity is reliant upon the organization's capacity to proficiently meet both expected and sudden incomes and guarantee needs without unfavorably influencing either day by day activities or the financial state of the organization. The opinion of Acharya and Naqvi (2012) is that, liquidity is the speed and ability of changing assets over to money at whatever point of choice. A position supported by Anyanwu (1993) who sets that liquidity is the conversion of assets for cash with least expense or loss. In same vein, Kurotamunobaraomi (2016) adds that liquidity is "the ability to trade an assets at an irrelevant expense, cost and (on) short notification. This is why it is important for any DMB to be responsive to meeting financial obligations especially in preventing credit facility crisis so as to ensure performance in the long run. Because of this, there should be an essential liquidity procedures which includes the stock/withdrawal from the market how much liquidity synonymous with the ideal degree of short-term interest rates or reserve money. The capacity of an establishment to fulfill needs for money guaranteeing that the organization keep up with adequate money and fluid assets to fulfill customer interest for loans and investment funds withdrawals and then meet its expected costs is germane for DMBs' survival.

Numerous ideas of Operational Efficiency (OE) from various scientists both locally and universally are quite common. Operational Efficiency can be officially characterized as the capacity of an organization to guarantee the quality of its goods and services while conveying products to its clients in the most practical way conceivable (Beal, 2016). Likewise, as per Matthew Burrows (2016), OE isn't just with regards to minimizing costs; other business targets including service quality, actually must be accomplished to continue to retain clients and keep up with high income. Likewise, the investigation of Dennis Hartman (2016) called attention to a strategy for estimating OE by assessing how well a business dealt with its assets and used them to produce benefits.

In Nigeria, CBN is statutorily empowered to play significant role in the strengthening of the financial system through the regulation and supervision of commercial banks, merchant banks and other specialised financial institutions other than insurance businesses. Although other financial institutions outnumber Deposit Money Banks (DMBs) (commercial, merchant and non-interest banks), DMBs, whose financial strength and performance determine the stability of financial system of any economy (Fernando & Ekanayake, 2015), dominate Nigerian financial system given their stronger asset-base (CBN, 2018).

Like non-financial firms, banks' statement of financial position comprises assets and liabilities but arranged in order of liquidity in contrary to the requirements of financial reporting standards for non-financial firms (CBN, 2010). Given this liquidity preference in the financial reporting of banks, "loans and advances", the largest proportion of bank' assets (Gebhardt & Novotny-

Farkas, 2011), are considered one of the sources of banks' liquidity (Ndukwe, 2013) and a central part of prudential guidelines (CBN, 2010). Loans and advances and other credit facilities are not only in larger proportion in banks' total assets, their management in the banks' reporting framework attract a lot of risk. This has necessitated their mandatory classification into "performing" and "non-performing" (CBN, 2010). These non-performing assets are the bases for the "loan loss provisions" (LLPs) charged in banks' income statements before arriving at profit. LLP, which is argued to be critical to the soundness and stability of banks while rendering their primary functions of lending (Shala, Ahmeti & Sh. Perri, 2017), is a tool used in the management of earnings as evident in the literature (Amidu & Kuipo, 2015; Bushman & Williams, 2012; Curcio & Hasan, 2015).

Be that as it may, a declining pattern in the Nigerian banks' financial performance measurements is shown in the financial stability report. For example, return on equity (ROE) and return on assets (ROA) have steadily declined from 14.90 and 2.67 percent in 2007 to 1.18 percent and 0.16 percent in 2016 (IMF, 2017; CBN, 2016). This development is equipped for consuming public certainty and in the limit, could trigger sudden spikes in runs on the banks. Thus, the requirement for development in the key choice areas, for example, capital structure becomes primary, as a result of their cozy relationship with the bank's performance and survival. It is on this reason that it is consider imperative to investigate banks liquidity ratio and return on equity of Nigeria deposit money bank within 2006-2020.

Any DMB that fails to hold liquid and convertible asset stand a chance not to meet up with short and urgent financial obligations which might be detrimental to banks' performance. It is as a result of this that it was suggested that altering financial reports using LLP is probable for banks when their operations are financed using several sources (Amidu & Kuipo, 2015).

The issue of solvency risk level has been identified to prompt accounting manipulations whereby banks in serious solvency crisis are found blameworthy (Leventis et al., 2011). The scenarios of two of Nigerian DMBs with international banking license: Skye Bank Plc and Stanbic IBTC Holdings Plc (FRCN, 2015; Proshare, 2017) gave the need for an inquiry into the reality of this in the Nigerian banking climate. Addendum to this is the celebrated merger of another two Nigerian banks with international operating license: Access Bank Plc and Diamond Bank Plc. The merger is suspicious as it appears to be executed to shield the acquiree (Diamond Bank Plc) of the imminent collapse as its solvency seems to be in doubt given its returns of substantial amount of losses in the 2017 accounting year. It is worthy to note that when DMBs which provide credit facilities needs to be up and doing in making they did not run out of cash or cash equivalent assets in their vault in response to risk management associated with loan provision. It is on this premise that this study investigated banks liquidity ratio and return on equity of Nigeria deposit money bank while specific objectives of the study were determine the relationship between current ratio and operating efficiency and evaluate the effect of acid-test-ratio on banks financial leverage.

LITERATURE REVIEW

Conceptual Framework

Liquidity Ratio

Liquidity alludes to the speed in the exchange of assets into cash, liquidity ratios fundamentally center on the incomes, and it is a marker to quantify an organization's capacity to meet its immediate liabilities. Liquidity management is accomplished through the viable utilization of

assets (Robinson et al., 2015). Liquidity ratios incorporate the accompanying current ratio which estimates the organization's capacity to pay transient liabilities, for example, payable records and momentary loans, which addresses the ratio of current assets to current liabilities. The size of this ratio communicates high liquidity of the organization, accordingly a more noteworthy ability to meet the momentary liabilities. Conversely, decline in the ratio under 1, communicates the deficiency of liquidity and the part of the fixed assets financed by transient obligation. Despite the fact that liquidity deficiency could prompt a decrease in the organization's energy, hence can influence benefit. Assuming the ratio is 1, it implies that current assets equivalent to current liabilities (Robinson et al., 2015). Furthermore, quick ratio then again just incorporates the most liquid of current assets to current liabilities. The ascent in the worth of this ratio communicates high liquidity of the organization. This ratio avoids prepaid costs and stock from current assets being difficult transformation into cash (Sinha, 2012).

Cash ratio, be that as it may, is the ratio of current assets and relies just upon transient attractive investments in addition to its money ascribed to current liabilities (Gibson, 2009). Besides, defensive interval ratio alludes to the period wherein the organization can keep on paying the costs of the current liquidity without falling back on acquire incomes from outside the organization (Robinson et al., 2015).

Liquidity Components
There are mark of liquidity level of DMBs which incorporate Liquid Asset to Total Asset (LATA), Cash to Total Deposit (CTD), LOAN to Total Deposit (LTD), Cash to Total Asset (CTA) and Current Ratio (CRT). Additionally, liquidity comprises of the Treasury Bills, Balances Held With CBN, Vault Cash, Balances Held With Offices and Branches outside Nigeria, Placement with Discount Houses, Balances Held With Other Banks in Nigeria, Treasury Certificates, Money at Call in Nigeria, Investment in Stabilization Securities, Inter-bank Placement, Bills Discounted Payable in Nigeria, Negotiable Certificates of Deposits, Investments in FGN Development Stock, Bankers Acceptances and Commercial Papers and Industrial (Other) Investments (Olagunju, et al., 2011).

Banks must have satisfactory and adequate extents of these liquid components as it mitigates financing hazard, remuneration for the non-receipt of inflow of assets if the borrower(s) neglect to meet their responsibilities, and risk emerging from calls to respect developing commitments (Nwankwo, 1991). Inadequate liquidity comes full circle in the impulse to exchange assets at horrible costs which could prompt misfortunes. Liquidity deficits likewise disintegrate clients' certainty, prompting bank runs which could open the bank to superfluous acquiring from the Central Bank at which at last subjects the bank to elevated examination.

Measurement of Liquidity in Deposit Money Banks
A precise estimation of liquidity require going past specialized liquidity demonstrated by the stock flow approach to deal with the appraisal of the supply of conditions liable to put under specific tension that could consequently influence its value in the commercial center. This is to say that liquidity could be estimated as a stock at a specific moment or as a flow over the long haul. In any case, because of scientific intricacies, the previous which establish of loan-deposit ratio, cash save ratio, liquidity ratio, and so forth is generally taken on.

The loan/deposit ratio as a proportion of liquidity contrasts the total worth of credits and the absolute deposits. A high ratio is demonstrative of liquidity withdrawal, while a low ratio shows the opposite (Nwankwo, 1991). The liquidity ratio is one more measure for liquidity which is

registered as an extent of banks current liabilities, for example, deposit liabilities, immediate interbank credits, net offset with unfamiliar branches and free offset with the national bank. The loan to liabilities ratio is additionally a proportion of liquidity. It is a methodology that perceives that liabilities other than deposit ratio address likely channel on bank reserves (Ibe, 2013). The liquid asset ratio is one more apparatus for estimating liquidity. It permits assets to be chosen based on their liquidity, regardless whether they are credits or ventures. Besides, Cash ratio is one more proportion of liquidity.

Ibe (2013), sets that the cash ratio is especially viable for sanitizing abundance liquidity in the financial framework as it very well may be adequately checked by the directing authorities. Under cash ratio, liquid assets are connected straightforwardly to deposits, rather than to loans and advances that comprise the most liquid illiquid of banks assets. Emefiele (2015) states that the primary proportions of liquidity in Nigeria are the Cash Reserve Ratio (CRR), the Liquidity Ratio (LR), and the Loan-to – Deposit Ratio.

Deposit Money Banks' Performance

The performance of DMBs is a central issue for partners. Most particularly, financial performance which is referred to as financial metrics or indicators utilized in deciding the overall prosperity of a DMBs. Concerning this, Bhunia, Mukhuti and Roy (2011) characterized organizational financial well-being as general financial wellbeing throughout a given timeframe. The review added that investigation of financial performance is pointed toward evaluating the plausibility, strength and richness of a business. This infers that financial performance addresses the aftereffect of company's operation in financial terms for a particular period.

Sequel to this, financial managers use ratios from organization budget summary to evaluate its monetary exhibition (Watson and Head, 2007; Bhunia et al. 2011). One of the key variables utilized in estimating financial performance is profitability which as per Ross, Westerfield and Jaffe (2002) is the degree to which firm can produce benefit from its operations. Profitability is the pivotal target of all operations; this is on the grounds that the since a long time presence of these businesses relies on their profitable operations. Its estimation is most surprising mark of business achievement (Khan, Sajid, Waseem and Shehzad, 2016). Samhan and Al-Khatib (2015) directed a review on determinants of financial performance of Jordan Islamic Bank, covering the period year 2000 to 2012, return on assets (ROA), return on equity (ROE), and return from unlimited investment accounts (ROUIA) were utilized to estimated monetary execution. Additionally, CBN in 2013 has buttressed the significance of the net investment margin(NIM) as a mark of bank performance.

Return on Equity as the central purpose of this review. Return on equity (ROE) can be characterized as how much net gain returned as a level of investors' equity. It is one of the unsurpassed top choices and maybe most broadly utilized in general measure of corporate financial performance (Rappaport, 1986) which was additionally affirmed by Monteiro (2006). ROE is well known among financial backers since it connects the income statement (net profit/loss) to the balance report (shareholders' equity). The way that ROE addresses the final product of organized financial ratio analysis, called Du Pont analysis, likewise contributes towards its fame among researchers, financial managers, and investors the same (Stowe, Robinson, Pinto and McLeavy, 2002). Notwithstanding, for various reasons, ROE could be a deceptive proportion of corporate financial performance (Wet and Toit, 2007). In the first place,

profit can be controlled inside the lawful system through changes in bookkeeping strategy. Second, ROE increments with more financial influence, as long as the profits earned on the acquired assets surpass the expense of the loans. An expansion in leverage past a specific level might make interpretation into an increment into the company's precise risk or beta. Third, ROE is additionally vulnerable to inflation; inflation had a negative relationship with the profit margin which will, thusly, diminish ROE and anticipated development (Fuller and Perry, 1981).

Liquidity and Banks' Performance in Nigeria

Liquidity management in banks has represented a few difficulties during the misery period of 1980s and 1990s and endured to the re-capitalization time in 2005 when banks were ordered to have an expanded capital base from N2 billion to a cosmic N25 billion (Agbada and Osuji, 2013). The apex bank's order for recapitalization was viewed as the salvation for the banking and financial framework in Nigeria, notwithstanding, only five years after, specifically, 2009, the Central Bank's input was sought to balance out and recover five banks that were profoundly enmeshed in illiquidity. Thus, N620billion was infused into the five impacted banks to animate security, and certainty and therefore proclaimed the foundation of Asset Management Corporation of Nigeria (AMCON) for the obtaining of impacted banks.

Alshatti (2015), uncovered the way that Banks are generally presented to different kinds of dangers owing to liquidity management, which influence the presentation and movement of these banks. Reproving that since the essential objective of the financial administration is to augment the investors' wealth, banks ought to survey the incomes and the accepted dangers to coordinate its financial assets in various spaces of use. Ibe (2013) accentuates that Liquidity assumes an indispensable part in the effective working of a business firm; a firm ought to guarantee that it doesn't experience the ill effects of absence of or overabundance liquidity to meet its transient impulses.

THEORETICAL FRAMEWORK

Shiftability Theory

There is conflicting issue between liquidity and profitability of banks in which a balance must be struck. Diverse theories on liquidity include Commercial Loan Theory, Anticipated Income Theory, Liability Management Theory and Shiftability Theory. This study as a matter of necessity will be anchored on shiftability theory. Shiftability theory keeps up with that the ampleness of banks' liquidity can be overseen better assuming it holds resources that could be moved or offered to different moneylenders or financial backers for money in any event, during time of emergency or trouble. The shiftability theory centers on the risk side of the financial record.

The theory battles that supplementary liquidity could be gotten from the liabilities of a bank, in this way, shiftability, attractiveness or adaptability of a bank's resources is a reason for guaranteeing liquidity. The theory further battles that exceptionally attractive security held by a bank is a great wellspring of liquidity. The advocates of this view contended that a bank's liquidity could be upgraded assuming it holds determined fluid resources needed to offer to the Central Bank and the discount Market (interbank window) if they are prepared to buy the resource presented at discount. As indicated by Nwankwo (1991) contends that since banks can purchase every one of the assets they need, there is no compelling reason to store liquidity on the asset side (liquidity asset) of the balance report.

It appropriate to take note of that liquidity management basic theories have been exposed to basic audit by different researchers. The overall agreement anyway is that during time of crisis or emergency, banks with grave financial conditions and downsized status might be tested in acquiring the ideal liquidity on the grounds that the financial backers trust in them has been disintegrated. This theory is necessary for this study since the main thrust of this study is liquidity ratio of DMBs as a leverage for performance in form of operation efficiency. This theory emphasized the need for banks to employ liquidity indicators such as cash ratio and acid test ratio to solidify and ensure DMBs' operational efficiency and financial leverage respectively.

METHODOLOGY

This research adopted descriptive research of a panel data type which explored the degree of association between variables under consideration. The population of the study included Nigeria deposit money banks listed on the floor of Nigeria Stock Exchange as at 2021 and they are: Guaranty Trust Bank Plc (GTB), Zenith Plc, United Bank for Africa Plc, First Bank Nigeria Limited and Access Bank Plc ranked Fifth in Nigeria. Sample size of the banks was selected based on their previous direct results of their global ranking in 2020, in which Guaranty Trust Bank Plc (GTB), Zenith Plc, United Bank for Africa Plc, First Bank Nigeria Limited and Access Bank Plc. The study used secondary data which is the financial statements of all the sampled deposit money banks for the study, for the period of fifteen years (2006–2020) in other to measure recent development rate of this institution. Ordinary Least Square (OLS) regression model was employed using E-views as in Padachi, (2006) and Deloof, (2003).

Model Specification

The model for this study accepts a basic connection between impacts of credit risk management on deposit money banks performance in Nigeria. The study adopts a similar method of research used by Ajayi and Ajayi (2017), Kolapo, Ayeni and Oke (2012). For instance Kolapo, Ayeni and Oke (2012) econometric model are stated as:

The hypotheses are mathematically expressed as follows;

$$OE = a + \beta_1 CR_1 + e \quad \text{............} \textbf{(1)}$$

Where:

OE= Operational Efficiency

a= Constant Variable

$\beta(1)$ =the slopes of CR

CR = Current Ratio

e= Residuals or Error term

$$FL = a + \beta_1 ATR_I + e \quad \text{............} \textbf{(2)}$$

FL= Financial leverage

a= Constant Variable

$\beta(1)$ =the slopes of ATR

ATR= Acid Test Ratio

e= Residuals or Error term

Data Analysis and Results

Table 1 contains the descriptive statistics of the variables of Operating Efficiency Ratio (OER), Current Ratio (CR), and Financial Leverage (FL). Based on the outcomes gotten from Table 1,

the coefficient of skewness is positive for every one of the variables which means that the dissemination of the variables is pulled to the right. To examine the kurtosis measure, assuming the obtained value is positive, there is a lower scattering of information around the mean, while a negative value demonstrates a more significant level of scattering of information around the mean. The zero value of the kurtosis coefficient demonstrates a typical dispersion. The examination of the kurtosis measure recommends that the probability distribution of the information is more extended contrasted with the normal dissemination (for example there is a lower level of scattering). Additionally, the probability of the Jarque-Bera measurement in table 1 shows every one of the variables have a probability more noteworthy than 5%. Accordingly, the null hypothesis is acknowledged, and it is inferred that the distribution of the research data is normal.

Table 1
Descriptive Statistics Variables of Profit Margin (GM), Capital to Asset Ratio (CTA), Asset Turnover (ATU) and Solvency (SOLV)

	OER	CR	FL
Mean	0.582800	1.266565	6.853867
Median	0.590000	1.204456	6.590000
Maximum	1.050000	3.212697	17.21000
Minimum	0.010000	0.988025	2.850000
Std. Dev.	0.195411	0.299374	2.364501
Skewness	-0.255671	4.656285	1.282412
Kurtosis	3.062086	27.90527	6.273097
Jarque-Bera	0.829142	2209.364	54.03588
Probability	0.660624	0.000000	0.000000
Sum	43.71000	94.99236	514.0400
Sum Sq. Dev.	2.825712	6.632232	413.7240
Observations	75	75	75

Source: Researchers, 2021

RESULTS

The information for this review are panel and pooled in nature on the grounds that the variables determined in the above models covered all the 5 examined DMBs for a time of 15 years (2006 - 2020), consequently, Panel Least Square Technique was utilized as econometric analysis for this review. Nonetheless, the logical defense to decide the particular Panel Least square regression technique to be taken on is the Hausman test for random impacts. As indicated by Gujarati and Porter (2009), the null hypothesis fundamental to the the Hausman test is that the Fixed Effect Model (FEM) and Random Effect Model (REM) assessors don't contrast largely. Assuming the null hypothesis is rejected (when the chi-square measurements of the cross sectional random test is critical), the end is that the REM isn't suitable, in this case the FEM is preferred to REM.

Relationship between the Current Ratio and Operating Efficiency
The study considered random effect appropriate for the analysis of relationship between current ratio and operating efficiency since the Hausman test's p-value of 0.1349 disclosed in table 2 exceeds 0.05 significance level. Coefficient of 0.049927 implies 1% change in current ratio would result to 4% increase change in operating efficiency. Similarly, t-statistics of 3.230537

with p-value of 0.0183 and f-statistics of 5.052263 with p-value of 0.019811 shows current ratio has significant relationship with operating efficiency of the selected banks within the period under study.

Table 2
Panel Data Result of Effect of Current Ratio on Operation Efficiency

FIXED EFFECT	RAMDOM EFFECT
Coefficient: 0.281468	Coefficient: 0.049927
t-statistics: 3.057191	t-statistics: 3.230537
Prob.: 0.0441	Prob. 0.0183
R-squared: 0.160728	R-squared: 0.200715
Adjusted R-square: 0.099911	Adjusted R-square: 0.112973
F-statistics: 2.642822	F-statistics: 5.052263
Prob. (F-statistics): 0.030330	Prob. (F-statistics): 0.019811
Durbin-Watson: 0.826335	Durbin-Watson: 0.759397
Hausman Test Prob. 0.1349	Hausman Test Prob. 0.1349

Source: Researchers, 2021

Effect of Acid-test Ratio on Banks Financial Leverage

The study considered random effect appropriate for the analysis of the effect of acid test ratio on bank's financial leverage since the Hausman test p-value of 0.3903 exceeds 0.05 significance level. Coefficient of 0.023031 implies 1% increase change in acid test ratio (ATC) would lead to 2% increase change in bank's financial leverage. Also, t-statistics of 4.479355 with p-value of 0.01433 and f-statistics of 2.186711 with p-value of 0.143509 shows acid test ratio has no significant effect on banks financial leverage within the period under study.

Table 3
Panel Data Result of Effect of Acid Test Ratio on Financial Leverage

FIXED EFFECT	RAMDOM EFFECT
Coefficient: 0.015041	Coefficient: 0.023031
t-statistics: 0.864588	t-statistics: 4.479355
Prob.: 0.03903	Prob. 0.01433
R-squared-0.156274	R-squared: 0.029084
Adjusted R-square: 0.095135	Adjusted R-square: 0.015784
F-statistics: 2.556023	F-statistics: 2.186711
Prob. (F-statistics): 0.035143	Prob. (F-statistics): 0.043509
Durbin-Watson: 0.780029	Durbin-Watson: 0.730958
Hausman Test Prob. 0.3903	Hausman Test Prob. 0.3903

Source: Researchers, 2021

Discussion of Findings

The study examined banks liquidity ratio and return on equity of Nigeria deposit money bank. The study disclosed positive and significant relationship existed between the current ratio and operating efficiency. This is an indication that exposure of deposit money banks in Nigeria to liquidity risk, that is, risk of inability to discharge short term obligations would cause operational expenses to rise abnormally and consequently would have negative impact on shareholders return (ROE). This finding corroborates Olweny and Shipho (2011) finding that operational cost efficiency ratio are significantly negatively related with performance, as this ratio decreases, efficiency gets better; thing that was highly expected. Also, Saleem and Rehman (2011) found that ROA is significantly influenced by liquidity ratio but ROE is unaffected by other liquidity ratios

The study similarly found acid-test ratio has positive and significant effect on banks financial leverage. This finding is in tandem with that of Benjamin and Kamalavali (2006) found in their study that there was a positive association between ROI and quick ratio, debtor's turnover ratio, current asset to total asset and growth rate. Similarly, Bordeleau and Graham (2010) result suggests increased profitability for banks with some quantum of liquid assets, however, beyond a point, holding further liquid assets diminish a bank's profitability This implies ability of banks to discharge its short term obligations is not part of the significant factors affecting capital structure of deposit money banks in Nigeria.

CONCLUSION

The study concluded that current ratio has significant relationship with operating efficiency of the selected banks within the period under study and acid test ratio has significant effect on banks financial leverage within the period under study.

Recommendation

Thus, the study recommends Nigerian banks should strive to maintain optimal liquidity ratio to achieve efficiency in its operations and reduce operational expenses to the barest minimal.

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