

Effects of Bank Specific Variables on Profitability of Listed Deposit Money Banks in Nigeria

¹Mohammed, Badamasi Idris, ²Mohammed, Jibril

¹Department of Banking and Finance, Nasarawa State University, Keffi.

²Department of Accounting, Federal University of Lafia.

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Abstract: The study examines the Effect of Bank Specific Variables on the Profitability of listed deposit money banks in Nigeria during the period 2014-2024. Proxies used to measure bank specific variables are bank size and liquidity ratio, while profitability (ROA) was the dependent variable. Panel data was used to analyse the data sourced from the individual financial reports of the listed deposit money banks in Nigeria. The sample adopted ten (10) listed deposit money banks out of the fifteen (15) deposit money banks traded in the Nigerian exchange group (NGX). The study employed panel regression model to estimate the key relationship between bank specific variables and profitability. The result showed that bank size has insignificant effect on profitability of listed deposit money banks in Nigeria, while liquidity has significant effect on profitability of listed deposit money banks in Nigeria. The study recommended that considering the fact that bank size has no significant effect on profitability of listed deposit money banks in Nigeria, managers of deposit money banks should concentrate on providing quality service to their customers instead of embarking on expansion which has no effect on earnings. The study also recommended that managers of deposit money banks should manage their liquid asset efficiently, in order to meet up their day to day financial obligations which will increase profitability.

Keywords: Bank specific variables, Bank size, Liquidity Ratio, Profitability, Listed Deposit Money Banks.

I. Introduction

The primary objective of every business entity is indeed profit maximisation. The deployment of resources in a business venture by every investor is predicated on the level of return on asset anticipated by the investor. Every business enterprise that lack the potential to generate profit shall not be considered a viable venture. Profitability is therefore the bedrock for the survival of any business enterprise. The growth and stability of any business cannot be guaranteed in isolation of profit. Profit is simply defined as the difference between revenue and cost incurred in generating revenue. Profitability is very important in banks' business affairs just as in other businesses as they need to generate sufficient profit so as to maximize shareholders wealth in form of dividend payment or capital appreciation of shares and for growth and expansion (Sanyaolu et al. 2019).

Bank specific variables are those variables that are internal to the bank. They are also referred to as those internal factors that in one way or the other influence the activities within the bank. They can have positive or negative effects on the bank's capital adequacy. These factors which are classified in this study as independent variables includes bank size, loan asset ratio, loan deposit ratio, assets quality, liquidity, operating efficiency, deposits, assets management and lots more. It is indeed an established fact that these internal factors are the bedrocks or the cardinal principles or the strong pillars on which the survival of the bank depends. It can be likened to the lifewire or the engine room of the banking business. The bank specific variables are factors domiciled within the bank (Muchukwu, 2022). Bank specific factors are aspects that uniquely distinguished banking organisations such as asset quality, liquidity, financial leverage, loan growth, firm size among others (Suppia & Arshad, 2019). It is therefore appropriate to mention here that poor assets quality, operational inefficiencies, low deposit liability, poor capital mix and lack of good asset management could in the long run lead to business downtime or even total collapse of the bank (Ghareibeh 2023). This study will therefore look at the effect of bank size and liquidity on the profitability of deposit money banks in Nigeria.

Bank size, which is one of the variables used in this study to find out how it affects the profitability of deposit money banks has been a subject of scrutiny by the regulatory authorities in Nigeria. Total assets natural logarithms are used to represent the size of a bank. The size of a bank is a valuable aspect because it is interconnected with the level of returns generated by the banks at the end of every financial year. Bank size are often captured based on proxies such as log of total assets (Chodnicka- Jaworska, 2020). The bank size is critical in examining bank specific factors affecting the level of profitability of banking business (Muhindi and Ngaba, 2018). The bigger the bank, the more assets the bank has. (Sikanda et al, 2021) believes that bank size is significant and highly correlated with return on asset. It reflects the bank's interest, ownership and ability to manage risk or bankruptcy. Large banks create more systemic risk (but are not individually riskier) when they engage more in market-based activities or are more organizationally complex (Naoaj, 2023).

Liquidity is a fundamental variable in this study. In fact, almost all financial transactions which include credit, financing, investment and dividend decision undertaken by DMBs are predicated on availability of adequate liquidity (Joseph & Adelegan 2022). Effective liquidity management is a key factor that helps sustain bank profits and concurrently keeps the banking institution and the financial system generally from illiquidity and perhaps, insolvency. Strategic bank management aims prominently at keeping

the bank solvent and liquid in order to earn good profits for the bank. It is paramount for the survival of the totality of the financial system of a country and the banks in particular whose core function of financial intermediation depend on the availability of adequate liquidity (Abbas et al, 2019).

The study is to identify and analyse how bank size and liquidity significantly impact profitability, providing a deeper understanding of the determinants of profit in the Nigerian banking sector. Therefore, the aim of this study is to comprehensively examine the effect bank specific variables on the profitability of listed deposit money banks in Nigeria.

In this research, the hypotheses below are posed to validate data for analysis of findings;

H₀₁: Bank size has no significant effect on the profitability of listed deposit money banks in Nigeria

H₀₂: Liquidity has no significant effect on the profitability of listed deposit money banks in Nigeria

II. Literature Review

Conceptual Review

Bank Size and Profitability

Bank size is the measure of the total assets owned by a particular bank which includes human resources of the bank. Hameed and Siddiqui (2023), defined bank size as the total number or of volume of asset a bank has in its book of accounts including branch network. Aktas et al. (2015) proposed that the large banks wish to keep their good ratings and therefore have considerable market determined level of profitability. Size of a bank plays vital role in competing with competitors through cost reduction and other opportunities. Bank size is usually used to examine the economies or diseconomies of scale in the banking sector. A large bank reduces cost because of economies of scale and scope. Size is commonly measured by gross sales or gross value of assets, logarithm of total assets, number of employees and sales turnover. Growth in size of a firm can be in terms of revenue, profits, assets or number of employees which are all essential for increased financial health and profitability.

Considering the divergent views given by different researchers from different countries based on their peculiar circumstances, it is important to state here that bank size has the tendency of increasing or decreasing the level of profit of deposit money banks especially when you measure it in terms of asset, market share, economies of scale and to some extent public confidence.

Liquidity and Profitability

Bank liquidity is simply referred to as the availability of funds held by a bank to meet its customer's obligations. It is the bank's ability to honour its customers request for withdrawal either in cash or through transfers and also the request for loan advances. Where customer's demands are timely honoured, more patronage will be recorded which translate to increased business activities hence increased profit for the bank.

Duqi and Al-Tamimi (2017) stated that as the proportion of funds invested in cash or cash equivalents increases, a bank's liquidity risk declines, leading to lower liquidity premium in the net interest margins. Therefore, an increase in bank liquidity (high LACSF) may have a positive impact on profit because more loans will be advanced to customers at a given interest rate. The higher the interest income the higher the level of return on asset (profitability).

Bank Profitability

Profitability is a measure of the amount in which a bank return on investment exceeds its investment cost. Bank profitability is also a crucial objective to conduct business without which money deposit banks will not be in business. A firm's gross profit margin and net profit margin depicts its profitability position (Ariyibi et al, 2020). Bank profitability can be expressed as a function of internal and external environments. The internal determinants originate from balance sheets and/or profit and loss accounts, while external determinants are variables that are related to bank management but reflect the economic and legal environment that affects the operation and performance of financial institutions. With excellent profit figures, banks can enhance their stakeholders; maximize shareholder wealth, and stay competitive in the financial market (Ariyibi et al, 2020).

However, to achieve their desired level of profits, banks are confronted with several factors that are either internal or external. Bank profitability is not only assessed at a specific level but also the general-level. At the specific level, profit is a relevant component of competitive banking institutions, as it is a pre-requisite for banking institutions to grow and remain a going concern in the financial sector. The primary purpose of bank-specific factors is profit realization which is germane to the existence and minimization of cost to the bank. Profit is a financial motive in an organization (Menicucci & Paolucci, 2016). The importance of profit at a general level is that a profitable banking sector has a better ability to endure negative shock (National and Global) and aid the growth of the economy.

Empirical Review

Habib-ur Rahman et al (2020), examine the effect of the bank-specific and macroeconomic determinants of profitability for the banking sector of Pakistan. To incorporate the issues of endogeneity, unobserved heterogeneity, and profit persistence, they applied a generalised method of moments (GMM) technique under the Arellano–Bond framework to a panel of Pakistani banks that covers

the period 2003–2017. The results of a dynamic panel data approach revealed that capital adequacy accelerates the profitability of the banking sector in Pakistan. Capital adequacy helps the financial system to absorb any negative shock by reducing the number of bank failures and losses. Conversely, the empirical investigation revealed that the liquidity ratio, business mix indicators, interest rates, and industrial production deteriorates the bank profitability. Liquidity risks enhance the probability of default risks and transmit into the unpaid loans and hence the lower return. The empirical evidence further revealed that Pakistani banks are not getting any benefit of the economies of scale in terms of financial performance.

Lohano and Kashif, (2019), investigates the determinants of the profitability of banks in developing countries. They estimate multiple linear regression models by the least-squares fixed effects estimator, using bank-level panel data for 230 banks from 31 countries, for the years 2011 to 2016. The results of the study showed that many bank-specific factors significantly affect banks' profitability, including capital ratio, bank size, management efficiency, credit risk, and diversification. Furthermore, they discovered that there is a quadratic relationship between profitability and capital ratio, and there is an optimum level of capital ratio that maximizes profitability. Similarly, the result showed a quadratic relationship between profitability and bank size. The results also showed that various country-specific variables significantly affect banks' profitability, including per capita GDP, inflation, and corruption perception index.

Kaseem and Sakr (2018), examined the relationship between bank-specific factors and the profitability of banks in Egypt. Thus, finding the main internal characteristics for achieving higher profitability. In the research, OLS regression analysis was used to examine the relationship between bank-specific characteristics and bank's profitability for a sample of 19 Egyptian banks during the period 2007-2016. The findings revealed that bank size and loan loss provision ratio were the main determinants of bank's profitability, by showing a significant relationship with all measures of profitability. Capital ratio showed a significant relationship with ROA and NIM, but insignificant with ROE. However, Loan ratio and deposit ratio have a insignificant effect on bank's profitability.

Tharu and Shrestha (2019), conducted a research to determine and evaluate the effects of bank size on the profitability of commercial banks in Nepal. The study adopted a panel research design. eight sampled banks were adopted from 28 banks using simple random sampling. The time series data between the period of 2013 and 2018 has been treated. The data source was Nepal Rastra Bank. Descriptive and inferential statistics were used as statistical tools. SPSS Version 20 was used for data analysis. The results of different tests proved that banks profitability (ROA) has not been significantly influenced by size of the bank (Assets).

Ojima and Ojima (2020), examined the influencing factors of Commercial Banks profitability in Nigeria. Related literatures were reviewed in the course of the study. The study Data were mainly of secondary sources whereas, Time Series approach was adopted in the methodology to analyse the data sourced. Analysis of the Data revealed that Liquidity, Asset Quality, Management efficiency, Bank size and Monetary Policy Rate among others were the major factors militating or influencing Commercial Banks profitability. Conclusions were drawn from the fact that Banks profitability were determined by internal and external variables category. It therefore recommended that decision makers should keep themselves abreast with the identified variables. Accordingly, the monitoring authorities including the Central Bank of Nigeria and related agencies should intensify supervisory roles of Banks and paying due regard to several endogenous factors within its reach identified in the study.

Obim et al (2020), examined the impact of liquidity on banks profitability. Secondary source of data was employed using Central Bank of Nigeria statistical bulletin. Ordinary least square multiple regression techniques was adopted to establish the impact of independent on dependent variables. Based on the results, the following findings were made; there was a positive and insignificant impact between bank deposit and return on asset, there was a negative and insignificant impact between liquid asset and return on asset, there was a positive and insignificant impact between treasury bills and return on asset. The study recommended that appropriate measures should be taken to prevent undesirable market development that may negatively impact on bank deposit. It also recommended that banks should engage competent and qualified personnel in order to ensure that right decisions are adopted with regard to the optimal level of liquidity so as to guaranty performance good return on asset.

Sultan et al (2020), investigated the impact of bank specific indicators such as asset size, credit risk, capital adequacy, and interest rate on the profitability of banks. Profitability is usually shown as a function of internal and external determinants. Panel data was used from 2003 to 2018 which belongs to 17 commercial banks for VIF, LSDVM, and Hausman test. The data was collected from the secondary source through financial reports of the banks. The dependent variable is ROA (Profitability) and the independent variables were in two categories bank-Specific variables and macroeconomic variables and analysis has been carried out in E-views software. The results revealed that the bank specific factors that are deposits, asset quality, asset size, and liquidity have a significant impact on the bank's profitability. While macro-economic factor gross domestic product (GDP) has a positive impact on the bank's efficiency. However capital adequacy ratio, inflation has a negative effect on the bank's profitability.

Kiragu et al (2019), examined the relationship between firm size and profitability of commercial banks in Kenya. The study followed a descriptive research design and used secondary data obtained from the company annual reports and partly from the central bank of Kenya. Bank size was measured using annual bank deposits and annual gross loans advanced in a bank while profitability was measured using the annual net profit after tax for each bank for the five years' period (2012-2016). Data was collected using secondary data collection sheet from annual bank supervision reports for the respective period. Data was analyzed using SPSS version 23 through stepwise regression analysis to determine the relationship between each of the measures of size and

profitability of the bank. The data was tested for normality of response variable, homoskedasticity, multicollinearity and independence. The study established an overall y and R-Square of 0.790 and 0.624 respectively indicating an overall positive correlation which is moderately strong. Both regressors were found to be statistically significant. The study concluded that firm size as measured by customer deposits and loans advanced had a positive relationship with profitability of commercial banks in Kenya. The study recommended that banks should endeavor to maintain high levels of deposits as they have a strong bearing on profitability of banks in Kenya. This conforms to the financial intermediation theory in an active banking sector.

Parvin et al (2019), conducted a study on the commercial banks in Bangladesh to determine the effect of liquidity and bank size on the profitability of the banks during the year 2011-2015. Seven commercial banks were selected and descriptive as well as correlations analysis statistics were used to conduct the study. Data from the annual reports of the banks were analyzed. The results stated that loan to asset ratio and bank size had a positive relation with return on asset (ROA) which was the indicator of profitability. The results also showed that deposit to asset ratio had a negative impact on the ROA of the selected banks. Although there were relationships among liquidity, bank size and profitability but liquidity and bank size did not have a significant influence on the profitability of the banks.

Budhathoki et al (2020), examined the impact of liquidity, leverage, and total assets size of the bank on profitability. This study employed bank scope data of all 28 commercial banks operating in Nepal during the period of 2010/11 – 2016/17. Altogether, the 168 observations were used in the study. Three ordinary-least-squares models were applied to analyze the impact of liquidity, leverage, and the total size on the bank's profitability. The first regression model revealed that the higher loan to deposit ratio (low level of liquidity) was observed to have the negative effect on the bank's ROA, ROE, and NIM; however, ROE and NIM were statistically insignificant. The result of the second regression model showed that higher equity to assets ratio (lower leverage) positively affected two profitability measures, ROA and NIM, and was statistically significant—but was negatively related to ROE and statistically insignificant. The result of the final regression model revealed that the higher bank size appeared favorable to the Nepalese commercial banks and was found to have positive effects on all three profitability measures: ROA, ROE, and NIM. The results of the study could help bankers and policymakers to take an effective action in order to improve banks' profitability.

III. Theoretical Review

Frictional Theory of Profits

This theory has it that there exist a natural rate of profit that is deemed as the return of capital which must accrue to the owners of the capital being, the reward for saving and investment of funds instead of having the option to consume all their income or leaving them un-invested. The theorist opined that in a static economy and supposing that there is no expectation in the change of demand in the long run, the firm would earn only normal rate of profit on the invested capital and management efficiency. According to Stigler (1964), frictional theory of investment accords firms in a competitive industry to receive or make profit. Thus, if prices were lower or cost higher than anticipated, entrepreneurs will receive less than the alternative product of their preferences. In our case, that may mean loss of their profit or absence of profit.

Risk and Uncertainty Bearing Theory of Profitability

Another theory upon which Commercial Banks profitability hinges which is worthy of reference in this study, is that which explains that profits are necessary reward for entrepreneurs. This the theorist argued that entrepreneurs bears risk and uncertainty in a changing economy. Therefore, it is submitted that profits arise as a result of uncertainty of time. Proponents of Risk and Uncertainty Theory observed that uncertainty is caused by changes in Government policies, laws of taxation, welfare and labour policies. These falls under the monetary and fiscal policies of the Central Bank of Nigeria whereas, movement of prices as a result of inflation and depression have been identified as further causes of uncertainty which are further accentuated by the vagaries or the uncertainty of the economy.

Managerial Efficiency Theory of Profit (Compensatory theory)

This theory observes that firms are more efficient than others in reference to productive management of operations and meeting with the needs and aspirations of their customers. Thus, companies with higher managerial acumen and skills tends to be more efficient and compensated with higher profits. Compensatory theory of profits emphasizes the need to promote managerial skill backed by regular capacity building. It is important therefore, to note that no theory can satisfy all explanations about profitability. However, economic profits are results of disequilibrium which arises from the dynamics of changes in the business environment and also the frictions also in the instant adjustments of new conditions.

IV. Methodology

Ex-post facto research design was employed in the study using panel data from annual reports and accounts for a period of ten years (2013-2023). The population of this study includes fifteen (15) listed Deposit Money Banks on the Nigeria Exchange that carried out banking business between 2013 and 2023 and published their annual reports during the period (Access Bank Plc, EcoBank Plc, Fidelity Bank Plc, First Bank of Nigeria Plc, First City Monument bank Plc, Guaranty Trust Bank Plc, Heritage Bank Plc, Jaiz Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, United Bank for Africa Plc, Union Bank Plc, Unity Bank Plc, Wema Bank Plc and Zenith Bank Plc). The rationale behind the choice of banking industry is due to the fact that banks are more involved in high risk

commercial activities and the concept of capital adequacy is more pronounced in the banking industry. The purposive sampling method was used in this study and 10 listed deposit money banks were adopted.

This study employed panel regression model to identify, explain and estimate the key relationship between bank specific variables and profitability of listed deposit money banks in Nigeria. Correlation analysis is a method of statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables (height and weight). Hausman test was used to determine which model is the best suited for this study whether fixed or random effect. The specific model given below for the Hausman test describes a convenient version for regression applications that involves testing whether certain transformations of the original regressors have zero coefficients.

The following multiple regression model will be used:

$$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 LIQ_{it} + U_{it}$$

Where;

ROA = Return on Asset (Profitability),

BAS= Bank Size (Logarithm of Total Asset)

LIQ = Liquidity Ratio (Liquid Asset /Total Assets),

β_0 = Constant term

$\beta_1 - \beta_2$ = Coefficient of the Independent Variables.

U = Error Term

Variables are in their natural ratio form.

The decision rule to test the hypothesis of the study is as follows:

If the p-value of the t-coefficient is less than 5% (0.05), the null hypothesis is rejected, otherwise accept.

Table 3.1: Variables Measurement

Variable	Nature	Measurement	Supporting studies
Return on Asset	Dependent	Net Income/Total Asset	Kiragu et al (2019),
Bank Size	Independent	Logarithm of Total Asset	Ojima and Ojima (2023),
Liquidity Ratio	Independent	Liquid Asset/Total Debt & Borrowings	Sultan et al (2020),

Source: Compiled by the Researcher, 2024

V. Results and Discussions

Table 1: Descriptive Statistics

	ROA	BAS	LIQ
Mean	9.672627	15.33344	58.34287
Median	13.33970	14.85370	55.85025
Maximum	23.75350	34.32490	144.1581
Minimum	-15.74964	0.579000	21.19330
Std. Dev.	22.08430	6.674006	17.85725
Skewness	-5.679787	0.137692	1.351861
Kurtosis	36.67138	2.750554	7.360083
Jarque-Bera	6314.008	0.690299	131.6022
Probability	0.000000	0.708114	0.000000
Sum	1160.715	1840.012	7001.144

Sum Sq. Dev.	58038.23	5300.540	37946.88
Observations	120	120	120

Source: E-Views 10, 2024. Authors Compilation

The table 1 revealed the data used in the study with Profitability (ROA), bank size and liquidity having a mean value of 9.672627, 15.33344 and 58.34287 which means that ROA, BAS and LIQ on an average rises marginally over the period for listed deposit money banks in Nigeria. The deviation from the mean (standard deviation) was 22.08430, 6.674006 and 17.85725; this means that ROA, BAS and LIQ was normally distributed because the standard deviation value was higher than the mean value. In like manner, it has a median of 13.33970, 14.85370 and 55.85025 with skewness and kurtosis of (-5.679787, 0.137692, 1.351861 and 36.67138, 2.750554, 7.360083 respectively). The maximum ROA, BAS and LIQ of listed deposit money banks in Nigeria as at the period of study was 23.75350, 34.32490 and 144.1581 which shows the highest ROA, BAS and LIQ of listed deposit money banks in Nigeria. The Jacque-Bera confirms the normality of the data.

Table 2: Correlation Matrix

	ROA	BAS	LIQ
ROA	1	0.220725	0.1196003
BAS	0.2207255	1	0.04839
LIQ	0.1196003	0.048392	1

Source: E-Views 10, 2024. Authors Compilation

Table 2 explained the correlation of impact of liquidity management on capital adequacy ratio of listed deposit money banks in Nigeria where the ROA was correlated with BAS to the value of 0.22 which signifies there is a correlation since the value is positive, While the ROA was correlated with LIQ to the value of 0.119 which signifies there is a high correlation since the value is positive.

Table 3: Hausman Test

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		1.525602	2	0.28492
Source: E-Views 10, 2024.				

The test enabled this research to choose the most appropriate between the fixed and random effect models. The result of the Hausman test in the table 3 indicates that the fixed effect regression model is the most appropriate model to analyse the data of the study. With the probability of 0.28492, the random effect was rejected. Therefore, the fixed effect estimator was used to run the regression.

Table 4: Panel Result

Dependent Variable: CAPITAL_ADEQUACY				
Method: Panel Least Squares				
Sample: 2013 2023				
Periods included: 10				
Cross-sections included: 10				
Total panel (balanced) observations: 120				

Variable	Coefficient	Std. Error	t-Statistic	Prob.
P	-49.15183	82.16460	-0.598212	0.5510
BANK SIZE	0.312920	0.316282	0.989371	0.3248
LIQUIDITY	0.423504	0.112638	3.759863	0.0003
	Effects Specification			
Cross-section fixed (dummy variables)				
Root MSE	15.40109	R-squared		0.509578
Mean dependent var	9.672628	Adjusted R-squared		0.433396
S.D. dependent var	22.08430	S.E. of regression		16.62354
Akaike info criterion	8.590087	Sum squared resid		28463.24
Schwarz criterion	8.984982	Log likelihood		-498.4052
Hannan-Quinn criter.	8.750456	F-statistic		6.688943
Durbin-Watson stat	1.779207	Prob(F-statistic)		0.000000

Source: E-Views 10, 2024. Authors Compilation

Bank size had insignificant effect on profitability of listed deposit money banks in Nigeria because the p-value was 0.3248 which was greater than the 5% significant level, indicating that a 1% increase in bank size will not have an increase in the profitability of listed deposit money banks in Nigeria by 0.3129. Meanwhile, liquidity had a significant effect on profitability of listed deposit money banks in Nigeria because the p-value was 0.003 which was less than the 5% significant level, indicating that a 1% increase in liquid assets will automatically increase profitability of listed deposit money banks in Nigeria by 0.4235.

The coefficient of determination (R^2) is 50.9%. It shows that 50% of change in the dependent variables is explained by the independent variables which means that, profitability variable used in the study explained variation on liquidity to the extent of 50%, while the remaining variation of 50% was explained by other variables not captured in the model. The probability of the F-Statistics which is less than 0.0000 indicates that the independent variables jointly explain the dependent variable. Therefore, the model is fit and appropriate.

VI. Discussion of Findings

Bank size had insignificant effect on profitability of listed deposit money banks in Nigeria which signifies that an increase in bank size will have no increase effect on profitability of listed deposit money banks in Nigeria. However, the implication of this finding indicates that banks may pose a greater risk to the financial system due to their interconnectedness and potential for contagion effects. Additionally, larger banks tend to be more vulnerable to financial shocks. This study agrees to the findings of Ojima and Ojima (2023). Therefore, the null hypothesis was accepted.

Meanwhile, liquidity had a significant effect on profitability of listed deposit money banks in Nigeria which signifies that increase in liquid assets will have an increase effect on profitability of listed deposit money banks in Nigeria. This work is in support with the findings of Sultan et al (2020). Therefore, the null hypothesis was rejected. The relationship between liquidity and profitability is significant, this implies that banks need to maintain sufficient liquidity to meet their obligations, avoid default and increase their profit level. Liquidity requirements can help ensure that banks have enough liquid assets to cover their short-term liabilities. However, liquidity requirements can also reduce the ability of banks to create net liquidity in equilibrium and impact investment and economic activity.

VII. Conclusion and Recommendations

This study examines effect of bank specific variables on the profitability of listed deposit money banks in Nigeria. In agreement with prior evidence from developed countries that show significant linkage between bank specific variables and profitability, the findings showed that bank size has insignificant effect on profitability of listed deposit money banks in Nigeria, while liquidity has significant effect on profitability of listed deposit money banks in Nigeria.

Based on the findings and conclusions from this study, the following recommendations are provided;

The study recommended that, considering the fact that bank size has no significant effect on profitability of listed deposit money banks in Nigeria, management of deposit money banks should concentrate on providing quality service to their customers instead of embarking on expansion which has no effect on earnings.

The study also recommended that management of deposit money banks should manage its liquid asset efficiently, in order to meet up their day to day financial obligations which will increase profitability.

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