

Financial Management Practices and Firm Value: Evidence from Tier One Deposit Money Banks in Nigeria

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ARTICLE INFORMATION	ABSTRACT
Article history: Published: October 2026	The study examined financial management practices and firm value of tier one deposit money banks (DMBs) in Nigeria from 2016 to 2025. The specific objectives of the study was to ascertain the effects of asset management (Non-Performing Loan), liquidity management (Loan-To-Deposit Ratio) and capital structure management (Debt-To-Equity Ratio) practices on firm value of the tier one DMBs. The ex-post-facto (causal-comparative) research design was employed. The study adopted census sampling approach—which involved studying the entire target population of the tier one DMBs. Three hypotheses guided the study. The study used secondary data—sourced through the annual published financial statements of the banks and Central Bank of Nigeria (CBN) statistical bulletin. The data were analyzed through descriptive and inferential statistical tools. Findings revealed non-performing loans (NPLs) has insignificant positive effect on firm value (TOBIN'S Q); deposit-to-equity ratio (DER) has insignificant positive effect on firm value (TOBIN'S Q) and loan-to-deposit ratio (LDR) has significant negative effect on firm value (TOBIN'S Q) of the tier one deposit money banks. In view of the preceding findings, the study concludes that financial management practices through non-performing loans (NPLs), deposit-to-equity ratio (DER) and loan-to-deposit ratio (LDR) managements practices does not significantly enhance market value (Tobin's Q) of the tier one deposit money banks (DMBs) in Nigeria. On the bases of these findings, and conclusions thereof, the following recommendations were proffered: the management of the tier one deposit money banks should adopt proactive loan restructuring and recovering strategies; shift their strategic focus to profitability and efficiency operational performance metrics to directly capture investors' interests, optimize as well as rejig their balance of Loan-to-Deposit Ratios to enhance the entities' values.
Keywords: Financial Management Practices Firm Value Tobin's Q Non-Performing Loans, Loan-To-Deposit Ratio Debt-To-Equity Ratio	

1. Introduction

In the contemporary global financial system, the banking industry functions as the principal engine for capital formation, liquidity allocation, and macroeconomic stability. Within the emerging market context of Nigeria, deposit money banks (DMB) represent the most critical component of the financial services sector—acting as the fundamental transmission channel for monetary policy initiatives orchestrated by the Central Bank of Nigeria (CBN). The ultimate strategic objective of these financial institutions is the maximization of shareholder value, which is explicitly captured by increase in shareholders' equity. However, the potency of listed deposit money banks to consistently optimize their market valuation is highly dependent on the efficiency of their financial management frameworks.

Financial management relates to strategic planning, directing, organizing and controlling financial undertakings to ensure the business objectives are accomplished (Newman et al., 2023). The preceding decade witnessed increased deployment of financial management strategies by DMBs, involving asset quality management, dividend policies, liquidity steering and capital structuring, among others, apparently to navigate the highly volatile macroeconomic environment—defined by severe foreign exchange fluctuations, hyperinflation, aggressive regulatory interventions from the apex bank, and general abysmal performance. Asset quality refers to the health of the entities' liquid assets—chiefly loan portfolio and investment securities—whose health status determine their capacity to generate interests. As the DMBs main operational assets, these securities must be proactively managed to guarantee continual performance—generating interest, without degrading into bad debt. The quality of an entity's asset reflects their likelihood of generating interests and the risk of default or non-performance (Kadioglu & Ocal, 2017). Deposit money banks maintain asset quality through a structured framework designed to track credit deterioration before it slides to capital depletion. This involves Loan Classification Model (LCM), Loan Loss Provisioning (LLP), and Non-Performing Loan (NPL) Ratio Monitoring, which is the ultimate index of asset quality—as it is being consistently monitored by the Central Bank of Nigeria (CBN). Non-performing Loans

(NPLs) are loans that are close to default or in default already (Jedidah et al., 2024). High levels of NPLs indicate poor asset quality, and vice versa. The ratio of non-performing loans to total loans of DMBs was at its peak in the last decade.

Liquidity management (proxied by loan-to-deposit ratio) emerged as one of the focal points of financial management practices of deposit money banks during the immediate past decade. Loan to Deposit Ratio (LDR) functions as the principal steering wheel for DMBs liquidity. Given that deposits represent commercial banks' main source of cash (funding), and loans represents their least liquid asset, the LDR determines exactly how much cash is loaned out vis-a-vis how much is readily available (liquidity), to meet unexpected demands. Hence, the LDR has been identified as a significant indicator of liquidity management in Nigeria (Owolabi & Alu, 2012). A higher LDR suggests a greater chunk of fund has been loaned out relative to deposit, which can enhance financial performance, but on the 'flip side' increases liquidity risk, if not effectively managed. A balanced LDR suggests prudent lending practices and efficient liquidity management strategy. This direct influence on liquidity has popularized LDR as a significant measure of DMBs long term financing stability, and resilience against liquidity shocks (Adekunle & Oke, 2018). By harmonizing stable funding sources with assets quality management, Nigerian DMBs can minimize liquidity risks and sustain profitability during periods of economic downturn.

Capital structure (debt-to-equity ratio) plays a defining and critical role in the financial management of Deposit Money Banks (DMBs). As commercial banks rely significantly on leverage (mainly customers' deposit and debt instruments) to fund their loan (lending) operations, striking the right balance between equity and debt proportions is crucial to their operational efficiency and financial health. As observed by Adams (2024), DMBs financial management revolves completely around balancing regulatory compliance, profitability and liquidity. Unlike a conventional business enterprise, deposit money banks cannot afford to ignore their capital structure—the minimum baseline—Capital Adequacy Ratio (CAR), mandated by the [Central Bank of Nigeria \(CBN\)](#). DMBs must use equity capital as a "cushion" or buffer to absorb loan losses. Where a DMB's has very little equity compared to its risk-weighted assets, the central bank of Nigeria can halt its lending, sanctions it, or revokes its license. In addition, a DMB's capital structure influences its cost of fund. Customers' deposits represents the cheapest form of debt financing, while equity and long term bonds are relatively expensive. Hence, managers must consistently tweak the mix. If they depend significantly on the expensive long term debt, the bank's Net Interest Margin (NIM) could be harmed—potentially crushing profitability. Similarly, in financial management, capital structure functions as a communication tool—signaling financial health to the public as well as investors on the Nigerian Stock Exchange. A well optimized capital structure therefore highlights financial health and stability. When a DMB maintains robust equity with structured debt, it reduces perceived default risk, increasing investors' confidence—which could drive up the entity's stock price and improves its market value.

Maximizing the market value of DMBs equity—the external measure of the entity's efficiency is a basic objective of financial management. However, the extent to which this objective was achieved over the period under investigation remains unknown. Although previous literature extensively documents banking performance using accounting metrics (such as Return on Equity or Return on Assets). There is still a critical lack of empirical evidence that captures the direct transmission mechanism between holistic financial management practices and forward-looking market value metrics—particularly during the high-stakes, post-pandemic, and recapitalization era (2016-2025). Therefore, by examining the precise empirical correlation between financial management measures and the market value of tier one DMBs (the FUGAZ group) in Nigeria, this study bridges the gap.

1.1 Objective of the study

The main objective of this study is to examine the impact of financial management practices on firm value of tier one Deposit Money Banks in Nigeria. The specific objectives include:

- To determine the effect of asset management practices (Non-Performing Loan) on firm value of tier one DMBs in Nigeria;
- To ascertain the effect of liquidity management (Loan-To-Deposit Ratio) on firm value of tier one DMBs in Nigeria;
- To evaluate the effect of capital structure management (Debt-To-Equity Ratio) on firm value of tier one DMBs in Nigeria.

1.2 Hypotheses

H₀₁. There is no significant effect of asset management practices (Non-Performing Loan) on firm value of tier one DMBs in Nigeria;

H₀₂. There is no significant effect of liquidity management (Loan-To-Deposit Ratio) on firm value of tier one DMBs in Nigeria;

H₀₃. There is no significant effect of capital structure management (Debt-To-Equity Ratio) on firm value of tier one DMBs in Nigeria.

2. Literature Review

2.1 Financial Management Practices

Financial management is one of the various functional areas of management because it is central to the success of any enterprise. The concept could be encapsulated as the management of a firm's finances in order to achieve its financial objectives. McMahon et al. (1993) conceptualized financial management based on mobilizing and utilizing resources/funds—the raising of funds necessary for financing the enterprise's assets, activities, and the allocation of these scarce funds between competing uses, and by ensuring the funds are effectively and efficiently used in achieving the enterprise's objectives. Financial management practices on the other hand relates to important managerial functions which deal with strategic organizing, controlling, planning, and directing of corporate financial resources. In the context of commercial banks/DMBs these managerial practices manifest as capital structure management, investment/asset management, investment/asset management, and dividend policy decisions, among others. According to Khalid and Muturi (2021), financial management refers to financial decisions made by those at the helms of corporate affairs and the tools and analyses employed in these decisions. Agyabeng-Mensah et al., (2020) describe financial management practices is similar light—as the process of managing financial resources of an enterprise, including managerial decisions regarding accounting, forecasting, budgeting, investment and financial reporting. This means corporate decisions on whether or not to issue more debt at the expense of equity; lease, or buy an asset, etc lie on financial management 'jurisdiction'. Abdullahi and Gichinga (2018) argue that the concept is one of the essential

components of overall managerial practices—as it emphasizes the responsibilities of managers (financial managers) in an enterprise. Nyongesa et al. (2017) concur with the above view, adding that the concept is a significant factor that determines corporate success and goal attainment. Khalid and Muturi (ibid) observed that proper implementation of financial management strategy is germane for service firms to access the required financial resources for growth, expansion and profitability. In the light of the foregoing, this study conceptualizes financial management practices as managerial functions saddled with the responsibility of deploying firms' financial resources towards accelerating shareholders' wealth, and by extension increasing entities' values. Financial management practices used in this study comprised of three constructs: asset quality, liquidity steering and capital structuring management practices.

2.2 Firm Value

Firm value refers to the total worth of a firm as perceived by investors in the capital market, which reflects its potency to generate future cash flows and sustain profitability (Damodaran, 2015). It integrates both accounting and market-based indicators of success, making it a crucial indication of business performance and financial health (Brealey et al., 2020). According to Pandey (2021), metrics like Tobin's Q, price-to-book ratio, or market capitalization are frequently used to measure firm value, which is the market's evaluation of a company's performance. Metrics including earnings per share (EPS), market price of shares, market value of equity, book value of equity, and price-earnings (P/E) ratio can also be used to determine firm value (Achema, 2023). Firm value in the context of Nigerian deposit money banks (DMBs) captures how well these financial organizations use dividend policy and financial management to increase shareholder wealth and guaranty long-term viability. Tobin's Q, price-book ratio, or market capitalization are measurements that show how investors view the bank's ability to control risks, preserve liquidity, and produce profits in a highly regulated and unpredictable financial environment, according to Okoye, Nwankwo, and Ofoegbu (2022). This study adopts Tobin's Q as a measure of firm value.

2.3 Non-Performing Loan Ratio and Firm Value

Loans that do not produce income for a considerable amount of time—that is, those whose principle and/or interest have been overdue for at least ninety days—are often referred to as non-performing loans. A bank loan is deemed non-performing if the borrower does not make the agreed-upon interest or installment payments for more than ninety days, according to the European Central Bank (2016). "Bad debt" is another term for non-performing loans. Bad loans and impaired loans are synonymous terms for non-performing loans (Fofack, 2005). By lowering bank capital, decreasing savings rates due to bank runs, accumulating losses, and simultaneously raising provisions to make up for these losses, these loans may have a negative impact on the amount of private investment, raise deposit liabilities, and limit the scope of bank credit to the private sector. In the absence of deposit guaranty mechanisms to safeguard small depositors, impaired loans may also lower private consumption and contribute to economic contraction, particularly when combined with a decline in gross capital formation during a credit crunch brought on by the depletion of bank equity and assets (Fofack, 2005). Study by Rachma et al. (2025) revealed high non-performing loan (NPL) ratios negatively affect firms' market value, driven by profitability erosion and negative investor signaling—suggesting cost control and effective credit risk management are significant for sustaining financial performance. Markets regard high NPL metrics as a red flag for future cash flow instability—lowering investor confidence and depressing equity valuations, such as Tobin's Q or Price-to-Book Ratio.

2.4 Loan-to-Deposit Ratio and Firm Value

One of the key financial indicators used in evaluating a bank's lending and liquidity policies is the loan-to-deposit ratio (LDR). It reflects the interplay between total deposits and total loans, expressed as a percentage. The LDR gives an instant picture of the proportion of loans (assets) a bank can create from its deposits (liabilities). It is expected that the larger the deposits/liabilities, the larger the amount of assets/loans banks can create. The LDR is therefore a useful instrument for evaluating the funding profile of banks - determining their level of liquidity, fund utilization, providing insight into their risk level, and intermediation activities, (Rengasamy, 2014). It is computed by dividing the total amount of loans by the total quantity of bank deposits. A bank that has a greater LDR can lend out a large percentage of its deposits, which can increase profitability but also raise the risk of liquidity problems. On the other hand, a lower LDR may indicate underutilization of available funds and a more cautious lending policy (Eke & Okafor, 2020). To guaranty that banks in Nigeria achieve a balance between lending and keeping sufficient liquidity, the Central Bank of Nigeria (CBN) has established regulatory rules for LDR. The LDR is significant because of its effects on economic expansion and financial stability. In order to control liquidity risk and guaranty they have enough fund to satisfy withdrawal requests, banks must maintain an ideal LDR. An overly high LDR may put a bank's stability at risk by causing liquidity shortages, particularly during hard times. However, an excessively cautious LDR may lead to lost chances to generate interest income and facilitate economic activity through lending (Adegboye & Olowookere, 2017). In order to ensure banks maintain a sound balance between risk and return, regulators frequently keep an eye on the LDR. It is currently pegged between 50% and 60% by the CBN. The LDR is a measure of the banking industry's contribution to financing economic activity in the larger economic context.

2.5 Debt-to-Equity Ratio and Firm Value

Debt to equity ratio (long term debt-to-equity ratio) (DER) is a financial indicator used for evaluating the ratio of a company's long-term debt to its shareholders' equity (Igwebuike & Onyali, 2023). This ratio is essential for comprehending the risk and financial leverage related to a company's capital structure. In particular, it assesses the proportion of a company's capital that comes from long-term debt as opposed to shareholder ownership. Loans, bonds, and other debt with maturities longer than a year are considered long-term debt, whereas equity is made up of shareholder capital and any retained earnings (Rascher, 2021). A company's heavy reliance on borrowed funds to support its operations is indicated by a high Long-Term Debt to Equity Ratio, which may suggest increased financial risk (Aghaebie & Oranefo, 2024). This high leverage suggests a sizable amount of the company's capital is derived from debt rather than equity, which could result in higher interest payments and greater susceptibility to downturns in the economy. On the other hand, a low percentage indicates the business has a more cautious approach to leveraging and is less dependent on debt funding. Because they have less financial obligations, these businesses may be more resilient to changes in the economy (Olaoye &

Omodara, 2023). Empirical evidence regularly demonstrates the market penalizes a Deposit Money Bank's valuation when its total debt-to-equity ratio is beyond a reasonable threshold. Excessive leverage is seen by investors on the Nigerian Exchange Group (NGX) as an indication of financial weakness, especially given Nigeria's unstable macroeconomic environment. As a result, banks with a larger equity capital cushion are preferred by investors.

2.6 Theoretical Framework

The study is anchored on signaling theory. The study's ultimate objective is to provide an explanation for variations in Firm Value, which is mostly influenced by outside market participants on the Nigerian Exchange Group. The Nigerian banking system had significant opacity between 2016 and 2025 as a result of regulatory actions, foreign exchange adjustments, and economic changes. Investors do not evaluate a bank based only on its internal accounting records in this opaque environment. Rather, they search for reputable financial activities. In addition to being operational decisions, capital structure balances, dividend consistency, and credit risk control are potent, clear indicators of a bank's actual financial health. As a result, Signaling Theory offers the most thorough framework for explicitly linking internal financial management choices to external market valuation. Signaling theory was developed by Michael Spence (1973) and brought into corporate finance by Bhattacharya (1979). The theory states that corporate managers have more information about a firm's future prospects than outside investors, which creates an asymmetric information gap. To close this gap therefore, managers utilized financial decisions as 'signals' to project confidence to the market. In the volatile Nigerian macroeconomic environment (2016–2025), dividend policies, asset quality management, liquidity steering and capital structuring choices served as critical signals on the Nigerian Exchange Group (NGX). When a Deposit Money Bank consistently pays cash dividends or portrays low leverage ratio notwithstanding currency devaluations or economic recessions, it signals underlying strength. This healthy/positive signals attract investors, reduces a bank's perceived risk, and drives up its market value—Tobin's Q.

2.7 Empirical Review

Ezuem and Sagbara (2026) examined the impact of capital structure on the performance of deposit money banks in Nigeria from 1998 to 2024, using debt ratio, equity ratio, and debt-to-equity ratio as indicators of capital structure, while return on assets was used as a proxy for bank performance. The study used an ex-post facto research design and secondary data from the World Bank/IMF Global Financial Development Database and the Central Bank of Nigeria Statistical Bulletin. All deposit money banks listed on the Nigerian Exchange Group during the study period made up the study's population. Data analysis methods used included descriptive statistics, the Breusch-Godfrey Serial Correlation LM Test, the Auto Regressive Distributed Lag (ARDL) model, and the Augmented Dickey-Fuller (ADF) unit root test. The findings revealed that debt ratio has a positive but insignificant effect on the performance of deposit money banks in Nigeria. Similarly, equity ratio was found to have a positive but insignificant effect on return on assets. However, debt-to-equity ratio exhibited a negative and statistically significant effect on banks performance, implying that excessive dependence on debt financing reduces profitability and increases financial risk. The study concluded that while capital structure significantly influences. Akinleye and Olatunji (2025) studied financial ratio performance and market value of listed deposit Money banks in Nigeria. The specific objectives of the study was to ascertain the impact of key financial ratios—Return on Assets (ROA), Loan-to- Deposit Ratio (LDR), and Cost-to-Income Ratio (CIR) on the market valuation (Tobin's Q) of listed Deposit Money Banks (DMBs) in Nigeria from 2015 to 2024. The study employed ex post facto research design. The population was made up of fourteen Deposit Money Banks (DMBs) listed on the Nigerian Exchange (NGX) as of Dec 31st, 2024, from which five were purposively sampled. Secondary data was used, sourced through audited annual reports and financial statements of the banking institutions and the Central Bank of Nigeria (CBN). The data was analyzed through descriptive and inferential statistical tools. Findings revealed significant positive relationship between Loan-to-Deposit Ratio (LDR) and Tobin's Q.

Namubiru G. (2024) studied financial Management Practices and Financial Performance of Commercial Banks, Kampala, Uganda. The aim of the study was to examine the contribution of financial management practices on financial performance of commercial banks in Uganda. The study was guided by three specific objectives: to examine how risk management influences financial performance of the Banks, how working capital management influences their financial performance as well as how assets management influenced their financial performance. The study population was seventy from which fifty nine were judgmentally sampled. A phenomenological approach—the use of both qualitative and quantitative research strategies were adopted. The study revealed that risk management had Adjusted R Square of 66.4%, while working capital management had Adjusted R Square of 51.9% and assets management had Adjusted R Square of 82.5%. It was therefore concluded that risk management is essential and significant in enhancing financial performance of commercial banks. The findings are consistent with the view that risk management is management function that is critical for proper financial performance. It was also indicated that assets management is a critical driver in enhancing the financial performance of the commercial banks.

Ihuoma et al. (2024) investigated debt to equity ratio and corporate performance of listed commercial banks in Nigeria for the period 2012 to 2023. The specific objectives was to ascertain the effects of long-term debt to equity ratio and short-term debt to equity ratio on the earnings before tax margin of the listed commercial banks. Ex-post facto research design was used. A population of thirteen (13) listed commercial banks was used, from which a sample of nine (9) was drawn through purposive sampling technique. Secondary data was used, sourced through the financial statements of the banks for the period under consideration. The data was analyzed using descriptive and inferential statistical tools. Findings revealed that long-term debt to equity ratio has a non-significant negative effect on earnings before tax margin; short-term debt to equity ratio has a non-significant positive effect on earnings before tax margin of the listed commercial banks. Based on these, the study concluded that debt to equity ratio does not significantly affect the corporate performance of commercial banks in Nigeria.

Aguwamba and Inobemhe (2023) investigated assessment of Non-Performing Loans and financial performance on Deposit Money Banks (DMB) in Nigeria Banking System. The specific objectives of the study was to examine the impact of non-performing loans on deposit money banks' (DMBs) financial performance in Nigeria, and the extent to which provision for loan-losses also affected

their financial performance between 2001 and 2021. The study used longitudinal research design. The population of the study consisted of nineteen Nigerian deposit money banks with international and national authorization, from which eight were purposively sampled. Secondary data was used, sourced through the annual published accounts of the banks. The data were analyzed with the aid of ordinary least square and panel regression analysis. Findings revealed that non-performing loans has negative impact on the financial performance of DMBs in Nigeria, thereby reducing both return on assets and return on equity of the banks.

Ajiboye et al, (2023) examined the influence of capital structure on the market value of listed Nigerian deposit money banks (DMBs) for the period 2012 to 2020. The longitudinal research design was adopted. Data on the market value and capital structure were obtained from secondary sources and the annual reports of the sampled banks for the period being studied. Findings revealed that total debt to equity ratio exerts linear negative effect on the market value while the effect of short term debt on the market value was also found to be linear and negative but not insignificant. The study therefore concluded that long term debt ratio had U-shape relationship with the market value, suggesting that long term debt is detrimental to market value in the short run, but in the long run it increases firm's market value.

Mutai and Miroga (2023) explored financial management practices and financial performance of commercial banks in Kenya from 2017 to 2021. The study aimed to determine the effect of financial management practices on the financial performance of commercial banks in Kenya. Credit risk management practices, liquidity management practices, capital structure management practices and working capital management practices were adopted as measures of independent variable, while Return on Assets proxied the dependent variable. Thirty-nine operational banks were used as target population. Inferential statistics was used for data analysis. The findings showed that liquidity management practices has insignificant positive relationship with ROA (0.004), capital structure management practices indicated significant positive relationship with ROA (0.001), credit risk management practices disclosed a significant negative relationship with ROA (-0.381), and working capital management practices indicated a significant positive relationship with ROA (0.063) of the banks.

Bala et al (2022) examined the influence of capital structure on the financial performance of quoted Deposit Money Banks in Nigeria. Ex-post facto research design was used for the study. The study population consisted of twenty four listed banks from which six were purposively sampled. Financial performance—dependent variable was proxied by Net Interest Margin while Capital Structure—Independent Variable was measured by Short Term Debt Ratio and Long-Term Debt Ratio. A panel regression model was used for data analysis. The findings revealed that at 5% level of significance, P-values indicates that short-term debt (STDTA = 0.94), TDTA = 0.31), both of which have considerable impact on ROA. While long-term debt (LTDTA) has a moderate impact on ROA.

Alhaji (2022) conducted a study to examine the relationship between capital structure and financial performance of commercial banks in Nigeria for the period of 2010 to 2019. The study employed ex-post factor research design. Five commercial banks were sampled from a population of thirteen using Judgmental sampling technique. Data were collected from financial statements of studied banks. The data was analyzed using inferential statistics (E-View 2010). Unit root test, Granger causality test and panel regression analysis were conducted. Findings showed that, capital structure variables significantly impacted the financial performance of the commercial banks. Furthermore, Equity to Capital Ratio and Debts to Capital Ratios improves the financial performance (Return on Assets) of the commercial banks over the period of study. But Debt to Equity Ratio, Total Debts and Total Equity did not impact the financial performance (Return on Assets) of the commercial banks.

Alzubi and Bani-Hani (2021) examined determinants of debt-to-equity and its impact on the performance of industrial companies listed on Amman stock exchange, Jordan, from 2005–2015. The objective of the study was to determine the debt-to-equity ratio, and its impact on the performance of industrial firms listed on the Amman Stock Exchange (ASE). The study population consisted of twenty firms out of which twenty were sampled using purposive sampling technique. The study used a numerical research model to source raw data, after which regression analysis was conducted. The result disclosed firm risk has a substantially positive impact on debt-to-equity and firm size; whereas tangibility and liquidity have a substantially negative impact on debt-to-equity. Also, the study found that debt-to-equity and firm size have substantially negative impact on performance; contrastingly, liquidity and tangibility possess a substantially positive impact on the industrial companies' performances.

Kenneth and Lateef (2020) examined Capital structure and financial performance of listed deposit money banks in Nigeria covering the period 2006 to 2019. The dependent variable, financial performance was proxied by return on assets, independent variables were represented by equity capital and leverage ratios, while asset tangibility and liquidity served as control variables. The study used ex-post facto research design. Secondary data was used—sourced from the annual reports and financial statements of the banks. Descriptive and inferential statistics were used to analyze the data. The results of both system dynamic panel Generalized Methods of Moment (GMM) estimator and Toda and Yamamoto (1995) granger non-causality model revealed that equity capital significantly and positively impact return on assets (ROA) while leverage ratio significantly but negatively affect return on assets (ROA). There was also a reverse causality relationship running from return on assets (ROA) to capital structure.

Nyongesa (2017) investigated effect of financial management practices on financial performance of insurance companies in Kenya. The study sought to establish the effect of financial management practices on financial performance of insurance companies in Kenya, using working capital management, capital budgeting techniques, capital structure decisions, and corporate governance as dimensions for financial management practices; while financial performance was measured by return on assets. The study adopted correlational research design. Both primary and secondary data were used—sourced through questionnaire and the firms' financial statements respectively. The data was analyzed using descriptive and inferential statistical tools. Findings showed that working capital management (a dimension of financial management practices) has positive and statistically significant effect on financial performance of the firms.

2.8 Gap in Literature

The external measure of an entity's performance—maximization of a firm's value is one of the core objectives of financial management. However, the extent to which this objective was achieved in tier one DMBs, particularly during the high-stakes, post-pandemic, and recapitalization era (2016-2025) remained unexplored. Although a number of studies on financial management practices covering 'conventional DMBs' were conducted over the period—they largely focused on backward-looking financial

performance/accounting based performances (return on assets, return on equity, return on sales, return on investment, profit margin, etc) to the neglect of forward-looking financial performance/market-based performances (Tobin's Q, market value added, market-to-book value, dividend yield, price-earnings ratio, etc). In addition, the studies reported ambiguous and contradictory evidences, and as such lacked consensus, which calls for further investigation. Therefore, by examining the precise empirical correlation between financial management measures and the market value of tier one DMBs (the FUGAZ group) in Nigeria, this study bridges the foregoing gaps.

3. Methodology

The study adopted ex-post-facto research design in examining the effect of financial management practices and firm value of tier one deposit money banks in Nigeria from 2016 to 2025. The ex-post-facto research design is suitable because it allows a researcher to examine existing financial data without manipulating any of the variables. The study adopted census sampling approach—as the entire study population comprising tier one DMBs—the FUGAZ group (First Hold Co Plc, United Bank for Africa Plc, Guaranty Trust Holding Company Plc, Access Holdings Plc and Zenith Bank Plc) were studied. The choice to study tier one elite DMBs was informed by a number of factors. Firstly, they possess high quality data, and their financial statements are published on time, strictly complying with international standards (IFRS/Basel III), hence they are highly reliable for econometric modeling. Secondly, the FUGAZ group command over seventy percent of the total banking sector's assets in Nigeria (CBN, 2026). Therefore, studying them in Post-2025 recapitalization provides insights that are significantly consequential across multiple dimensions, and the entire national economy. Relevant data for the study were sourced through the Nigeria Exchange Group (2025), the entities' reported financial records and the Central Bank of Nigeria statistical bulletins. The descriptive and inferential statistical tools (E-View Version 13) were employed for data analysis, at 5% level of significant.

3.1 Model Specification

To model the relationship between financial management practices and firm value econometrically, three predictors and one response variables were employed, resulting in one functional regression model. The functional form of the model is expressed as:

$$\text{Tobin's } Q = f(\text{NPL, LDR, DER}) \text{-----} (1)$$

This functional relationship is transformed into an econometric equation as follows:

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 \text{NPL}_{it} + \beta_2 \text{LDR}_{it} + \beta_3 \text{DER}_{it} + \varepsilon_{it} \text{-----} (2)$$

Where:

NPL = Non-Performing Loan Ratio

LDR = Loan-To-Deposit Ratio

DER = Debt-To-Equity Ratio

i = Individual Deposit Money Banks (i = 1, 2,...10)

t = Time Period (t = 2015, 2016,...2025)

β_0 = Intercept/Constant

$\beta_1 - \beta_3$ = Coefficients of the Predictors Variables

ε_{it} = Stochastic error term (idiosyncratic error)

Table 1: Measurement of Variables

Type of variables	Name Variables	Measurement Metric	Source Literature
Dependent	Tobin's Q	Ratio of market value of a firm's equity and total debts divided by the book value of its total assets	Jang, Choi and Kim, (2024); Fama and French (1998).
Independent	Non-Performing Loan Ratio	$\frac{\text{Total NPLs}}{\text{Total Gross Loans}} \times 100$	Metadata G. (2026)
Independent	Loan-To-Deposit Ratio	$\frac{\text{Total Loan}}{\text{Total Deposit}}$	Elly L. (2023)
Independent	Debt-To-Equity Ratio	$\frac{\text{Total Debt}}{\text{Total Equity}}$	Ihuoma et al., (2024)

Source: Author's Compilation, 2026.

4. Results and Discussion

This section presents the results of the study, structured into descriptive and inferential statistics such as analysis, pre-estimation tests, correlational analysis, regression analysis, hypotheses testing, post-estimation tests and discussion of findings. The results revealed insights on how financial management practices impacts the corporate value (shareholders' wealth) of tier one deposit money banks in Nigeria, over the studied period.

4.1 Descriptive Statistics

Data analysis starts with descriptive statistics, showing fundamental characteristics, patterns and summaries of specific tier one deposit money bank dataset for the period of investigation, before the estimation is done. The result is presented in table 2.

Table 2: Descriptive Statistics

	DER	LDR	NPL	TOBIN'S Q
Mean	0.555600	53.44800	6.332200	0.586400
Median	0.535000	53.70000	4.800000	0.485000
Maximum	1.240000	80.10000	26.00000	1.210000
Minimum	0.080000	25.10000	2.100000	0.280000
Std. Dev.	0.353854	13.92825	5.007131	0.252488

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Skewness	0.310582	-0.170268	2.879752	1.122007
Kurtosis	1.909463	2.450616	10.87431	3.098490
Jarque-Bera	3.281490	0.870392	198.2848	10.51104
Probability	0.193836	0.647138	0.000000	0.005219
Sum	27.78000	2672.400	316.6100	29.32000
Sum Sq. Dev.	6.135432	9505.805	1228.497	3.123752
Observations	50	50	50	50

Source: Author's Computation from E-View 13

Table 2 presents the mean, median, standard deviation, skewness, kurtosis and Jarque-Bera values for DER, LDR, NPL and TOBIN'S Q of the tier one deposit money banks in Nigeria. The mean values of the predictor variables (DER and NPL) are pulled upwardly by extreme positive outliers, indicating moderate normality—high market values for some of the banks. The other explanatory variable, LDR revealed the data is slightly pulled downward by negative outliers, suggesting low volatility. The measure of dispersion (standard deviation) is indicates low volatility, as the data points cluster tightly around the average, representing greatly stable and homogeneous banking atmosphere. The skewness of explanatory variables, DER and LDR showed moderate asymmetry, while that of NPL and TOBIN'S Q revealed moderate asymmetry, signaling average outlier distortions, not capable of affecting OLS estimations. For Jarque-Bera (JB), a subset of the variables violated the normality assumption while others met it. However, the violation was addressed by the ARDL estimation model.

Table 3: Unit Root Results

Variables	Test Type	Level At Level I(0) (p-value)	Level At First Difference I(1) (p-value)	Order of Integration	Status
TOBIN'S Q	ADF	—	0.0000	I(1)	Stationary at 1st Diff
DER	ADF	—	0.0000	I(1)	Stationary at 1st Diff
LDR	ADF	0.0072*	—	I(0)	Stationary at Level
NPL	ADF	0.0003*	—	I(0)	Stationary at Level

Source: Generated by the Author using E-view 13

The stationarity properties of the data were examined using Augmented Dickey-fuller (ADF). Table 3 shows two variables—LDR and NPL were stationary at levels, while TOBIN'S Q and DER were stationary at 1st difference (a mixture of I(0) and I(1) variables), implying the variables are mixed integrated—which calls for Autoregressive Distributed Lag (ARDL) estimation. The ARDL model is uniquely flexible and perfectly suited for this scenario. It simultaneously handles a mix of I(0) and I(1) variables—provided none of the variables is Stationary at 2nd Diff [I(2)].

4.2 Regression Analyses and Hypotheses Testing

Multiple regression analyses were conducted to examine the impact of financial management practices on firm value of tier one deposit money banks in Nigeria. The results are summarized below.

Table 4: Multiple Regression Results

Dependent Variable: TOBIN'S Q				
Fixed-lag linear regressors: NPL DER LDR				
Selected model: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
NPL	0.000517	0.008704	0.059402	0.9529
DER	0.065934	0.116530	0.565816	0.5746
LDR	-0.008802	0.002152	-4.090812	0.0002
C	0.633107	0.171259	3.696777	0.0006
R-squared	0.698708	Mean dependent var		0.592653
Adjusted R-squared	0.647268	S.D. dependent var		0.251162
S.E. of regression	0.149168	Akaike info criterion		-0.819199
Sum squared resid	0.912300	Schwarz criterion		-0.510331
Log likelihood	28.07038	Hannan-Quinn criter.		-0.702015
F-statistic	13.58292	Durbin-Watson stat		1.754455
Prob(F-statistic)	0.000000			

Source: Generated by the Researcher using E-view 13

The regression results on table 4 shows effects of the predictor variables (NPL, DER and LDR) on the criterion variable (TOBIN'S Q). NPL has insignificant positive effect on TOBIN'S Q of the tier one deposit money banks, with a coefficient (β) value of 0.000517 and a p-value of 0.9529. Suggesting weak positive impact on the market value of the firms. In essence, an increase in NPL would not decrease the firm value of the entities. Similarly, DER disclosed insignificant positive effect on TOBIN'S Q of the tier one DMBS, boasting a coefficient (β) value of 0.065934, and a p-value of 0.5746. This indicates low positive impact on the market value of the entities. Conversely, the regression result reveals LDR has significant negative effect on TOBIN'S Q of the tier one deposit money banks, with a coefficient (β) value of -0.008802 and a corresponding p-value of 0.0006. This implies an increase in LDR

triggers a corresponding decrease in TOBIN'S Q. The model's R² value of 0.6987 indicates that 69.9% of the variation in TOBIN'S Q is explained by the explanatory, highlighting the model's robustness. The F-statistic (13.583, p-value of 0.0000), further highlighting the statistical significance of the model generally.

In light of the foregoing findings, the null hypothesis (HO1) which states there is no significant effect of asset management practices (Non-Performing Loan) on the firm value of tier one DMBs in Nigeria is accepted. NPL has insignificant positive effect on TOBIN'S Q. This study does not align with that of Aguwamba and Inobemhe (2023), who investigated Non-Performing Loans and financial performance on Deposit Money Banks (DMB) in Nigeria, and submitted that non-performing loans has negative impact on the financial performance of DMBs. The current study indicated otherwise, perhaps due to the insignificant 'volume' of the failed loans over the study period. This can be partly credited to the efficiency of the regulatory authorities, who were up to their oversight functions in ensuring the banking entities 'key' to the regulatory requirements to the latter, over that challenging period. Furthermore, the null hypothesis (HO2) which states there is no significant effect of liquidity management (Loan-To-Deposit Ratio) on firm value of the tier one DMBs in Nigeria is hereby rejected. There is significant negative effect of LDR on TOBIN'S Q of the tier one deposit money banks in Nigeria. This findings disagrees with that of Akinleye and Olatunji (2025), who studied financial ratio performance and market value of listed deposit Money banks in Nigeria, and reported significant positive relationship between Loan-to-Deposit Ratio (LDR) and Tobin's Q. Moreover, the null hypothesis (HO3) which states there is no significant effect of capital structure management (Debt-To-Equity Ratio) on the firm value of tier one DMBs in Nigeria is hereby accepted. DER has no significant effect on TOBIN'S Q of the tier one deposit money banks in Nigeria. This finding aligns with that of Ezuem and Sagbara (2026), who examined the impact of capital structure on the performance of deposit money banks in Nigeria from 1998 to 2024 and reported that debt and equity ratios had positive but insignificant effect on the performance of deposit money banks in Nigeria.

Table 5: Post-Estimation Diagnostics Results

Variables	Centered VIF	Heteroskedasticity (B-P-Godfrey) (p-value)	Serial correlation (B-G LM Test) (p-value)	H-Normality [Jarque-Bera (JB)] (p-value)
TOBIN'S Q	—	0.5085	—	0.406751
NPL	3.0733	0.6685	0.9845	0.406751
DER	3.5014	0.8990	0.8715	0.406751
LDR	1.8784	0.6770	0.7591	0.406751

Source: Generated by the Researcher using E-view 13

The variance inflation factor (VIF) indicates the explanatory variables are distinct, implying the regression coefficients are stable and reliable. The Heteroskedasticity result reveals the models' residual errors are constant, as indicated by the p-values which are much within the threshold. This proves the statistical significance of the model is valid. The Autocorrelation/serial correlation test was also administered through Breusch Godfrey LM test. The results are positives (the residuals of the model are not correlated with each other), suggesting strong predictive validity of the explanatory variables—as p-values are within the benchmark. This status is corroborated by the Durbin-Watson result (1.7544) reported in tables 4—highlighting absence of serial correlation of the explanatory variables. The normality test through Jarque-Bera (JB) reported normal residual errors—as p-values are all within the threshold (p-values > 0.05).

5. Summary, Conclusion and Recommendations

The study examined financial management practices and firm value of tier one deposit money banks in Nigeria. Findings disclosed non-performing loans (NPLs) has insignificant positive effect on firm value (TOBIN'S Q); deposit-to-equity ratio (DER) has insignificant positive effect on firm value (TOBIN'S Q) and loan-to-deposit ratio (LDR) has significant negative effect on firm value (TOBIN'S Q) of the tier one deposit money banks. NPL indicates increases in bad loans does not statistically impact the tier one DMBs' market valuation. In other words, the stock market is largely overlooking the minor fluctuations in toxic debt in valuing the banks. However, corporate managers cannot afford to be complacent simply because the market isn't penalizing them yet. DER result showed changing the entities' leverage (increasing or decreasing their mix of debts relative to their equity capitals) did not trigger changes in their stock market valuations—as stock market's assessment of the banks' overall value remains largely unaffected. LDR suggests the market is penalizing the tier one DMBs for aggressive lending. Investors are viewing the banks' LDR as high – and as such is a dangerous threat to the DMBs liquidity and assets quality.

6. Conclusion

In view of the findings, the study concludes that financial management practices through non-performing loans (NPLs), deposit-to-equity ratio (DER) and loan-to-deposit ratio (LDR) managements did not significantly enhance market value (Tobin's Q) of tier one deposit money banks (DMBs) in Nigeria over the period investigated. These financial management practices dimensions are employed by investors and other market participants in assessing DMBs financial health, long term performance/survival prospects and capacity to generate returns on assets, among others—from which they are valued market-wise. Hence, these metrics must be significantly managed to stand a chance of winning investors' confidence and accelerating the entities' market valuation.

7. Recommendations

In line with the foregoing findings and conclusion thereof, the following recommendations were made:

- Managements of the tier one DMBs should adopt proactive loan restructuring and recovering strategies. They should clear off bad debts from the statement of financial position before investors' sentiments shift and starts depressing Tobin's Q. Also, instead of waiting for a loan to fully default, managements should proactively restructure terms for viable borrowers experiencing temporary cash flow shocks.
- The tier one DMBs should shift their strategic focus to profitability and efficiency. Since rejigging/tweaking debt levels did not significantly improve market value, managements must focus on operational performance metrics that directly capture investors' interests.

- Managers should optimize and rebalance the Loan-to-Deposit Ratio. They must actively manage their asset-liability mix to lower the LDR to an optimal, market-approved baseline. Moreover, DMBs managements should naturally lower the LDR without completely freezing their credit operations—they must desperately grow the denominators of their ratios—their deposit base.

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