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RATIO ANALYSIS AND MANAGEMENT DECISION-MAKING OF LIST DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study evaluated the effect of ratio analysis on management decision making of listed deposit money banks in Nigeria. In specific terms, the study assessed how current ratio, cash ratio, debt to equity ratio, and debt to asset ratio influenced return on investment. Ex post facto research design was adopted for the study which population was thirteen (13) listed deposit money banks in Nigeria. A total of eleven banks (11) was however purposively sampled. Secondary data were obtained from audited annual financial statements for the periods 2012 - 2024, were subjected further analysis using panel regression analysis technique for the test of the relevant hypotheses, after Hausman specification test. The findings revealed that: current ratio had a negative and significant effect on the management decision making of listed deposit money banks in Nigeria (b = -0.010939, p-value = 0.0000); cash ratio had a positive but insignificant effect on the management decision making of listed deposit money banks in Nigeria (b = 0.000280, p-value = 0.6625); debt to equity ratio had a negative and significant effect on the management decision making of listed deposit money banks in Nigeria (b = -0.000276, p-value = 0.0004); debt to asset ratio had a positive and significant effect on the management decision making of listed deposit money banks in Nigeria (b = 0.219299, p-value = 0.0000). It was concluded that ratio analysis significantly influences management decision making in deposit money banks in Nigeria. The study therefore recommended that bank managers in listed deposit money banks in Nigeria should maintain an optimal level of liquidity rather than holding excessive current assets, ensuring that available funds are actively deployed into profitable lending and investment opportunities to improve returns and strengthen decision outcomes.

Key words: *Cash Ratio, Current Ratio, Deposit Money Banks, Management Decision Making, Ratio Analysis*

INTRODUCTION

Management decision making has become a central part of how modern organizations survive and remain competitive in a rapidly changing business environment (Sharma, 2023). In the banking sector, especially among listed deposit money banks in Nigeria, decisions are made

under conditions of uncertainty, competition, regulatory pressure, and economic fluctuations. These banks play a critical role in financial intermediation by mobilizing deposits and providing credit to individuals, businesses, and government institutions. Because of this important role, their performance is closely watched by investors, regulators, and the public. Over the years, the Nigerian banking industry has experienced reforms, consolidation, and increasing demands for transparency and efficiency (Ofanson et al., 2022). These changes have made it necessary for bank managers to rely on financial information to guide their decisions. One of the main sources of such information is financial statements, which provide raw data about the financial position and performance of banks. However, raw accounting figures alone are not enough for decision making. They must be analyzed and interpreted to become useful for managerial judgment. This is where ratio analysis becomes important, as it transforms financial statement data into meaningful indicators that support evaluation and comparison across time and institutions (Das, 2023; Nuhu, 2014).

Management decision making is one of the most important functions of managers in any organization, particularly in the banking sector where financial risks are high and decisions must be accurate and timely (Silalahi et al., 2024). Olayode and Onou (2026) submitted that effective decision making determines how resources are allocated, how risks are managed, and how opportunities are identified and utilized. In today's business environment, banks operate in a highly competitive and regulated market where poor decisions can lead to financial losses, loss of customer confidence, and regulatory sanctions. As a result, managers depend heavily on financial information to guide their choices. Prior studies have shown that accounting information systems and financial reporting significantly support managerial decisions in banking institutions (Ofanson et al., 2022; Mohammed, 2024). Ratio analysis has become a widely used tool in this regard because it transforms complex financial statements into simple and comparable indicators. These indicators help managers evaluate liquidity position, capital structure, operational efficiency, and overall financial health of the bank. In addition, stakeholders such as investors, creditors, and regulators also rely on these ratios to assess the stability and performance of banks (Owolabi & Ibukun–Falayi, 2023; Ugwuene et al., 2023). For example, investors use financial ratios to determine whether a bank is profitable enough to generate returns on their investments, while regulators use them to ensure that banks maintain adequate capital and liquidity levels. In the Nigerian banking sector, where economic conditions can be unpredictable, the ability to interpret financial ratios correctly is very important for survival and growth. Empirical evidence further confirms that accounting

information significantly influences investment and managerial decisions across financial institutions (Etifit & Ekpe, 2022; Etifit & Ekpe, 2022). Management decisions in areas such as lending, investment, branch expansion, and risk management are often influenced by the interpretation of these ratios.

Management decision making in deposit money banks is expected to be guided by accurate, timely, and reliable financial information that reflects the true financial position and performance of the institution (Osazevbaru & Ikhu-Omoregbe, 2022). In such a situation, bank managers are able to carefully evaluate financial statements using appropriate analytical tools in order to assess liquidity, risk, and profitability before taking key decisions. Ratio analysis is meant to serve as a practical tool that simplifies financial data into meaningful indicators such as current ratio, cash ratio, debt to equity ratio, and debt to asset ratio. These measures are supposed to support managers in making sound decisions on lending, investment, capital structure, and resource allocation.

According to Umoh (2025), ratio analysis may have a strong influence on management decision making because it provides a structured way of evaluating financial performance and guiding strategic choices. In deposit money banks, key ratios such as liquidity, leverage, and efficiency ratios offer important information about financial stability and risk exposure. Studies have shown that profitability and liquidity indicators are central to investment and managerial decisions in banking institutions, although their impact may vary depending on context and firm characteristics (Abu, 2023; Owolabi & Ibukun–Falayi, 2023). When financial ratios indicate strong liquidity and manageable debt levels, managers are more likely to approve expansion projects, increase lending activities, or invest in new opportunities. However, when the ratios show financial stress or high leverage, managers may adopt more conservative strategies to reduce risk exposure. Digital transformation has further strengthened the use of ratio analysis and financial analytics, making decision-making faster and more accurate in modern organizations (Zhang, 2025). Similarly, artificial intelligence and advanced analytics have been recognized as emerging tools that enhance the interpretation of financial ratios and improve strategic decision outcomes (Sharma, 2023). The outcome of these decisions is often reflected in financial performance indicators such as return on assets, which measures how effectively management decisions translate into financial returns. Therefore, eventhough ratio analysis does not directly make decisions, it provides the foundation upon which management decisions are based.

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When properly applied, accounting ratios ought to help management understand the financial strengths and weaknesses of the bank, reduce uncertainty in decision processes, and support decisions that lead to improved financial performance (Osazevbaru & Ikhu-Omoregbe, 2022). In this way, ratio analysis becomes an important part of the decision support process within deposit money banks. However, in practice, financial statements are often prepared and reviewed, but the level of analysis carried out may not always be sufficient to support strong managerial judgment (Faello, 2015). In some cases, decisions are still made with limited use of financial ratios, or with inconsistent interpretation of key indicators such as liquidity, leverage, and profitability ratios. This situation raises concerns about how effectively financial data is being transformed into useful information for decision making within the banking environment. When financial information is not properly analyzed or fully utilized, management decisions may become less effective and more uncertain. This can affect important areas such as lending decisions, investment choices, risk management, and capital allocation. It may also lead to exposure to financial risk, reduced profitability, and weaker performance over time. In a competitive banking environment, inadequate use of ratio analysis can limit the ability of banks to respond appropriately to financial challenges and may also reduce confidence among investors, regulators, and other stakeholders.

Despite the growing literature on financial ratio analysis and management decision making, several gaps remain in studies on listed deposit money banks in Nigeria. Many works such as Ameen and Shareef (2026), Umoh (2025), Zhang (2025), Mohammed (2024), Abu (2023), and others focused on accounting information systems or selected financial ratios, but they often examined isolated outcomes like profitability or investment performance rather than linking ratio analysis directly to management decision making measured through return on investment. In addition, several studies were conducted in sectors such as manufacturing, microfinance, or public institutions, with limited focus on listed deposit money banks. Furthermore, most studies did not jointly examine current ratio, cash ratio, debt to equity ratio, and debt to asset ratio within a single model over a long period such as 2012 to 2024. This study is therefore conducted to address these gaps.

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Objectives

The main objective of the study is to examine the effect of ratio analysis on management decision-making of listed deposit money banks in Nigeria. The specific objectives were to:

1. assess the effect of current ratio on return on investment of listed deposit money banks in Nigeria.
2. examine the effect of cash ratio on return on investment of listed deposit money banks in Nigeria.
3. determine the effect of debt to equity ratio on return on investment of listed deposit money banks in Nigeria.
4. evaluate the effect of debt to asset ratio on return on investment of listed deposit money banks in Nigeria.

LITERATURE REVIEW

Ratio Analysis

Ratio analysis refers to a method used in financial evaluation where different figures from financial statements are compared in order to express relationships between them (Zhang, 2025). It is a way of presenting financial information in relative terms so that performance and position can be better interpreted. It involves taking numbers from statements of financial position and performance and expressing them in a form that makes comparison possible across time, companies, or industries (Sochima & Iyafekhe, 2018). This approach helps to simplify large volumes of accounting data into more interpretable forms that can guide financial judgement. Ratio analysis is also seen as a structured approach to examining how different financial items relate to each other within an organization. Instead of focusing on absolute figures such as total profit or total assets, it shows how these figures interact. Rashid (2021) noted that this relationship helps users of financial information to form a clearer picture of financial stability, operational efficiency, and overall performance. It is widely applied in banking, manufacturing, and service industries where financial data is regularly generated and needs interpretation for decision support.

Another important way to view ratio analysis is as a financial interpretation tool that transforms raw accounting data into comparative indicators (Sochima & Iyafekhe, 2018). These indicators allow users to assess trends over time and evaluate whether a business is improving or declining. It also allows comparisons between different firms regardless of their size, since ratios standardize financial data into proportions. This makes financial evaluation

more balanced and less influenced by scale differences between organizations. Ratio analysis can also be described as a bridge between financial reporting and decision making (Zhang, 2025). Financial statements alone present historical data, but ratio analysis organizes this data into relationships that can guide judgement (Uwah et al., 2023). It helps to interpret financial outcomes in a way that supports planning and evaluation. Through this process, financial information becomes more useful for assessing stability, efficiency, and performance patterns over time. In practice, ratio analysis is widely used in banking institutions where financial stability and risk evaluation are important (Zhang, 2025). It provides a way to examine how well an institution is managing its resources and obligations. It also supports comparison across different financial periods, making it possible to observe changes in performance. Because of this, it remains an important part of financial evaluation in corporate environments.

Current Ratio

The current ratio refers to a financial measure that expresses the relationship between current assets and current liabilities of an organization (Okonye & Chilezie, 2025). It shows how short term resources are positioned in relation to short term obligations within a financial period. This relationship is often used to evaluate how comfortably an organization can meet its immediate financial responsibilities using resources that are expected to be converted into cash within a short time (Onyeka et al., 2018). Current ratio also represents a snapshot of liquidity position at a particular point in time. It reflects how current financial resources stand against obligations that are due within the same operating cycle. When current assets are compared to current liabilities, the result presents a proportional view of financial readiness to settle debts as they fall due (Husna & Satria, 2019). This makes it an important figure in financial statement interpretation.

Current ratio is also regarded as a comparative financial expression that helps to assess changes in liquidity position over time (Mairafi et al., 2025). By observing how the relationship between current assets and current liabilities changes across financial periods, it becomes possible to identify shifts in financial strength or pressure. This makes it useful for monitoring financial health trends within organizations, especially in sectors where liquidity is critical. In financial analysis practice, current ratio is commonly applied in banking and corporate settings where short term obligations must be managed carefully (Husna & Satria, 2019). It provides a structured view of available resources relative to immediate financial

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commitments (Okonye & Chilezie, 2025). This helps stakeholders form a clearer picture of how financial obligations are supported by liquid resources. It remains a key element in evaluating short term financial position in many organizations.

H_{01}: Current ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

Cash Ratio

Cash ratio refers to a financial measure that expresses the relationship between cash and cash equivalents and current liabilities (Mairafi et al., 2025). It shows the extent to which an organization can settle its short term obligations using only the most liquid financial resources. These resources are those that are already in cash form or can be quickly converted into cash without delay. Cash ratio also represents a strict measure of liquidity because it focuses only on the most readily available financial assets (Musa, 2019). Unlike broader liquidity measures, it excludes other current assets and concentrates solely on cash based resources. This makes it a conservative indicator of financial readiness to meet immediate obligations. It reflects a highly cautious view of liquidity position. Another way to view cash ratio is as a financial stability indicator that shows immediate payment capacity (Al-Shammari & Al-Yahya, 2021). It highlights whether an organization holds enough immediate resources to cover debts that are due in the short term. This relationship is important in situations where quick settlement of obligations is required without relying on asset conversion or receivables collection (Mairafi et al., 2025).

Cash ratio can also be described as a refined liquidity comparison between available cash resources and short term financial demands (Okeke et al., 2021). It provides a clear picture of how much of the organization's obligations can be met without delay or additional financial conversion. This makes it useful in assessing financial preparedness under strict conditions where only cash resources are considered. In financial practice, cash ratio is often applied in environments where risk management and financial caution are important (Mairafi et al., 2025). It helps to evaluate how strongly an organization can respond to immediate financial demands using available cash resources (Musa, 2019). This makes it particularly relevant in banking institutions where liquidity management is essential for daily operations and financial stability.

H_{02}: Cash ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

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Debt to Equity Ratio

Debt to equity ratio refers to a financial measure that shows the relationship between what an organization owes and the funds contributed by its owners (Gunawan et al., 2022). It expresses how external borrowing compares with internal financing within a business structure. This relationship is often used to reflect the balance between obligations to creditors and the stake of shareholders in the business (Rachman et al., 2023). It provides a way of viewing how financial resources are sourced and how they relate to ownership interest. Debt to equity ratio also represents a structured comparison between borrowed funds and invested capital from owners. It shows how much reliance an organization places on debt in relation to equity financing (Susilawati et al., 2022). This relationship is important because it reflects how financial responsibility is distributed between lenders and owners. It is commonly used to assess the financial structure of an organization and how it supports long term stability.

Another way to view debt to equity ratio is as a financial balance indicator that shows the proportion of external funds used in relation to internal funds. It presents how financing decisions shape the overall financial position of a business (Aggreh et al., 2022). This comparison helps to describe how an organization funds its activities and how those funding choices relate to ownership contributions. It provides a structured view of financial commitments within the business. Debt to equity ratio can also be seen as a representation of financial dependence on borrowed funds compared to shareholders' investment. It shows the extent to which operations are supported by obligations to external parties rather than internal contributions. This relationship reflects how financial resources are structured within an organization and how that structure influences overall financial posture (Rachman et al., 2023). In financial practice, debt to equity ratio is widely used in evaluating corporate financial structure, especially in banking and investment decisions (Susilawati et al., 2022). It provides a clear comparison between liabilities and ownership funds, helping to describe the financial position of an organization in relation to its funding sources. It remains an important indicator in assessing financial arrangement patterns across different industries.

H_{03}: Debt to equity ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

Debt to Asset Ratio

Debt to asset ratio refers to a financial measure that shows the relationship between total liabilities and total assets of an organization (Gunawan et al., 2022). It expresses how much

of a company's assets are financed through borrowing. This relationship provides a view of how assets are supported by external financial obligations rather than internal resources. It reflects the level of financial claims placed on assets by creditors. Debt to asset ratio also represents a comparison between what the organization owes and what it owns (Rachman et al., 2023). It shows how financial obligations are tied to the overall asset base. This relationship is often used to describe how resources within a business are financed and how those financing arrangements relate to ownership of assets. It provides a structured view of financial reliance on borrowed funds.

Another way to view debt to asset ratio is as a financial structure indicator that expresses the proportion of assets funded through debt. It shows how much of the organization's resource base is tied to external financial commitments. This comparison helps to describe how financial resources are arranged and how ownership of assets is influenced by borrowing. It presents a clear picture of financial obligation attached to assets. Debt to asset ratio can also be seen as a representation of financial exposure in relation to total resources (Yahya & Hidayat, 2020). It reflects how deeply an organization is linked to external financing in the acquisition and maintenance of assets. This relationship provides a way of viewing how assets are distributed between ownership and creditor claims. It helps to describe the financial standing of an organization in relation to its resource base. In financial analysis, debt to asset ratio is commonly used to assess financial structure and stability, especially in corporate and banking environments (Rachman et al., 2023). It provides a clear picture of how assets are financed and the extent of financial responsibility attached to them. It remains an important measure in evaluating how organizations structure their resources and manage financial obligations.

H_{04}: Debt to asset ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

Management Decision Making

Management decision making refers to the process through which managers select courses of action from available alternatives in order to achieve organizational goals (Mohammed, 2024). It involves choosing between different options after evaluating available information and considering possible outcomes. This process is central to how organizations operate because it determines how resources are used and how objectives are pursued (Das, 2023). It reflects the role of managers in guiding organizational direction. Management decision

making also represents a structured process of judgment where information is interpreted to support action. It involves assessing situations, identifying possible choices, and selecting actions that align with organizational expectations. This process is influenced by available data, experience, and organizational priorities. It provides a way of directing organizational activities toward desired results (Ofanson et al., 2022). Another way to view management decision making is as a continuous process of selecting and adjusting actions within an organization (Abu, 2023). It is not limited to single events but occurs regularly as situations change. This process reflects how managers respond to internal and external conditions affecting the organization. It helps to maintain order and direction in organizational activities (Mohammed, 2024).

Management decision making can also be seen as a responsibility that involves choosing the most suitable path for achieving efficiency and stability within an organization (Yeshitila, 2022). It reflects the authority of managers to guide operations and allocate resources. This process is shaped by information availability and the need to achieve organizational goals in a consistent manner. In practice, management decision making is applied across all levels of organizations, especially in financial institutions where choices affect performance and stability (Mohammed, 2024). It involves interpreting financial and operational information to support planning and control. It remains a central function that determines how organizations respond to challenges and opportunities.

Return on Investment

Return on investment refers to a financial measure that expresses the relationship between profit generated and the cost of an investment (Oti et al., 2012). It shows how much return is obtained relative to the amount invested in a particular activity or resource. This relationship provides a way of assessing how effectively resources are used to generate financial returns (Nworie et al., 2024). It reflects the outcome of investment decisions. Return on investment also represents a comparison between financial gains and the resources committed to achieve those gains. It shows how investment activities translate into financial outcomes over a period of time. This relationship is often used to assess the efficiency of resource utilization within an organization. It provides a structured view of financial performance related to investments (Hanmaikyur et al., 2016). Another way to view return on investment is as a performance indicator that shows the level of benefit obtained from financial commitments (Dadd & Hinton, 2023). It reflects how investment decisions contribute to financial outcomes within

an organization. This comparison helps to describe how resources are converted into returns and how effective those conversions are over time.

Return on investment can also be seen as a financial evaluation measure that expresses the relationship between cost and gain (Nworie et al., 2024). It provides a way of understanding how much value is created from invested resources. This relationship helps to show how financial decisions translate into measurable results within an organization. In financial practice, return on investment is widely used to assess performance in both short term and long term decisions. It is commonly applied in evaluating business activities, projects, and overall management performance (Hanmaikyur et al., 2016). It remains an important measure in assessing how effectively resources generate financial outcomes in organizations.

Theoretical Review

Signaling Theory

This study was anchored on Signaling Theory which was first developed in 1973 by Michael Spence as part of his work on information flow in markets, particularly in situations where one party has more information than the other (Nworie, Oduche & Cyril-Nwuche, 2024). The main idea of Signaling Theory is that in situations of information imbalance, the more informed party sends signals to the less informed party in order to reduce uncertainty (Anaike et al., 2026). These signals are expected to be credible and costly enough that only firms with strong performance can consistently send positive signals. In a business context, financial information such as profitability, liquidity, leverage, and efficiency ratios serve as signals that reflect the true condition of a firm. Investors, managers, and other stakeholders rely on these signals to make informed judgments (Naveed et al., 2020). The theory also assumes that markets interpret these signals and respond accordingly, which can influence decisions such as investment, lending, and resource allocation.

In relation to this study, Signaling Theory is relevant because ratio analysis serves as a major tool through which listed deposit money banks in Nigeria communicate their financial condition. Ratios such as current ratio, cash ratio, debt to equity ratio, and debt to asset ratio act as signals that reflect liquidity position, financial risk, and operational strength. Management uses these signals when making decisions that affect investment outcomes, which are captured through return on investment in this study. When the signals from ratio analysis are strong, managers are more likely to make decisions that support growth and

improved performance. When the signals are weak, managers may adopt more cautious strategies. This makes the theory suitable for explaining how financial ratios influence management decision making in Nigerian deposit money banks.

Empirical Review

Ameen and Shareef (2026) examined accounting-based decision support systems and managerial decision-making in the banking sector in Iraq. Their study focused on internal control systems, decision-making tools, and financial accounting information using SPSS regression analysis. The findings revealed that decision-making tools significantly improved decision quality, while financial accounting information also had a strong positive effect on managerial decisions.

Umoh (2025) investigated accounting ratios and managerial decision-making in the Nigerian banking sector. The study used EPS, ROA, DPS, and profit after tax, analyzed through ex-post facto design and multiple regression in EViews. The results showed that EPS had a significant positive effect on profitability, ROA had an insignificant effect, and DPS showed no significant relationship with profitability.

Zhang (2025) explored financial ratio analysis and big data decision systems in the corporate and technology sector. Using revenue, cost, profit, assets, and equity, the study applied big data analytics tools such as Hadoop and Spark alongside financial modeling. The findings indicated improved data processing speed, higher accuracy in financial analysis, and greater efficiency in decision-making through digital systems.

Okonye and Chilezie (2025) studied financial ratios and corporate performance in Nigeria's manufacturing sector. The variables included current ratio, quick ratio, debt-equity ratio, and ROE, analyzed using OLS regression. The results showed that all ratios had mixed effects, with current ratio and debt-equity ratio having positive but insignificant effects, while quick ratio had a negative but insignificant impact on performance.

Hussaini et al. (2025) examined financing decisions and firm performance in Nigeria's industrial goods sector. Using debt ratios, dividend ratios, ROA, firm size, and age, the study employed GMM estimation. Findings revealed that total debt significantly affected performance, dividend-related ratios had significant influence, and both firm size and age were also significant determinants of financial outcomes.

Jibrin (2025) analyzed financial statement analysis and investment decisions in Nigeria's consumer goods sector. The study used profitability, liquidity, and leverage variables with panel regression (EGLS) in EViews. Results showed that profitability positively influenced investment decisions, while liquidity and leverage had negative significant effects.

Guilaire et al. (2024) investigated ratio analysis and decision-making in corporate firms in Cameroon. Using profitability, liquidity, efficiency, and investment ratios with survey-based regression analysis, the study found that all ratio categories influenced decision-making, with efficiency and investment ratios improving decision quality significantly.

Mohammed (2024) studied accounting information and managerial decisions in Iraq's public sector. Using financial reports and accounting information analyzed through SPSS regression, the findings showed that financial reports strongly influenced decisions, with accounting information acting as a strategic asset that significantly affected managerial outcomes.

Abu (2023) examined financial ratios and managerial decisions in Nigeria's manufacturing sector. Using profitability, liquidity, leverage, and market ratios with multiple regression, the study found that all ratio categories significantly influenced decision accuracy and managerial decision-making processes.

Ugwuene et al. (2023) analyzed accounting ratios and firm performance in multinational firms in Nigeria. Using debt-equity, liquidity, EPS, and interest coverage ratios with multiple regression in EViews, the study found that debt-equity positively affected EPS, liquidity improved performance, while interest coverage was not significant.

Das (2023) explored ratio analysis and managerial decisions in India's manufacturing sector through a case study approach. The findings showed that ratio analysis improved decision-making, made financial interpretation clearer, and supported managerial performance evaluation.

Nuhu (2023) reviewed financial ratio analysis and investment decisions in Nigeria's building materials sector. Using a literature-based analytical review of profitability, liquidity, solvency, and efficiency ratios, the study found that profitability supported investment decisions, liquidity indicated short-term strength, and solvency and efficiency ratios improved risk assessment.

Owolabi and Ibukun–Falayi (2023) examined ratio analysis and investment decisions in Nigeria's banking sector. Using liquidity, profitability, and debt-equity ratios with OLS regression, the study found that liquidity and profitability had negative effects on investment decisions, while debt-equity ratio reduced investment attractiveness.

Sharma (2023) studied financial analysis and corporate strategy using literature review in the corporate sector. The findings revealed that financial analysis reduced business risk, improved strategic decisions, and enhanced profitability and competitiveness.

Ofanson et al. (2022) examined financial accounting systems and decision-making in Nigeria's banking sector. Using accounting information systems and financial reports with regression and correlation analysis, the study found that accounting systems improved decision-making, while delayed reporting reduced efficiency and system quality enhanced performance.

Yeshitila (2022) investigated accounting information and managerial decisions in the construction sector. Using survey and descriptive analysis, the study found that accounting information influenced decisions, but its usage was weak due to low confidence in information quality.

Etifit and Ekpe (2022) studied accounting information and investment decisions in Nigeria's microfinance banking sector. Using regression analysis, the findings showed that accounting information significantly influenced investment decisions, reduced risk, and improved decision reliability. Gardi et al. (2021) examined financial reporting and managerial decision-making in SMEs in Iraq. Using survey analysis, the study found that financial reports influenced managerial decisions, report quality affected outcomes, and relevance of information improved decision effectiveness.

Ebe et al. (2021) investigated ratio analysis and investment decisions in Nigeria's banking sector. Using EPS, DPS, NPM, and ROA with SPSS regression, the findings showed mostly negative and insignificant effects, with only a few variables being statistically significant. Kasasbeh (2021) examined financing decisions and firm performance in Jordan's corporate firms using debt ratios, ROA, and ROE with GMM estimation. The study found that total debt and short-term debt negatively affected performance, while long-term debt improved profitability.

Agbata et al. (2021) studied financial ratios and firm performance in Nigeria's brewery industry. Using current ratio, debt-equity ratio, and ROA with correlation and regression analysis, the study found mixed effects, with current ratio negatively affecting performance and debt-equity influencing ROA. Ebimobowei et al. (2021) analyzed liquidity ratios and profit growth in Nigeria's oil and gas sector using regression analysis. The findings showed that liquidity ratios improved profit growth, profitability ratios enhanced performance, and both jointly influenced profit growth.

Sanyaolu et al. (2020) examined financial statement analysis and investment decisions in Nigeria's banking sector. Using fixed effect regression on profitability, liquidity, and leverage variables, the study found that profitability significantly influenced decisions, liquidity was insignificant, and financial analysis improved investment decisions. Osazevbaru (2020) studied value relevance of financial information in Nigeria's listed firms. Using EPS and operating cash flow per share with GARCH (1,1), the study found both variables were value relevant and jointly influenced decision-making.

Musa (2019) analyzed financial ratios and investment decisions in Nigeria's telecommunications sector. Using correlation analysis on liquidity and profitability ratios, the study found a strong relationship between ratios and investment decisions, particularly in 2017. Kharatyan et al. (2016) examined financial ratios and return on equity determinants in US non-financial corporate firms. Using DuPont components, PE ratio, PB ratio, and current ratio with OLS regression, the study found that tax burden, operating margin, asset turnover, and financial leverage significantly influenced ROE.

Enekwe (2015) studied financial ratios and corporate profitability in Nigeria's oil and gas sector. Using asset turnover, debt-equity, debtors turnover, and interest coverage with correlation and regression analysis, the study found that asset turnover and debtors turnover positively affected profitability, while debt-equity had negative effects. Nuhu (2014) examined ratio analysis and business decision-making in Nigeria's manufacturing beverage industry. Using descriptive statistics and percentages, the study found that ratio analysis improved interpretation of financial statements, supported performance evaluation, and enhanced forecasting decisions.

Van-Auken and Yang (2014) investigated financial statements and SME decision-making in China. Using financial statement usage and interpretation ability with logit regression, the

study found that frequency of information access influenced usage, interpretation ability affected decisions, and financial literacy improved report utilization.

MATERIALS AND METHOD

This study adopted an ex post facto research design. This design was considered appropriate because it allowed the researcher to examine the effect of variables that had already occurred without any form of manipulation. The study focused on ratio analysis as the independent construct, measured using current ratio, cash ratio, debt to equity ratio, and debt to asset ratio, while management decision making was represented by return on investment. The design made it possible to rely on historical financial data of listed deposit money banks in Nigeria and assess how financial ratios influenced managerial decision outcomes over time. The population of the study consisted of all thirteen deposit money banks listed on the Nigerian Exchange Group as at December 2024. These banks included Access Bank Plc, Ecobank Transnational Incorporated, Fidelity Bank Plc, First Bank of Nigeria Plc, First City Monument Bank Plc, Guaranty Trust Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, United Bank for Africa Plc, Unity Bank Plc, Wema Bank Plc, Zenith Bank Plc, and Jaiz Bank Plc.

A purposive sampling technique was adopted in selecting the final sample for the study. This was necessary because the annual reports of Unity Bank Plc and Jaiz Bank Plc were not fully available for the 2024 financial year at the time of the study. As a result, these two banks were excluded from the sample. The final sample therefore consisted of eleven listed deposit money banks, namely Access Bank Plc, Ecobank Transnational Incorporated, Fidelity Bank Plc, First Bank of Nigeria Plc, First City Monument Bank Plc, Guaranty Trust Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, United Bank for Africa Plc, Wema Bank Plc, and Zenith Bank Plc. The study relied solely on secondary data. The data were obtained from the audited annual financial statements of the selected deposit money banks. These financial statements were sourced from official publications and regulatory filings with the Nigerian Exchange Group. The data covered a thirteen year period from 2012 to 2024. The choice of this period was to ensure a consistent and comprehensive dataset that captured changes in financial performance and decision outcomes over time. The financial statements provided information required to compute the selected ratios used in the study, including liquidity, leverage, and efficiency measures, as well as return on investment.

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The collected data were analyzed using both descriptive and inferential statistical techniques. The descriptive analysis involved the use of mean, median, and standard deviation to summarize the characteristics of the variables. This helped in understanding the distribution and behavior of the financial ratios and return on investment across the selected banks. For inferential analysis, panel regression techniques were employed to examine the relationship between ratio analysis and management decision making. Prior to regression estimation, the Hausman specification test was conducted to determine whether fixed effect or random effect model was more appropriate for the analysis. The decision from the Hausman test guided the final estimation technique used in the study. The decision rule for hypothesis testing was based on a 5 percent level of significance. The null hypothesis was rejected when the p value was less than 0.05, indicating a statistically significant relationship between ratio analysis and management decision making. However, the null hypothesis was not rejected when the p value was greater than 0.05, implying that the relationship was not statistically significant.

The model used in this study was adapted from Umoh (2025), whose original model is stated as:

$LPAT_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 ROA_{it} + \beta_3 DPS_{it} + \varepsilon_{it}$ ……. Eqn 1.

Where LPAT represents log of profit after tax,

EPS represents earnings per share,

ROA represents return on assets,

DPS represents dividend per share,

β_0 is the intercept,

β_1 to β_3 are coefficients,

ε represents the error term.

This model was modified to reflect the objectives of the present study, which focused on ratio analysis and management decision making in listed deposit money banks in Nigeria. The adapted model was specified as follows:

$ROIit = \alpha_0 + \alpha_1 CUR_{it} + \alpha_2 CAR_{it} + \alpha_3 DTE_{it} + \alpha_4 DTA_{it} + \varepsilon_{it}$ …….. Eqn 2.

Where:

ROIit = Return on Investment for bank i in year t

CURit = Current Ratio for bank i in year t

CARit = Cash Ratio for bank i in year t

DTEit = Debt to Equity Ratio for bank i in year t

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DTAit = Debt to Asset Ratio for bank i in year t

α0 = Intercept term

α1 to α4 = Coefficients of explanatory variables

εit = Error term

Table 1 Measurement of Variables

Variable	Measurement Formula	Source
Return on Investment (ROI)	Net Profit / Total Investment	(Dadd & Hinton, 2023)
Current Ratio (CR)	Current Assets / Current Liabilities	(Okonye & Chilezie, 2025)
Cash Ratio	Operating Cash Balance / Current Liabilities	(Hargrave, 2025; Musa, 2019)
Debt to Equity Ratio (DTE)	Total Debt / Shareholders' Equity	(Okonye & Chilezie, 2025)
Debt to Asset Ratio (DTA)	Total Debt / Total Assets	(Hussaini et al., 2025)

Source: Author's Compilation (2026)

RESULT AND DISCUSSION

Descriptive Analysis of Data

Table 2 Descriptive Analysis

	ROI	CUR	CAR	DTE	DTA
Mean	0.048031	1.378711	0.146974	9.672537	0.883440
Median	0.034320	1.045500	0.109861	7.543708	0.882955
Maximum	0.251662	6.406601	9.227625	191.2096	1.186647
Minimum	-0.021162	0.001480	-17.26466	3.882548	0.795189
Std. Dev.	0.045594	1.078837	2.174387	16.10508	0.042624
Skewness	1.790289	2.000527	-2.551460	10.32350	2.530452
Kurtosis	6.836467	8.471167	33.56665	115.1328	19.53184
Jarque-Bera	164.0866	273.7384	5722.146	77458.66	1781.032
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	6.868366	197.1556	21.01729	1383.173	126.3320
Sum Sq. Dev.	0.295190	165.2722	671.3703	36831.05	0.257982
Observations	143	143	143	143	143

Source: Eviews 10 Output (2026)

Table 2 shows the descriptive statistics for ROI with a mean of 0.048031, indicating low average investment returns across the sampled banks. The minimum value of -0.021162 suggests occasional losses, while the maximum of 0.251662 shows limited peak performance. The standard deviation of 0.045594 reflects low dispersion around the mean, consistent with central limit theorem expectations for aggregated financial data. The distribution is positively skewed at 1.790289 and highly leptokurtic at 6.836467, with a Jarque Bera probability of 0.0000, indicating non normality. Table 2 also presents current ratio with a mean of 1.378711,

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suggesting moderate liquidity position on average. The range between 0.001480 and 6.406601 shows uneven liquidity levels across banks and time. The standard deviation of 1.078837 indicates noticeable variability. Positive skewness of 2.000527 and kurtosis of 8.471167 suggest concentration of values at lower levels with extreme high values, while the Jarque Bera probability of 0.0000 confirms non normal distribution.

For cash ratio in Table 2, the mean of 0.146974 indicates generally low immediate liquidity across the banks. The wide range from -17.26466 to 9.227625 reflects extreme fluctuations, possibly driven by reporting or operational variations. The high standard deviation of 2.174387 confirms strong dispersion. Negative skewness of -2.551460 indicates left tail dominance, while kurtosis of 33.56665 shows extreme peakedness. Jarque Bera probability of 0.0000 confirms deviation from normality. Debt to equity ratio in Table 2 shows a mean of 9.672537, indicating high leverage levels among the banks. The minimum value of 3.882548 and maximum of 191.2096 show very wide variation in capital structure. The standard deviation of 16.10508 confirms extreme volatility in leverage positions. Strong positive skewness of 10.32350 and kurtosis of 115.1328 indicate severe outliers and heavy tail distribution. The Jarque Bera probability of 0.0000 confirms non normality.

Debt to asset ratio in Table 2 records a mean of 0.883440, suggesting that a large portion of assets is financed through debt. The values range from 0.795189 to 1.186647, indicating relatively tight dispersion compared to other variables. The standard deviation of 0.042624 shows low variability. Positive skewness of 2.530452 and kurtosis of 19.53184 indicate moderate clustering with some extreme values. The Jarque Bera probability of 0.0000 confirms non normal distribution.

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Model Diagnostics

Test of Multicollinearity

Table 3 Test of Multicollinearity

Variance Inflation Factors
Date: 04/04/26 Time: 05:10
Sample: 1 143
Included observations: 143

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CUR	1.13E-05	2.845146	1.075798
CAR	2.61E-06	1.016016	1.011362
DTE	5.74E-08	1.659696	1.217457
DTA	0.008594	553.8658	1.277323
C	0.006779	558.4524	NA

Source: Eviews 10 Output (2026)

Table 3 presents the Variance Inflation Factor test for multicollinearity, which is used to examine whether the explanatory variables are highly correlated in a way that could distort regression results. The essence of this test is to ensure that each independent variable provides unique information in the model. The results show that current ratio, cash ratio, debt to equity ratio, and debt to asset ratio all have VIF values close to 1, ranging from 1.011362 to 1.277323. These values are far below the common threshold of 10, indicating that multicollinearity is not a problem in the model and that the variables are independently suitable for estimation.

Hausman Specification Test

Table 4 Hausman Specification Test

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.090206	4	0.0005

Source: Eviews 10 Output (2026)

Table 4 presents the Hausman specification test, which is used to determine whether a fixed effects or random effects model is more appropriate for panel data estimation. The essence of the test is to select the most consistent and efficient estimator for the analysis. The result shows a Chi square statistic of 20.090206 with a probability value of 0.0005, which is

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statistically significant. This indicates that the null hypothesis of random effects is rejected, meaning the fixed effects model is more appropriate for the study. This confirms that individual bank characteristics are correlated with the explanatory variables and must be controlled for in the model estimation.

Test of Cross-sectional Independence

Table 5 Test of Cross-sectional Dependence

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 13
Cross-sections included: 11
Total panel observations: 143
Note: non-zero cross-section means detected in data
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	113.1922	55	0.0000
Pesaran scaled LM	5.548405		0.0000
Pesaran CD	2.152435		0.0314

Source: Eviews 10 Output (2026)

Table 5 presents the test of cross sectional dependence using the Pesaran CD test, which is used to check whether error terms across different banks are correlated. The essence of this test is to ensure that the observations across banks are independent, which is important for valid panel regression results. The result shows a statistic of 2.152435 with a probability value of 0.0314, indicating the presence of cross sectional dependence. This means that shocks affecting one bank also tend to influence others, which is common in the banking sector due to shared regulatory and economic conditions. To address this issue, cross section weights were applied in the model estimation to correct for dependence and improve efficiency of the results.

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Panel Heteroskedasticity

Table 6 Test of Heteroskedasticity

Panel Cross-section Heteroskedasticity LR Test
Null hypothesis: Residuals are homoskedastic
Equation: UNTITLED
Specification: ROI CUR CAR DTE DTA C

	Value	df	Probability
Likelihood ratio	61.88959	11	0.0000

Source: Eviews 10 Output (2026)

Table 6 presents the panel heteroskedasticity test using the likelihood ratio approach, which is used to determine whether the variance of the error terms is constant across cross sections. The essence of this test is to ensure efficiency and reliability of regression estimates by checking for unequal variance across banks. The result shows a likelihood ratio value of 61.88959 with a probability value of 0.0000, indicating the presence of heteroskedasticity. This means that the error variance differs across the sampled banks, which could bias standard errors if not corrected. To address this issue, cross section weights were also applied in the model estimation to control for heteroskedasticity and improve the robustness of the regression results.

Test of Hypotheses

Hypothesis testing is used to determine whether the observed effects in a model are statistically meaningful or due to chance. It helps to assess whether each explanatory variable has a measurable effect on the dependent variable based on a chosen level of significance. In this study, it was applied to determine whether ratio analysis variables produce a statistically significant effect on return on investment in listed deposit money banks in Nigeria.

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Table 7 Test of Hypotheses

Dependent Variable: ROI
Method: Panel EGLS (Cross-section weights)
Date: 04/04/26 Time: 05:05
Sample: 2012 2024
Periods included: 13
Cross-sections included: 11
Total panel (balanced) observations: 143
Linear estimation after one-step weighting matrix
Cross-section weights (PCSE) standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CUR	-0.010939	0.002015	-5.428599	0.0000
CAR	0.000280	0.000639	0.437474	0.6625
DTE	-0.000276	7.60E-05	-3.630722	0.0004
DTA	0.219299	0.038237	5.735198	0.0000
C	-0.127995	0.034666	-3.692293	0.0003

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.571721	Mean dependent var	0.054826
Adjusted R-squared	0.524878	S.D. dependent var	0.046130
S.E. of regression	0.034598	Sum squared resid	0.153216
F-statistic	12.20504	Durbin-Watson stat	1.352858
Prob(F-statistic)	0.000000		

Source: Eviews 10 Output (2026)

Table 7 presents the panel EGLS regression results with cross section weights. The adjusted R squared of 0.524878 shows that about 52.5 percent of the systematic variation in return on investment was explained by the combined effect of current ratio, cash ratio, debt to equity ratio, and debt to asset ratio. This indicates a moderate explanatory power of the model in capturing changes in ROI. The Prob F statistic of 0.000000 confirms that the model as a whole was statistically significant at 5 percent level, meaning that the joint effect of the explanatory variables on ROI was not due to chance. The Durbin Watson statistic of 1.352858 suggests the presence of mild serial correlation, but the use of panel EGLS with cross section weights helped improve efficiency and corrected for heteroskedasticity and cross sectional dependence already identified in the diagnostic tests.

In Table 7, the constant term is -0.127995 with a probability value of 0.0003. The constant captures the baseline level of return on investment when all explanatory variables are held

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constant. This implies that, on average, ROI would decrease by 0.127995 units in the absence of changes in liquidity and leverage ratios. Since the probability value is less than 0.05, the effect of the constant is statistically significant at the 5 percent level, showing that the baseline level of ROI is meaningfully different from zero in the model.

Hypothesis One

H_{01}: Current ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

H_{01}: Current ratio has significant effect on return on investment of listed deposit money banks in Nigeria.

From Table 7, current ratio has a coefficient of -0.010939 with a probability value of 0.0000. This implies that a one unit increase in current ratio leads to a 0.010939 unit decrease in return on investment, showing a negative marginal effect on management decision outcome. This suggests that higher liquidity positions reduce the level of ROI generated by banks, possibly due to idle or underutilized current assets. Since the probability value is less than 0.05, this negative effect is statistically significant at the 5 percent level. Therefore, current ratio has a significant effect on return on investment in listed deposit money banks in Nigeria.

This may be because excess current assets, especially idle funds, can reduce the ability of banks to generate returns, thereby lowering return on investment. In practice, when banks hold too much liquidity, it may reflect underutilization of available resources, which can weaken decision outcomes related to investment and profitability. This finding aligns with the position of Jibrin (2025), who reported that liquidity had a negative significant effect on financial decisions, and Owolabi and Ibukun–Falayi (2023), who found that liquidity ratios negatively influenced investment decisions in deposit money banks. It is also consistent with Agbata et al. (2021), where current ratio negatively affected performance, and Kasasbeh (2021), who observed that excessive financial conservatism could reduce returns. However, this result disagrees with studies such as Guilaire et al. (2024), Abu (2023), and Ebimobowei et al. (2021), which found that liquidity ratios improved decision-making and performance, suggesting that the role of liquidity depends on how efficiently it is managed.

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Hypothesis Two

H_{02}: Cash ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

H_{02}: Cash ratio has significant effect on return on investment of listed deposit money banks in Nigeria.

Table 7 shows that cash ratio has a coefficient of 0.000280 with a probability value of 0.6625. This indicates that a one unit increase in cash ratio leads to a very small increase of 0.000280 in return on investment, showing a weak positive marginal effect. This suggests that higher immediate liquidity contributes slightly to investment outcomes, although the effect is extremely small in magnitude. However, since the probability value is greater than 0.05, the effect is not statistically significant at the 5 percent level. Therefore, cash ratio does not have a significant effect on return on investment in the sampled banks.

This may be due to the fact that holding cash alone does not guarantee productive use of funds, especially in a sector where funds must be actively deployed to generate income. Banks may maintain cash for precautionary reasons, but such reserves do not directly translate into improved decision outcomes unless they are effectively invested. This finding is in line with Sanyaolu et al. (2020), who reported that liquidity had no significant effect on financial decisions in the banking sector, and Umoh (2025), where some financial indicators showed no significant effect on performance. It also agrees with Ebe et al. (2021), which reported that several financial variables had insignificant effects. On the other hand, this result contradicts studies such as Guilaire et al. (2024), Abu (2023), and Etifit and Ekpe (2022), which found that financial indicators significantly influenced decision-making, suggesting that the effectiveness of cash-based measures depends on broader financial strategies and operational conditions.

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Hypothesis Three

H_{03}: Debt to equity ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

H_{03}: Debt to equity ratio has significant effect on return on investment of listed deposit money banks in Nigeria.

In Table 7, debt to equity ratio has a coefficient of -0.000276 with a probability value of 0.0004. This implies that a one unit increase in debt to equity ratio reduces return on investment by 0.000276 units, indicating a negative marginal effect. This suggests that higher leverage reduces investment returns, possibly due to increased financial burden and risk exposure. Since the probability value is less than 0.05, the effect is statistically significant at the 5 percent level. Therefore, debt to equity ratio has a significant negative effect on return on investment in listed deposit money banks in Nigeria.

This may be due to the increased financial risk and cost associated with high leverage, which can limit flexibility in decision-making and reduce profitability. When debt levels are high, banks may prioritize debt servicing over investment opportunities, thereby weakening returns on investment. This result is supported by Enekwe (2015), who found that debt to equity ratio had negative effects on profitability, and Kasasbeh (2021), who reported that debt reduced firm performance. It also agrees with Owolabi and Ibukun–Falayi (2023), where debt-equity ratio reduced investment attractiveness, and Jibrin (2025), who observed that leverage negatively affected financial decisions. However, this finding contradicts Ugwuene et al. (2023), who reported a positive effect of debt-equity ratio on earnings, and Okonye and Chilezie (2025), where the effect was positive though insignificant, indicating that moderate leverage may be beneficial under certain conditions.

Hypothesis Four

H_{04}: Debt to asset ratio has no significant effect on return on investment of listed deposit money banks in Nigeria.

H_{04}: Debt to asset ratio has significant effect on return on investment of listed deposit money banks in Nigeria.

From Table 7, debt to asset ratio has a coefficient of 0.219299 with a probability value of 0.0000. This shows that a one unit increase in debt to asset ratio increases return on investment by 0.219299 units, indicating a strong positive marginal effect. This suggests that higher asset

financing through debt contributes positively to investment outcomes, possibly due to efficient use of borrowed funds in generating returns. Since the probability value is less than 0.05, the effect is statistically significant at the 5 percent level. Therefore, debt to asset ratio has a significant positive effect on return on investment in listed deposit money banks in Nigeria.

This suggests that banks are able to use borrowed funds effectively to generate higher returns, possibly due to the strategic use of leverage in financing income-generating assets. When properly managed, debt can enhance operational capacity and support expansion, leading to better financial outcomes. This finding is consistent with Hussaini et al. (2025), who found that total debt to assets significantly influenced performance, and Abu (2023), where leverage ratios positively affected decision-making. It also aligns with Kharatyan et al. (2016), which showed that financial leverage influenced profitability, and Ebimobowei et al. (2021), where ratios collectively improved performance. However, this result contrasts with Kasasbeh (2021), who found that debt ratios reduced financial sustainability and performance, suggesting that the effectiveness of debt depends on how well it is managed within the organization.

CONCLUSION AND RECOMMENDATIONS

The results show that financial ratios shape how decisions are made in listed deposit money banks in Nigeria, especially in terms of how resources are managed and how returns are generated. The negative outcome linked to liquidity measures suggests that holding excessive short term assets may limit the ability of banks to generate higher returns, which reflects a trade off between safety and performance. At the same time, the weak role of cash ratio indicates that immediate liquidity alone may not be sufficient to influence decision outcomes in a meaningful way. The findings relating to leverage present a mixed picture, where reliance on equity relative to debt tends to reduce returns, while greater use of total debt in financing assets appears to support improved performance. This shows that not all forms of borrowing affect outcomes in the same way, and that how debt is structured matters for decision outcomes. Thus, the results highlight that financial ratios do not operate in isolation but reflect broader financial strategies that shape how banks balance risk, liquidity, and return. The pattern observed also suggests that management decisions are closely tied to financial structure, and that variations in these ratios reflect underlying choices that influence how effectively banks convert resources into returns.

In lien with the findings, the study recommended that:

i. Bank managers in listed deposit money banks in Nigeria should maintain an optimal level of liquidity rather than holding excessive current assets, ensuring that available funds are actively deployed into profitable lending and investment opportunities to improve returns and strengthen decision outcomes.

ii. Financial managers and treasury units should manage cash holdings carefully by converting idle cash into short-term, income-generating instruments, so that available liquidity contributes more meaningfully to return on investment rather than remaining underutilized.

iii. Executive management and board members should control the level of debt relative to equity by reducing overdependence on borrowed funds and strengthening shareholders' capital base, in order to limit financial risk and improve the quality of investment decisions.

Bank executives and financial strategists should make deliberate use of debt in financing productive assets by channeling borrowed funds into well-evaluated, high-yield projects, ensuring that leverage is applied

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