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Compliance Costs and Financial Performance of Deposit Money Banks in Nigeria

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Abstract

The study investigated the effect of compliance costs on the financial performance of deposit money banks in Nigeria. The variables comprising compliance costs are audit fees, AMCON fees, insurance costs, pension contribution costs, and professional fees. Fourteen (14) listed banks on the Nigerian exchange group were considered for the study with only twelve (12) banks employed. The study period covered between 2012-2021 financial years, which was the period of upward integration in the banking sector. To test the stated hypothesis, a unit root test was conducted to determine the stationarity of the variables under study, and the variables were cointegrated at 1(1). We estimated the regression using a vector error correction model. The findings revealed that the Log of compliance cost (COC) exhibited a long-run relationship with the Log of return on assets (ROA), and Granger causality also flowed from Log COC to Log ROA. Among other things, it was suggested that managers and corporate boards of deposit money banks should be proactive in ensuring compliance with regulations and internal policies of banks with less financial commitment to earnings and returns to improve bank performance.

Keywords: Compliance cost, audit fees, deposit money banks, financial performance, insurance cost, VECM

Introduction

It is common practice around the world that regulations are applied by both government and regulatory bodies in various sectors of the economy to help shape these economies and society at large. According to Maina and Okech (2018), these regulations are set to enthrone good governance that will engender growth and development and help organizations and society achieve broader objectives of socioeconomic welfare and environmental sustainability and establish the rule of law. Most of these regulations or rules elicit compliance from firms in these sectors, resulting in costs that affect the performance of the companies. According to Yusuf and Ekundayo (2018), the banking sector is highly regulated to ensure discipline and encourage good conduct. However, these regulations, if not properly controlled, can be burdensome.

The role played by deposit money banks in any society cannot be overemphasized, especially in providing financial services to its customers and businesses. The strategic role of these financial institutions cannot be overemphasized. This role includes but is not limited to, financial intermediation, where funds from surplus economic units are moved to deficit units to be utilized for the greater good of all. This flow of funds from one surplus entity to another, that is, deficit, eases the money flow in the economy, thereby enhancing growth. However, changes in roles occur, depending on the type of service and product offered by intermediaries. These services include, but are not limited to, the provision of loans and other financial aid that often generate

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costs as a result of compliance and have a bearing on bank performance.

Consequently, the cost of compliance will include all expenditures the firm incurs in adherence to regulations as it affects the firm's operation and existence. Rhinehart (2022) describes compliance costs as salaries of persons working in compliance, time and money spent on reporting (professional fees), or creation of new systems required to meet retention, pension contribution, insurance fees, and Asset Management Corporation of Nigeria fees. All these are referred to as Compliance Costs (Bolt-Lee et al., 2019). Companies may make payments to any relevant officer if no laws are flouted. Siheng (2017) on the other hand suggests that the compliance costs of a firm will include the legal cost incurred by the firm in any adjudication process either for or against it.

Austin (2021) classifies compliance cost into three dimensions to include (1) All fees and charges paid for any professional services rendered to the firm or person (2) All cost of legal services rendered or disbursement made and (3) all court costs and similar legal expenses. Similarly, Sundgren and Svanström (2014) maintain that compliance costs include all fees and charges duly documented and payable for professional and legal services. Legal Costs may be incurred by a person or firm in defense of an action, resulting in liabilities.

Compliance with legal guidelines, rules, and regulations is not negotiable between firms and relevant authorities. Compliance costs, therefore, are extra costs incurred by firms, especially banks, in ensuring the smooth running of their operations and compliance with extant rules and regulations setting them up. These costs sometimes overshoot the provisions made by various firms, leaving an array of contingent liabilities that more often affect the corporate existence of banks. In the sincere efforts of firms to abide by these rules and regulations, such as auditors' fees, contributions to pension funds, AMCON fees, insurance, and professional fees, a firm accumulates extra costs. These costs become the minuses of the annual returns of the organization. The challenge is a higher tendency for increased scrutiny from tighter regulations and greater difficulty for financial institutions to meet changing compliance requirements and keep business alive. However, the question remains as to whether these compliance costs have positive or negative effects on an organization's overall performance. What could have been the position of these firms in the absence of such costs? What would be the organization's faith were these costs to be reduced? Based on the above, this study examines the effect of compliance costs on the financial performance of deposit money banks in Nigeria. The significance of the work cannot be overemphasized, as it serves as an eye opener for banks and their regulators with regard to how to manage compliance costs that could set a once prosperous bank to a failed or liquidated bank, resulting in huge losses to the banks, their owners, depositors, and the nation at large.

Literature Review

Meaning of Compliance and Compliance Cost

Compliance connotes a state of conformity with established rules, regulations, or guidelines. In compliance, organizations adhere to applicable rules and regulations, whether they are industry or government regulations. The compliance function is a key component of financial institution defense for managing risk. Compliance ensures that deposit money banks and other companies operate with integrity while upholding internal policies and adhering to applicable laws and regulations put in place. Existing literature categorizes compliance into corporate and regulatory compliance. While corporate compliance is synonymous with rules, regulations, and organizational practices regulated by both internal and external bodies, regulatory compliance is administered by external bodies.

Firms use a wide range of tools and processes to ensure compliance. However, there is a risk that increased compliance may be costly. It must be understood that non-compliance or lax compliance may result in the worst outcome, which could eliminate any anticipated benefit that could accrue to the organization or damage the organization's reputation (Tan, 2022). However,

compliance costs should not be burdensome, such that they harm growth and profitability.

Compliance costs are the amounts that may be charged for services provided or disbursements made with respect to fees, as well as charges for professional services, legal services, payment for legal counsel, and other expenses. A Risk Management Association survey revealed that organizations spend a significant proportion of their revenue on compliance. This is because regulatory change has increased as a result of the increased complexity of the business environment and the fall from the global financial crisis that surfaced in 2008. Sundgren and Svanström (2014) maintain that compliance costs mean, with respect to any person, all reasonable, duly documented, out-of-pocket fees and charges of any counsel, accountants, auditors, appraisers, consultants, and other professionals to such person, and all court costs and similar legal expenses. Compliance costs can also be incurred in defending an action with respect to liability. The following are (but not limited to) examples of compliance costs: audit fees (audit costs), pension contributions, Asset Management Corporation of Nigeria (AMCON) costs, insurance costs, insurance premiums, professional fees, bank charges, health benefits, and so on.

Audit Cost

Audit fees are fees received by auditors for their professional services, depending on the complexity of the services and the level of expertise. Audit fees or audit costs are the fees payable to the company's external auditor to provide auditing services (Hassan & Naser, 2013). Furthermore, firms pay these costs to accounting firms to audit their financial statements (Goodwin & Wu, 2016). This is the fee the firm pays for audit services during the accounting period. Kajola et al. (2022) argue that highly profitable firms are likely to pay higher audit fees. However, they maintained that such audit firms must be rigorous in carrying out their work to validate transactions, as reported in clients' financial statements. Liu (2017) defines an audit as an economic remuneration or agency fee incurred for audit services by organizations. In all audit fees is the total cost incurred in conducting an audit by firms that complies with the statutory requirements for listed firms. In this study, audit fees are a component of compliance costs.

Pension Contribution

A major focus of the Pension Reform Act (2014) in Nigeria was to ensure that workers who had worked and retired received their benefits and entitlements as at when due. In compliance with this Act, banks and other firms alike, including their subsidiaries, enroll in the contributory pension scheme. The Act stipulates a minimum contribution of 18% of the monthly emoluments shared by 10% of the employer and 8% of the employee. These contributions, in line with the Act, are held in trust by an identified pension fund administrator (PFA) and warehouse by a pension fund custodian (PFC), usually a bank (Hoang, 2021). Entities operating outside Nigeria contribute to the pension laws in their jurisdictions (Guaranty Trust Bank Annual Report 2022).

Asset Management Corporation of Nigeria (AMCON) Costs

AMCON is a body established by the National Assembly of Nigeria Act in 2010 (AMCOM, 2010). The body was established as a tool for revitalizing or stabilizing operations in the financial system so as to be able to function at the required capacity, especially with respect to non-performing loan assets of financial institutions in Nigeria (AMCONPD, 2013). Nigeria's Asset Management Company holds, manages, and disposes of viable bank assets (CAMA, 1990). Additionally, the AMCON Practice Directions (2013) provide updated terminology and special debt recovery procedures and ensure that court proceedings are concluded as speedily and efficiently as possible. Moreover, the primary objective of the AMCON Act is to assist eligible financial institutions with the effective disposal of bank assets.

Insurance Costs

Insurance is a contract (policy) in which an insurer indemnifies another against losses from specific contingencies and/or peril.

All collateral must be protected through insurance. Exceptions include cash collateral, securities in safekeeping, indemnity, guarantees, or where our interest is general (for instance, in a negative pledge). An insurance policy must be issued by an insurer acceptable to the Group.

Professional Fees

Professional fees can be described as income or revenue earned or accruing to an individual or an organization for services offered in specific fields of science or art, such as accountants, doctors, architects, lawyers, or a firm made up of these persons. In other words, professional fees are paid to enjoy the benefits of professional services. A professional is an individual who is skilled in her field. The fee paid, is determined based on the knowledge and expertise of the service provider. Professional fees are often incurred in adherence to stipulated rules or regulations by banks and other firms alike, and form part of the expenses incurred to ensure the smooth running of the corporate entity.

Financial Performance

Financial performance measures how a firm utilizes its assets to generate profits. Profitability is a business compass used to measure organizational performance. It reflects how the firm makes use of its resources to make a profit (Kajola et al., 2022). They further opined that firms reporting high profits ought to disclose more information to the public. Having reviewed the components of the variables in the study, we therefore hypothesized that Compliance cost has no significant effect on the performance of listed deposit money banks in Nigeria

Theoretical Review

Shareholders' Value Maximization Theory

Friedman's (1970) shareholder value maximization theory underpins this study. The shareholders' value maximization theory reveals the social responsibility of businesses to owners and the social environment. The theory advocates for the smooth running of business operations that allows these businesses to generate lawful revenue while operating competitively devoid of fraud and irregularities and creating value for its shareholders. Value maximization is assumed to be created by managers (agents) through competitive earnings and returns and a playdown on wastage and recklessness by managers. Thus, business exists to maximize shareholder value and the progress of the society in which it operates. Hence, charges incurred by deposit money banks in compliance with banking regulations should not become a burden that would reduce earnings and profitability, thereby restricting shareholder wealth maximization. Managers cannot fulfil their duties of optimizing shareholders' value maximization if the earnings intended for financial growth are used to settle regulatory commitments.

Empirical Review

Bani-Khalid et al. (2022), using 385 questionnaires, examined what determines Jordanian SMEs' tax compliance intention. The data gathered were analyzed using partial least squares structural equation Modelling (SEM) to establish predictive relevance. The findings revealed behavioral attitudes, subjective norms, and perceived behavioral behaviors. Kajola et al (2022) examined the factors that influenced audit fees paid by ten (10) Nigerian banks over fifteen years (15) that is 2006-2020. Three attributes were specified: board-specific attributes (board size and board independence), firm-specific attributes (bank size, leverage, and profitability), and audit firm-specific attributes (audit tenure and joint audit) and used as proxy variables for audit fee determinants. Pooled OLS regression was used in this study. It was found that board independence, size, and leverage positively affect audit fees, but joint audits have a negative and significant effect. However, the relationships between profitability, audit tenure, and board size could not be confirmed; hence, there was an insignificant relationship.

Akonye et al. (2019) investigated the effect of monetary sanctions arising from regulatory violations on the performance of Deposit Money Banks (DMBs) in Nigeria. Specifically, the study examined the relationship between Corporate Governance Non-compliance Charges (CGNC)

and Operational Non-Compliance Charges (ONC) on the performance of (DMBs) in Nigeria. Data from eight (8) systematically Important Banks according to the Central Bank of Nigeria classification were used purposively from 16 deposit money banks listed on the Nigerian Stock Exchange as of December 31, 2018. The results of the regression analyses showed a significant and negative relationship between the variables and recommended that deposit money banks should have a culture of self-regulation in line with CBN guidelines. Orji and Nwaeze (2022) examined the influence of audit fees on the financial performance of deposit money banks in Nigeria. Data from ten (10) banks in Nigeria from 2014 to 2020 were analyzed using the Generalized Method of Moments (GMM) model. The findings reveal a positive and significant relationship between audit fees and bank financial performance. Firm size and leverage have a negative but significant relationship with financial performance. The study recommends that for better reliance on financial reports by users, banks should ensure that audit fees translate into better quality. Similarly, Yusuf and Ekundayo (2018) conducted a study on regulatory penalties and performance of deposit money banks in Nigeria. Panel data for fifteen (15) banks from 2006 to 2015 were analyzed. The results revealed that penalties imposed by regulators in the Nigerian banking industry had no significant effect on defaulters' performance. The insignificant impact of penalties on performance implies that deposit money banks have considered the penalties imposed by regulators as operational expenses and transferred them to customers.

Arumona and Nev (2022) studied the effect of audit fees on the financial performance of quoted consumer goods in Nigeria. A sample of ten purposively selected consumer goods firms listed on the Nigerian exchange group, covering six years from 2014 to 2019, was analyzed. The results show that audit fees determine the financial performance of selected companies. It is recommended that companies should have contracts with auditing firms for more than three years to improve the quality of audited financial reports. Musah (2017) adopting Simunic (1980) model used data from companies in Ghana for the period 2010-2014l, found a significant and indirect relationship between client's profitability and audit fees. Hossain and Sobhan (2019) found a positive but insignificant relationship between client profitability and audit fees. Further, Ayadi et al. (2015) established that compliance to the international regulatory standards and protocols tend to enhance the banks' operating efficiency.

Methodology

Research Design

An ex post facto longitudinal research design was employed in this study. These research designs were employed because all the necessary data to achieve the study's objective were already available historically in the published annual financial reports of individual banks and the Nigerian Stock Exchange database. A longitudinal research design is possible when time series and cross-sectional data are used (Gujarati & Porter, 2009). These designs also help identify the cause-effect relationship between the independent and dependent variables of the study.

Sampling and Data Collection

Our research focuses on the banking sector of Nigeria, specifically the deposit money bank. All Fourteen (14) quoted (listed) deposit money (or commercial) banks in Nigeria as at 31st December 31, 2022, were used in the study. However, two banks were excluded, one being a non-interest bank, while the second had its report dollar-denominated. The study period covers the financial years from 2012 to 2021. Data were sourced from the audited financial statements of the banks. These audited financial statements were used because the statement has undergone scrutiny by the relevant regulatory agencies and is certified true for use by all relevant stakeholders and researchers alike.

Data Analysis and Model

A Vector Error Correction Model (VECM) was used to estimate the regression. The vector error correction model was used to ascertain the long- and short-run relationships between the study variables. This was because the variables were stationary at the first difference, and both

were cointegrated. The vector error correction model consists of a VAR model of the order p - 1 on the differences of the variables, and an error-correction term derived from the known (estimated) cointegration relationship. The specified model of the study is a modified form of what was obtained in previous studies (Olutokunbo et al., 2020; Kajola, et al., 2022). The model is as shown below,

$$\Delta Xt=\alpha\ (\beta' Xt-1-\mu)+\Gamma 1\Delta Xt-1+\epsilon t$$

Table 1
Measurement of Variables

Variable	Description	Measurement	Source
COC	Compliance cost	Addition of all cost incurred to comply with rules and regulations	Kajola, et al (2022), Arumona and Nev (2021), Orji & Nwaeze (2022).
AUC	Audit Cost	Amount paid to the Audit firm as stated in the Annual Report	Audited Annual reports 2012-2021
PRF	Professional Fee	Natural log of log of Professional fee	Musah (2017), Mohinder, Rajeev and Yun (2011), Audited Annual reports 2012-2021
AMF	AMCON Fee	Natural log of log of Assets Management Commission of Nigeria	Audited Annual reports 2012-2021
PCC	Pension Contribution Cost	Natural log of log of PCC	Audited Annual reports 2012-2021
INC	Insurance Cost	Natural log of log of Insurance cost of banks	Audited Annual reports 2012-2021
ROA	ROA is an indicator of financial performance of banks	$\frac{\text{Profit aftertax}}{\text{Total assets}}$	Arumona and Nev (2021), Kajola *et al*, (2022), Orji & Nwaeze (2022).

Source: Authors' compilation from various empirical studies (2023).

Results and Discussions

Table 2
Descriptive Statistics

	LOGROA	LOGCOC
Mean	0.162337	7.310945
Median	0.176091	7.321523
Maximum	0.792392	8.689358
Minimum	-0.920819	6.544848
Std. Dev.	0.307564	0.397530
Skewness	-0.301459	0.495182
Kurtosis	3.376844	3.918973
Jarque-Bera	2.506540	9.050595
Probability	0.285569	0.110831
Sum	19.31806	870.0025
Sum Sq. Dev.	11.16230	18.64752
Observation	120	120

Source: Authors Computation from E-views (2023).

Table 2 shows a breakdown of the statistics for the variables under study. The minimum compliance cost incurred by the selected listed banks was 6.55 and the maximum compliance cost was a logged value of 8.68. The average compliance cost was a logged value of 7.31. In the same vein, the minimum value of Log ROA is -0.921,the maximum is 0.792, and the mean statistic of Log ROA is 0.162. The Jarque- Bera statistics stood at 2.506 and 9.050for Log ROA and Log COC, respectively, with probability values of 0.285 and 0.110, respectively, which indicates that the data set is normally distributed and can be used for statistical inference.

Unit Root Test

The unit root test for stationarity was carried out on the study variables to determine their level of stationarity and the validity of the time series to be included in the study. The decision rule here is that if the p-value is less than 0.05, then the null hypothesis is not sustained, and there is no unit root in the series tested. The test results indicated that both variables of log ROA and log COC were stationary at the first difference, that is, at 1(1). Therefore, we went ahead to see if the variables were cointegrated and whether the long-run relationship exist.

Panel Cointegration Test

A cointegration test is used to ascertain the stationarity of time-series data and determine whether they have a stable, long-run relationship. The cointegration test helps identify the long-run parameters or equilibrium for two or more variables.

Table 3
Cointegration Test

Series: LOGROA LOGCOC
Date: 05/18/23 Time: 17:50
Sample: 2012 2021
Included observations: 120
Cross-sections included: 12
Null Hypothesis: No cointegration
Trend assumption: Deterministic intercept and trend
Automatic lag length selection based on SIC with lags from 0 to 1
Newey-West automatic bandwidth selection and Bartlett kernel

Alternative hypothesis: common AR coefs. (within-dimension)

	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-0.964085	0.8325	-2.726794	0.9968
Panel rho-Statistic	-0.072119	0.4713	0.476595	0.6832
Panel PP-Statistic	-7.776188	0.0000	-9.100147	0.0000
Panel ADF-Statistic	-7.736488	0.0000	-8.057021	0.0000

Alternative hypothesis: individual AR coefs. (between-dimension)

	Statistic	Prob.
Group rho-Statistic	2.092009	0.9818
Group PP-Statistic	-9.602466	0.0000
Group ADF-Statistic	-6.958021	0.0000

Source: Authors computation from E-views 2023

From Table 3, six (6) out of the eleven (11) statistics were significant, as revealed by the value of their probability, which was less than 0.05. The rule of the majority was therefore applied to conclude that the series tested were cointegrated and therefore exhibited a long-run relationship between them. Having satisfied the cointegration condition, we estimated the vector error correction model (VECM) to determine the long- and short-run relationships between variables. The Wald test was also performed to identify the direction of causality between the variables under study.

Table 4
Vector Error Correction Model (VECM) Estimate

Vector Error Correction Estimates		
Date: 05/18/23 Time: 17:55		
Sample (adjusted): 2015 2021		
Included observations: 83 after adjustments		
Standard errors in ( ) & t-statistics in [ ]		
Cointegrating Eq:	CointEq1	
LOGROA(-1)	1.000000	
LOGCOC(-1)	-0.194721	
	(0.37460)	
	[-0.51981]	
C	1.269700	
Error Correction:	D(LOGROA)	D(LOGCOC)
CointEq1	-0.144144	0.038971
	(0.07165)	(0.05695)
	[-2.01192]	[0.68433]
	{0.0460}**	{0.4948}
D(LOGROA(-1))	-0.363296	-0.044954
	(0.11485)	(0.09129)
	[-3.16327]	[-0.49244]
	{0.0019}**	{0.6231}
D(LOGROA(-2))	-0.151351	-0.000958
	(0.08509)	(0.06763)
	[-1.77874]	[-0.01416]
	{0.0773}*	{0.9887}
D(LOGCOC(-1))	0.010055	0.042622
	(0.12348)	(0.09815)
	[0.08143]	[0.43426]
	{0.9352}	{0.6647}
D(LOGCOC(-2))	0.151233	-0.223659
	(0.15284)	(0.12148)
	[0.98949]	[-1.84104]
	{0.3240}	{0.0675)*
C	-0.039114	0.072960
	(0.02154)	(0.01712)

Source: Authors computation from e-views 10

The results shown in Table 4 reveal a long–run equilibrium relationship between the logged value of return on assets of deposit money banks and the cost of compliance. This implies that the log ROA and log COC are cointegrated. This is shown by the negative value of CointEq1 of -0.144144 and is significant at 0.04, satisfying the condition that subsists for a long-run relationship. CointEq1 also explains the speed of adjustment of the disequilibrium to equilibrium in the long-run. The results indicate that any disequilibrium within the period or in the short-term is corrected at a speed of 14.41 percent. CointEq1 also indicates that Log COC Granger causes Log ROA in the long-run. However, in the short-run result, as shown in Table 4, the result indicates that null hypotheses of no short-run causality cannot be rejected. It is therefore concluded that Log COC does not granger cause Log ROA in the short-run. The Wald test was run as proof of no short-run causality; the results are shown in Table 5. Therefore, we say that in the short-run, Log COC does not granger cause log ROA.

Table 5
Wald Test for Granger Causality

Wald Test			
System: %system			
Test Statistic	Value	df	Probability
Chi-square	0.980010	2	0.6126
Null Hypothesis: C(4)=C(5)=0			
Null Hypothesis Summary:			
Normalized Restriction (= 0)		Value	Std. Err.
C(4)		0.010055	0.123479
C(5)		0.151233	0.152840

Source: Authors computation 2023

To further check whether we have reverse causality between the variables, we run the Panel VECM with the variable of importance changed, as shown in Table 6.

Table 6
Panel VECM with Reverse Causality

Vector Error Correction Estimates
Date: 05/18/23 Time: 22:40
Sample (adjusted): 2015 2021
Included observations: 83 after adjustments
Standard errors in ( ) & t-statistics in [ ]

Cointegrating Eq:	CointEq1	
LOGCOC(-1)	1.000000	
LOGROA(-1)	-5.135558 (2.29232) [-2.24034]	
C	-6.520618	
Error Correction:	**D(LOGCOC)**	**D(LOGROA)**
CointEq1	-0.007588 (0.01109) [-0.68433]	0.028068 (0.01395) [2.01192]
D(LOGCOC(-1))	0.042622 (0.09815) [0.43426]	0.010055 (0.12348) [0.08143]
D(LOGCOC(-2))	-0.223659 (0.12148) [-1.84104]	0.151233 (0.15284) [0.98949]
D(LOGROA(-1))	-0.044954 (0.09129) [-0.49244]	-0.363296 (0.11485) [-3.16327]
D(LOGROA(-2))	-0.000958 (0.06763) [-0.01416]	-0.151351 (0.08509) [-1.77874]
C	0.072960 (0.01712) [4.26182]	-0.039114 (0.02154) [-1.81608]

Source: Authors computation 2023

To test the reverse causality flowing from Log ROA to Log COC, the result, as shown in Table 6, indicates a CointEq1 that is negative at -0.007588 but not significant (0.4948). Hence, it fails to test for the cointegration of negativity and significance. We therefore conclude that there is no long-run causality flowing from Log ROA to Log COC, therefore Log ROA does not granger cause Log COC in the long-run. The Wald test was also used to determine if there was causality

in the short run. The result indicates no short-run causality flowing from Log ROA to Log COC having giving a probability greater than 0.05 (0.8651) hence we cannot reject the null hypotheses and we conclude that Log ROA does not granger cause Log COC also in the short-run. Therefore, we conclude that unidirectional causality flows from LOGCOC to LOGROA.

Conclusion and Recommendations

Conclusion

This study investigated the effect of compliance costs on the financial performance of listed deposit money banks in Nigeria. The period of study was the annual financial years, 2012-2021 which was the period of upward integration in the banking sector. To test the hypotheses formulated, a panel vector error correction model (VECM) and the Wald test for Granger causality between the variables of interest were used. The findings of the study revealed that Log ROA and Log COC are cointegrated, negative, and significant, implying a long-run equilibrium relationship between the two variables. The results also revealed that when there was a deviation from equilibrium in the short-run, such deviation was corrected at a speed of 14.41%. Therefore, we conclude that the cost of compliance is a significant determinant of the performance of deposit money banks in Nigeria.

Recommendations

From the outcomes of the study and the conclusion, it is pertinent to state that regulatory agencies should effectively streamline requirements, rules, or regulations guiding the operational existence of deposit money banks so as not to suffocate operations that could result in financial failures. They should manage bank regulations to meet global best practices that set banks on a profit trajectory. In the same vein, managers of deposit money banks should be proactive in ensuring compliance with regulations and mostly internal policies of banks with fewer financial commitments on earnings and returns to improve bank performance.

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