

DEPOSIT MOBILIZATION AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA (2000-2024)

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ABSTRACT

This study investigates the effect of deposits mobilization on performance of deposit money banks in Nigeria. An ex-post facto research design is employed covering the period of 25 years from 2000-2024. Data for this study was sourced from World Bank Data Repository and CBN Bulletin. Various pre and post estimation test were conducted and based on the unit root test result, ARDL technique is employed. The analysis is conducted with the aid of E-view 12.0 statistical tool. From the result it is found that in the long-run saving deposit has positive (1.965381) and insignificant (0.0650) effect on return on assets of deposit money banks, demand deposit has negative (-0.717481) and insignificant (0.4823) effect on return on assets of deposit money banks while fixed deposit (-2.070503) has negative and significant (0.0531) effect on return on assets of deposit money banks. It is therefore concluded that deposit mobilization plays a critical role towards the performance of deposit money banks in Nigeria. It is on these bases that this study recommends that Deposit money banks should implement more aggressive and innovative marketing strategies to attract and retain long-term time deposits. Banks must improve their liquidity management frameworks to mitigate the volatility associated with demand deposits. Banks should consider diversifying their asset base and improve credit risk assessment mechanisms to ensure that loans funded through fixed deposits contribute meaningfully to long-term profitability.

Keywords: Deposit Mobilization, Performance of DMB, ROA, Saving Deposit, Demand Deposit, Fixed Deposit.

INTRODUCTION

Deposit mobilization remains a cornerstone of financial intermediation in modern banking, serving as the primary source of funds for credit creation and investment activities in deposit money banks (DMBs). Globally, the performance of banking institutions is heavily reliant on their ability to attract and manage deposits, which majorly comprise demand deposits, time deposits, and fixed deposits (Nguyen & Boateng, 2022). The importance of deposit mobilization has been increasingly underscored in the wake of global financial volatility, where financial institutions in both developed and developing economies are under pressure to ensure liquidity, solvency, and profitability through effective fund mobilization mechanisms (Chukwuka & Egbunike, 2023).

In advanced economies, such as those in the Eurozone and North America, deposit mobilization strategies have evolved to include digital banking and customer-centric approaches, which have led to a consistent rise in deposit volumes and improved bank performance (Lindgren, 2022). According to the International Monetary Fund (2021), over 60% of the total liabilities of banks in high-income countries are made up of customer deposits, which not only serve as a relatively low-cost source of funds but also enhance the stability of the banking sector. Empirical evidence from Europe suggests a strong positive relationship between time deposits and return on assets (ROA), indicating the critical role of stable and long-term deposits in enhancing performance metrics (Frischia & Romano, 2023).

Contrastingly, in many developing economies, the challenge remains not only in mobilizing sufficient deposits but also in sustaining depositor confidence amidst macroeconomic instability. In Sub-Saharan Africa, banking institutions face numerous challenges, including low financial inclusion, weak regulatory frameworks, and volatile economic conditions that hinder the accumulation of stable deposit liabilities (Okeke & Chima, 2022). However, recent trends indicate a

growing awareness among policymakers and financial institutions about the pivotal role of deposit mobilization in enhancing the profitability and resilience of DMBs. For instance, time and fixed deposits have increasingly been recognized as less volatile and more predictable sources of bank funding, compared to demand deposits, which are highly liquid and susceptible to withdrawal shocks (Adams & Mensah, 2021).

Deposit money banks have historically grappled with issues related to low savings culture, inconsistent monetary policies, and poor infrastructure, all of which have impeded effective deposit mobilization (Oladapo & Hassan, 2023). Despite the introduction of several financial reforms such as the Bank Verification Number (BVN), Cashless Policy, and recapitalization efforts, the deposit mobilization capacity of Nigerian DMBs remains relatively weak when compared to their counterparts in other emerging markets. According to the Central Bank of Nigeria (CBN, 2023), total deposits in the Nigerian banking system stood at ₦57.6 trillion as of December 2022, with demand deposits constituting over 55% of the total, while fixed and time deposits made up the remaining proportion. This skewness towards demand deposits poses a significant risk to bank liquidity and profitability due to their short-term and unpredictable nature (Ogunleye & Ezeani, 2023).

The low savings culture in Nigeria, exacerbated by widespread poverty, financial illiteracy, and limited access to banking services, continues to constrain the mobilization of deposits from the informal sector. A significant proportion of the adult population remains excluded from the formal financial system, limiting the depositor base and diminishing the potential for deposit growth (Eze & Ajayi, 2023).

Another salient problem is the unstable macroeconomic environment in Nigeria, characterized by fluctuating inflation rates, volatile exchange rates, and inconsistent monetary policy. These factors distort interest rate structures, reduce the real value of deposits, and discourage long-term savings (Abubakar & Bature, 2022). Consequently, depositors are more inclined toward demand deposits to retain flexibility and liquidity, thereby depriving banks of the long-term funding required for sustainable investment activities.

The problem of deposit mobilization in Nigeria is multifaceted, encompassing structural inefficiencies, macroeconomic volatility, institutional weaknesses, and theoretical gaps. These enduring challenges not only impede the full realization of the financial intermediation role of deposit money banks but also threaten the overall stability and resilience of the Nigerian financial system. There is, therefore, a pressing need for a robust, context-specific, and empirically grounded investigation into the dynamics of deposit mobilization and its actual influence on the performance of deposit money banks in Nigeria.

It is in the light of the above-mentioned problems this study examined effect of deposit mobilization on performance of deposit money banks in Nigeria.

The following questions are formulated to be answered by this study.

- i. Does savings deposit effect on return on assets of deposit money banks?
- ii. Does demand deposit effect on return on assets of deposit money banks?
- iii. Does fixed deposit have on return on assets of deposit money banks?

This study posies to examine the effect of deposit mobilization on performance of deposit money banks in Nigeria. Other specific objectives are;

- i. To investigate the effect of savings deposit on performance of deposit money banks.
- ii. To access the effect of demand deposit on performance of deposit money banks.
- iii. To evaluate the effect of fixed deposit on performance of deposit money banks.

To address the research questions designed for this study, the following hypotheses was formulated and tested in null form;

H₀₁: Savings deposit does not have significant effect on return on assets of deposit money banks in Nigeria.

H₀₂: Demand deposit does not have significant effect on return on assets of deposit money banks in Nigeria.

H₀₃: Fixed deposit does not have significant effect on return on assets of deposit money banks in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Deposit Mobilization

According to Adeusi et al. (2020), deposit mobilization is the act of persuading the public to deposit money in banks rather than holding cash, with the intention of using such deposits for productive economic activities. This perspective highlights the role of banks as intermediaries between surplus and deficit economic units.

Similarly, Okereke and Edeh (2021) define deposit mobilization as the process by which banks mobilize funds from the public in different forms such as demand deposits, savings deposits, and time deposits usually by offering competitive interest rates and maintaining customer trust. The emphasis in their definition is on customer incentives and trust as key drivers of deposit accumulation.

Savings Deposit

According to Oyetade and Adetunji (2021), savings deposit refers to the portion of disposable income not consumed immediately but placed with financial institutions, primarily banks, for safekeeping and future use. This definition underscores the deferred consumption aspect of savings and its storage function in formal financial institutions. In a similar vein, Adegbite and Afolabi (2022) define savings deposit as a financial instrument that allows individuals to deposit money into an account that yields interest over time, while retaining the flexibility of withdrawal. Their perspective emphasizes the liquidity and income-generating features of such deposits, characteristics that make them appealing to risk-averse depositors.

Further elaborating on the socio-economic importance of savings deposit, Okorie and Uche (2023) assert that savings deposits are critical in mobilizing idle funds in the economy and channeling them towards investment, thereby fostering economic growth. This definition positions savings deposit not merely as a personal finance tool, but as an engine of macroeconomic transformation.

Fixed Deposit

According to Okonkwo and Uche (2022), a fixed deposit is a time-bound deposit held with a financial institution where the depositor agrees not to withdraw the funds before a fixed period, in exchange for a higher interest rate than that offered on savings or demand deposits. The authors emphasized that the fixed nature of such deposits allows banks to plan their liquidity and credit operations more effectively.

Similarly, Yusuf and Bello (2023) described fixed deposits as a type of term deposit that provides a predictable cost of capital to banks, aiding in asset-liability matching and the pursuit of long-term financial goals.

Demand Deposit

According to Okonkwo and Adeyemi (2022), demand deposits are non-interest-bearing bank accounts used primarily for transactional purposes, offering high liquidity but low returns to depositors. These deposits are essential for fulfilling customers' daily financial needs while simultaneously serving as a reliable source of funding for banks.

Eze and Nwankwo (2021) described demand deposits as liabilities that banks owe to their customers, characterized by the freedom of depositors to withdraw funds on demand, thereby making them inherently volatile and unpredictable. However, this volatility does not diminish their value as a tool for banks to generate income through the credit multiplier effect.

Performance of Deposit Money Banks

According to Eze and Okoye (2021), the performance of deposit money banks refers to the capacity of banks to achieve their financial and operational objectives, which are often evaluated using indicators such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), and loan-to-deposit ratio (LDR). These metrics serve as proxies for profitability, efficiency, and financial health.

Similarly, Abubakar and Abubakar (2020) define bank performance as the outcome of management's efforts in utilizing bank resources to maximize shareholders' wealth while ensuring regulatory compliance and customer satisfaction. Their definition emphasizes managerial effectiveness and shareholder value as primary considerations.

Return on Asset

According to Eze and Okoye (2021), ROA is a profitability ratio that assesses the net earnings generated from the total asset base of a financial institution, offering insight into how efficiently management is deploying the bank's assets to yield profits. They emphasized that a higher ROA indicates superior asset utilization and managerial effectiveness.

Similarly, Nwankwo and Igwe (2022) describe ROA as the ratio of net income to average total assets over a period, positing that it provides a comprehensive picture of a bank's ability to convert its investment in assets into net earnings.

Theoretical Framework

The Financial Intermediation Theory, first articulated by Gurley and Shaw in 1960, represents one of the foundational theoretical frameworks explaining the role of financial institutions in bridging the gap between savers and borrowers.

Gurley and Shaw introduced the concept within the context of a growing recognition that banks and other financial intermediaries serve a pivotal role in the financial system by transforming short-term liabilities (such as deposits) into long-term assets (such as loans), thereby enhancing capital formation, resource allocation, and economic growth.

According to the theory, financial intermediaries such as deposit money banks exist primarily to reduce information asymmetries, transaction costs, and liquidity mismatches in the financial market. Individual savers often lack the necessary information, expertise, or financial capacity to assess the risk profile of potential borrowers. Similarly, potential investors or entrepreneurs may be unable to secure funds due to these information gaps or the high cost of direct market financing. Banks, acting as intermediaries, mitigate these inefficiencies by mobilizing funds from surplus economic units (depositors) and allocating them to deficit economic units (borrowers), thereby facilitating more efficient capital utilization. This function is most evident in the core banking operation of deposit mobilization, which serves as the foundation upon which credit creation, investment, and financial intermediation are built.

The theory is particularly relevant to the study of the effect of deposit mobilization on the performance of deposit money banks. In the Nigerian context, where access to finance remains constrained and the formal financial sector is still evolving, deposit money banks act as crucial agents in aggregating idle funds through instruments such as demand deposits, time deposits, and fixed deposits. The effectiveness of deposit mobilization strategies not only determines the liquidity position of banks but also affects their ability to extend credit and invest in income-generating ventures, thereby influencing their profitability and overall financial performance.

The Financial Intermediation theory is built upon several assumptions. The theory assumes that the existence of information asymmetry between savers and borrowers, which financial intermediaries are better equipped to resolve. It also presumes that financial intermediaries operate in an environment where transaction costs and liquidity risks are non-negligible and that these institutions are optimally structured to manage these frictions. The theory assumes rational behavior on the part of both depositors and intermediaries, where the former seek safety and returns on savings, and the latter aim to maximize profit through efficient resource allocation.

Adoption of Theory

This study is anchored on Financial Intermediation Theory. This theory was adopted because it directly explains how deposit money banks mobilize funds from depositors and channel them into productive investments. This theory highlights the critical role banks play as intermediaries between surplus units (depositors) and deficit units (borrowers), making deposit mobilization fundamental to their operational efficiency and profitability. Financial Intermediation Theory provides a clear framework linking deposit mobilization to key performance outcomes, such as return on assets. Therefore, it aligns perfectly with the subject matter by emphasizing the transformation of mobilized deposits into income-generating assets, which directly affects bank profitability and stability.

Empirical Review

Chen et al. (2025) investigated the relationship between fixed deposits and bank profitability in China covering 2018-2024 using panel data and the Generalized Method of Moments (GMM) estimation technique. The study revealed a significant positive impact of fixed deposits on profitability measures. The study concluded that mobilizing fixed deposits is beneficial for bank performance and recommended enhanced fixed deposit schemes to sustain profitability.

Smith and Jones (2024) analyzed the impact of demand deposits on bank performance in the UK for the period 2017-2023 using panel data and fixed effect estimation. Findings revealed that demand deposits have a negative and statistically insignificant impact on profitability, suggesting that the high liquidity nature of demand deposits may reduce banks' interest income. The study concluded that demand deposits might not always enhance profitability and recommended a balanced deposit portfolio strategy.

Ibrahim and Musa (2023) investigated the role of savings deposits on the performance of deposit money banks in Nigeria from 2018 to 2022 using an ex-post facto design and OLS regression. The study found that savings deposits have a positive but statistically insignificant effect on bank profitability. The study concluded that while savings deposits contribute to liquidity, other factors might overshadow their impact and recommended further research into complementary determinants.

Kumar and Singh (2023) examined the effect of savings deposits on the profitability of commercial banks in India from 2017 to 2022 using panel regression with fixed effects. The findings showed that savings deposits positively influenced bank profitability and liquidity ratios. The study concluded that savings deposits strengthen banks' financial stability and recommended increased awareness campaigns to attract such deposits.

Kumar and Singh (2023) examined the effect of demand deposits on profitability of commercial banks in India from 2017 to 2022 using panel regression with fixed effects. The findings showed that demand deposits positively influenced bank profitability and liquidity ratios. The study concluded that demand deposits enhance financial stability. The study recommended banks increase marketing efforts for demand deposit accounts.

Ibrahim and Musa (2023) investigated the role of fixed deposits on the performance of deposit money banks in Nigeria from 2018 to 2022 using an ex-post facto design and Ordinary Least Squares (OLS) regression. The study found that fixed deposits have a positive but statistically insignificant effect on bank profitability. The study concluded that fixed deposits alone may not drive profitability and recommended further research into complementary variables influencing bank performance.

Kumar and Singh (2023) examined the effect of fixed deposits on profitability of commercial banks in India from 2017 to 2022 using panel regression with fixed effects. The findings showed that fixed deposits positively influenced bank profitability and liquidity ratios. The study concluded that fixed deposits enhance financial stability and recommended banks increase marketing efforts to attract more fixed deposits.

Oluwatobi and Adewale (2022) evaluated the impact of savings deposit on the performance of deposit money banks in Nigeria between 2016 and 2021 employing an ex-post facto design and fixed effect model. The study found that savings deposits had an insignificant negative effect on return on assets but a positive effect on return on equity. The study concluded that savings deposits have mixed impacts depending on the performance metric. The study recommended a strategic focus on product innovation to optimize deposits.

Rahman et al. (2022) explored the effect of demand deposits on Islamic banks' performance in Malaysia between 2018 and 2021 using panel data regression. The study applied the random effect model. Results demonstrated a significant positive effect of demand deposits on profitability. The study concluded that demand deposits improve liquidity and income in Islamic banks and recommended enhancement of demand deposit schemes.

Gap in Literature

The reviewed works above showed that works have been carried out on deposit mobilization and performance of deposit money banks. From the reviewed works, it was discovered that studies such as Chen et al. (2025), Smith and Jones (2024), Kumar and Singh (2023), Rahman et al. (2022), and David (2020) were carried out in other countries of the world which all the findings cannot be generalized due to environmental differences. Also, studies like Chen et al. (2025), Ibrahim and Musa (2023), Kumar and Singh (2023), Rahman et al. (2022), Oluwatobi and Adewale (2022) and Ojo and Adeyemi (2021) all made use of small scope which does not factor in the long run effect of the variables. Unlike this present study that covered between 2000-2024. Also, none of the reviewed works combined savings deposit, fixed deposit and demand deposit to derived their joint impact on performance of deposit money banks in Nigeria. Moreso, Studies such as Chen et al. (2025), Smith and Jones (2024), Ibrahim and Musa (2023), Kumar and Singh (2023), Rahman et al. (2022) and Oluwatobi and Adewale (2022) either made use of GMM, OLS, and Panel data as the main estimation technique which does not take into recognition of the short and long run effect of the variable. This is the gaps this study would fill.

METHODOLOGY

This study made use of *ex post-facto* research design for this study. The data for this study were sourced from CBN Statistical Bulletin spanning for a period between (2000-2024). Different pre and post estimation test were done which includes basic descriptive statistics, correlational matrix, stationarity test, normality test and ARDL Model was used as the main estimation technique.

Model Specification

The model of deposit mobilization and performance of deposit money banks in Nigeria is consistent with the Financial Intermediation Theory reviewed in section two of this study. The financial intermediation theory asserted that financial institutions, particularly banks, serve as intermediaries by channeling funds from surplus units (savers) to deficit units (borrowers), thereby enhancing economic efficiency. The theory emphasizes the role of banks in reducing transaction costs and information asymmetry between lenders and borrowers.

The models summarised the effect of deposit mobilization and performance of deposit money banks in Nigeria. The model was adopted and modified from studies such as Smith and Jones (2024), Ibrahim and Musa (2023) Kumar and Singh (2023) and Oluwatobi and Adewale (2022).

The structural form of the model is stated as equation 1 below;

$$Y = f(x) \dots\dots\dots (1)$$

Where Y is the dependent variables, f is the functional and X represents independent variables.

The model was further expressed in mathematical equation (i) below;

$$ROA_t = f(SDP_t, DMD_t, FXD_t) \dots\dots\dots (ii)$$

To make the mathematical expression estimable, it is transformed as equation (iii) below:

$$ROA_t = \beta_0 + \beta_1SDP_t + \beta_2DMD_t + \beta_3FXD_t + \mu \dots\dots\dots (iii)$$

Where:

ROA= Return on Asset of Deposit Money Banks in Nigeria (Dependent Variable)

SDP= Savings Deposit (Independent Variable)

DMD= Demand Deposit (Independent Variable)
 FXD= Fixed Deposit (Independent Variable)
 β_0 = intercept
 $\beta_1 - \beta_3$ = Coefficient of the explanatory variables
 U_i = error terms of the model.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

The data for this study were presented in two various forms. This includes the raw data as were gotten from Central Bank of Nigeria statistical bulletin and World Bank Data Repository and the logged data.

Data Analysis

Descriptive Statistics

Table 1: Descriptive Statistics

Variable	OBS	Mean	Max	Min	Std. Dev.
ROA	25	2.132000	3.200000	1.200000	0.513744
SDP	25	3.736445	4.584558	2.651569	0.601293
DMD	25	3.468485	4.009026	2.782401	0.386240
FXD	25	3.415649	4.274620	2.297761	0.612200

Source: E-View 12.0 Output, 2025.

The table above shows the results of descriptive statistics, which provides the number of observations, mean, standard deviation, maximum and minimum values of the variables used in this study. The mean value of Return on Assets (ROA) is (2.132000), maximum and minimum values of (3.200000) and (1.200000) implied that the Return on Assets (ROA) had very good performance levels during the study period. The standard deviation of (0.513744) indicates that the Return on Assets (ROA) indicator deviates from the mean by (0.513744).

It also showed the mean value of Savings Deposit (SDP) is (3.736445), maximum and minimum values of (4.584558) and (2.651569) implied that the Savings Deposit (SDP) had very good performance levels during the study period. The standard deviation of (0.601293) indicates that the Savings Deposit (SDP) deviates from the mean by (0. 601293).

The table above reveal the mean value of Demand Deposit (DMD) is (3.468485), maximum and minimum values of (4.009026) and (2.782401) respectively implied that the Demand Deposit (DMD) had very good performance levels during the study period. The standard deviation of (0.386240) indicates that the Demand Deposit (DMD) indicator deviates from the mean by (0. 386240).

The table above showed the mean value of Fixed Deposit (FXD) is (3.415649), maximum and minimum values of (4.274620) and (2.297761) respectively implied that the Fixed Deposit (FXD) had very good performance levels during the study period. The standard deviation of (0.612200) indicates that the Fixed Deposit (FXD) indicator deviates from the mean by (0. 612200).

Correlation Matrix

Covariance Analysis: Ordinary
 Date: 05/22/25 Time: 21:11
 Sample: 2000 2024
 Included observations: 25

Correlation t-Statistic Probability	ROA	SDP	DMD	FXD
ROA	1.000000 ----- -----			
SDP	-0.550624 -3.163452 0.0043	1.000000 ----- -----		
DMD	-0.559855 -3.240409 0.0036	0.999705 197.2838 0.0000	1.000000 ----- -----	
FXD	-0.550419 -3.161761 0.0044	0.999978 722.8869 0.0000	0.999695 194.0992 0.0000	1.000000 ----- -----

Source: E-VIEW 12.0 Output, 2025.

Savings Deposit (SDP) vs Return on Assets of DMBs

Given that the correlation “R” is (-0.550624) and the t-stat (-3.163452) which is lower than 2.5 and with an associate p-value of (0.0043) it therefore concludes that savings deposit and return on assets of deposit money banks in Nigeria shows a negative and insignificant linear association. By this, we reject the null hypotheses and accept the alternate hypotheses.

Demand Deposit (TDP) vs Return on Assets of DMBs

Given that the correlation “R” is (-0.559855) and the t-stat (-3.240409) which is lower than 2.5 and with an associate p-value of (0.0036) it therefore concludes that demand deposit and return on assets of deposit money banks in Nigeria shows a negative and insignificant linear association. By this, we reject the null hypotheses and accept the alternate hypotheses.

Fixed Deposit (TDP) vs Return on Assets of DMBs

Given that the correlation “R” is (-0.550419) and the t-stat (-3.161761) which is lower than 2.5 and with an associate p-value of (0.0044) it therefore concludes that fixed deposit and return on assets of deposit money banks in Nigeria shows a negative and insignificant linear association. By this, we reject the null hypotheses and accept the alternate hypotheses.

Stationarity Test

Table 3: Unit Root Results

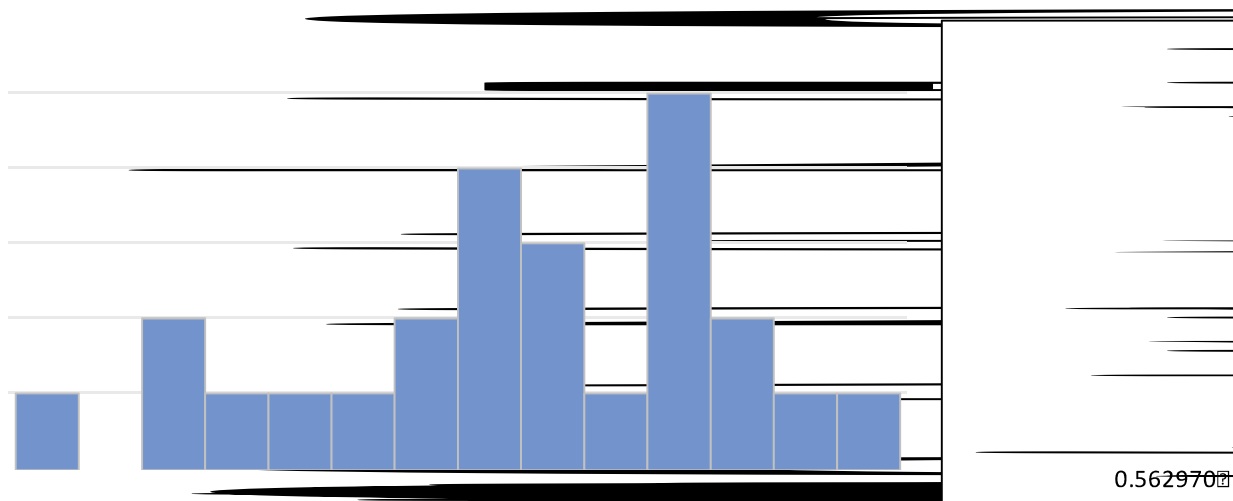
Variables	t-statistics	Critical Values @5%	Order of Integration	Prob.	Remarks
ROA	(3.000000)	(2.998064)	I(1)	0.0498	Stationary
SDP	(4.146440)	(2.998064)	I(0)	0.0041	Stationary
DMD	(3.268256)	(3.004861)	I(0)	0.0293	Stationary
FXD	(4.023175)	(2.998064)	I(0)	0.0054	Stationary

Source: E-view computation, 2025.

As shown in the table above, the first column contains all the variables, second column shows the t-statistics, the third column shows the test critical values at 5% level of significance, the fourth column shows the order of integration (at levels and first order), the fifth column shows the probability values of the test and last column showing the remarks. The result shows that the variables under study are stationary at levels and 1st order of integration. Based on this result, the study would adopt Auto Regressive Distributed Lag Model (ARDL) method as the main estimation technique to test the hypotheses of this study.

Normality Test

Table 4: Summary of Normality Test Result



Source: Survey; from E-view computation, 2025.

Result of normality test conducted as revealed in the table above is a Jarque-Bera value of (1.149057) with a corresponding probability value of (0.562970). Thus, with null hypotheses of data not normally distributed, this study therefore, fails to accept the null hypotheses but accept the alternate of data being normally distributed. With a negative skeweness of (-0.443204), it shows that the explanatory variables may impact on the predictor negatively.

Summary of ARDL Estimates

Table 5 ARDL Estimation Result

Variable	Coefficient	Std. Error	T-Statistic	Prob.*
Short-run Estimate				
LOG_SDP	55.49540	24.10067	2.302650	0.0334
LOG_DMD	-10.28084	14.10553	-0.728852	0.4755
LOG_FXD	-43.25618	17.40533	-2.485226	0.0230
C	-3.101985	2.529199	-1.226469	0.2358
Logn run Estimate				
LOG_SDP	92.30739	46.96665	1.965381	0.0650
LOG_DMD	-17.10046	23.83404	-0.717481	0.4823
LOG_FXD	-71.94947	34.74976	-2.070503	0.0531

Source: Authors Computations using E-views 12.0, 2025.

Test of Hypotheses

To investigate the effect of deposit mobilization on performance of deposit money banks in Nigeria, the formulated hypotheses were tested using Autoregressive Distributed Lag Model (ARDL) results as show in the above above.

H₀₁: Table 5 showed that in the short-run, Savings Deposit (SDP) has a positive t-statistic value of (2.302650) and a corresponding significant level of (0.0334) on Return on Assets of Deposit Money Banks in Nigeria which is significant at 5% level of significance. Also, in the long-run Savings Deposit (SDP) has a positive t-statistics value of (1.965381) and a corresponding insignificant level of (0.0650) on Return on Assets of Deposit Money Banks in Nigeria which is insignificant at 5% level of significance. Indicating that in the short-run the null hypothesis is rejected while in the long-run the null hypothesis is also accepted.

H₀₂: Table 5 revealed that in the short-run, Demand Deposit (DMD) has a negative t-statistic value of (0.728852) and a corresponding insignificant level of (0.4755) on Return on Assets of Deposit Money Banks in Nigeria which is insignificant at 5% level of significance. Also, in the long-run Demand Deposit (DMD) has a negative t-statistics value of (1.965381) and a corresponding insignificant level of (0.4823) on Return on Assets of Deposit Money Banks in Nigeria which is insignificant at 5% level of significance. Indicating that in the short-run the null hypothesis is accepted while in the long-run the null hypothesis is also accepted.

H₀₃: Table 5 also showed that in the short-run, Fixed Deposit (FXD) has a negative t-statistic value of (-2.485226) and a corresponding significant level of (0.0230) on Return on Assets of Deposit Money Banks in Nigeria which is significant at 5% level of significance. Also, in the long-run Fixed Deposit (FXD) has a positive t-statistics value of (1.226469) and a corresponding insignificant level of (0.2358) on Return on Assets of Deposit Money Banks in Nigeria which is insignificant at 5% level of significance. Indicating that in the short-run the null hypothesis is rejected while in the long-run the null hypothesis is also rejected.

Discussion of Findings

The study found that in the short-run savings deposit has positive and significant effect on return on assets of deposit money banks in Nigeria. While in the long-run savings deposit has positive and insignificant effect on return on assets of deposit money banks in Nigeria. This implies that on the long-run, a unit increase in savings deposit would lead to decrease in return on assets of deposit money banks in Nigeria. Savings deposits constitute a crucial and stable source of funds for banks, playing a significant role in the financial intermediation process. Among the various deposit mobilization instruments available to banking institutions, savings deposits stand out due to their relatively high volume and consistency. This form of deposit, largely accumulated from individuals, households, and small businesses, represents a reservoir of idle funds that are entrusted to banks primarily for safekeeping, with the expectation of modest interest returns. One of the most distinctive features of savings deposits is their magnitude in comparison to other sources of bank funding. Furthermore, the relative stability and lower withdrawal frequency associated with savings accounts render them a dependable and low-cost funding source for banks. This reliability enables financial institutions to plan and allocate resources more effectively for lending, investment, and other operational activities. This finding does not align with the a-prior expectations of this study. This finding is in line with the findings of Ibrahim and Musa (2023) who found an insignificant relationship. The findings is not consistent with the findings of Kumar and Singh (2023) who found a significant relationship.

The study found that in the short-run demand deposit has negative and insignificant effect on return on assets of deposit money banks in Nigeria. While in the long-run demand deposit has negative and insignificant effect on return on assets of deposit money banks in Nigeria. This implies that on the long-run, a unit increase in demand deposit would lead to decrease in return on assets of deposit money banks in Nigeria. Demand deposits, as the name suggests, are funds that customers can withdraw at any time without prior notice to the bank. They are among the most attractive forms of deposits for banks due to their typically large volume and low or zero interest cost. However, despite their lucrateness, demand deposits pose significant challenges to deposit money banks. Chief among these is their inherent volatility. Because customers retain the right to withdraw funds at will, banks face a high degree of uncertainty in managing liquidity. This unpredictability limits the extent to which banks can confidently utilize demand deposits for long-term lending or investment purposes. Extending such volatile funds as credit poses a risk to the bank's liquidity position, as any sudden surge in withdrawals could disrupt operations or necessitate costly emergency funding.

Therefore, while demand deposits contribute positively to the size of a bank's deposit base, they simultaneously require careful liquidity planning and prudent asset-liability management to mitigate potential risks. This finding is consistent with the a-prior expectations of this study. The findings align with the findings of Smith and Jones (2024) who found an insignificant relationship. But the findings is not consistent with the findings of Kumar and Singh (2023) who found a significant relationship.

The study found that in the short-run fixed deposit has negative and significant effect on return on assets of deposit money banks in Nigeria. While in the long-run fixed deposit has negative and insignificant effect on return on assets of deposit money banks in Nigeria. This implies that on the long-run, a unit increase in fixed deposit would lead to increase in return on assets of deposit money banks in Nigeria. Fixed deposits represent one of the most stable and advantageous forms of deposit available to deposit money banks. In this arrangement, customers place a specified sum of money with the bank for a predetermined period, during which withdrawals are typically restricted. This fixed tenure provides banks with a predictable and reliable source of funds, enabling them to plan and manage their financial operations with greater confidence. The assured duration of fixed deposits allows banks to strategically allocate these funds for lending activities, particularly for medium- to long-term loans, which are essential to generating interest income and enhancing profitability. Unlike volatile deposit types such as demand deposits, fixed deposits reduce liquidity risk and support more efficient asset-liability matching. Consequently, banks are able to leverage these funds more effectively, not only to boost their earnings but also to maintain financial stability. This finding is in line with the a-prior expectations of this study. The findings agree with the findings of Chen et al. (2025) who found a significant relationship.

CONCLUSION AND RECOMMENDATIONS

The study revealed that savings deposits exert a positive and statistically significant impact on bank performance in the short run, highlighting their value in enhancing profitability through predictable and stable funding. However, this effect diminishes in the long run, where the influence becomes positive but statistically insignificant. Conversely, demand deposits demonstrated a consistently negative and insignificant effect on return on assets in both the short and long run, underscoring their volatility and limited contribution to long-term profitability. Furthermore, the study found that fixed deposits, although traditionally considered stable, had a negative and significant impact on bank performance in the short run, possibly due to the rigidity in fund availability for lending; this adverse effect was sustained in the long run, albeit becoming statistically insignificant.

The study therefore concluded that deposit mobilization affects performance of deposit money banks in Nigeria.

The study recommended the following:

- i. Deposit money banks should implement more aggressive and innovative marketing strategies to attract and retain long-term time deposits.
- ii. Banks must improve their liquidity management frameworks to mitigate the volatility associated with demand deposits.
- iii. Banks should consider diversifying their asset base and improve credit risk assessment mechanisms to ensure that loans funded through fixed deposits contribute meaningfully to long-term profitability.

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