



Administrative Costs and Deposit Mobilization of Banks in Nigeria

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Abstract

Research Objective: This study investigates the effect of administrative costs on deposit mobilisation efforts of banks in Nigeria, focusing on wages and salaries, regulatory costs, and advertising and promotion expenses.

Methodology: Utilising an ex-post-facto research design, the study analyses secondary time-series data from 2012 to 2021, sourced from the annual reports of 23 banks listed on the Nigeria Exchange Group (NGX) as of December 31, 2021. A purposive sample of five major banks—Access Bank Plc, First Bank Nigeria Plc, Guaranty Trust Bank Plc, United Bank for Africa Plc, and Zenith Bank Plc—was selected based on their extensive branch networks and industry ratings.

Findings: The regression analysis reveals that wages and salaries have a significant positive effect on total deposits, while regulatory costs exhibit a negative and non-significant effect. Advertising and promotion costs also show a non-significant positive impact on total deposits.

Conclusion: The study concludes that among the administrative costs examined, only wages and salaries are significant predictors of total deposits.

Recommendations: It is recommended that banks enhance staff remuneration and benefits to improve performance and retention, that the federal government reduce regulatory costs to facilitate effective bank operations, and that banks intensify their advertising efforts through online and digital marketing to better promote their products and services.

Key words: *Administrative Costs, Deposit Mobilization, Wages and Salaries, Regulatory Costs, Advertising Costs.*

1. INTRODUCTION

1.1 Background of the Study

Deposit money banks in Nigeria mobilise deposits from customer deposits and deposits from banks. Customer deposit is a major source of resource mobilisation for deposit money banks (Mamo, 2017). Therefore, customer deposits have a dramatic impact on the deposit



mobilisation efforts of banks in Nigeria. Based on resource mobilisation purposes deposit money banks in Nigeria serve different types of deposit mobilisation. These are demand deposits, saving deposits, and term deposits. Depending upon the nature of the deposit, funds deposited with banks also earn interest. If the rate of interest is higher, the customers are motivated to deposit more resources in the bank. Banks in turn accept money from customers and lend it to the borrowers. Therefore, deposits are the most important resource of commercial banks. Thus the number of resources a deposit money bank should have at hand should be enough to make the bank involved in the market and satisfy the financial needs of its customers. Hence deposit mobilisation is very important.

Deposit mobilisation is one of the important functions of banking all over the world (Byyiyet, Yusha'u, and Idachaba, 2019). It is an important source of the Bank's labour fund and has been proven by scholars such as Bakare (2011), Orji (2012), and Byyiyet *et al.* (2019), among others. The mobilisation of deposits plays an important role in providing satisfactory service to various sectors of the economy (Byyiyet *et al.* 2019). However, the ability of banks to generate growth and economic development depends on the health, solidity and stability of the banking system itself (Alex, 2012). The relationship between the mobilisation of bank deposits and administrative costs of deposit money banks.

Administrative costs are expenses an organisation incurs that are not directly tied to a specific core function such as manufacturing, production, or sales (Tuovila, 2022). These overhead expenses are related to the organisation as a whole, as opposed to individual departments or business units. Administrative expenses may include salaries of senior management and the costs associated with general services or supplies; for example, legal, accounting, clerical work, and information technology. These costs tend not to be directly related to the services of a bank and are usually excluded from gross margins. Companies incur administrative expenses to perform basic operations (e.g., administer payroll or healthcare benefits), increase oversight and efficiency, and/or comply with laws and regulations. The study evaluates how these administrative costs affect the deposit mobilisation efforts of banks in Nigeria.

1.2 Statement of the Problem

Despite various reforms in the Nigerian banking sector, the recent being the recapitalization of banks from ₦2 billion to ₦25 billion between 2004-2005, the number of listed Nigerian deposit money banks has consistently decreased from 89 in 2004 to 22 in 2022, with Skye bank, Diamond bank Nigeria Plc, Union bank of Nigeria Plc being the latest victim of acquisitions due to erosion of profitability and deposits. It is to be noted however that the deposit money banks and the economy as a whole depend largely on customers' deposits to advance their clients and make profits, hence, making deposit mobilisation the core activity of deposit money banks. The failures of most of these banks may be attributed to their inability to mobilise deposits from customers. Given the importance and benefits of deposits to banks and the economy as a unit, the administrative costs of mobilising these deposits could be a



militating factor hindering banks from going all out in the pursuit of deposits from customers. Recognition of these administrative costs and evaluating their effects on deposits of banks requires special attention. It is very important to know the actual cost of deposit mobilisation efforts of banks in Nigeria.

Consequently, the study evaluates administrative expenses and deposit mobilisation efforts of banks in Nigeria. This is to find out how total deposits of banks react to wages and salaries, regulatory costs, and advertising and promotion costs. \

1.3 Objective of the Study

The main objective of the study was to ascertain the effect of administrative costs on the deposit mobilisation efforts of banks in Nigeria. The following are the specific objectives of the study:

- i. Ascertain the effect of wages and salaries on total deposits of banks in Nigeria.
- ii. Investigate the effect of regulatory costs on total deposits of banks in Nigeria.
- iii. Determine the effect of advertising and promotion costs on total deposits of banks in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1.1 Bank Deposit

Customers' deposits play a pivotal role in providing satisfactory service to different sectors of the economy. The success of banking greatly lies in the customers' deposits. The performance of the bank depends on customers' deposits, as the deposits are normally considered a cost effective source of working funds. Customers' deposits in a bank are as essential as oxygen for human beings. To enhance profitability, banks take steps to minimise the expenditure and are forced to source for customers' deposits. (Opoku, 2011). It is to be noted however that in this present context banks' performance is measured on several indicators which include the deposit mix and the quantum of low-cost deposits in the mix among others. During the present era of competition and with the advent of private and multinational banks, an ideal mix of deposits is a must to survive. Since the interest paid on deposits forms a big burden on the bank, the mobilisation of low-cost deposits, like current accounts and savings bank deposits is an urgent need for the bank. Banks borrow and lend, they borrow money by accepting deposits from the public including members of the bank. Customers' deposits are the chief source of funds to undertake lending operations, for profitable operations, the amount of deposits is very important. It is the size of the deposits that largely decides the lending potential of a bank (Mamo, 2017).

2.1.2 Deposit Mobilisation

Deposit mobilisation is one of the important functions of banking all over the world. It is an important source of the Bank's Labor fund and has been proven by scholars such as Jhingan



(2001), Uremadu (2002), Bakare (2011), and Orji (2012) among others as an indispensable factor in increasing the sources of banks to operate effectively. The mobilisation of deposits plays an important role in providing satisfactory service to various sectors of the economy.

Mobilisation of savings through intensive deposit collection has been regarded as the major task of banking all over the world. Deposit mobilisation is the collection of cash or funds by a financial institution from the public through its current, savings, fixed recurring accounts and other specialised schemes (Digaria, 2011). Mohan (2012) pointed out that banks plan their deposit mobilisation strategy depending on the country's investment growth through the growth of the branch using technology continuous training of staff boosting the deposit, increasing the organisation's confidence, or the current branch, expanding bank deposit products, utilising high media coverage, branch expansion, home-based learning about benefits to deliver, to provide door to door service and so on. Deposit mobilisation is defined by Elser (1999) as the process of encouraging customers to deposit cash with the bank or luring new clients to come and open accounts with the bank. From an institutional perspective, the primary motive for mobilising savings lies in a lower cost of capital compared to other sources of funds. According to Kutun (2010) banks serve as intermediaries accepting commercial and individual deposits (savings) and transferring them in the form of loans to investments. Since the adoption of the multiple currencies in 2009 local banks went on a massive deposit mobilisation drive by offering a range of products and services that are tailored to their particular clientele which saw them pool substantial amounts from the depositors. Deposit mobilisation is the bedrock of the present future growth of banks.

2.1.3 Administrative Costs

Administrative costs are expenses an organisation incurs that are not directly tied to a specific core function such as manufacturing, production, or sales. These overhead expenses are related to the organisation as a whole, as opposed to individual departments or business units. Administrative expenses may include salaries of senior management and the costs associated with general services or supplies; for example, legal, accounting, clerical work, and information technology. These costs tend not to be directly related to the production of goods or services of a business and are usually excluded from gross margins.

2.1.4 Wages and salaries

Salaries are regular payments by an employer to an employee for employment that is expressed either monthly or annually. It is an indisputable fact that the productivity of an organisation depends upon the satisfaction level of its workforce. Good remuneration, therefore, has been found over the years to be one of the policies the organisation can adopt to increase their employees' performance and satisfaction. Kline and Hsieh (2007) opine that salary is an important determinant factor that influences the output of employees as well as the decision to leave or stay in the organisation.



On the other hand, wages refer to the hourly rate of pay that an individual receives; or, the basic cash payment an employer pays for the work performed. A wage is said to be a base wage when it tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees. Some pay systems set base wages as a function of the skill or education an employee possesses. Periodic adjustments to base wages may be made based on the change in the overall cost of living or inflation, changes in what other employers are paying for the same work, or changes in the experiences/performance/skills of employees.

Relative wages are often considered a key determinant of the workers' effort (Gunawan & Amalia, 2015).

2.1.5 Advertising Cost

The essence of being in business by any business outfit is to produce for sales and profits. Considering the importance of sales on business survival and the connection between customers and sales, it is expedient for organisations to engage in programs that can influence consumers' decisions to purchase their products. This is where advertising and brand management are relevant. Advertising is a subset of the promotion mix which is one of the 4ps in the marketing mix i.e. product, price, place and promotion. As a promotional strategy, advertising serves as a major tool in creating product awareness and conditioning the mind of a potential consumer to take an eventual purchase decision.

Bank services marketing is not much like the physical selling of goods and services as it entails the identification of customers, their needs, what motivates them, effort to satisfy their needs, continuous appraisal of competitions and above all, the willingness to improve on services rendered and carry out useful innovations (Brassington & Pettitt, 2000). Little wonder, the marketing of financial services has attracted considerable attention in recent times, especially within the context of fundamentals of marketing (Starton, 2001).

Due to the aggressive competition in the banking sector, the desire for robust marketing strategies has indeed arisen in banks. This is against the backdrop that the essence of banks' marketing strategies is to meet the needs mentioned above of the customers, mobilise more deposits by banks as well as make a profit for the shareholders.

2.1.6 Regulatory Costs

The cost of regulation consists of opportunity and operating costs that arise from activities or changes in activities that are required by the regulation (CBN Economic Report, 2019). For a bank, opportunity costs occur when regulation prevents it from engaging in profitable activities. An example is a cost resulting when branching restrictions prevent a bank from taking advantage of profitable lending opportunities outside its local area and possibly make it vulnerable to downturns in local business conditions. Another opportunity cost is the interest forgone as a result of the prohibition on investing reserves in interest-bearing assets.

Operating costs arise from requirements that banks perform certain actions, for example, reporting to government agencies (Call Reports, currency transaction reports, and 1099 reports), providing disclosures to customers (Truth in Lending, Truth in Savings), and meeting certain operating standards (Expedited Funds Availability, error-resolution procedures). In each case, employee time, material, and equipment must be devoted to performing specific acts; and managerial effort must be devoted to understanding the regulation's requirements, implementing required actions, and ensuring compliance with the regulation.

2.1.7 Contextual Framework

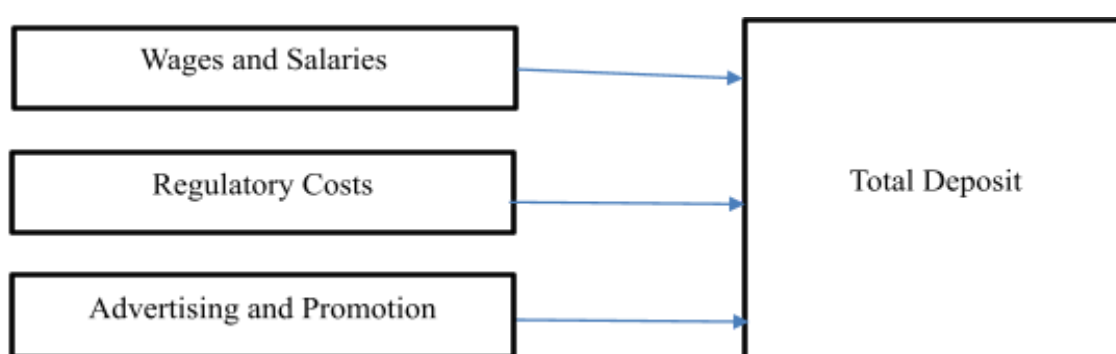


Figure 2.1.1: Conceptual Framework of the Study

Source: Author's Arrangement

2.2 Theoretical Framework

The study was anchored on Supply Led Finance Theory because deposit serves as the major source of finance for banks.

2.2.1 The Supply-Led Finance Theory (Patrick, 1966)

This theory was first developed by Patrick (1966), who “stressed that finance is one of the leading aspects of economic development”. Supply-led finance theory is growth-inducing or growth induced, which means finance is the most significant factor for promoting economic development. The provision of funds through financial institutions to support the creation, transformation, and expansion of industries and developmental projects is an element of the supplied theory. Furthermore, the supply-led finance theory can simply be described as the establishment of financial institutions in some areas before their products and services are effectively demanded.

In 1976, Pius Okigbo's financial review committee in Nigeria, concerning rural banking schemes in 1977 and the introduction of the community banking system in 1990 to help encourage savings mobilisation and credit expansion were direct reactions to the supply-led finance theory. Access to supply leading finance creates an enabling financial environment for entrepreneurs to think big (Patrick, 1966). The rate of growth in Nigeria's economy cannot be



fully examined without a closer look at the contribution of capital formation to Nigeria's economy. For a country to develop and grow, it must divert part of its resources from current consumption (or save) and invest them in capital formation. This is the understanding that Capital formation has been recognized as an important factor that determines the growth of the Nigerian economy, thus, a high rate of capital formation leads to a high rate of productivity which brings about growth. No country has achieved sustained economic growth without substantial investment in capital formation. Once financial intermediation plays its role in the pooling of funds from the surplus to the deficit by making the funds available as a form of loan, it helps to enhance the circulation of funds in the economy which results in capital formation.

2.3 Empirical Review

Venkati (2016) examined the impact of bank deposit mobilisation and credit financing on capital formation in Ethiopia. Ordinary least Square method was adopted for this study, Gross fixed capital formation was used as the dependent variable while independent variables include Bank credit, bank deposit and bank investment. The study found that bank deposits, bank credit and national savings have a great role in capital formation in Ethiopia. However, the finding of the study cannot be extrapolated into the Nigeria context due to time and differences in peculiar factors.

Byiyet, et al. (2019) investigated the effect of deposit mobilisation and credit financing of commercial banks on capital formation in Nigeria. Gross fixed capital formation was used as a proxy for the dependent variable, while credit to private sectors, lending rate and Total deposit liabilities were used as proxies of independent variables. The study employed time series quarterly data from Q1 1980 to Q4 2015, which constitutes 48 observations. Multiple regression techniques were used to analyse the data. The study found that (LRN and TDL) have a positive impact on the GFCF of Nigeria while credit to the private sector has an inverse relationship with GDP.

Tun (2019) examined the impact of macroeconomic factors which include real interest rate, real GDP per capita, money supply and average exchange rate on deposits mobilisation in the case of private commercial banks in Myanmar. This study targets 24 private Commercial Banks which include a sample. Data is analysed with inferential methods such as correlation analysis and multiple regression analysis, and descriptive analysis using Statistical Package for Social Sciences software (version 23). The study finds that real interest rate, real GDP per capita and exchange rate have a positive and significant effect on deposit mobilisation while money supply has a negative and insignificant impact on deposits of private banks.

Offiong, et al. (2020) examined deposit insurance schemes' activities and their effect on deposit mobilisation of the International Association of Deposit Insurers (IADI) member countries. The study assessed the effect of deposit insurance fund, deposit insurance cover, deposit insurance premium and deposit fully covered on the total deposit of the banking



sectors of 21 member countries of IADI spanning the period 2014 to 2018. The estimating technique was the panel Vector Error Correction Model (VECM). Findings from the analyses showed that deposit insurance scheme activities of member countries did not significantly affect IADI's member countries' banking sectors' deposit mobilisation after the implementation of the core principle.

Akuma, et al. (2017) examined credit risk, deposit mobilisation and profitability of Ghanaian banks. Panel regression analysis was adopted for this study, variables include Return on Asset while Non-performing loan ratio, deposit mobilisation, capital adequacy ratio, total asset of the bank, inflation and growth in interest income are the independent variables. The result reveals a significantly positive relationship between credit risk, deposit mobilisation, growth in interest income, capital adequacy ratio and profitability of Ghanaian banks. This study fails to carry out diagnostic tests such as the normality test, and multicollinearity test.

Mamo (2017) investigated determinants of deposit mobilisation in commercial banks in Ethiopia. Multiple linear regression was adopted for this study, the variables are competitors, interest, branches and loans while the dependent variable is Total deposit. The result of the econometric indicates that loan provision, branch expansion and several customers are found to have a significant positive impact to induce deposit mobilisation. The study fails to carry out all the necessary residuals tests to fulfil the regression assumption before running the regression.

Islam, et al. (2019) examined the impact of firms-specific variables and macroeconomic variables on the deposit mobilisation of private commercial banks in Bangladesh using panel data regression methodology. 14 conventional private commercial banks have been observed over ten years (2007-2016). The results of this study provide evidence that total deposit has a significant negative impact on deposit mobilisation and the broad money supply growth rate has a significant positive impact on the bank's deposit growth rate. The rest of the selected variables i.e. the number of bank branches, deposit interest rate, loan-to-deposit ratio, Gross Domestic Products (GDP) growth rate and inflation rate have no significant impact on the bank's deposit growth rate of the private commercial banks in Bangladesh.

Ayene (2020) studied the determinants of bank deposit mobilisation in the case of the Commercial Bank of Ethiopia. To achieve this objective primary data collected through distributing 238 valid questionnaires to selected customers of the bank is primarily used. The regression results show that branch expansion, variety of services offered by the bank, confidentiality of customer information, trust in the banking system and saving habits are found to be significant variables affecting deposit mobilisation. Moreover, interest rate and inflation are also among the significant macroeconomic factors affecting deposit mobilisation.

Ojong, et al. (2017) investigated the impact of financial deepening on capital formation in Nigeria. Ordinary least square model, multiple regression Analytical technique and Desk survey method were adopted for this study. Variables include Gross fixed capital formation



while broad money supply to GDP, gross domestic investment to GDP, credit to the private sector to GDP and interest rate spread are independent variables. They found out that financial deepening has a positive impact on capital formation. However, the study failed to capture total deposit liability and lending rate and this could affect the validity of the study.

Orok, et al. (2018) examined the inflation rate in Nigeria with the view of ascertaining its effect on deposit mobilisation in Banks. The study, which is ex-post facto, relied mostly on secondary data which were collected through the Central Bank of Nigeria (CBN) statistical bulletin. The population for this study included selected numbers of banks i.e. deposit money banks in Nigeria from 1994 - 2014. Multiple regression Ordinary Least Square (OLS) statistical tool was applied to establish the likelihood fit to the observed data and the degree of relationship that exists between variables. Findings reveal among others that there exists a significant and negative relationship between demand, savings and time deposit with inflation in Nigeria, and that interest rate impacted significantly and positively on saving and time deposit.

Osuala, et al. (2020) examined the effect of banks' marketing strategies on the deposit mobilisation of commercial banks in Nigeria. Time series data spanning the period 2005 to 2016, and the Ordinary Least Squares (OLS) regression technique was used for the analysis. The empirical result showed that corporate social responsibility, number of complaints resolved, personnel expenses and advertisement costs had a significant effect on deposit mobilisation by banks in Nigeria while branch networks were found to be statistically insignificant.

Alemu (2021) examined the drivers of Commercial banks' deposit mobilisation in Ethiopia. To conduct the study, the panel data type from 2010-2019 has been used. The fixed effect model with the application of some diagnostic tests like the Langragian test, Hausman test, unit root test Heteroskedasticity test and autocorrelation tests have been used. The result of the fixed effect model indicates that, among seven explanatory variables four variables such as government expenditure, interest rate, and return on asset positively and significantly affect 5% and 10% deposit mobilisation but the inflation rate statistically and negatively affected deposit mobilisation at 5% level of significance.

2.5 Gap in Empirical Review

From the foregoing literature, it could be observed that there is scanty work on the deposit mobilisation of banks in Nigeria. The few studies conducted such as Osuala (2020), Offiong, et al. (2020), Byiyet, et al. (2019), and Orok, et al. (2018) did not examine the effect of administrative costs on deposit mobilisation efforts of banks in Nigeria. The period studied also created a literature gap because most of the prior studies were conducted earlier than 2020, hence, this study remains the most up-to-date in the area of deposit mobilisation. Hence, the filling of these empirical gaps adds to the novelty of the study.



3. METHODOLOGY

The study utilised an ex post facto research design, as it involved analysing existing data from the annual reports and accounts of Nigerian banks. Conducted within Nigeria's banking sector, it focused on the 23 banks listed on the Nigeria Exchange Group (NGX) as of December 31, 2021. The research relied on secondary time-series data from 2012 to 2021. The study's population comprised these 23 deposit money banks, but it purposively sampled five banks—Access Bank Plc, First Bank Nigeria Plc, Guaranty Trust Bank Plc, United Bank for Africa Plc, and Zenith Bank Plc—chosen based on their extensive branch networks and ratings by Nairametric (2022).

Model Specification

A regression model was employed to evaluate administrative costs and deposit mobilisation of banks in Nigeria. In line with Inyama and Ezeugwu (2016) the panel multiple regression model was statistically specified as follows:

$$TDEP = \beta_0 + \beta_1 (WAGSAL)_t + \beta_2 (RCOST)_t + \beta_3 (ADPRO)_t + \varepsilon_t$$

Where;

| | | |
|--------|---|--------------------------------|
| TDEP | - | Total Deposit |
| WAGSAL | - | Wages and Salaries |
| RCOST | - | Regulatory Cost |
| ADPRO | - | Advertising and Promotion Cost |

c_{it} is the non-observable individual effect while ε_{it} is the disturbance or error term for firm i in the year t

| | | |
|---------------------|---|---|
| β_0 | - | Coefficient (constant) to be estimated |
| $\beta_1 - \beta_3$ | - | Parameters of the independent variables to be estimated |
| t | - | Current period |

4. DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION

The data used for the analysis was attached as an appendix (See Appendix I).

4.2 DATA ANALYSIS

Table 4.2.1 Descriptive Statistics

| | TDEP | WAGSAL | REGCOST | ADDCOST | LNTA |
|--------|----------|----------|----------|----------|----------|
| Mean | 0.709097 | 11.62333 | 14.44282 | 1.590205 | 14.97327 |
| Median | 0.710339 | 11.45863 | 15.49979 | 1.412306 | 14.97889 |



| | | | | | |
|--------------|----------|----------|----------|----------|----------|
| Maximum | 0.840846 | 18.36386 | 38.72393 | 3.085626 | 15.78215 |
| Minimum | 0.614434 | 6.132332 | 0.572887 | 0.877863 | 14.36645 |
| Std. Dev. | 0.058859 | 3.380954 | 10.50746 | 0.619047 | 0.396753 |
| Skewness | 0.264655 | 0.186755 | 0.306056 | 1.042739 | 0.224904 |
| Kurtosis | 2.365151 | 1.954421 | 2.212267 | 2.917070 | 2.034140 |
| Jarque-Bera | 0.854002 | 1.540932 | 1.244005 | 5.445118 | 1.419015 |
| Probability | 0.652463 | 0.462797 | 0.536868 | 0.065706 | 0.491886 |
| Sum | 21.27290 | 348.6999 | 433.2845 | 47.70616 | 449.1982 |
| Sum Sq. Dev. | 0.100467 | 331.4946 | 3201.797 | 11.11336 | 4.564972 |
| Observations | 30 | 30 | 30 | 30 | 30 |

Source: EvIEWS 10 software

Table 4.2.1 above reveals the variable description of the 30 observations of the panel data for sampled deposit money banks in Nigeria. The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From Table 4.2.1, the probability of the Jarque-Bera Statistics for all the variables has a non-significant p value as follows Total Deposit (0.652463); Wages and Salaries (0.462797), Regulatory Cost (0.536868), and Advertising Cost (0.065706). The nonsignificance of the p-values depicts a normal distribution for all the variables under study. This is further confirmed by the skewness coefficients which are less than one or equal to one; Total Deposit (0.264655); Wages and Salaries (0.186755), Regulatory Cost (0.306056), and Advertising Cost (1.042739). The kurtosis coefficients further confirmed that Total Deposit (2.365151); Wages and Salaries (1.954421), Regulatory Cost (2.212267), and Advertising Cost (2.917070) are normally distributed with coefficients that are less than three.

Table 4.2.2: Regression Analysis Result (Fixed Effects Model)

Dependent Variable: TDEP

Method: Panel Least Squares

Date: 10/08/22 Time: 13:45

Sample (adjusted): 2012 2020

Periods included: 9

Cross-sections included: 4

Total panel (unbalanced) observations: 30



| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|-----------|
| WAGSAL | 0.007511 | 0.003064 | 2.451265 | 0.0216 |
| REGCOST | -0.001188 | 0.000974 | -1.218952 | 0.2342 |
| ADCOST | 0.033237 | 0.018198 | 1.826443 | 0.0797 |
| LNTA | -0.047516 | 0.028866 | -1.646056 | 0.1123 |
| C | 1.403269 | 0.463478 | 3.027696 | 0.0056 |
| R-squared | 0.468688 | Mean dependent var | | 0.709097 |
| Adjusted R-squared | 0.383678 | S.D. dependent var | | 0.058859 |
| S.E. of regression | 0.046208 | Akaike info criterion | | -3.160320 |
| Sum squared resid | 0.053379 | Schwarz criterion | | -2.926787 |
| Log likelihood | 52.40480 | Hannan-Quinn criter. | | -3.085611 |
| F-statistic | 5.513323 | Durbin-Watson stat | | 0.971711 |
| Prob(F-statistic) | 0.002530 | | | |

Source: Eviews 10.0 Statistical Software

Table 4.3.2 reveals that wages and salaries have a significant positive effect on total deposits, with a probability value that is lesser than 0.05 (0.0216) and a t-statistic that is greater than 2 (2.451265). Regulatory cost has a negative and non-significant effect on the total deposit of banks in Nigeria with probability values that is greater than 0.05 (0.2342) and t-statistic that is greater than 2 (-1.218952). Furthermore, advertising cost has a non-significant positive effect on total deposit of banks in Nigeria with probability values that is lesser than 0.05 (0.0797) and t-statistic that is greater than 2 (1.826443).

The table further depicts that a unit increase in wages and salaries increases the total deposits by 0.007511. This indicates that wages and salaries increase the total deposits in the banking industry. While a unit increase in advertising costs results in a 0.033237 decrease in total deposits. This means that an increase in advertising costs increases the total deposits in the banking industry. Furthermore, a one-unit increase in regulatory costs increases the total deposits by 0.001188. This means that regulatory costs increase the total deposits of banks in Nigeria. The adjusted R-squared (R^2) revealed that about 38% of the changes in total deposits are accounted for by the explanatory variables. The remaining 62% could be explained by other factors capable of influencing the deposit mobilisation efforts of deposit money banks in



Nigeria. The probability of the F-statistic (0.002530) is significant which shows the statistical fitness of the multiple regression results. There is a positive serial autocorrelation in the panel data extracted from annual reports and accounts of selected banks in Nigeria as suggested by Durbin-Watson statistics of 0.97.

4.3 TEST OF HYPOTHESES

The hypotheses were tested using the following decision criteria:

Decision Criteria

According to Gujarati and Porter (2009), the decision rule involves accepting the alternative hypothesis (H_1) if the sign of the coefficient for Total Deposit (TDEP) is either positive or negative, the modulus of the t-Statistic > 2.0 and the P-value of the t-Statistic < 0.05 . Otherwise, accept H_0 and reject H_1 .

Hypothesis One

Restatement of the Hypothesis in Null and Alternate Forms

H_0 : Wages and salaries have a non-significant effect on total deposits of banks in Nigeria.

H_1 : Wages and salaries have a significant effect on total deposits of banks in Nigeria.

Presentation of Test Results

Table 4.2.2 Regression Analysis Result is used to test the above-stated hypothesis.

Decision

From the panel regression analysis in Tables 4.2.2, the p-value of $0.0216 < 0.05$ and the statistic of $2.451265 > 2$. Therefore, the null hypothesis is rejected. This shows that wages and salaries have a significant effect on total deposits of banks in Nigeria.

Hypothesis Two

Restatement of the Hypothesis in Null and Alternate Forms

H_0 : Regulatory costs have a non-significant effect on total deposits of banks in Nigeria.

H_1 : Regulatory costs have a significant effect on total deposits of banks in Nigeria.

Presentation of Test Results

Table 4.2.2 Regression Analysis Result is used to test the above-stated hypothesis.

Decision

From the panel regression analysis in Tables 4.2.2, the p-value of $0.2342 > 0.05$ and the t-statistic of $1.218952 < 2$. Therefore, the null hypothesis is accepted. This shows that regulatory costs have a significant effect on total deposits of banks in Nigeria.



Hypothesis Three

Restatement of the Hypothesis in Null and Alternate Forms

H_0 : Advertising costs have a non-significant effect on total deposits of banks in Nigeria.

H_1 : Advertising costs have a significant effect on total deposits of banks in Nigeria.

Presentation of Test Results

Table 4.2.2 Regression Analysis Result is used to test the above-stated hypothesis.

Decision

From the panel regression analysis in Tables 4.2.2, the p-value of $0.0797 > 0.05$ and the t-statistic of $1.826443 < 2$. Therefore, the null hypothesis is accepted. This shows that advertising costs have a non-significant effect on total deposits of banks in Nigeria.

4.4 DISCUSSION OF FINDINGS

4.4.1 Effect of Wages and Salaries on Total Deposits

The regression analysis result revealed that wages and salaries have a significant positive effect on total deposits of banks in Nigeria. This implies that an increase in the salaries of staff at the banks motivates them to pursue more deposits through the increase in customer relationships and marketing of the banks' services. Osuala (2020) in his study on the effect of banks' marketing strategies on the deposit mobilisation of commercial banks in Nigeria. Using the Ordinary Least Squares (OLS) regression technique, the study found that wages and salaries and personnel expenses had a significant effect on deposit mobilisation by banks in Nigeria.

4.4.2 Effect of Regulatory Costs on Total Deposits

The regression analysis result revealed that regulatory costs have a non-significant negative effect on total deposits of banks in Nigeria. This implies that an increase in the regulatory costs of the banks results in a non-significant decrease in deposit mobilisation efforts of banks in Nigeria. The cost of government regulation has become a political issue in recent years, and the cost is no less controversial for banks than for other types of businesses. The regulatory costs affect the amount banks allot to advertising and other promotional strategies, hence affecting their customer reach and total deposits.

4.4.3 Effect of Advertising Costs on Total Deposits

The regression analysis result revealed that advertising costs have a non-significant positive effect on total deposits of banks in Nigeria. This implies that an increase in advertising costs such as social media marketing, sales promotion, digital marketing, and so on increases the total deposits of banks in Nigeria. Osuala (2020) in his study on the effect of banks' marketing strategies on the deposit mobilisation of commercial banks in Nigeria. The



researcher found that advertising costs had a significant effect on deposit mobilisation by banks in Nigeria.

5. SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

Undoubtedly banks have as their prime objective the desire to survive to make a profit and to grow in size and reach. In the banking system, growth can only be possible through deposit mobilisation efforts of banks. Numerous factors affect the ability of banks to mobilise deposits from customers. The study examined the administrative costs that affect the deposit mobilisation of banks in Nigeria. From the data analysis, the regression result revealed that wages and salaries have a significant positive effect on total deposits. Regulatory cost has a negative and non-significant effect on the total deposit of banks in Nigeria. Furthermore, advertising cost has a non-significant positive effect on total deposits of banks in Nigeria. The study therefore concludes that among the administrative costs studied, only wages and salaries can be used to predict total deposits of banks in Nigeria. The study made the following recommendations:

- i. Banks should ensure that their staff and workers are well remunerated which will motivate the staff to give their best to banks. They should increase their employee benefits and incentives to keep them on the job.
- ii. The federal government of Nigeria should ensure that the regulatory costs are minimal and that deposit money banks can operate effectively for general and sustainable economic growth and development.
- iii. Deposit money banks should engage in advertisement aggressively to sensitise the public on their products and services. They can achieve this through online promotions and digital marketing.

Contribution to Knowledge

The study contributed to knowledge by being the first study to examine the effect of administrative costs on deposit mobilisation efforts of banks in Nigeria. The study established that wages and salaries have a significant positive effect on total deposits. Regulatory cost has a negative and non-significant effect on the total deposit of banks in Nigeria. Furthermore, the study contributed to knowledge by establishing that advertising cost has a non-significant positive effect on total deposits of banks in Nigeria.

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