GROWTH VARIABLES AND REVENUE RESERVE OF BANKS IN NIGERIA

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Abstract: *The study examined the evaluate the bank's characteristics and revenue reserve of banks in Nigeria. Total asset, total deposit, and statutory reserve were growth indicators used for the study, while retained earnings were the dependent variable. The study adopted an ex-post-facto research design, covering the period between 2009 and 2018. Secondary data was extracted from the sampled deposit money banks in Nigeria. Multiple regression and correlation analysis were used for the data analysis. In line with the specific objectives of the study which is to ascertain the relationship between total asset, total deposit, statutory reserve and retained earnings of deposit money banks in Nigeria, it was revealed that total asset has a positive and strong relationship with retained earnings while total deposit has a positive and weak relationship with retained earnings. The statutory reserve has a negative and strong relationship with retained earnings of deposit money banks in Nigeria. The study, therefore, recommends that deposit money banks in Nigeria should strive to increase their asset base and also ensure that every asset at their disposal is effectively and efficiently managed in order yield more profit and subsequently increase their retained earnings for further investments. They should engage in promotions and other programmes that will encourage customers to keep their cash with them. This will provide them with additional capital to provide loans and make other investments to increase their revenue and retained earnings. Since banks are mandated to have a twenty-five billion naira minimum capital requirement by the central bank of Nigeria, the CBN should reduce the percentage of retained earnings to be appropriated to the CBN. This will enable deposit money banks to have more internally generated funds for investments.*

Key Words: *Growth, Revenue Reserve, Bank Capitalization, Total Asset, Statutory Reserve.*

1. INTRODUCTION:

1.1 Background of the Study

Deposit money banks and other financial institutions play an integral role in the economic growth and development of Nigeria. The roles deposit money banks play in Nigeria is not limited to providing funds for investment in other sectors of the economy, collecting savings and mobilizing these savings for investment in an industrial project, and providing funds to investors to enable them to finance new projects and complete an already existing project. Financial institutions are, therefore, capable of affecting the main saving tendencies and business opportunities in a country. A strong banking system and financial institution are very pertinent for a country to achieve sustained economic growth. The banking sector is a catalyst, engine, and livewire to every other sector of the economy.

However, deposit money banks' capacity to enhance economic growth and development depends on the financial soundness and stability of the banking system. The banking sector is among the few sectors where equity is an insignificant portion of the liabilities, hence, the reason why the Central Bank of Nigeria (CBN) is working zealously to make the banking system strong, reliable and viable. This is why the banking sector is among the most controlled sectors in any economy. Sequel to this, Prof. Charles Soludo the then Central Bank of Nigeria Governor, made some reforms to enable the banking sector to be more resilient to support the economic growth and development of Nigeria by effectively and efficiently performing its major functions as the nucleus of financial intermediation.

The key element among the 13-point reform programme was the increase of the minimum capital requirement from N2 billion to N25 billion with a deadline of 31st December 2005. Most banks were unable to raise this huge some before the deadline which led to the consolidation of banking institutions through mergers and acquisitions which brought down the number of deposit money banks in Nigeria from eighty-nine (89) to twenty-three (23). This consolidation was a consequence of limited funds available to these banks for capital formation. The CBN proposed N100 billion minimum capital base for banks that wish to operate internationally will confine some banks that could not meet the threshold to operate nationally, thereby limiting the bank's growth potential within the banking sector. The sources of fund available to these banks become the issue. The shareholders' funds may be insufficient and could not give them the minimum capital base, hence other sources of finance such as debt and revenue reserves can be utilized.

These funds which are either internally or externally sourced have their various consequences on the overall performance of these banks. Essentially, an entity that has the motive of raising funds externally must be willing to meet the demands of the lender. Bassey, Edom, and Aganyi(2016) opine that the inconsiderable cost of sourcing funds through external means, such as interest, dividends, debentures, and leases, etc serves as a huge hindrance to raising capital externally. Also, the additional disclosure requirements on these corporations especially banks further militates against their ability to raise funds externally (Scott, 2003).

Internal financing which involves a bank using its reserved profit has no financial obligation on the bank as the bank does not have to pay the costs associated with external funds. However, the use of revenue reserves is against the wishes of shareholders for an increased dividend payout. Dividend payout issues had been a very pertinent decision in the performance appraisal of banks. Dividend payout policy stipulates how dividends are revenue reserves are handled in a bank.

Revenue reserve is a major source of finance for the growth of a bank. Gilchrist and Himmelberg, (1995) submit that the level of internally sourced funds conveys information about the growth prospects of companies. Banks that want to attain the highest possible growth pay lower dividends, reinvest a significant proportion of their revenues and provide a greater percentage of their total returns in the form of capital gains. Banks with a few investment opportunities would pay more dividend than banks with lots of investment opportunities because they have profitable uses for the capital.

Other than the interest of shareholders that pressurizes banks to reduce their supposed revenue reserve in other to pay dividends to these shareholders, other factors are affecting the revenue reserve of deposit money banks in Nigeria such as additional costs that come with borrowing always hinders borrowing, making revenue reserve the most convenient source of finance available to these banks. The revenue retention capacity of these deposit money banks is determined by some growth indices. Consequently, this study attempts to evaluate growth variables that determine revenue reserve of deposit money banks in Nigeria.

1.2 Objectives of the Study

The main purpose of the study is to evaluate the relationship between growth variables and revenue reserve of deposit money banks in Nigeria. However, to reach this main objective of the study, the study must strive to achieve the following specific objectives to:

i. Examine the relationship between total asset and retained earnings of Nigeria deposit money banks.
ii. Evaluate the relationship between total deposits and retained earnings of Nigeria deposit money banks.
iii. Ascertain the relationship between the statutory reserve and retained earnings of Nigeria deposit money banks.

2. Review of Related Literature:

2.1.1 Revenue Reserve

Chasan (2012) states that revenue reserve is that portion of the net earnings of a bank that is reserved by the bank rather than disperses it to shareholders as dividends. The purpose of reserving this part of the revenue is to reinvest it into the business for growth and expansion. It is an essential internal financing source which the bank utilizes that do not create additional costs for the bank. (Mohamed, 2010). Altman (1993) opines that a banks major decision is on how much of its revenue to be paid to fund providers as dividends and how much it will reserve for reinvestments. Revenue reserve has no transaction cost and bankruptcy cost, hence, it is the cheapest source of finance available to a bank. Falex (2009) states that the more organizations reserve a proportion of their revenue for investment in research and development, the more they grow and expand.

2.1.2 Total Asset Growth

Maggina and Tsaklanganos (2012) state that assets are economic resources of a company expected to benefit the firm's future operations. They also stated that some kinds of assets are in monetary terms such as cash and accounts receivables, while others like inventory, land, buildings, furniture, and equipment are non-monetary assets. Sloan (2004) classified assets into, current, non-current and intangible assets. Non-current assets include building, machinery, plant, furniture and fittings among others.

2.1.3 Total Bank Deposits

Bello (2005) opines that deposit money banks are very fundamental in financial intermediation through their mobilization of resources from surplus economic units and channelling of resources to deficit economic units. Banks are performing this essential function in the economy by facilitating financial settlements, regulating the rates borrowing, and provide channels for international transactions (Tuyishime, Memba, and Mbera, 2015). The sector mobilizes resources from the surpluses of individuals, corporate bodies, and government and channels these funds to the deficit spending units for investment. Deposit money banks rely on deposits to perform efficiently.

Mobilization of deposits is among the essential functions of deposit money banks. It is an essential source of working capital to the bank. Deposits are an indispensable factor that enables deposit money banks to serve its purposes effectively.

2.1.4 Statutory Reserve

Central Bank of Nigeria (CBN) Prudential Guidelines for Deposit Money Banks in Nigeria (2010) stipulates that Every bank shall maintain a reserve fund appropriated out of its net profits for each year (after due provision made for taxation) and before any dividend is declared as follows:

Where the amount of the reserve funds is;

i. less than the paid-up share capital, transfer to the reserve fund a sum equal to not less than 30% of the net profit; and
ii. equal to or above the paid-up share capital, transfer to the reserve fund a sum equal to not less than 15% of the net profit;

Deposit Money Banks are requested not to make any transfers until all identifiable losses remedied. This stipulation affects the dividend payout and revenue reserve of deposit money banks in Nigeria.

2.2 Theoretical Framework

The main purpose of this study is to evaluate empirically growth indices that determine revenue reserve of banks in Nigeria. In doing so, the study is theoretical underpinned onPecking Order Theory by Myers & Majluf (1984) and Agency Theory by Jensen and Meckling (1976).

2.2.1 Pecking Order Theory

The pecking order theory of capital structure goes in opposition to firms having a remarkable blend of debt and equity finance, which limit their cost of capital. The theory proposes that when a firm is searching for approaches to finance it drawn out business activities, it has an all-around order of preference for the sources of finance it employs. The theory posits that a firm’s initial preference ought to be the usage of internal funds (retained earnings), followed by debt and then external equity. He argues that as firms become more profitable, they would have sufficient internal finance to undertake their investment projects, consequently, borrow less.

2.2.2 Agency Theory

Jensen and Meckling (1976) suggested that for an optimal debt level in capital structure by minimizing the agency costs arising from the divergent interest of managers with shareholders and debt holders. They suggest that either ownership of the managers in the firm should be increased to align the interest of managers with that of the owners or users of debt should be motivated to control managers’ tendency for excessive extra consumptions. Jensen (1986) presents an agency problem associated with free-cash-flow. He suggested that free cash flow problem can be somehow controlled by increasing the stake of managers in the business or by increasing debt in the capital structure, thereby reducing the amount of “free” cash available to managers.

Firms which are mostly financed by revenue reserve do not have to deal with transaction cost and bankruptcy costs. They do not have to pay interests or dividends for such funds, hence, this is the most sought after funding in corporate finance. This is in line with Pecking Order Theory, consequently, this study is anchored on Pecking Order Theory.

2.3 Empirical Review

2.3.1 Asset Growth and Retained Earnings

Akinkoye and Akinadewo (2018) evaluated the relationship between retained earnings and the market value of firms in Nigeria during the period 2003 to 2014. Using multiple regression models, results show that retained earnings positively and significantly relates to earnings per share, dividend pay-out and value of firms.

Hamidzadeh and Zeinali (2015) investigated the effect of sales growth and growth potential on financial reporting quality of listed firms in the Tehran Stock Exchange (TSE) from 2007 to 2011. Multiple regression method was used to test the hypotheses. Findings suggest that sales growth and potential growth has a significant effect on the quality of financial reporting.

Kioko (2013) investigated the relationship between firm size and the financial performance of deposit money banks in Kenya from 1998 to 2012. The study made use of multiple regression techniques. It was found that a significant

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relationship exists between the independent variables; total deposits, total loans, and total assets, and the dependent variable return on asset.

Bassey, Edom, and Aganyi (2016) ascertained the impact of retained earnings on the performance of Niger Mills Company Ltd., Calabar, Nigeria. The study used Karl Pearson product-moment correlation coefficient. It was revealed that the future earnings capacity of the firm depends on its retained profit. It was also found that an increase in retained profit has the capacity of boosting future earnings the business.

Thirumalaisamy (2013) examined firm growth and retained earnings behaviour of Indian firms. Using correlation and multiple regression analysis, it was found that cash flow and dividend are the most influencing variables on retained earnings.

Mulama (2015) examined the determinants of retained earnings in companies listed on the Nigeria Stock Exchange during the period between 2009 and 2012. The study employed a multiple regression analytical technique for data analysis. The study depicts that profitability and retained earnings have a positive and weak relationship. While the firm size and growth, opportunities have a negative and weak relationship with retained earnings.

Masood (2018) examined the determinants of retained earnings of steel companies in the steel sector of India. Multiple linear regression was used to analyse the panel data. Profit after tax and current ratio showed a positive and significant impact on retained earnings. Dividend paid and corporate tax showed a negative and significant impact on the retained earnings. Reserves, debt-equity ratio, investments, and cash flow showed a neutral and insignificant impact on retained earnings. The impact of variable CT on retained earnings is negative and is statistically not significant.

Masood (2017) the determinants of retained earnings of cement companies in India. Multiple linear regression was used for data analysis. Profit after tax, debt-equity ratio, and inventory has a positive and significant impact on retained earnings. Dividend paid negatively and significantly affect retained earnings.

Inyiama and Ugwuanyi (2015) examined the relationship between firm size and corporate retention of banks in Nigeria. Simple regression framework was applied in the study and correlation approach was adopted in the analysis with an estimation of an error correction model. Firm Size has a short term positive but insignificant effect on Retained Earnings while the long-run coefficient shows that Firm Size has a positive and significant influence on Retained Earnings.

From the foregoing literature, it could be observed that there is a scanty work on revenue reserve of companies in Nigeria. The few studies conducted was conducted in other sectors other than the banking sector. The period studied also created a study gap because most of the prior studies were conducted not earlier than 2015. This created a gap in the literature which this study will fill by evaluating the bank's characteristics and revenue reserve of banks in Nigeria from 2009 to 2018.

3. METHODOLOGY:

3.1 Research Design

The study adopted *ex post facto* research design. Asika (2005) opines that *ex post facto* research is expected to provide a systematic and empirical solution to research problems with historical concern. The research adopted *ex post facto* design because it made use of data which are already in existence in annual reports and accounts of banks in Nigeria. The study made use of secondary data extracted from the annual report and accounts of the selected banks in Nigeria between 2009 and 2018. The study sampled ten (10) out of the 23 deposit money banks in Nigeria.

3.2 Model Specification

The models for this study were specified as follows:

Correlation Model

$r=[1/(n-1)] \times \sum[(\overline{TA} - TA)/S_{TA})X(RETE\overline{ARN} - RETEARN)/S_{RETEARN})]$……(1)

$r=[1/(n-1)] \times \sum[(TD\underline{P} - TDP)/S_{TDP})X(RETEA\overline{RN} - \underline{RETEARN})/S_{RETEARN})]$….(2)

$r=[1/(n-1)] \times \sum[(ST\underline{RV} - STRV)/S_{STRV})X(RETEA\overline{RN} - RETEARN)/S_{RETEARN})]$.(3)

Where

n = number of observation in the sample
∑ = summation symbol
RETEARN = the value of retained earnings
$RET\overline{E}ARN$ = the sample mean of retained earnings
$S_{RETEARN}$ = the sample standard deviation of the retained earnings
TA = the value of total asset
$\overline{TA}$ = the sample mean of the total asset
S_{TA} = the sample standard deviation of total asset
TDP = the value of total deposit
$\overline{TDP}$ = the sample mean of total deposit
S_{TDP} = the sample standard of total deposit

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STRV	= the value of statutory reserve
$\overline{STRV}$	= the sample mean of statutory reserve
S_{STRV}	= the sample standard deviation of statutory reserve

Regression Model

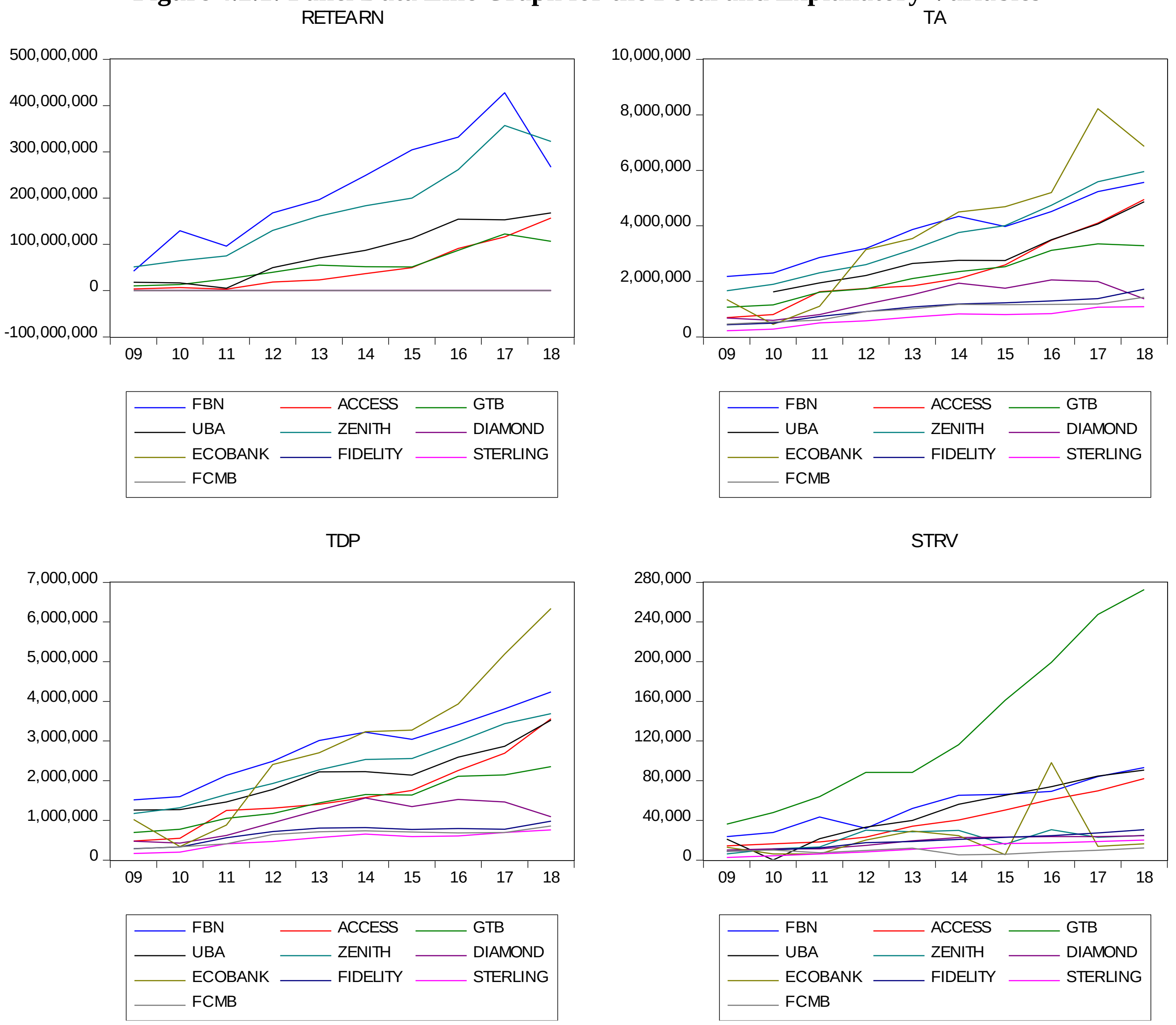
$DER_t = \beta_o + \beta_1 TA_t + \beta_2 EPSt + \beta_3 TO_t + \varepsilon_t$ - [Equation (1)]

Where,

DER:	Debt-Equity Ratio
TA:	Total Asset
EPS:	Earnings Per Share
TO:	Turnover
Ɛ	Stochastic Disturbance (Error) Term
β_o	Coefficient (constant) to be estimated
$\beta_i - \beta_3$	Parameters of the independent variables to be estimated
t	Current period

4.2 DATA ANALYSIS

Figure 4.2.1: Panel Data Line Graph for the Focal and Explanatory Variables



Source: Computed By Researcher Using Eviews 10.0 Statistical Software

From the graph in figure 4.2.1, it was revealed that both the focal variable (retained earnings) and the explanatory variables (total asset, total deposit, and statutory reserve have a similar pattern of movement as can be seen from the curve which slopes from left to right for all the variables under study. This direct movement implies that the higher the independent variables, the higher the dependent variable. However, there exist disparities in scale as some banks' curves are higher while some are lower. This is the nature of the movement of the data extracted from the annual report and accounts of deposit money banks in Nigeria.

Table 4.2.1: Descriptive Statistic of the Focal & Explanatory Variables

	RETEARN	TA	TDP	STRV
Mean	59231128	2278348.	1633624.	38093.42
Median	1761790.	1749205.	1312363.	22983.00
Maximum	4.28E+08	8223984.	6337331.	272609.0
Minimum	-23666.00	221318.0	163927.0	179.4000
Std. Dev.	94884883	1635836.	1190190.	46186.28
Skewness	0.868376	0.126427	0.226372	1.978676
Kurtosis	2.973083	2.138061	2.617274	3.500913
Jarque-Bera	9.501059	2.481379	3.596469	53.93331
Probability	0.765868	0.223498	0.678657	0.006467
Sum	5.92E+09	2.28E+08	1.63E+08	3809342.
Sum Sq. Dev.	8.91E+17	2.65E+14	1.40E+14	2.11E+11
Observations	100	100	100	100

Source: Computed By Researcher Using Eviews 10.0 Statistical Software

Table 4.2.1 above reveals the variable description of the 100 observations. From the table, the industry minimums include RETEARN – 23666, TA – 221318, TDP – 163927, and STRV - 179.4. However, the industry maximum includes RETEARN - 356,837,000, TA – 8223984, TDP– 6337331, and STRV – 272609. The industry averages for the variables studied are RETEARN - 59231128, TA – 2278348, TDP– 1633624, and STRV – 38093.42.

The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From the result above, RETEARN (0.868376), TA (0.126427), and TDP (0.226372) are normally distributed with a skewness coefficient less than one. STRV is abnormally distributed with a skewness coefficient higher than one (1.978676). The kurtosis coefficient also suggests that RETEARN (2.973083), TA (2.138061), and TDP (2.617274) are normally distributed with a Kurtosis coefficient less than three. Meanwhile, the Kurtosis coefficient for STRV (3.500913) suggests that the data are abnormally distributed. An insignificant Jarque-Bera Probability for RETEARN, TA, and TDP further justify that the panel data are normally distributed. This is the case of the data extracted from annual reports and accounts of sampled deposit money banks in Nigeria.

Table 4.2.2 Correlation Analysis Result

	RETEARN	TA	TDP	STRV
RETEARN	1.000000	0.660523	0.424470	-0.653182
TA	0.660523	1.000000	0.982813	0.367877
TDP	0.424470	0.982813	1.000000	0.352744
STRV	-0.653182	0.367877	0.352744	1.000000

Source: Computed By Researcher Using Eviews 10.0 Statistical Software

From the correlation analysis result in table 4.2.2, it was revealed that there exists a strong and positive relationship between RETEARN/TA and RETEARN/STRV. However, RETEARN and TDP have a weak and positive relationship. The table revealed further that TA and TDP among the explanatory variables have a significant relationship with RETEARN. The finding implies that when deposit money banks' TA and TDP is increasing, their revenue retention measured by RETEARN will also increase and vice versa.

Table 4.2.3: Multiple Regression Result of Industry Level Panel Data

Dependent Variable: RETEARN
Method: Panel Least Squares
Date: 11/26/19 Time: 21:07
Sample: 2009 2018
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA	40.46373	19.89304	2.034065	0.0453
TDP	30.82990	26.72042	1.153795	0.2521
STRV	-340.0794	28.78323	-2.210548	0.0401
C	4450341.	17352765	0.256463	0.7983
Effects Specification				
Cross-section fixed (dummy variables)				
Period fixed (dummy variables)				
R-squared	0.825748	Mean dependent var		59231128
Adjusted R-squared	0.778834	S.D. dependent var		94884883
S.E. of regression	44622729	Akaike info criterion		38.25692
Sum squared resid	1.55E+17	Schwarz criterion		38.83006
Log likelihood	-1890.846	Hannan-Quinn criter.		38.48888
F-statistic	17.60132	Durbin-Watson stat		1.571000
Prob(F-statistic)	0.000000			

Source: Computed By Researcher Using Eviews 10.0 Statistical Software

Table 4.2.3 reveals TA (0.0453) and STRV (0.0401) have a significant effect on RETEARN. However, TDP (0.2521) has a significant effect on RETEARN of deposit money banks in Nigeria. The t-Statistic of greater than 2 for TA and STRV further show a significant effect on RETEARN. The table further depicts that a unit change in TA and TDP increases RETEARN by 40.46373 and 30.82990 respectively. While a unit change in STRV results to 340.0794decrease in RETEARN respectively. The adjusted R-squared (R^2) indicates that about 78% of the change in DTAR is accounted for by the explanatory variables. The remaining 22% could be explained by other factors capable of influencing retained earnings deposit money banks in Nigeria. The probability of the F-statistic is significant which shows the statistical fitness of the multiple regression. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of sampled deposit money banks in Nigeria as suggested by Durbin-Watson stat of 1.571000.

4.2 Test of Hypotheses

In section one, we formulated three principal testable hypotheses to evaluate the bank's characteristics and revenue reserve of banks in Nigeria against which this study is anchored. These propositions are subjected to empirical testing drawing from the results of our inferential statistical analyses. The decision rule is based on the significances of the t-statistics which are represented by the p- values.

Statement of Decision Rule: Reject H_0 if the P-value tabulated is less than the A-value calculated (0.05), t-statistic is > 2, and if the correlation coefficient is > 0.50 and accept the null hypotheses if reverse becomes the case.

4.3.1 Hypothesis One: Total asset does not have a strong relationship with retained earnings of deposit money banks in Nigeria.

Decision: From the panel regression and correlation analysis in Tables 4.2.2 and 4.2.3, the P-value of 0.0453is < 0.05 A-value, the 2.034065 t-statistic is > 2, and the correlation coefficient for RETEARN/TA is 0.660523 which is > 0.50. Therefore, the null hypothesis is rejected and the alternative hypotheses accepted. This implies that total asset has a significant relationship with retained earnings of deposit money banks in Nigeria.

4.3.2 Hypothesis Two: Total deposits do not have a strong relationship with retained earnings of deposit money banks in Nigeria.

Decision: From the panel regression and correlation analysis in Tables 4.2.2 and 4.2.3, the P-value of 0.2521is > 0.05 A-value, the 1.153795 t-statistic is < 2, and the correlation coefficient for RETEARN/TDP is 0.424470 which is > 0.50. Therefore, the null hypothesis is accepted and the alternate hypotheses rejected. This implies that total deposits have an insignificant relationship with retained earnings of deposit money banks in Nigeria.

4.3.3 Hypothesis Three: Statutory reserve does not have a strong association with retained earnings of deposit money banks in Nigeria.

Decision: From the panel regression and correlation analysis in Tables 4.2.2 and 4.2.3, the P-value of 0.0401is < 0.05 A-value, the 2.210548 t-statistic is > 2, and the correlation coefficient for RETEARN/STRV is 0.653182 which is > 0.50. Therefore, the null hypothesis is rejected and the alternative hypotheses accepted. This implies that statutory reserve has a significant relationship with retained earnings of deposit money banks in Nigeria.

4.3 Discussion of Results

In the test of hypotheses one, the regression and correlation result revealed that total asset has a positive and significant effect on retained earnings of deposit money banks in Nigeria. This implies that as total asset increases retained earnings will also increase. This is the first study to establish a positive and significant relationship between total asset and revenue retention.

In the test of hypothesis two, the regression and correlation result revealed that total deposit has a positive and insignificant effect on retained earnings of deposit money banks in Nigeria. This implies that as total deposit increases retained earnings will experience a little or no increase. This is the first study to establish a positive and significant relationship between total asset and revenue retention.

In the test of hypotheses three, the regression and correlation result revealed that statutory reserve has a negative and significant effect on retained earnings of deposit money banks in Nigeria. This implies that as statutory reserve increases retained earnings will decrease. This is the first study to establish a positive and significant relationship between the statutory reserve and revenue retention.

5. SUMMARY, CONCLUSION, AND RECOMMENDATION:

The findings of the data analysis are summarized as follows

- Total asset has a positive and strong relationship with retained earnings of deposit money banks in Nigeria.
- Total deposit has a positive and weak relationship with retained earnings of deposit money banks in Nigeria
- Statutory reserve has a negative and strong relationship with retained earnings of deposit money banks in Nigeria.

The essentiality of revenue retention to investment, expansion and diversification needs of banks in Nigeria cannot be stressed enough. The banking industry is a capital oriented and as such requires more capital need than any other business. The above assertion is supported by the Central Bank of Nigeria (CBN) minimum capital base of twenty-five billion naira before a bank can operate in Nigeria, which they are proposing a further increase of this capital requirement to hundred billion so that Nigerian banks can compete globally. A well-organized attempt is therefore important to make sure that funds are available as at when due.

From the data analysis conducted, the total asset has a positive and significant relationship with retained earnings, while statutory reserves have a negative and significant relationship with retained earnings. The finding is in line with the expectations of the researcher because assets are items of economic value, which are expended over time to yield benefits to the banks, hence, the more the total asset the more the profit potential of the bank and consequently the more the revenue reserves. More also, the Nigeria banking regulations which require deposit money banks to make an annual appropriation to a statutory reserve as stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria. An appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. This will drastically reduce the possible revenue reserve and dividend payouts of these deposit money banks.

The study also revealed that total deposit has a positive but weak relationship with retained earnings. The bulk of banks lending and other investment activities is to a great extent financed by customers' deposits. An increase in customer deposit will finally increase revenue and revenue retention. This supports the positive relationship between the total deposit and retained earnings of deposit money banks in Nigeria.

The adjusted R-squared which shows the extent of effect which these explanatory variables exert on the focal variable is 78%. Therefore, this study concludes that the selected growth indicators (total asset, total deposit, and statutory reserve) have a strong relationship with the revenue reserve of deposit money banks in Nigeria measured by retained earnings.

Thus, the study made the following recommendations:

- Deposit money banks in Nigeria should strive to increase their asset base and also ensure that every asset at their disposal is effectively and efficiently managed in order yield more profit and subsequently increase their retained earnings for further investments.
- They should engage in promotions and other programmes that will encourage customers to keep their cash with them. This will provide them with additional funds to provide loans and make other investments to increase their revenue and retained earnings.

- Since banks are mandated to have a twenty-five billion naira minimum capital requirement by the central bank of Nigeria, the CBN should reduce the percentage of retained earnings to be appropriated to the CBN. This will enable deposit money banks to have more internally generated funds for investments.

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