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IMPACT OF INTERNAL CONTROL ON THE FINANCIAL MANAGEMENT OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The present paper seeks to examine the impact of internal control on the financial management of deposit money banks in Nigeria for the period 2010-2019. The analysis was conducted based on panel data from ten deposit money banks in Nigeria over the period 2010-2019 and using ex-post-facto research design and the pooled ordinary least square (OLS) estimation method. The findings indicate that return on asset had a positive significant effect on financial management (α = 6.150218, ρ>0.05) and net profit margin had a positive significant effect on financial management (α = 4.945163, ρ>0.05). The study concluded that internal control has significant effect on financial management of deposit money banks in Nigeria. The study made recommendations that adequate internal control system should be put in place at all level of banks' operation.

Keywords: Credit Payment Period, Financial Management, Internal Control, Loan to Asset Ratio, Net Interest Margin.

Introduction

In achieving organizational objectives and priorities financial management is key. As a major feature, financial management describes profitability, expenses, cash and credit as a way of achieving acceptable goals. There are certain variables that need to be maintained for an industry to perform its functions in order to ensure the smooth running of the industry, such as the three M's known as man, material and money. (Ironkwe & Promise, 2013). The management generally uses all these variables. The need for internal control exists due to the nature of the bank industries, which is that there are more vulnerable to risks that need to be mitigated in regard to success and profitability, and hence essential in achieving industry goals and objectives.

Globally banking industries, among others, have been one of the key industries leading to increase of economic growth and productivity, etc. Achieving bank financial management depends on the management capacity to effectively develop a robust internal control framework.

India has a Financial Planning Standards Board (FPSB), which is the highest regulatory body that sets the professional financial management standards in any region, and also helps to direct and guide the public by guiding such specialists. Financial management typically assists banking institutions in saving and spending public funds and lending loans to companies. Deposit money banks fund the manufacturing sectors, offering short-term and medium-term funding for small-scale enterprises in India, while income from Latin American countries such as Guatemala offers one to three years of medium-term loans. But in Korea, long-term loans to industry are advanced by deposit money banks (Hyekyung, 2010).

In Africa, deposit money banks have encountered problems linked to a persistent decline in financial management and bank efficiency due to high levels of poor internal control. Exploration firms, an investment holding firm with investments in the South African mining sector, have reported cases of scandals in South Africa. Njeri (2014) and Muhunyo and Jagongo (2018) noted that Kenya's financial institutions are still grappling with liquidity difficulties, premature financial results, and inefficient transparency for commercial financial capital and bank resource fraud and abuse. These scandals were triggered by a poor internal control system that has affected bank difficulties in African countries in terms of productivity and poor financial management performance among deposit money banks. According to Onyuka and Otinga (2019), countries like Nigeria, Kenya, Zimbabwe, and South Africa account for 74% of all cases of fraud identified in Africa. With 7.75 percent of recorded fraud cases, Kenya stands out in the East African region, well forward of Uganda (2.98 percent) and Tanzania. This is a concern because most deposit money banks had internal control system difficulties that could have curbed fraud and improved financial regulation in the banking system.

Since deposit money banks help to mobilize savings through a branch network in developing countries such as Nigeria, it is very important that banks maintain an effective financial management system in order to ensure proper management of the financial operations of banks.

The weakness of internal control is a serious issue for the banking sector and leads these banks to lose tremendously (Ayagre, Appiah-Gyamerah, & Nartey, 2014). The Nigerian financial sector has its problems related mainly to factors such as enormous non-performing loans, lack of transparency, capital insufficiency, budgeting problems, and in addition to these inadequate internal controls and poor or corrupted external audits, it also played a significant role in the sector's issues particularly from the early 1990s to mid-2004. Despite Nigeria's banking sector reforms in 2005, there has been a breakdown in the internal control structures of banks, resulting in regulatory deficiencies and weak corporate governance.

Moreover, due to the weakness of internal regulation in Nigeria's banking industries, the results of the 2009 stress tests carried out by the CBN on deposit money banks showed that 8 out of 24 deposit money banks in Nigeria were unstable, requiring the CBN to intervene by injecting 620 billion naira of liquidity into the banking sector. An organization's internal control efficiency determines the degree to which the organizational structure facilitates the accomplishment of its corporate goals and objectives. These priorities and objectives are related to financial and non-financial management in the case of profit-based organizations like deposit money banks.

Instead of relying on perception-based survey research, the present analysis is an important contribution to the internal control and financial management literature using secondary data. Thus, this study examined the impact of internal control on the financial management of deposit money banks in Nigeria. The research hypothesis is as follows:

H_o1: Internal control does not have a significant impact on Financial Management of deposit money banks in Nigeria.

Literature Review

Financial Management

Financial management is primarily concerned with profitability, expenses, funds, and credit, all in order for the company to be able to meet its goals to the best of its capacity. Financial management, according to Svetlana and Irina (2015), is an interconnected, scientifically based complex of methods and resources for preparing, executing, controlling, analyzing, timely correcting, and adjusting a company's strategic and operational financial objectives, planning structure, and activities.

Various scholars, including S.C Kuchal, Howard among Upton, Weston and Brigham, Joseph and Massie, and others, have contributed definitions to describe financial management, which is concerned with the efficient management of a company's funds.

Bank financial management focuses on the investment and liquidity aspects, i.e. the financial component of a bank is extremely important because it decides how it operates.

Loan to Asset Ratio

The loan-to-asset ratio is an industry-specific measure that allows investors to get a full picture of a bank's operations. The loan-to-asset ratio is a metric for assessing a bank's liquidity, indicating its ability to meet demand credit with total assets (Martono, 2004). Susanthi (2010) discovered that the loan-to-asset ratio has a huge impact on profitability.

Banks with a high loan-to-asset ratio derive a significant portion of their revenue from loans and investments, while banks with a low loan-to-asset ratio derive a significant portion of their revenue from more diversified, non-interest earning sources. It's worth noting that banks with lower loan-to-asset ratios can do better when interest rates are low and credit is scarce, or when the economy is in a slump.

According to Putu (2012), the loan to asset ratio would have a positive and important impact on profitability because the more credit provided to the public, the higher the bank's profit. However, if you don't pay attention to overall growth assets, the profit potential isn't sufficient.

Credit Payment Period

The number of days given to customers to settle their debt is referred to as a credit period. It is used as a metric to determine how long it takes a consumer to pay off their debts on average. The number of days it takes a debtor to pay their debt has an effect on the bank. This is because if a debtor may not pay their debt within the payment period, the corporation will face financial risk.

The length of the credit payment period is critical and must be carefully calculated. A high risk of default exists for an institution whose credit term is longer than the time it takes to pay off its own debt. This creditors' payment date and the debtor's payment date should be roughly equal. i.e., if it takes 30 days to pay creditors, the institution debtors should not take longer than 30 days to pay back, in order to prevent unreasonable expectations or losses.

Net Interest Margin

The bank sets the net interest margin to cover all risks and costs associated with intermediation. As risk exposure rises, a decent net interest margin should produce enough income to expand the capital base. (Angbazo et al., 1997). Interest rates paid by the bank and the source of the bank's assets are two factors that can have a direct effect on net interest margin.

The net interest margin is a straightforward method of calculating a bank's profitability and growth prospects. An increase in the interest margin contributes to increased profitability and capital, but it also has the potential to reduce productivity and reduce competition. A reduction in net interest margin, on the other hand, indicates inefficiency in investment.

Liebeg, Schwaiger, and Naceur (2006) investigated the factors that influence net interest margins and discovered a significant and constructive relationship between the two. Other research into the same industry has shown that high capital adequacy can indicate greater banking stability and help to reduce interest rate margins.Net interest margin is a metric used by banks to demonstrate how good they are at receiving interest on their assets in comparison to the interest that their depositors receive.

According to Saksonova (2014), the most important criterion for evaluating the efficacy and stability of banks' operations is net interest margin. It is a better way to assess how well a bank handles its interest-bearing assets than the return on assets and return on equity.

Internal Control

It is the process of ensuring that an organization's objectives in terms of organizational effectiveness and performance, accurate financial statements, and adherence to regulations, laws, and policies are met. Simply put, internal control refers to everything that helps a company manage risk.

Internal control was described by the United Kingdom Auditing Practices Committee (1979) as "the entire system of financial and other controls established by management in order to carry on the business of the enterprise in an orderly and effective way to maintain adherence to managerial laws and regulations, safeguard the assets, and ensure as far as possible the completeness and consistency of the data.". Internal control is described by Turnbull (1999) as an organization's policies, procedures, tasks, behaviours, and other aspects taken together. Internal control is imposed by management for the purpose of safeguarding assets, promoting transparency and increasing performance, and finally, to prevent fraudulent behaviour, as we can see from the definitions above.

The importance of internal control has been greatly emphasized as a result of the early 2000 scandals. The importance of internal control has been significantly emphasized as a result of the early 2000 scandals, requiring management to plan, enforce, and personally assess the efficacy of internal controls within the industry. Executives who are found guilty face fines and incarceration as a result of their actions. Liquid assets, which must be secured because they are easily stolen, are a good example of where internal control is needed in asset security. Cash is an example of a liquid asset.

The Basel Committee on Banking Supervision published a framework that stressed the importance of sound internal controls in the prudent activity of banks and the promotion of financial system stability. The Basel committee established thirteen criteria for banking supervisory authorities to consider when evaluating a bank's internal control systems. These principles were organized into five categories based on the COSO Framework: management supervision and the control environment, risk recognition and evaluation, information communication and monitoring practices, and correcting deficiencies.

Control Environment: According to Whittington and Pany (2001), the Control Environment influences people's control conscious, which sets the tone of the organization. It provides discipline and order and serves as the basis for all other aspects of internal regulation. The control environment is something that directors must pay close attention to. Integrity, ethical principles, and competence of the entity's people are all control environment considerations. Management assigns tasks, organizes and develops staff, and pays attention to the direction it offers, according to the control aspect (Boyd and Edward, 1995).

Risk Assessment: Asiligwa (2017) defines risk management as "the process of identifying and analyzing relevant threats to the achievement of an entity's goals as the foundation for assessing how the risk is mitigated." The magnitude of the impact, as well as the probability of it happening, are critical considerations. Risk may be transferred, embraced, minimized, or avoided depending on the situation.

Control Activities: are the policies and procedures that help ensure that management's orders are followed and that the appropriate steps are taken to resolve threats to the entity's goals (COSO 2011). Control activities take place throughout the entity's stages and roles. Approvals, authorizations, verifications, and reconciliations, as well as reviews of operational results, asset protection, and division of duties, are all part of it.

Information and Communication: COSO (2011) described information and communication as the process of identifying, capturing, and effectively relaying essential information to the organization. Knowledge should be conveyed to management and other staff who need it in a format and time frame that will assist them in carrying out their responsibilities.

Monitoring: Monitoring is a study of an organization's operations and transactions to ascertain the level of results over time and to see whether the controls in place are working. Monitoring evaluates and attempts to minimize the possibility that an organization's internal controls will fail to provide fair assurance that organizational, monitoring, and legal/regulatory goals are met (COSO 2011).

Theoretical Framework

This research will be focused on agency theory since it suggests a better understanding of the relationship between ownership structure and bank financial management. Since it becomes difficult when the company owner and management are different individuals, agency theory is needed to solve such a problem involving delegation of authority, in which the managers (agents) behave in the best interests of the owners (principal).Efficient internal control will solve the agency issue. The agency problem is said to arise when the agent begins to behave in his own interest rather than the principal's. As a result, by implementing effective internal control and eliminating any information asymmetry that might occur between the principal and the agent, the organization issue and cost can be reduced.

In the absence of strict shareholder oversight, the principal-agent model indicates that managers are less likely to participate in purely profit-maximizing conduct (Agrawal & Knoeber, 1996). In a nutshell, internal control aids in the creation of an effective financial management system, which in turn guarantees profitability. As a result, internal controls are beneficial in agency theory. Internal controls have also been linked to better earnings management. Earnings management is the agency issue that prompted the SOX law, which was enacted in response to earnings manipulation that leads to scandalous reporting, as seen at Enron and WorldCom.

When the agency relationship is closely adhered to, i.e. when there are no agency problems, financial management becomes successful by ensuring that the agent prepare, control, organize, and guide all financial operations, as well as a proper investment plan and management, all of which contribute to the banks' long and short-term objectives.

Empirical Review

Ironkwe and Promise (2015) examined the impact of internal controls on the financial management of selected production companies in rivers state Nigeria. They used a questionnaire-based survey with a sample size of 20 production companies. They discovered that efficient internal control improves the financial management of production companies as a result of their research. They advised managers to maintain effective organizational control, and that each employee should be aware of their different roles and that proper job segregation be achieved in order to execute them efficiently and effectively.

Kwakye (2017) researched on internal control activities as tool for financial management in the public sector of Ghana post company limited. He carefully observed with a sample size of 36. He suggested that auditors should be permitted to carry out their duties when reviewing the audit manuals of public-sector entities on a regular basis. He also indicated that this suggestion is necessary in order to achieve the firm's goals. The conclusion was reached that while Ghana Post Company Limited has internal controls, they are ineffective, making it easier for people to commit fraud.

Omete, Namusonge and sakwa (2019) researched on the financial management efficiency and financial performance of listed commercial banks in Nairobi securities exchange. Financial management performance, inferred from capital adequacy, liquidity, financial leverage, and market capitalization, is used as a predictor variable. They used a descriptive design for their research, which entailed collecting and analysing both primary and secondary data in order to infer relationships between the variables studied. The findings of this study revealed that there is a clear and positive relationship between commercial bank financial performance as measured by return on asset (ROA) and return on equity (ROE). Commercial banks in Kenya should implement efficient financial management mechanisms to boost their profitability, according to the findings. Specifically, banks should comply with capital requirements, preserve adequate and optimum liquidity, and exploit existing technology opportunities to ensure efficiency.

Ezejiofor and Okolocha (2020), the impact of the internal audit feature on the financial performance of Nigerian commercial banks was investigated. The study design used was survey with a population of 7 bank branches, of which 5 were chosen. Internal audit management procedures have a positive impact on financial results in Nigeria, according to the findings of this report. They recommended that the internal audit mechanism in commercial banks in Nigeria ensure that financial fraud in their various institutions is regulated and reduced to zero.

Sari and Rahmat (2014) investigated the impact of net profit margin and return on asset on the share price of automotive companies listed on the Indonesian stock exchange. The data was analyzed using multiple linear regression analysis. The findings of this study showed that net profit margin and return on asset have a positive and substantial impact on the stock price of automotive companies listed on the Indonesia stock exchange.

Asiligwa (2017) made a research on the effect of internal controls on financial performance of commercial banks in Kenya. In order to explain the relationship between internal control elements and financial results, a descriptive research design was used. In Kenya, 43 deposit money banks were used. It was discovered that the banking sector's good financial success is due in part to the implementation and maintenance of appropriate internal controls. The banking industry's highly controlled and hierarchical climate is credited with the presence of efficient internal control. Due to the nature of the banking sector's riskiness and its effects on financial results, recommendations were made that banks should efficiently enforce and retain internal controls.

Methodology

In this study the research design used is called the *EX Post facto.* Reason been that it covers incidents that have happened already. The study considered the 33 listed deposit money banks on central bank of Nigeria (CBN). A sample of 10 deposit money banks was chosen purposively using the criteria below: the bank's annual reports must be accessible from 2010 to 2019, and the banks should have available sustainability reports for the selected period.

Data were obtained from financial statements contained in the annual report published of the selected deposit money banks. Internal control was measured with return on asset and net profit margin. In contrast, financial management was measured with loan to asset ratio, credit payment period and net interest margin. Content analysis was employed as a tool for retrieving data from financial statement of bank industries under study contained in their annual report and Central Bank of Nigeria for analysis to carry out research. The validity of the origin and data for this study was instituted on the principle that only published and audited annual reports in accordance with International Financial Reporting Standards (IFRS) and International Auditing Standards (ISA) as published in the financial statement of the selected banks were used. The data gathered for this project will first be presented in a table to allow for trend analysis. To examine the effect of the independent variable (Internal Control) on the dependent variable (financial management), the study will use the ordinary least square regression approach as the data analysis technique. The model specifications are as follows:

$Y=f(X)$

Y= Financial Management (FM)

X= Internal Control (IC)

$Y= (y_1, y_2, y_3)$

y_1= Loan to Asset Ratio (LAR)

y_2= Credit Payment Period (CPP)

y_3= Net Interest Margin (NIM)

$X= (x_1, x_2)$

x_1= Return on Asset (ROA)

x_2= Net Profit Margin (NPM)

Model

FM =f(ROA, NPM)

FM = $\beta_0 + \beta_1$ ROA+ β_2NPM +µ

Where,

α_0, β_0 represents intercepts of coefficient

α_1, β_1 represents the coefficients of each of the independent variable

µ = error term

FM = geometric mean of all proxies of dependent variable

Data Analysis and Interpretation of Result

Descriptive Analysis

This section of the analysis provides an overview of the data set while attempting to describe the key elements of the data. The depiction of the information arrangement is determined by the factors' mean, maximum, minimum, and standard deviation. The summary statistics of the pooled series of Financial Management proxy - Loan to Asset Ratio (LAR), Credit Payment Period (CPP) and Net Interest Margin (NIM), and Internal Control proxy - Return on Asset (ROA), Net Profit Margin (NPM) as shown below in Table 1.

Table 1: Summary estimate of Descriptive Analysis

	LAR	CPP	NIM	ROA	NPM
Mean	644.58	59.406	11.899	35.375	408.269
Median	496.10	37.73	229.3200	5.17	24.04
Maximum	7187.83	158.88	35.21	54.07	577.21
Minimum	5462.26	2.8	4.13	24.03	275.57
Std. Dev.	577.19	43.72524	8.944604	10.80575	94.0358
Observations	100	100	100	100	100

Sourced: Author's Computation using E – View 9 (2021) underlying data from CBN.

The statistical properties of the variables of this study are highlighted in Table 1; with the emphasis here is on the mean, minimum, maximum and measures of dispersion of the variables involved in this study. The features of Loan to Asset Ratio (LAR) showed that the sampled deposit money banks for this study are highly volatile with standard deviation values of 577.19 which measure the dispersion of the range of the figures from the mean. Also, the minimum figure of 5462.26 and the maximum figure of 7187.61 implies that the maximum interest of 7187.83 on loan asset by the banks within the time frame of this study indicating that the banks with the ratio being more ability of the bank to finance its loan asset ratio and average interest constitute 496.10 of financial management under study within the time covered is high.

The characteristics of Credit Payment Period showed that credit payment is highly volatile in line with standard deviation value of 43.72 which measures the dispersion of the range of the figure from the mean. Also, the minimum value of 2.8 indicated that there are periods within the time frame when the companies reported low credit payment were made as evidenced in the data. The maximum figure of 158.88 states that the maximum credit payment of 158.88 was generated by the banks within the time frame of this study stating that the banks with the ratio being more efficient in yielding more credit payment constitute 37.73 respectively under the study within the time covered is low.

The characteristics of Net Interest Margin (NIM) showed that net interest margin is lowly volatile with standard deviation value of 8.94 which measures the dispersion of the range of the figure from the mean. Also, the minimum value of 4.13 stated that there are periods within the time frame when the companies had no net interest and only reliance was on equity for financing of operations as evidenced in the data. The maximum figure of 35.21 implies that the maximum interest of 35.21% on total equity was generated by the banks within the time frame of this study stating that the banks with the inclusion of the ratio being more efficient in yielding more interest and reducing debt liabilities and average financial leverage constitute 229.32 under study within the time covered is high.

The characteristics of Return on Asset (ROA) revealed that the return on asset of the sampled banks is lowly volatile with standard deviation values of 10.8 which measures the dispersion of the range of the figures from the mean. Also, the minimum values of 24.03 indicated that there are periods within the time frame when the banks reported no return on asset as evidenced in the data. The maximum figure of 54.07 states that the maximum log value of return on asset of 54.07% on shares outstanding was generated by the banks within the time frame of this study indicating that the banks with the ratio being more efficient in yielding investment and average return on asset constitute 5.17% of shares issued under study within the duration covered is low.

The characteristics of Net Profit Margin (NPM) showed that current ratio is highly volatile with standard deviation value of 94.0358 which measures the dispersion of the range of the figure from the mean. Also, the minimum value of 24.03 indicated that there are periods within the time frame when the banks reported low current asset which could not settle short term obligations as they were due as evidenced in the data. The maximum figure of 54.07 implies that the maximum current assets of 54.07% on current assets that was generated by the banks within the time frame of this study indicating that the banks with the ratio being more efficient in settling its current obligations as at when due and average current ratio constitute 24.04% under study within the time covered is low.

The numerical representation, however, cannot determine the direction and extent of the relationship between these variables. As a result, the regression analysis in the following section demonstrates the extent and direction of this relationship in accordance with the study's stated objectives.

Testing of Main Objective

Determine the impact of internal control on the financial management of deposit money banks in Nigeria.

Table 2: Regression Analysis for Main Objective: Panel GLS regression effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.269040	0.117239	9.71878	0.0035*
ROA	6.150218	6.703753	1.284669	0.2021
NPM	4.945163	4.878615	1.13804	0.3186
R-squared	0.621466			
Adjusted R-squared	0.591870			
Prob(F-stats)	0.28062			
F-stats	0.581486			
Diagnostic Tests	**Probability**			
Hausman Test	$chi2_{(6)} = 2.65\ (0.8571)$			
Breusch and Pagan	$Chibar2\ _{(01)} = 1.45\ (0.2284)$			

Lagrangian multiplier test	
Heteroskedasticity Test	$chi^2_{(6)}$ = 3.94 (0.0208)
Serial Auto-Correlation Test	chi2($_6$) = 2.82 (0.2447)
Pesaran's test of cross-sectional independence	$F_{(45)}$= 0.69 (0.0472)

Dependent Variable: FM; Obs.: 100 *significance at 5%
Source: Researcher's Study, 2021

Interpretation of Diagnostic Test

The result of the Hausman test with the *p-value* of 0.8571 which is greater than the percent level of significance chosen for the study reveals that fixed effect is not the appropriate estimator according to its null hypothesis which states that there is presence of systematic difference in the model coefficients; thus, the study does reject the null hypothesis.

The results of the Breusch-Pagan Lagrangian multiplier test showed a *p-value* of 0.2284, which is greater than the significance level of 5 percent; this is an indication that pooled OLS is a good estimator of the model therefore; the study does accept the null hypothesis which implies that Pooled OLS is the most appropriate estimator for the model.
The model was tested for heteroskedasticity. This test was carried out using Breusch-Pagan test and the result of the heteroskedasticity with *p-value* of 0.0208 which is less than the 5 percent level of significance selected for the study is a presence of heteroskedasticity; that is the residuals of the model are not constant over time, thus the study does reject the null hypothesis.

The result of Pesaran's test of cross-sectional independence with a *p-value* of 0.0472which is less than 5% level of significance selected for the study is an indication of cross-sectional dependence presence in the data. The test strongly rejects the null hypothesis of no cross-sectional dependence at 5% level of significance. The correction of the standard errors can be done by the approach proposed by Driskoll and Kraay (1998) using Regression with Driscoll-Kraay standard errors for Random-effects GLS regression.

The null hypothesis of the test states that there is serial correlation. The test was carried out using Breusch-Godfrey Serial Correlation LM Test with a *p-value* of 0.2447 which is greater than the significant level of 5 percent is an indication that there is no serial correlation problem in the model. Therefore, the study does accept the null hypothesis.
Conclusively, the diagnostic tests revealed that there is presence of heteroskedasticity and no serial correlation problems in the model. As a result of this; the fixed effects and random effects would not be appropriate estimators for the model; Panel EGLS regression effect was used to estimate the effect.

Model

FM = f(ROA, NPM)
$FM_{it} = \alpha_0 + \beta_1 ROA_{it} + \beta_2 NPM_{it} + \mu_{it}$
$FM_{it} = 4.269040 + 6.150218 ROA_{it} + 4.945163 NPM_{it} + \mu_{it}$

Interpretation

The result of the regression model presented in Table 2 evidenced that return on asset (ROA) has a positive significant effect on Financial Management (FM) (α = 6.150218, ρ=0.2021); a unit increase in ROA would lead to 6.150218 increase in FM; Net Profit Margin

(NPM) has a positive significant effect on Financial Management (FM) (α = 4.945163, ρ=0.3186); a unit increase in NPM would lead to 4.945163 increment in FM. This result is consistent with *a priori* expectation as it was expected that internal control proxies (ROA and NPM) will have positive effect on Financial Management (FM). The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 68% variation in NIM while the remaining 32% changes in FM is caused by other factors not captured in this model. The probability of F-test (ρ-values of 0.28062) showed that there is a significant effect of internal controls on Financial Management (FM) of listed deposit money banks in Nigeria.

Discussion of Findings

This study was set out to determine the impact of internal control on the financial management of deposit money banks in Nigeria.

The inferential statistics section focused on testing the hypotheses previously stipulated through the use of regression analysis. The first model stated that Return on Asset has a positive insignificant effect on Financial Management. The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 37% variation in LAR while the remaining 63% changes in LAR is caused by other factors not captured in this model. This indicates that the model has an explanatory power. Internal control systems have significant effect on Financial management of listed deposit money banks in Nigeria. The findings therefore negated the studies conducted by Asiligwa and Rennox (2017), Ironkwe, Uwaoma and Promise (2013) that revealed, however, that return on asset, and net profit margin have a positive relationship with loan asset ratio. The study of Kwakye (2017) conducted in Ghana aligned with the above findings and stated that there is a relationship between internal control and financial management.

The regression estimates of model two showed that Return on Asset and Net Profit Margin has positive insignificant effect on Credit Payment Period. The explanatory powers of the independent reflect that the joint variations in the independent variables yield 31% variation in CPP while the remaining 69% changes in CPP is caused by other factors not captured in this model. This indicates that the model has an explanatory power. The findings therefore negated the studies conducted by Kwakye (2017), Okoli (2012) by stating that return on asset has a direct effect on the output of deposit money banks in the Nigerian. Also, the study of Ekechukwu (2015) confirmed that the net profit margin led to the profitability variation calculated by gross margin and revenue yield. But the review of the information gathered shows that the return on asset and net profit margin influences credit payment period of the deposit money banks which negated the findings.

The regression estimates of model three showed that Return on Asset and Net Profit Margin has a positive significant effect on Net Interest Margin. The explanatory powers of the independent variables reflect that the joint variations in the independent variables yield 68% variation in NIM while the remaining 32% changes in NIM is caused by other factors not captured in this model. There is a significant effect of internal control system on net interest margin of sampled deposit money banks in Nigeria.

The findings therefore supported the studies conducted by Hassan Hamadi and Ali Awdeh (2012) and Umaru Hussaini and Umar Muhammed (2018) by discovering that all regressors were significant. All three equations have, however, repeatedly demonstrated only productivity ratios, which demonstrates the dominance of short-term benefit and efficiency of internal control system, internal controls have a significant impact on financial management and that the relationship with financial management is favourable. The study of Mansur LubabahKwanbo. (2015) negated the findings.

Conclusion and Recommendations

Conclusively, the outcomes of all of the analyses showed that return on asset (ROA) has a positive impact on deposit money bank's financial management in Nigeria. In addition, the net profit margin has a major effect on financial management in Nigerian deposit money banks. The study also concluded for the aggregate model that internal control has significant effect on financial management of deposit money banks in Nigeria.

The following recommendations have been suggested based on research findings as well the conclusions drawn from the findings. It is hoped that proper implementation and application of these recommendations will go a long way in improving the financial management of deposit money banks in Nigeria. It is recommended that: In terms of detecting and preventing bank fraud, the following recommendations are proposed:

1. Adequate internal control system should be put in place at all level of banks' operation. This will help to prevent the mismanagement of finances. In addition, a strong internal audit department should be created, likely led by qualified Chartered Accountants.
2. Also, good management that comply with the laid down rules, policies, procedures and regulation in the performance of any banking function will go a long way in financial management in banks.

Suggestions for Further Study

This research added to the body of knowledge on internal control system in Nigeria. Further studies should incorporate more efforts and policies aimed to improving the internal control system and how it affects financial management of in Nigeria banks in their studies. In their study, they should us other moderating variables between internal controls and financial management. Comparative study between developing countries like Ghana, South Africa, Senegal, Egypt and Nigeria can be considered on the impact of internal controls on a particular sector in the countries.

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