

Original Article

Effect of Non-Interest Income on the Financial Performance of Deposit Money Banks in Nigeria

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Abstract: *The study investigated the effect of non-interest income on the financial performance of selected deposit money banks in Nigeria. The study adopted ex post facto research and employed the panel least squares (PLS) regression technique to analyze the data (using descriptive test, correlation test and regression estimation). The major findings of the study indicated that income from electronic transfer charges was positive and significant on the return on assets (financial performance) of selected deposit money banks in Nigeria. Also, the income from card maintenance and stamp duty collections was indicated to be positive and significant on the return on assets of selected deposit money banks in Nigeria. Furthermore, the study found the income from commissions and value-added tax collections to be positive and significant on the bank's return on assets. Based on the results from the analytical tests carried out, the researchers concluded that non-interest income has a significant positive effect on the performance of deposit money banks (DMBs) in Nigeria. Following the empirical results and the findings, the study recommended that the banks should implement a coordinated scheme that will boost income electronic transfer transactions; this will further expand the non-interest income of the bank; the banks should expand its other operations that generate commission and charges on stamp duty collections, this will increase the contribution the component to the total non-interest income of the bank and their overall performance; also the banks should leverage the growing size of its electronic operations by customers to further boost its non-interest income and financial performance.*

Keywords: *Non-Interest Income, Deposit Money Banks, Panel Regression Technique.*

I. INTRODUCTION

In the day-to-day operations of deposit money banks, they derive income from all their products and services. The income can be split into interest income and non-interest income. Non-interest income of banks refers to the component of their income derived primarily from fees for transactions and deposits, monthly account maintenance, fees for checks and deposit slips, and so forth. Some of the most common of these fees in Nigerian banks are electronic transfer fees, Remitta charges, stamp duty charges, and card maintenance fees on credit and debit card users. In order to boost revenue and guarantee liquidity in a scenario of rising default rates, commercial banks impose fees that produce non-interest income.

According to Ayodeji (2018), since the deregulation process of the banking sector in the 1970s, there has been an increase in the diversification of bank operations from interest-based activity to non-core income-based activity. Deposit money banks must, therefore, engage in a variety of non-interest revenue-generating activities in order to stay in business, including trading, investments, and money transfers. This has obviously led to a rise in the percentage of non-interest income of commercial banks (Stiroh, 2010). The rise in non-interest income could also be attributed to the structural forces of change in the banking system, such as the increasing adoption of technology.

The problems limiting loans and deposit mobilization that affect interest income generation seem to be isolated from non-interest income generation. For example, Zenith Bank Plc reported its audited outcomes for the year that ended on December 31, 2022, and showed that its gross earnings had grown by an impressive double-digit 24% from NGN765.6 billion in the previous year (2021) to NGN945.5 billion in 2022. This is in spite of the ongoing difficult macroeconomic climate and obstacles. The double-digit increase in gross earnings for the 2022 financial year was primarily driven by a 23% increase in non-interest income, which increased from NGN309 billion to NGN381 billion, as per the audited financial results submitted to the Nigerian Exchange (NGX). Customers' deposits increased by 39%, from NGN6.47 trillion in 2021 to NGN8.98 trillion. The growth in customer deposits came from all products and deposit segments (corporate and retail) and especially the non-interest income component, thus advancing the growth of the bank's non-interest income. Total assets increased by 30%, growing from NGN9.45 trillion in 2021 to NGN12.29 trillion, mainly driven by growth in customer deposits. With the steady and continued recovery in economic activities, the bank's prudential ratios are well above regulatory thresholds.



Another reason for the growth in non-interest income of deposit money banks can be linked to the implementation of the treasury single account (TSA) policy by which the banks have placed different categories and amounts of charges for transactions involving the TSA and Remitta services for all government ministries, departments and agencies (MDAs) in Nigerian Development in information and communications technology, for example, the Internet, Automatic Telling Machines (ATMs), new intermediation technologies for processes like loan securitization and credit scoring, and the introduction and expansion of financial instruments and markets (high yield bonds, commercial paper, financial derivatives) all impacted on the levels and types of non-core income of DMBs (Lown, Osler, Strahan & Sufi, 2000).

Access Bank PLC, Zenith Bank PLC, UBA PLC, Fidelity Bank PLC, and Guarantee Trust Bank PLC) are some of the biggest banks in Nigeria, which have both the status of a commercial and deposit money bank. For instance, according to an analysis of Zenith Bank income, Folake (2023) observed that during the examination period, the bank's non-interest income increased by 23.3 percent to N381 billion from N309 billion. It was also observed that the main contributors to the bank's non-interest income are trading gains at N212.7 billion, net income on fees and commission contributed N132.8 billion and other operating income at N35.5 billion in 2022. Zenith Bank received N212.7 billion in trading gains during the reviewed period, a 27 percent increase from N167.5 billion. In the comparable time frame, the bank's net income from fees and commissions increased by 28% to N132.8 billion from N103.9 billion. The other operating revenue of Zenith Bank decreased by 6% from N37.6 billion in 2021 to N35.5 billion in 2022.

Nigerian deposit money banks serve their client's needs while generating revenue for their owners. The source of profitability has frequently been the interest earned on advances and loans. Due to loan repayment defaults and their aftermath, interest income has become less appealing in recent years, making non-interest income the preferred source of profitability (Olowolaju, 2023). One possible explanation for the increased number of non-performing loans could be the slowdown in economic growth brought on by high inflation and unstable economic conditions.

The growth in the non-interest income of banks is a concern for monetary policy authority since the Central Bank has made policy guidelines to curtail banks' excessive non-interest charges. The concern stems from the complaints that are lodged daily by bank customers against the indiscriminate charges that the banks have placed on their accounts and the transactions they perform. Again, it has been observed, according to Balogun (2023), that Nigerian banks are still largely reliant on income from other non-core banking functions to boost revenues and juice earnings, despite efforts by the Central Bank of Nigeria (CBN) to get them to play bigger roles in the real economy through extending loans.

The deposit money banks especially have introduced different charges on customer accounts and transactions such as electronic transfer levy, card maintenance fee, Remitta transaction charges, etc. According to Folake (2023), this non-interest income (net income on fees and commission) alone contributed N132.8 billion to the bank's income during the period. It is, therefore, necessary to study the effect of the charges on the performance of the bank. Hence, this study aims to investigate the impact of non-interest income on the financial results of a few Nigerian deposit money banks.

The precise relationship between non-interest income and bank performance is still up for debate because various explanations for the inconsistent results have been put forth. Because it is dependent on the situation and the current state of the economy, the relationship is more complex. Some studies, such as Uniamikolo (2020), Ogbonna (2022) and Ayodeji (2020), have tried to establish a link between non-interest income and the performance of banks in Nigeria. Their studies have pointed in a positive direction. Also, given the paucity of literature in this area of concern in Nigeria and the conflicting views of prior scholars resulting in a lack of consensus and mixed and inconclusive outcomes, this study is of the view that further proof would be required to validate existing studies; thus, improving the frontiers of knowledge. The broad objective of this study is to determine the effect of non-interest income on the financial performance of commercial banks in Nigeria; the specific objectives are:

- To investigate the effect of income from electronic transfer charges on the financial performance of selected deposit money banks in Nigeria
- To find out the effect of income from card maintenance fees and stamp duty collections on the financial performance of selected deposit money banks in Nigeria
- To determine the effect of income from commission charges and value-added tax collections on the financial performance of selected deposit money banks in Nigeria.

II. LITERATURE REVIEW

A) About Interest Income

a. Non-interest Income

According to Stiroh (2004), non-interest income is defined as the different charges that act as a means of making money and making sure banks have liquidity in case the percentage of loans and advances that fail rises. Non-interest

income now makes up a large portion of most banks' revenue. Also, scholars have suggested the existence of a close relationship between non-interest income and bank characteristics such as performance. Based on this view, well-managed banks should be seen to make relatively good revenue from non-interest income. Thus, a commercial bank's economic performance is influenced by the presence of products that command high fees. Therefore, since banks can diversify to increase the source of income, this suggests that non-interest income businesses can increase overall income.

Ogbonna (2021) also see non-interest income as revenue taken in by financial institutions from account-related fees and charges on services rendered to customers. In his opinion, overdraft fees, excess over-limit fees, wire transfer fees, monthly service fees, and account search fees comprise fee income. The fees brokers and agents receive for closing a deal or making a sale are referred to as commission income. Banks are able to mobilize funds at no cost through fee-based revenue sources like cash management and tax collection services. Operating income is defined as the earnings that banks or bank holding companies report following the subtraction of regular operating expenses. It does not include gains or losses, charge-offs, or additions to the reserve account for potential loan losses. Earnings before federal income taxes are deducted are referred to as operating income.

Bank and creditor revenue that is primarily derived from fees is known as non-interest income. These fees can include transaction and deposit fees, fees for insufficient funds (NSF), annual fees, monthly account service fees, fees for checks and deposit slips, and more. Penalty fees, such as late and over-limit fees, are levied by credit card issuers. In order to boost revenue and guarantee liquidity in the event of rising default rates, institutions impose fees that produce non-interest income. One of the fees associated with borrowing money is interest, which banks get paid. Interest is a type of operating income that banks and other financial institutions receive from their regular business operations. Since lending money is the fundamental component of a bank's business model, interest is its main revenue source, and cash is its main asset. Nevertheless, in an environment of low-interest rates, banks mainly rely on non-interest revenue. Sources of non-interest income can be reduced to persuade customers to pick one bank over another when interest rates are high.

b. Components of Non-interest Income

The term "non-interest income" describes the profits that banks make from non-traditional banking operations like commissions, fees, and other associated charges. These are included in the makeup of bank interest margins. Non-interest income is defined as bank and creditor earnings that come mainly from fees such as transaction and deposit fees, fees for insufficient funds (NSF), annual fees, fees for monthly account service, fees for inactivity, fees for checks and deposit slips, and so forth. In order to make money and maintain liquidity in the event that default rates rise, institutions impose fees that yield non-interest income. In addition, penalty charges, commissions, late fees, and over-the-limit fees are levied by credit card issuers.

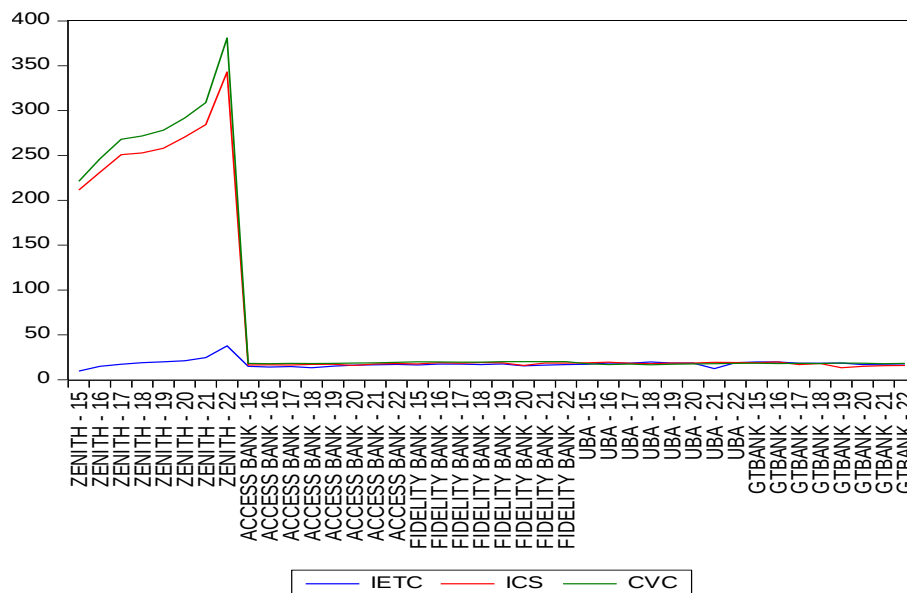


Figure 1: Trend of Non-Interest Income in the Selected Deposit Money Banks

Commissions, other operating income, and service fees from loans and transactions are all considered non-interest income. Receivables from associated off-balance sheet activities are included in the commissions and fees encompassed in

the non-interest income and the income from foreign exchange transactions reported in the interest income section of the profit or loss accounts of banks. Commissions and service fees, costs related to fixed assets and general administration matters, salaries, and other expenses are examples of non-interest expenses (Baltagi, 2005). The sum of all deposits includes both purchased and deposit funds used for bank operations as well as sources of loanable money for investments.

c. What drives Non-Interest Income

There are four primary factors which might have contributed to the global banking industry's non-interest growth in income. These include oversight, deregulation, internationalization, and the quick development of technology in the financial markets, networks of communications, and information flows. By removing barriers that impede the banking system's evolution, limit the effectiveness of the financial product markets, and prolong the lifespan of poorly managed or subpar deposit money banks, banking sector deregulation promotes competition among banks, non-banks, and the financial sector (DeYoung & Rice, 2004). The introduction and growth of monetary instruments and markets (high yield bonds, commercial paper, financial derivatives), new intermediaries technology for procedures like financing securitization and scoring of credit, and advancements in technology for communication and information (the Internet and ATMs, for example) have all had an impact on the amounts and kinds of non-interest income that deposit money banks generate. It seemed that the deregulation process had aided these. These changes essentially allowed banks to charge fees to consumers who chose to use ATMs and/or the Internet instead of conducting business at physical branches. Additionally, through the removal of loans from the statement of financial position, loan securitization allowed banks to leverage their equity capital better.

While an increase in non-interest income boosts bank profits, it rarely happens without corresponding adjustments to interest income, variable and fixed input costs, and the financing structure (Feldman and Schmidt, 1999). It was widely accepted that diversification effects, such as expanding into new fee-based products and services, lessened earnings volatility. Thus, having products that bring in a sizable sum of money through fees helps a commercial bank's bottom line. According to some investigators, non-interest income businesses can increase overall revenue because banks can diversify their revenue streams and increase their income base. Furthermore, given recent events in the nation, the significance of non-interest income to banks' profitability cannot be overstated. The introduction of the Treasury Single Account (TSA) had a negative impact on loans, advances, and deposit mobilization to the private sector since it removed cheap government deposits totaling more than N2.2 trillion Naira from banks that held deposit money (Ndubuaku, 2017).

B) Empirical Review

Yunusa, Arikewuyo, Olowofela, and Sanyaolu (2022) examined the impact of non-interest income on DMBs performance in Nigeria from 2012 through 2019 using panel regression analysis. The results of the empirical study showed that bank loans, non-interest income, and capital adequacy ratio all positively and significantly affect DMB performance in Nigeria. The study suggests that DMBs explore non-interest income opportunities since they seem to enhance their performance in Nigeria. Additionally, the monetary authority ought to regularly review the regulations governing the DMBs' non-interest income endeavors.

Ogbonna (2021) looked into how six Nigerian deposit money banks performed between 2015 and 2019 in relation to non-interest income. To ascertain the impact of non-interest income on the DMBs' profitability, a model based on panel regression was employed. Fee and commission revenue, e-income (transfer charges), and foreign transaction income are the variables that are used. Panel regression was used as the analysis tool. The results demonstrated that improving fee and commission-based revenue will enhance the financial performance of banks. In order to create services and goods that can consistently satisfy the majority of their clientele and produce high non-interest income from such services, the study advised deposit money banks to actively engage in customer analysis and market research.

Segun (2018) looked into how Nigerian Deposit Money Banks (DMBs) fared financially in relation to non-interest income. There were five deposit money banks chosen. According to the study's findings, non-interest income significantly and favorably affects deposit money banks' profitability in Nigeria. According to the study, deposit money banks should actively participate in customer market research and analysis to create goods and services that will consistently satisfy the majority of their clients and result in significant non-interest income generation. Additionally, they advised deposit money banks to use more effective and efficient technology to make banking transactions easier for clients, who will be more willing to pay for these services.

Muturi and Okello (2018) examined the impact of non-interest revenue on commercial banks' financial results. Non-performance and falling revenue in the financial services sector gave rise to the diversification into non-interest income. The study employed commission on loans and advances as well as income from foreign exchange trading as variables. Income from transactions, investments, and accounts. The authors suggested that as dependable sources of income, banks should be able to

depend on non-interest items like commissions on loans and advances, income from foreign exchange trading, and account-related revenue. Along with these recommendations, the study suggested banks search for more non-core revenue streams.

Sanusi and khadijat (2018) investigated the impact of non-interest revenue on Nigerian banks' financial results. Deposit money banks are advised by Sanusi and Khadijat to prioritize internal factors that affect financial performance. These internal variables include management effectiveness, earnings capacity, asset quality, capital sufficiency, and liquidity management. The study also suggested that although banks should grow in size as this will improve their financial performance, it is crucial to fully comprehend the sources of funding banks receive as well as the associated expenses.

C) Theoretical Framework

The theoretical framework adopted for this study is the Innovation Diffusion Theory (IDT). However, the Technology Acceptance Model was also reviewed as a backup theory.

a. Innovation Diffusion Theory

This theory was propounded by Rogers M in 2003. According to the theory, an innovation is an idea, practice or project that is perceived as new by an individual or other unit of adaptation (Roger, 2003). The theory suggests that the newness characteristics of an adopted technology or policy can lead to innovations that reflect on the performance of financial institutions.

In summary, the innovation diffusion theory explains the adoption of a technology or policy as a means of carrying out a customary task. The following are the key elements that impact the general acceptance of an innovation: relative comparative advantage (such as presented by the non-interest income of the banks), compatibility, complexity, and observability (Moga, 2010). Many banks have found it advantageous to adopt ICT in their operation in order to improve their performance.

Customers are, therefore, able to access their accounts and transact anywhere and, in the process, incur charges which go to the bank in the form of fees and commissions. This theory is concerned with the manner in which a new technology idea (policy) or technique affects expected outcomes. According to DIT, technological innovation is communicated over time through particular channels among the members of a social system.

This theory is well studied for this study of the effect of non-interest income on the performance of commercial banks in Nigeria since the diffusion of financial policies such as the Treasury Single Account (TSA) and the cashless policy has triggered the ability of the banks to developed means of revenue other than their traditional interest-based sources.

D) Data and Method

The data used for this study were sourced from the Nigeria Bureau of Statistics, The Annual Reports and Accounts of the selected DMBs, and the CBN statistical bulletin. The period covered is 2015-2022. The researchers adopted the *Ex post factor* research design because the study was based primarily on time series (annual data). This design enabled the study to estimate the coefficients of the independent variables.

E) Variables and Model

The response variable was the financial performance of the banks, proxy by the return on asset (financial ratio that indicates how profitable a company is in relation to its total assets). The treatment variables (the non-interest income components) were income from Electronic transfer charges, income from card maintenance and stamp duty collections, and income from commissions and value-added tax collections. In order to obtain the coefficient of the effect of non-interest income variables, the following model was specified for the study. The model followed the general formula for regression analysis; however, since it involves panel data analysis, the panel regression model was specified to capture time series, cross-sectional and time variation effects. The functional model is specified as:

$$ROA = (IETC, ICS, CVC) \dots$$

1. Based on the panel econometric procedure, the functional model (equation 1) is transformed into:

$$ROA_{it} = \beta_0 + \beta_1 IETC_{it} + \beta_2 ICS_{it} + \beta_3 CVC_{it} + U_{it} \dots$$

2. Where: ROA = return on the asset; IETC = income from electronic transfer charges; ICS = income from card maintenance and stamp duty collections; CVC = income from commissions and value-added tax collections; β_0 = constant term; β_1 , β_2 and β_3 are the coefficients of the independent variables; and it = the cross-sectional and time effects of the independent variables

F) Method of Data Analysis

Descriptive statistics was used to test for normality of the data. It showed selected descriptive properties such as the mean, standard deviation, skewness and kurtosis. The correlation test was used to test for the nature of the correlation between the non-interest income variables and the deposit money banks' performance. Since the analysis adopted the panel regression

technique, the Hausman test of model selection was used to decide the choice of appropriate model between the fixed effect and the random effect model.

III. RESULT AND DISCUSSION

A) Descriptive Test

The selected banks are Access Bank PLC, Zenith Bank PLC, UBA PLC, Fidelity Bank PLC, and Guarantee Trust Bank PLC. The researchers conducted the selected descriptive tests to check for the normality of the data. The tests include the mean, standard deviation and the skewness. The result is presented below:

Table 1: Summary of Selected Descriptive Statistics of the Variables

	ROA	IETC	ICS	CVC
Mean	0.152142	17.73628	66.70384	71.51753
Std. Dev.	0.092976	0.130980	0.017262	0.011912
Observations	40	40	40	40

Source: Researchers' computation 2023 (Using E-views 10)

From the descriptive result as presented above, the study found that the mean value of the return on assets during the period (2015-2022) was an average of 1.52% annually. The income from electronic transfer charges (IETC), the income from card maintenance and stamp duty collections (ICS) fees and commission charges and the income from commissions and value-added tax collections (CVC) averaged 17.73 billion, 66.70 billion nairas and 71.52 billion nairas respectively across the banks. On the deviation, the values were 0.09, 0.13, 0.017 and 0.011 for return on assets, income from electronic transfer charges, income from card maintenance and stamp duty collections, and income from commissions and value-added tax collections, respectively. This means that the data are from a normally distributed sample and, therefore, are suitable for this analysis. Data which show wide deviations make forecasting and policy streaming difficult, as the generalizations that come from such series do not often show a true reflection of the general population.

B) Correlation Test

The researchers attempted to check the nature of the relationship between non-interest income and the performance of the deposit money banks. This was done using the correlation test; the result is presented below:

Table 2: Correlation test result

	ROA	IETC	ICS	CVC
ROA	1.000000			
IETC	0.378718	1.000000		
ICS	0.674493	0.483118	1.000000	
CVC	0.667836	0.496347	0.999683	1.000000

Source: Researchers' computation 2023 (using E-views 10)

The correlation result is presented in a diagonal form to show both the relationship between the dependent variable (return on asset) and the independent variables (income from electronic transfer charges, income from card maintenance and stamp duty collections, and income from commissions and value-added tax); and among the independent variables themselves. The result, as presented above, shows that during the period, all the non-interest income variables were positively correlated with the performance of the deposit money banks (proxy by the return on asset).

C) Panel Least Squares Regression

The regression analysis was done in three (3) phases: the pooled regression, the fixed effect regression and the random effect regression. After that, there was the Hausman test of model selection. The study first considered the pooled panel regression. The study pooled all 40 observations together and ran the pooled regression model, neglecting the cross-section and time series properties of the data. It was found that the R-squared value for the pooled regression model is 0.207176, indicating that only 20.7% of the total variation in the return on asset (ROA) is explained by the explanatory variables (non-interest income). More so, not all the variables were found to significantly influence the performance of the DMBs. Their P-values of [0.0000], [0.9462], and [0.8301], respectively, support this. The primary issue with the pooled regression model is its inability to differentiate between the different firms included in the sample. Stated differently, the heterogeneity or individuality that may exist among the selected firms is not taken into consideration when combining different firms through pooling.

In order to allow for heterogeneity or individuality among the firms by allowing each firm to have its own intercept value, the Fixed Effect Model (FEM) was applied. This became required because the intercept is time-invariant, meaning that while it may vary amongst the banks individually, it remains constant over time. From the fixed effect regression, the study found a coefficient of determination (R-squared) value of 0.609951, indicating that approximately

61% of the total variation in the performance of the DMBs is explained by the non-interest income variables. However, only the income from electronic transfer charges of the banks (IETC) was found to significantly influence the return on asset (ROA), as confirmed by the P-value (0.0300).

Panel series can show unobserved properties. The pooled panel regression and the fixed effect regression do not take care of such. To take into consideration the unobserved effects in the fixed effect model, the random effect regression model was utilized.

Table 3: Fixed effect regression result

Dependent Variable: ROA				
Method: Panel EGLS (Period random effects)				
Sample: 2015 2022				
Periods included: 8				
Cross-sections included: 5				
Total panel (balanced) observations: 40				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.312046	0.076547	4.076518	0.0003
IETC	0.016320	0.007418	2.200002	0.0351
ICS	2.110339	0.008467	3.221118	0.0010
CVC	0.911454	0.006847	2.672965	0.0011
Weighted Statistics				
R-squared	0.679960			
Adjusted R-squared	0.629951			
F-statistic	9.712481			
Prob(F-statistic)	0.000002			

Source: Researchers' computation 2023

The random effect model shows that 67.99% of the total variations in the ROA are accounted for by the explanatory variables (non-interest income of the DMBs). This is evidenced by the R-squared value of 0.679960. More so, it was found that all the non-interest income variables: income from electronic transfer charges (IETC), the income from card maintenance and stamp duty collections (ICS), and the commission and value-added tax collections (CVC) significantly influenced the ROA as confirmed by their P-values [0.0351], [0.0010] and [0.0011] respectively.

The Hausman test was used in the research. The model (fixed effect or random effect) that will be most suitable for estimation was chosen using the Hausman test. The fixed-effects model is appropriate, according to the alternative hypothesis to the null hypothesis for the Hausman test, which asserts that the random effects model is appropriate. The statistical significance of the P-value determines which model to use: the model with a fixed effect or the random impact model. The Hausman test result is presented below:

Table 4: Hausman Test Result

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test period random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	3.387731	3	0.3356

Source: Researchers' computation 2023

The Hausman test statistics P-value is [0.3356] according to Table 4. Given that it exceeds the selected level of significance of 5% (0.05), it is implied that the P-value is not significant. Thus, it is not possible to reject the null hypothesis. It follows that a random effect model would be preferable for prediction.

From the result in Table 5.0 above, it showed that the p-value is 0.0351 while the t-statistic is 2.220002. Hence, income from electronic transfer charges has a significant positive effect on the financial performance of selected deposit money banks in Nigeria. Also, from the result in Table 5.0 above, it was observed that for the variable (income from card maintenance and stamp duty collection - ICS), the p-value is 0.0010 while the t-statistic is 3.221118. Consequently, income from card maintenance and stamp duty collections indicated a significant positive effect on the financial performance of selected deposit money banks in Nigeria. Furthermore, following the result in Table 5.0, it was observed that for the variable (income from the

commission and value-added tax collections - CVC), the p-value is 0.0011 while the t-statistic is 2.672965. Hence, income from commission and value-added tax collections is indicated to be significant in the financial performance of selected deposit money banks in Nigeria.

VI. CONCLUSION

The study investigated the effect of non-interest income on the financial performance of selected deposit money banks in Nigeria. Relevant related conceptual, theoretical and empirical studies were reviewed. The theoretical framework was based on the innovation diffusion theory. The study adopted ex-post fact research and employed the panel least squares regression technique to analyze the data (using descriptive test, correlation test and regression estimation). The major findings of the study are as follows: income from electronic transfer charges was positive and significant on the return on assets (financial performance) of selected deposit money banks in Nigeria [the p-value is 0.0351 while the t-statistic is 2.220002]. Also, the income from card maintenance and stamp duty collections was indicated to be positive and significant on the return on assets of selected deposit money banks in Nigeria [the p-value is 0.0010 while the t-statistic is 3.221118]. Furthermore, the study found the income from commissions and value-added tax collections to be positive and significant on the bank's return on assets. Based on the results from the analytical tests carried out, the researchers concluded that non-interest income has a significant positive effect on the performance of deposit money banks (DMBs) in Nigeria. Following the empirical results and the findings, the study recommended that the banks should implement a coordinated scheme that will boost income electronic transfer transactions; this will further expand the non-interest income of the bank; the banks should expand its other operations that generate commission and charges on stamp duty collections, this will increase the contribution the component to the total non-interest income of the bank and their overall performance; also the banks should leverage the growing size of its electronic operations by customers to further boost its non-interest income and financial performance

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