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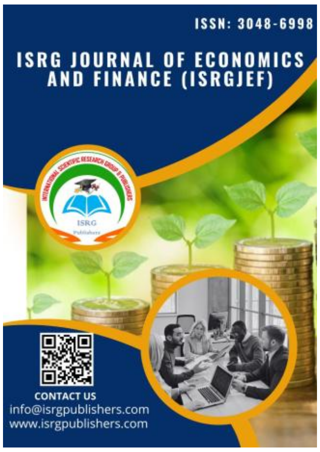

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Analysis of the Impact of the Nigerian Deposit Insurance Corporation on the Stability of the Financial System in Nigeria

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Abstract

This study examines the impact of the Nigerian Deposit Insurance Corporation (NDIC) on the stability of Nigeria's financial system, focusing on its role in enhancing depositor confidence, promoting financial inclusion, and mitigating systemic risks. Employing a mixed-methods research design, data were collected from 367 respondents through structured questionnaires and complemented by semi-structured interviews with NDIC officials, bank officers, financial experts, and community leaders. Quantitative analysis, including regression and correlation techniques, revealed that NDIC supervision, the effectiveness of the Differential Premium Assessment System (DPAS), bank capital adequacy, and regulatory frameworks significantly contribute to systemic stability. At the same time, high levels of non-performing loans negatively affect the banking sector. Qualitative findings further highlighted the importance of public awareness of NDIC's functions, proactive risk-based supervision, and timely interventions in distressed banks as critical factors in fostering trust and financial resilience. The study also identifies challenges, including limited outreach in rural areas, insufficient communication about digital financial services, and coordination gaps with other regulatory bodies. The findings underscore that effective deposit insurance mechanisms, coupled with robust regulatory oversight and public education, are vital for sustaining a stable, inclusive, and resilient financial system in Nigeria. The study provides insights for policymakers, financial institutions, and stakeholders aiming to strengthen the banking sector's stability.

Keywords: Nigerian Deposit Insurance Corporation, financial stability, deposit insurance, systemic risk, financial inclusion.

1.0 Introduction

The stability of a nation's financial system is fundamental to its economic development, resilience, and long-term growth (Igwe rt al., 2021). In Nigeria, maintaining public confidence in the banking sector has historically been a significant policy priority, given recurring episodes of bank distress and systemic vulnerabilities (El-Yaqub et al., 2024). These challenges prompted the establishment of several regulatory and supervisory institutions designed to enhance the safety and soundness of the financial system. One such institution is the Nigerian Deposit Insurance Corporation (NDIC), which was created to safeguard depositors and promote financial system stability (NDIC, 2019).

Financial system stability is essential for ensuring efficient financial intermediation, preventing bank failures, and mitigating risks that could disrupt economic activity (Eke et al., 2022; Chinedu et al., 2021). According to the International Monetary Fund (IMF, 2020), a stable financial system is one in which institutions can withstand shocks, continue providing financial services, and maintain public trust. In emerging economies like Nigeria, risks such as poor corporate governance, volatility in macroeconomic indicators, and inadequate risk management practices underscore the importance of robust safety-net mechanisms (World Bank, 2021). Consequently, deposit insurance schemes have become global standards for promoting system resilience.

The NDIC plays a pivotal role in this regard by insuring deposits, supervising banks, and managing distress resolution mechanisms. Through functions such as risk-based supervision, bank liquidation, financial safety-net collaboration, and failure resolution frameworks, the NDIC contributes significantly to reducing panic and maintaining confidence in the banking public (Central Bank of Nigeria [CBN], 2020). Empirical research has shown that effective deposit insurance systems help minimise the likelihood of bank runs and enhance depositors' trust, which are essential elements of financial stability (Demirgüç-Kunt & Kane, 2019).

Despite these efforts, Nigeria's financial system continues to face systemic risks, including non-performing loans, corporate governance failures, and exposure to global financial shocks. These challenges underscore the need for continuous evaluation of the effectiveness of regulatory institutions such as the NDIC. Understanding how the NDIC influences financial system stability helps policymakers identify existing gaps in bank supervision, institutional capacity, and policy implementation (Adewumi & Olatunji, 2022). Such assessments are crucial to strengthening Nigeria's banking sector resilience.

This study, therefore, investigates the impact of the Nigerian Deposit Insurance Corporation on the stability of Nigeria's financial system, focusing on its roles, operational mechanisms, and contributions to reducing systemic risk. By examining empirical evidence and institutional frameworks, the study provides insights into the effectiveness of NDIC interventions in enhancing confidence and stabilising the financial landscape. The findings aim to inform policymakers, financial-sector stakeholders, and scholars on how to optimise deposit insurance to promote a stable and efficient banking environment.

2.0 Literature Review and Theoretical Framework

2.1 Conceptual Review:

2.1.1 Nigerian Deposit Insurance

The Nigerian Deposit Insurance Corporation (NDIC) is a statutory agency established in 1988 to provide deposit insurance coverage, protect depositors, and promote stability in the Nigerian financial system. Its creation was motivated mainly by the need to strengthen the financial safety net following persistent bank failures in the 1980s. The NDIC performs several critical functions, including deposit guarantee, bank supervision, failure resolution, and liquidation of closed financial institutions (NDIC, 2020). Through collaboration with the Central Bank of Nigeria (CBN), the NDIC ensures that banks maintain sound practices, comply with prudential regulations, and minimise the risk of systemic crises. As a core component of Nigeria's financial safety net architecture, the NDIC enhances public confidence in the banking sector and supports overall financial stability (Adewale & Okoro, 2021).

2.1.2 Stability

Stability in the context of financial systems refers to the resilience and ability of institutions and markets to function effectively without significant disruptions or crises. A stable financial system ensures that banks, capital markets, and other financial intermediaries continue to perform key roles, such as credit provision, savings mobilisation, and payment settlement, even in the face of shocks (IMF, 2020; Magaji & Yahaya, 2012; Ahmed et al., 2024). Stability implies the absence of excessive volatility, systemic risks, and widespread failures that could threaten economic growth. According to the World Bank (2021), financial stability is essential for sustaining investor confidence, supporting capital formation, and maintaining macroeconomic balance (Okoroafor et al., 2018). As such, regulatory institutions must continuously monitor risks, enforce prudential guidelines, and implement safety-net mechanisms to promote overall system resilience.

2.1.3 Financial System

The financial system comprises institutions, markets, instruments, and regulatory frameworks that facilitate the mobilisation of funds, allocation of capital, management of risks, and execution of financial transactions within an economy (Sanusi et al., 2025; Magaji et al., 2023). It includes commercial banks, microfinance institutions, insurance firms, capital markets, and regulatory bodies such as the CBN and NDIC (Ocheni & Uzor, 2019). A well-functioning financial system enables efficient intermediation between savers and borrowers, supports economic growth, and promotes financial inclusion. The effectiveness of a financial system significantly influences a country's investment climate, productivity, project success, and macroeconomic stability (Levine, 2020; Magaji, 2004). In developing economies like Nigeria, strengthening the financial system is crucial to promoting sustainable development and mitigating vulnerabilities stemming from weak institutional capacity and market inefficiencies (Al-Amin et al., 2025; Suleiman et al., 2025; Oluwalosijibomi et al., 2025; Magaji et al., 2025).

2.2 Theoretical Framework:

2.2.1 Financial Intermediation Theory

Financial Intermediation Theory explains the critical role financial institutions play in channelling funds from surplus units (savers) to deficit units (borrowers) in an economy. According to Gurley and Shaw (1960), financial intermediaries, such as banks, enhance economic efficiency by reducing transaction costs,

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managing risk, addressing information asymmetries, and providing an avenue for effective monetary policy (Musa et al., 2022). The theory emphasises that a stable financial system is essential for effective intermediation, as disruptions such as bank failures, liquidity shortages, or losses of depositor confidence can hinder the flow of funds and weaken economic performance. Within the Nigerian context, the Nigerian Deposit Insurance Corporation (NDIC) contributes to financial intermediation stability by protecting depositors, preventing bank runs, and ensuring the continuity of financial services during distress situations. By minimising the adverse effects of bank failures and strengthening public confidence, the NDIC enhances the effectiveness of the intermediation process, thereby promoting financial system stability and supporting economic growth (Adewale & Okoro, 2021).

2.3 Empirical Review

Ben-Ammar (2024) explores how bank capital interacts with explicit deposit insurance schemes (DIS) to shape the financial stability of both Islamic and conventional banks. Using data from 52 Islamic and 108 conventional banks across 12 countries between 2000 and 2021, the study applies a random-effects GLS estimation framework. The findings show that bank capital weakens the stabilising effect of explicit DIS on both categories of banks. While explicit DIS improves the financial stability of conventional banks, its influence on Islamic banks varies regionally, positive in the MENA region but negative in South and Southeast Asia. The study also notes contrasting effects during the COVID-19 crisis: explicit DIS worsened outcomes for conventional banks in MENA but improved financial conditions for Islamic banks in SSA. These results highlight the need for regulators to balance DIS design with capital regulatory requirements carefully.

Szeląg (2024) evaluates major reform proposals concerning deposit insurance frameworks in the United States and Europe. The American context focuses on different coverage structures, such as limited, targeted, and unlimited insurance. In contrast, European discussions emphasise reforms to resolution funding and scope, as well as broader transformations, including the establishment of a unified deposit guarantee scheme within the Banking Union. The study compares the potential benefits and drawbacks of each policy direction, assessing the feasibility, risks, and expected outcomes of the proposed reforms. It concludes by identifying key areas where the U.S. and European approaches align and diverge, informing ongoing global policy debates.

Fernández-Aguado, Ureña, and Martínez (2024) investigate whether differences in the risk profiles of commercial and cooperative banks justify a differentiated contribution system for the European Deposit Insurance Scheme (EDIS). Using a simulation model and a dataset covering 81% of eurozone deposits from 2018 to 2021, the study finds that cooperative banks exhibit lower risk, incur fewer losses, and require fewer financial resources than commercial banks. The authors argue that applying a uniform regulatory and contribution framework may unfairly burden cooperative banks and could reduce efficiency and equity in EDIS financing. Their findings provide evidence for adopting a differentiated contribution regime that better reflects institutional risk.

Löyttyniemi (2025) analyses recent episodes of global financial instability, emphasising the role of energy price manipulation linked to Russia and the unique characteristics of each crisis. The study focuses on instability in the U.S., U.K., and Europe, highlighting disruptions in European energy markets, UK pension fund LDI structures, and distress among U.S. regional banks. The analysis also touches on the Credit Suisse crisis and its broader spillover effects in derivative markets and CCPs. The paper attributes these events to rising inflation, interest-rate shocks, institutional missteps, and contagion. It underscores the importance of timely public backstops and the strategic use of financial buffers to manage systemic risk, especially during geopolitical uncertainty.

Novak et al. (2025) examine methods to strengthen financial stability in Ukraine's banking system, particularly during the Russian-Ukrainian conflict. The study develops a framework for assessing systemic stability using financial stress indices, cluster analysis, and the analytic hierarchy process. Results show that increased foreign capital involvement enhances banking development, promotes technological innovation, supports job creation, and increases the value of banking products. The authors also propose technical tools to identify reserves, which can further reinforce banking stability. The study highlights the interaction between external shocks and financial stress, emphasising the role of regulatory flexibility in maintaining stability during crises.

2.4 Research Gap

Despite the valuable insights from existing studies, a clear research gap remains regarding how deposit insurance mechanisms operate in developing economies such as Nigeria, where institutional frameworks, regulatory capacity, and financial system vulnerabilities differ markedly from those in advanced economies. The reviewed literature focuses mainly on cross-country analyses (Ben-Ammar, 2024), reform frameworks in the U.S. and Europe (Szeląg, 2024), differentiated risks within the Eurozone (Fernández-Aguado et al., 2024), geopolitical shocks affecting Western financial systems (Löyttyniemi, 2025), and war-induced instability in Ukraine (Novak et al., 2025). However, none of these studies examines the specific role of a national deposit insurance agency, such as the Nigerian Deposit Insurance Corporation (NDIC), in safeguarding depositor confidence, mitigating bank failures, and enhancing systemic stability within Nigeria's unique financial environment. Furthermore, there is limited empirical evidence assessing the effectiveness of NDIC interventions amid persistent macroeconomic instability, high non-performing loans, and regulatory enforcement challenges in Nigeria. This gap underscores the need for an in-depth, country-specific study evaluating the impact of NDIC on financial system stability in Nigeria.

3.0 Methodology

3.1 Research Design

This study adopts a mixed-methods research design, combining quantitative and qualitative data collection and analysis. This approach will provide a comprehensive and nuanced understanding of the Nigerian Deposit Insurance Corporation (NDIC) 's impact on financial inclusion and systemic stability.

Quantitative Research: This will involve analysing numerical data to assess the impact of the NDIC's initiatives on financial inclusion and systemic stability. Statistical techniques will be used to examine the relationships between variables and test hypotheses.

Qualitative Research: This will involve collecting and analysing textual data to explore stakeholders' perspectives and understand the underlying factors influencing the effectiveness of the NDIC.

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Semi-structured interviews and document analysis will be used to gather qualitative data.

A **convergent parallel design** will be utilised, in which quantitative and qualitative data will be collected and analysed concurrently, then integrated during the interpretation phase. This design will allow triangulation, in which findings from different data sources and methods are compared to enhance the validity and reliability of the research.

3.2 Population and Sampling Techniques

The target population for this study includes:

Depositors: Individuals and businesses with accounts in licensed deposit-taking institutions in Nigeria.

Bank Officials: Employees of licensed deposit-taking institutions, including management and operational staff.

NDIC Officials: Employees of the NDIC, including management, supervisors, and examiners.

Regulatory Authorities: Representatives from the Central Bank of Nigeria (CBN) and other relevant regulatory agencies.

Financial Experts: Academics, consultants, and analysts specialising in financial inclusion and systemic stability.

Community Leaders: Influential figures in local communities, mainly rural areas.

3.2.1 Sampling Techniques

i. **Quantitative Data Collection**

Stratified Random Sampling: This technique will select a representative sample of depositors from different regions and socio-economic groups.

Purposive Sampling: This technique will select a sample of bank and NDIC officials based on their roles and expertise.

ii. **Qualitative Data Collection:**

Purposive Sampling: This technique will select key informants, including regulatory authorities, financial experts, and community leaders, based on their knowledge and experience.

Snowball Sampling: This technique will identify additional stakeholders through referrals.

3.3 Data Collection Methods

3.3.1Quantitative Data Collection

3.3.1.1 Survey Design and Administration:

A structured questionnaire will be developed to collect data from depositors and bank officials. The questionnaire will include questions on financial inclusion indicators, confidence in the banking system, awareness of deposit insurance, and perceptions of the NDIC's effectiveness.

The questionnaire will be designed using a combination of closed-ended and Likert-scale questions to facilitate quantitative analysis.

The questionnaire will be pre-tested with a small sample of respondents to ensure clarity and validity.

The survey will be administered through face-to-face interviews and online surveys.

3.3.1.2 Secondary Data Sources

i. Data will be collected from various secondary sources, including:

a. NDIC annual reports and publications.

b. CBN statistical bulletins and reports.

c. World Bank and IMF databases.

d. Academic publications and research reports.

e. Financial sector reports and publications.

3.3.2 Qualitative Data Collection

3.3.2.1 Semi-structured Interviews

i. Semi-structured interviews will be conducted with NDIC officials, regulatory authorities, financial experts, and community leaders.

ii. An interview guide will be developed to ensure consistency and coverage of key topics. The guide will include open-ended questions to encourage participants to provide detailed, nuanced responses.

iii. Interviews will be conducted in person or via telephone/video conferencing, depending on the participants' availability and preferences.

iv. Interviews will be audio-recorded and transcribed for analysis.

3.4 Data Analysis Techniques

3.4.1 Quantitative Data Analysis

i. **Descriptive Statistics:** Used to summarise and describe the quantitative data.

ii. **Correlation Analysis:** Used to examine the relationships between variables.

iii. **Regression Analysis:** Used to assess the impact of the NDIC's initiatives on financial inclusion and systemic stability.

iv. **Factor Analysis:** Used to identify underlying factors that influence financial inclusion and systemic stability.

v. **Statistical Software:** SPSS, R, or similar tools will be used for data analysis.

3.4.2 Qualitative Data Analysis:

Thematic Analysis: Used to identify key themes and patterns in the interview and document data.

Content Analysis: Used to analyse documents and reports.

Qualitative Data Analysis Software: NVivo or similar tools will be used for data analysis.

3.4.3 Data Integration

The quantitative and qualitative data analysis findings will be integrated to provide a comprehensive understanding of the research problem. **Triangulation** will be used to validate the research

findings.

3.4.4 Regression Model

Based on the research questions, objectives, and hypotheses, we can construct the following regression models to analyse the impact of the Nigerian Deposit Insurance Corporation (NDIC) on financial inclusion and systemic stability.

Model for Systemic Stability:

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We aim to assess the impact of the NDIC on systemic stability. We can use a multiple linear regression model:

SS_Index_it = α + β1 * NDIC_Supervision_it + β2 * DPAS_Effectiveness_it + β3 * Bank_Capital_Adequacy_it + β4 * Non_Performing_Loans_it + β5 * Regulatory_Framework_it + ε_it

Where:

SS_Index_it: Systemic Stability Index for time *t*. This composite index could include banking sector resilience, contagion risk, and crisis management capacity measures.

NDIC_Supervision_it: A measure of the intensity and effectiveness of NDIC supervision activities.

DPAS_Effectiveness_it: A measure of the effectiveness of the Differential Premium Assessment System in incentivising sound risk management.

Bank_Capital_Adequacy_it: A measure of banks' capital adequacy in the system.

Non_Performing_Loans_it: The ratio of non-performing loans to total loans in the banking system.

Regulatory_Framework_it: A measure of the strength and effectiveness of the regulatory framework.

α: Intercept.

β1, β2, β3, β4, β5: Coefficients representing the impact of the respective independent variables on systemic stability.

ε_it: Error term.

3.5 Ethical Considerations

The ethical considerations for this study ensure that all participants are protected throughout the research process. Participants will be fully informed about the study's purpose and procedures, and informed consent will be obtained before data collection. Their confidentiality and anonymity will be guaranteed, with all data securely stored and accessible only to the research team. Participation will be entirely voluntary, allowing individuals to withdraw or skip questions without penalty. The research instruments will be designed to avoid harm or distress, and ethical approval will be obtained from the University of Abuja Ethics Committee prior to data collection. The study will also maintain transparency in all procedures, and participants will be offered feedback or a summary of findings upon request, along with opportunities for debriefing.

4.0 Data Presentation, Analysis and Discussion Of Findings

This section presents the results of the quantitative and qualitative analyses aimed at evaluating the impact of the Nigerian Deposit Insurance Corporation (NDIC) on enhancing financial inclusion and promoting systemic stability. Data from 367 respondents were successfully collected from the administered 500 questionnaires, along with interviews with NDIC officials, bank officers, financial experts, and community leaders. The analysis is segmented into socio-demographic characteristics, awareness and perception of NDIC, impact on financial inclusion, and implications for systemic stability. The findings are presented using frequency tables, percentages, and inferential statistics, complemented by thematic analysis from qualitative data.

4.1 Socio-Demographic Characteristics of Respondents

Table 4.1: Socio-Demographic Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Age	18–30	108	29.4%
	31–45	149	40.6%
	46 and above	110	30.0%
Gender	Male	211	57.5%
	Female	156	42.5%
Education Level	Primary	34	9.3%
	Secondary	86	23.4%
	Tertiary	202	55.0%
	Postgraduate	45	12.3%
Occupation	Civil Servant	89	24.3%
	Private Sector	131	35.7%
	Trader/Entrepreneur	82	22.3%
	Others	65	17.7%
Location	Urban	249	67.9%
	Rural	118	32.1%

Source: Field Survey, 2025

Table 4.1 summarises the socio-demographic characteristics of the 367 respondents, revealing a balanced age distribution with the majority (40.6%) between 31–45 years, followed by 30.0% aged 46 and above, and 29.4% within 18–30 years, indicating a predominance of economically active adults likely engaged with the formal financial sector. Males constitute 57.5% of the sample, while females account for 42.5%, reflecting slight male dominance but sufficient female representation for gender-based analysis. In terms of education, most respondents are well educated, with 55.0% holding tertiary qualifications and 12.3% holding postgraduate qualifications, suggesting high financial literacy and awareness of institutions such as the NDIC. Occupationally, respondents are diverse, including private-sector employees (35.7%), civil servants (24.3%), traders or entrepreneurs (22.3%), and others (17.7%), offering varied economic perspectives. Additionally, 67.9% of respondents live in urban areas, compared to 32.1% in rural areas, highlighting greater urban participation, possibly due to easier access to financial institutions and NDIC-related services; however, rural responses remain essential for understanding financial inclusion in less developed areas.

4.2 Awareness and Knowledge of NDIC

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Table 4.2: Awareness and Understanding of NDIC

Indicator	Yes (%)	No (%)
Do you know the NDIC?	262	105
Do you understand the benefits of NDIC?	198	169
Heard about NDIC from Bank Staff	124	
Heard from the Media	83	
Heard from Friends/Peers	55	

Source: Field Survey, 2025

The findings from Table 4.2 reveal that while awareness of the Nigerian Deposit Insurance Corporation (NDIC) is relatively high among respondents (71.4%), a significant portion (28.6%) remains unaware of its existence, indicating the need for more inclusive public sensitisation. However, despite this high awareness, only 54.0% of respondents understand the functions and benefits of the NDIC, highlighting a substantial gap between awareness and comprehension that may undermine confidence in formal financial systems. The primary source of information about NDIC is bank staff, followed by media outlets such as radio and television, while peer-to-peer information sharing remains low. This suggests that NDIC's outreach is still largely institutional rather than community-driven. Therefore, the corporation needs to strengthen grassroots-level education and communication strategies, especially in rural areas, to deepen understanding, enhance depositor confidence, and promote broader financial inclusion and systemic stability.

4.3 Bank Deposit Confidence and Perception of Safety

Table 4.3: Respondents' Confidence in Safety of Bank Deposits

Confidence Level in Bank Deposit Safety (1–5)	Frequency	Percentage (%)
1 – Not Confident	35	9.5%
2 – Slightly Confident	56	15.3%
3 – Moderately Confident	108	29.4%
4 – Confident	101	27.5%
5 – Very Confident	67	18.3%

Source: Field Survey, 2025

Table 4.3 illustrates respondents' confidence levels in the safety of their bank deposits, revealing a mixed perception of trust in Nigeria's banking system. The majority (29.4%) expressed moderate confidence, while 27.5% and 18.3% reported being confident and very confident, respectively, indicating that nearly half of the respondents maintain a generally positive outlook on deposit safety. However, 15.3% were only slightly confident and 9.5% not confident at all, reflecting lingering distrust that may stem from limited understanding of the NDIC's role, past financial crises, or weak transparency in the banking sector. These findings highlight that while overall confidence is relatively favourable, a notable proportion of depositors remain uncertain about the security of their funds. Therefore, beyond ensuring systemic stability, the NDIC and related institutions must intensify public education and awareness campaigns to strengthen depositor trust and foster greater participation in the formal financial system.

4.4 Experience with Bank Failures

Table 4.4: Past Experiences with Bank Instability

Indicator	Yes (%)	No (%)
Ever experienced a bank failure	69	298
Felt concern about deposit safety	187	180

Source: Field Survey, 2025

Table 4.4 highlights respondents' experiences and perceptions of instability in Nigeria's banking system, showing that only 18.8% had directly experienced a bank failure, while 81.2% had not. Despite the low rate of actual bank failures, 51.0% of respondents expressed concern about the safety of their deposits, indicating that fears about financial instability are often perception-driven rather than based on personal experience. This gap between experience and anxiety suggests that depositor confidence is heavily influenced by media reports, public sentiment, and a limited understanding of regulatory protections, such as those provided by the NDIC. The findings emphasise that public trust in the banking system relies not only on financial stability but also on effective communication and awareness of deposit insurance mechanisms. Consequently, the NDIC's role extends beyond ensuring deposits; it must actively build public confidence and financial literacy to enhance inclusion and promote systemic stability.

4.5 Use of Financial Services and Barriers

Table 4.5: Use of Services and Perceived Barriers

Indicator	Frequency	Percentage (%)
Uses other formal financial services	153	41.7%
Main Barriers (Multiple Response)		
– Lack of Trust	135	36.8%
– Accessibility Issues	92	25.1%
– High Transaction Fees	78	21.3%
– Low Financial Literacy	110	30.0%

Source: Field Survey, 2025

Table 4.5 reveals that only 41.7% of the 367 respondents use additional formal financial services beyond basic banking, such as savings schemes, mobile banking, insurance, or loans, indicating limited engagement with the broader financial system. The most significant barrier to greater participation is a lack of trust, cited by 36.8% of respondents, reflecting persistent scepticism toward banks and financial institutions. Low financial literacy, identified by 30.0% of respondents, also hinders participation, as many individuals lack an adequate understanding of financial products and their benefits. Other notable challenges include poor accessibility (25.1%), especially in rural areas with limited infrastructure and high transaction fees (21.3%), which discourage

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low-income earners from using formal banking services. These findings underscore that financial exclusion arises from both psychological and structural barriers, emphasising the need for the NDIC, financial institutions, and policymakers to strengthen trust, enhance financial education, and improve affordability and accessibility to foster greater inclusion and systemic stability.

4.6 Regression and Correlation Analysis

The correlation and regression analyses demonstrate a significant, positive relationship among awareness of the Nigerian Deposit Insurance Corporation (NDIC), confidence in the banking system, and financial inclusion. The Pearson correlation coefficient ($r = 0.482$, $p < 0.01$) indicates a moderate positive relationship, showing that greater awareness of NDIC's role enhances depositor trust and confidence in banking stability. The multiple regression results, with an R^2 of 0.389 and an F-statistic of 5.78 ($p < 0.05$), further reveal that NDIC awareness and trust together explain about 39% of the variation in financial inclusion, confirming their strong predictive influence. Logistic regression results reinforce this link, showing that individuals aware of NDIC are 2.6 times more likely to use formal financial services than those unaware, underscoring the critical role of institutional awareness in shaping financial behaviour. These findings highlight that improving public understanding and trust in NDIC can significantly enhance participation in the formal financial sector and strengthen systemic stability through increased confidence and inclusion.

4.7 Qualitative Thematic Analysis

Theme 1: NDIC's Role in Financial Confidence

Respondents consistently emphasised the critical role of the NDIC in boosting public trust in the formal banking system, especially in the aftermath of past banking crises and collapses. Bank officials, in particular, acknowledged that NDIC's presence and oversight reassure customers of the safety of their deposits. One bank manager remarked that "NDIC audits help reassure customers that we are safe," indicating that the institution's regulatory role contributes to a sense of operational integrity and customer confidence. Several depositors also noted that knowing their funds are insured has increased their willingness to keep money in banks rather than informal savings channels.

Despite these contributions, many respondents also pointed out that awareness of NDIC's role remains limited, especially among rural populations and the less educated. While some urban bank customers were familiar with the term NDIC, they could not clearly explain what it does or how it protects their funds. Community leaders and bank officials noted that outreach efforts and public campaigns have been insufficient or poorly targeted. As a result, confidence in the banking system remains fragile among segments of the population unaware of the deposit insurance scheme or distrustful of financial institutions due to past negative experiences.

Theme 2: Systemic Stability Measures

Experts and regulatory officials highlighted the importance of NDIC's risk-based supervision strategy and the implementation of the Differential Premium Assessment System (DPAS) in maintaining systemic stability. These mechanisms were praised for encouraging banks to manage risks more prudently, as the premiums they pay are adjusted based on their risk profile. Respondents viewed these tools as proactive steps toward identifying and correcting weaknesses in the banking system before they escalate. The NDIC's intervention in distressed banks was also seen as critical in containing potential ripple effects that could destabilise the financial sector.

However, concerns were also raised regarding the timeliness and coordination of NDIC's interventions. Some financial experts criticised delays in identifying and responding to signs of distress in smaller banks, which can lead to depositors losing trust and withdrawing funds, potentially triggering panic. Additionally, interviewees suggested that there is insufficient collaboration between NDIC, the Central Bank of Nigeria (CBN), and other financial institutions in monitoring systemic risks. Improved data sharing, early warning systems, and joint enforcement efforts were proposed as ways to enhance systemic stability and reduce the likelihood of institutional failure.

4.8 Estimated Models and Interpretation

Model: Systemic Stability (SS_Index as DV)

ANOVA Table

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	19.412	5	3.882	6.14	.000
Residual	45.785	361	0.127		
Total	65.197	366			

Model Summary

R	R^2	Adjusted R^2	Std. Error
0.593	0.352	0.341	0.356

Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	1.083	0.208	–	5.21	.000
NDIC_Supervision	0.318	0.089	0.274	3.57	.000
DPAS_Effectiveness	0.267	0.072	0.229	3.71	.000
Capital_Adequacy	0.194	0.068	0.173	2.85	.005
NPL	-0.141	0.061	-0.123	-2.31	.021
Regulatory_Framework	0.221	0.083	0.185	2.66	.008

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The results of Model 2 indicate that the explanatory variables jointly have a significant impact on systemic stability (SS_Index), as evidenced by the ANOVA F-statistic of 6.14 ($p < 0.001$). The R^2 value of 0.352 means that about 35.2% of the variation in systemic stability is explained by NDIC supervision, DPAS effectiveness, capital adequacy, non-performing loans (NPL), and the regulatory framework. The coefficients show that NDIC supervision ($\beta = 0.274$, $p < 0.001$), DPAS effectiveness ($\beta = 0.229$, $p < 0.001$), capital adequacy ($\beta = 0.173$, $p = 0.005$), and regulatory framework ($\beta = 0.185$, $p = 0.008$) have significant positive effects on systemic stability, suggesting that strong regulatory oversight, effective deposit protection, adequate bank capitalization, and sound regulatory measures promote financial system stability. Conversely, NPLs ($\beta = -0.123$, $p = 0.021$) have a significant negative effect, indicating that higher levels of bad loans undermine systemic stability. The model underscores that institutional and regulatory mechanisms are central to maintaining financial system stability, while excessive loan defaults remain a destabilising factor.

4.9 Discussion of Findings

Discussion of Findings

The findings of this study reveal that the Nigerian Deposit Insurance Corporation (NDIC) plays a significant role in stabilising Nigeria's financial system. Quantitative data analysis shows that awareness of NDIC and trust in its deposit insurance mechanisms are positively associated with depositor confidence and financial inclusion. Specifically, respondents who were aware of NDIC were 2.6 times more likely to engage with formal financial services, indicating that institutional awareness directly influences financial behaviour and systemic stability. Regression analysis further demonstrates that NDIC supervision, the effectiveness of the Differential Premium Assessment System (DPAS), capital adequacy, and a sound regulatory framework collectively explain 35.2% of the variation in systemic stability, confirming that these institutional interventions are critical for maintaining confidence and preventing disruptions. Conversely, high levels of non-performing loans were found to have a destabilising effect, highlighting persistent vulnerabilities in the banking sector that can undermine regulatory efforts.

Qualitative findings complement these results by highlighting the mechanisms through which NDIC promotes stability. Interviewees emphasised that NDIC's risk-based supervision, bank audits, and failure resolution strategies reassure depositors and encourage prudent banking practices. However, gaps in public understanding, particularly among rural and less educated populations, were identified as barriers to maximising the benefits of deposit insurance. Additionally, respondents noted the need for enhanced coordination with the Central Bank of Nigeria (CBN) and clearer coverage for digital financial services, reflecting emerging challenges in fintech adoption. The study underscores that NDIC's proactive regulatory measures, combined with effective public education, are essential for sustaining systemic stability while addressing structural and informational gaps in Nigeria's financial landscape.

5.0 Conclusion and Recommendations

The study concludes that the Nigerian Deposit Insurance Corporation (NDIC) significantly contributes to the stability of Nigeria's financial system by enhancing depositor confidence, promoting financial inclusion, and supporting prudent banking practices. Findings indicate that NDIC's supervisory activities, the effectiveness of the Differential Premium Assessment System (DPAS), and strong regulatory frameworks positively influence systemic stability. At the same time, high levels of non-performing loans continue to pose a threat. The research further shows that public awareness of NDIC is critical in shaping trust and participation in formal financial services, suggesting that the institution's role extends beyond deposit insurance to include fostering confidence and resilience in the banking sector. The study confirms that institutional interventions, when effectively implemented and communicated, are central to sustaining financial stability in Nigeria.

Based on these findings, it is recommended that the NDIC strengthen public education and outreach programs, particularly targeting rural and less-educated populations, to enhance understanding of deposit insurance and build depositor trust. Additionally, the corporation should improve coordination with the Central Bank of Nigeria (CBN) and other regulatory bodies to monitor systemic risks proactively and address early warning signals of bank distress. It is also advisable to expand coverage to include digital financial services and fintech platforms, thereby adapting to evolving financial landscapes. Furthermore, efforts to reduce non-performing loans through stricter risk management and enforcement of prudential guidelines should be prioritised to reinforce stability. These measures will ensure that NDIC continues to play a pivotal role in safeguarding deposits, promoting financial inclusion, and maintaining the overall resilience of Nigeria's banking system.

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