



BANKING AND FINANCE

A SYSTEMATIC REVIEW OF THE ROLE OF FINANCIAL TECHNOLOGY (FINTECH) IN ENHANCING FINANCIAL INCLUSION OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA

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Abstract

Financial Technology aims to provide SMEs, especially those underserved by traditional financial institutions, with access to credit, banking services, insurance, and other financial tools. Hence, this study reviews the role of financial technology (FinTech) in enhancing the financial inclusion of Small and Medium-Sized Enterprises (SMEs) in Nigeria. The study employed a library research method (archive-based). The study primarily relied on secondary data, which has been gathered from books, journal articles, conference, the internet, textbooks and government publications. These data collected were extensively reviewed. The result indicated that despite the growing global adoption of FinTech solutions, particularly mobile banking and agency banking, there is a limited body of empirical research on their impact within the Nigerian context. This review synthesizes findings from studies conducted in other developing economies around the world with the limited ones in Nigeria revealing that mobile banking and agency banking significantly improve access to financial services, enhance operational efficiency, and contribute to the overall financial inclusion of SMEs. However, the review highlights a critical gap in Nigerian-based studies and a limited focus on other emerging FinTech solutions, such as digital lending platforms, block chain, and Neo banks. The review recommends the need for more localized research to understand the specific challenges and opportunities in Nigeria's financial ecosystem. Addressing these gaps can pave the way for more inclusive and sustainable economic growth for SMEs in Nigeria

Keywords: FinTech, Financial Inclusion, Mobile Banking, Agency Banking

1.1 Introduction

Small and Medium-Sized Enterprises (SMEs) are vital to the economic development of any nation, contributing significantly to economic growth, job creation, innovation, and sustainable development. However, According to Agbim (2020), SMEs encounter many obstacles that hinders their progress and expansion, including inadequate financial resources, limited access to loans or funding, intense market competition, restricted market opportunities, insufficient government support, and limited access to information and communication technology and insufficient training. Financial inclusion therefore seeks to mitigate these obstacles by enhancing SMEs' access to financial products and services. By providing access to formal financial systems, financial inclusion facilitates economic benefits, such as increased investment in businesses and education, ultimately

contributing to poverty alleviation and income generation.

Financial inclusion refers to the accessibility and use of formal financial services by individuals and businesses, ensuring these services are available to all, particularly marginalized and low-income groups (World Bank, 2020). It aims to provide SMEs, especially those underserved by traditional financial institutions with access to credit, banking services, insurance, and other financial tools. FinTech plays a key role in advancing this goal by offering accessible and affordable services that overcome barriers like lack of collateral and high transaction costs, enabling SMEs to secure funding, manage finances, and grow, particularly in underserved areas.

According to Ozili (2021), FinTech refers to the application of modern technological innovations to provide financial and banking services. It encompasses tools like digital lending, digital payment platforms, mobile payments and so on. These technologies improve financial accessibility, affordability, and efficiency, enabling underserved populations and SMEs to be part of the formal financial system. Consequently, FinTech acts as a crucial driver of financial inclusion, promoting economic growth and reducing financial inequality.

1.2 Statement of the Problem

Despite the rapid global adoption of financial technology (FinTech) in enhancing financial inclusion, there is still a lack of comprehensive synthesis of its effect on SMEs in Nigeria. Although mobile banking and agency banking have been widely recognized as transformative tools for making financial services more accessible, existing literature on their role in Nigeria is fragmented and lacks a systematic review. This gap makes it difficult to assess the extent to which these FinTech solutions have improved SMEs ability to access loans, banking, and other financial services. Given the importance of SMEs in driving economic growth, there is a pressing need for a structured review that consolidates existing findings, identifies knowledge gaps, and provides a foundation for future research and policy formulation. This study aims to bridge this gap by systematically analyzing relevant literature to offer insights into the role of FinTech in addressing the financial constraints of SMEs in Nigeria.

1.2 Objective of the study

The study sought to systematically review the role of financial technology (FinTech) in enhancing financial inclusion of SMEs in Nigeria. The specific objectives are to;

- i. review the influence of Mobile banking on financial inclusion of SMEs in Nigeria
- ii. review the influence of Agency banking on financial inclusion of SMEs in Nigeria

2.1 Literature review

Literature review generally consists of three important components. These are, Conceptual Review, Empirical Review.

2.2 Conceptual Review

Various concepts as contained in the research topics were extensively reviewed. The concepts such as Financial Inclusion, FINTECH, SMEs and so on were reviewed.

2.2.1 Financial Inclusion

According to the World Bank (2021) financial inclusion refers to accessibility and utilization of formal financial services by individuals and businesses. Financial Inclusion ensures that financial services are reachable by all, especially marginalized and low-income groups. Grant (2024) stated that financial inclusion involves ensuring that financial products and services are available and affordable for everyone, irrespective of their personal net worth or business scale. Financial inclusion aims to remove obstacles that stop people from participating in the financial system and using its services to improve their lives.

Similarly, CBN (2024) stated that; Financial inclusion in Nigeria is characterized as the optimal scenario where adult Nigerians can readily access a diverse range of formal financial services tailored to their needs. It further stated that providing financial services to a wide cross-section of the population in any country can boost progress and advancement. This is because financial inclusion empowers more individuals to engage in economic activities, which in turn enhances the business landscape, fosters job creation, skill development, knowledge transfer and technology exchange and creates a competitive market environment for innovation to flourish. More so, McKinsey (2023) opined that financial inclusion is achieved when all individuals have the ability to reach financial services that support wealth creation, such as savings, credit, insurance and equity.

2.2.2 Financial Technology (FinTech)

FinTech, derived from the words "Financial" and "Technology," represents the integration of technological advancements into financial services to create innovative solutions (Buckley, Barberis & Arner 2016). Kagan (2024) defined FinTech as a term used for integrating technology with financial services. It covers different technology and innovations reshaping how financial services are delivered. Fintech includes services like mobile banking, online lending, digital currencies and peer-to-peer lending. More so, Zeidy (2022) stated that FinTech refers to a new technology aimed at enhancing and automating the provision and utilization of financial services.

In the view of Gimpel et al. (2018) FinTech can be referred to as the application of digital technologies, including the Internet, mobile computing, and data analytics, to enhance, revolutionize, or transform financial services. Thus, Financial Technology (FinTech) can be seen as the application of innovative technologies to design, deliver, and improve financial products and services. The FinTech revolution has profoundly transformed the global market, exerting substantial influence on the banking and financial industries. Its growth and incorporation into business operations enable financial institutions to optimize operational efficiency, elevate customer experience, minimize costs, and strengthen risk management strategies (Wang et al., 2021).

2.2.3 Small and Medium Scale Enterprises (SMEs)

The concept of SMEs refers to businesses that maintain limited scale in terms of operations, workforce, and revenue when compared to larger corporations. SMEs are usually categorized based on certain factors, such as the size of the workforce and yearly turnover, or total assets, which can differ depending on the country and type of business. Medium-sized enterprises typically employ up to 200 individuals, small enterprises up to 50, very small enterprises up to 20, and micro-enterprises range from zero to five employees (Fedder, 2023).

The SME sector is pivotal in promoting a strong and thriving economy. In Nigeria, effectively managed and thriving SMEs serve as crucial drivers of employment generation and wealth creation. These enterprises not only provide citizens with job opportunities and income but also contribute to government revenue through tax collection (Reuben et al, 2014)

More so, In China, the way they categorize the size of Chinese companies can be quite intricate. Typically, companies are classified based on their revenue, staff count, or assets. For instance, Chinese retail businesses fall into the small to medium category if they employ 10 to 49 workers and generate at least \$1 million in annual revenue. Chinese real estate developers are considered small to medium if their yearly revenue ranges from \$1 million to \$10 million and their total assets are between \$20 million and \$50 million. Chinese agricultural firms are labeled as small to medium if their annual revenue falls between \$0.5 million and \$5 million. Also, in developing countries like Kenya and India, SMEs are referred to as micro, small, and medium-sized enterprises (MSME), Despite variations in criteria, nations universally categorize businesses based on their size or organization (Liberto 2024).

Radley (2024) stated that SMEs play a significant role in the global economy every year. He further stated that many definitions of SMEs are based on the number of employees they have. Whether a company has 50 employees or 500, the key is to develop a strategy tailored to its current size and growth potential. This involves identifying solutions that offer the most value, creating a scalable employee experience and selecting the right partners to help transition from a small business to a global player. Similarly, World Trade Centre (2023) stated that, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) in Nigeria defined SMEs as businesses that have assets worth up to N200 million, excluding land and working capital and employing between ten and 300 staff. Furthermore, SMEs are typically described as companies that hire between five and one hundred employees and generate around four hundred thousand Naira (N400,000) in annual turnover. It further stated that According to the Nigerian Federal Ministry of Commerce and Industry, SMEs are firms with investments totaling up to N750,000 excluding land costs but including capital, and employing up to fifty individuals.

2.2.4 Mobile Banking and Financial Inclusion of SMEs

Mobile banking has evolved into a powerful tool for driving digital financial inclusion, particularly in nations with emerging economies with limited traditional banking infrastructure. The extensive use of mobile phones and the expansion of network coverage has transformed mobile banking into a key driver for extending the availability of financial services (Wang, 2023). Mobile banking provides accessibility and convenience. It enables users to manage their accounts, send money and pay for goods and services through their smartphones. The convenience of mobile banking motivates people without bank accounts to obtain financial services, thus promoting financial inclusion (khatun et al. 2021). Furthermore, Zeidy (2022) opined that the surge in Smartphone usage has compelled banks to use Mobile banking and develop mobile apps that offer convenient FinTech banking services. Nowadays, most banks provide mobile applications with a user-friendly interface. Financial Institutions have also introduced mobile apps that can identify the user's fingerprints without the need for biometric software or hardware, enabling swift access to funds. Through a mobile app, users can conduct various banking activities like quick bill payments, check deposits, view account balances, statements and more. Similarly, Chen (2020) also stated that Mobile Banking entails the use of Mobile apps which are designed by financial institutions to promote online transactions. Through these mobile applications, customers are able to conduct most of their transactions online, eliminating the need to physically visit bank branches. Their aim is for customers nationwide to access the mobile app from any location and perform transactions effectively. World Bank (2022) noted a notable surge in the adoption of mobile banking among account holders. This rise is visible in the increased transaction volumes done through mobile phones. Additionally, Individuals can conveniently deposit and withdraw funds using their mobile devices. Furthermore, the process of applying for and receiving loans has been enhanced. Thus, mobile banking serves as a tangible representation of promoting financial inclusion.

2.2.5 Agency Banking and Financial Inclusion of SMEs

Agency banking has become a key strategy for banks looking to expand their services beyond traditional branches. Recently, agents have shifted from being a secondary distribution channel to a central figure in a complete financial system. This shift has created new possibilities for banks to implement creative approaches that enhance the profitability of their agency banking networks (Meshkova, 2024). Furthermore, Agency Banking also called branchless or Omni-channel banking is changing the system of banking from branch-centered operations to digital platforms like online banking and mobile banking. It lessens the use of traditional bank branches leading to a decrease in the number of branches as banks shift towards Omni-channel banking (Zeidy 2022). Also according to Gupta (2020) Agency banking has brought about a significant change in

emerging economies, enabling small business owners to obtain financial services easily without the constraints of conventional banks. The implementation of agency banking in countries like India has empowered SMEs in remote areas to overcome location-based barriers, by providing improved opportunities for transactions and easier access to credit. More so, Khalifa (2024) opined that Agency banking is a means where conventional banks collaborate with local businesses or individuals, called agents, to offer financial services such as cash deposits, withdrawals and payments.

2.3 Empirical Review

Mhlanga and Dunga (2020) examined how mobile banking impacted on people living in Masvingo Province, Zimbabwe. The study mainly concentrated on Masvingo city. They assumed a qualitative technique for their survey and involved 270 participants from various backgrounds, aiming for a representative sample. The results indicated a keen interest among low-income individuals in using mobile banking, highlighting a positive link between mobile banking and financial inclusion. The study also revealed a strong willingness among low-income groups to adopt mobile banking.

Similarly, Ouncho, Ondiek, and Bulla (2023) assessed the effect of mobile banking on financial inclusion among small and medium sized enterprises in Kakamega County, Kenya. The study used a descriptive approach to examine a population of 9,116 businesses in Kakamega County, Kenya. This included 5,108 small businesses and 4,008 small-medium enterprises. A total of 369 SMEs participants were surveyed. Questionnaires were employed to collect primary data. Descriptive and inferential statistics were used to analyze the data. The study revealed a positive relationship between mobile banking and financial inclusion among small-medium enterprises. The findings highlighted the significance of mobile banking, suggesting that banks should offer it to SMEs for smoother operations and transactions so as to promote financial inclusion among them.

Furthermore, Njagi and Njoka (2021) examined how mobile banking influenced the financial performance of microfinance institutions in Kenya. They utilized the financial theory and public interest theory of intermediation in their analysis. Microfinance institutions were selected using stratified sampling for detailed survey. The findings revealed that the introduction of new financial innovations has notably boosted the financial outcomes of these microfinance institutions.

Jirabhi Mufungo and Ngonyani (2024) evaluated the effect agency banking services in rural regions on the performance of small business owners in Chamwino District, Dodoma Region. The study examined how the utilization of agency banking services impacts business operations in the unique and challenging environment of rural entrepreneurs. The study used a cross-sectional research design and collected data from 108 participants. The data analysis involved descriptive and multiple linear regression techniques. The findings revealed that agency banking services such as privacy, reliability and accessibility have significantly improved the performance of small business owners in remote areas.

Also, Dimbia and Wanjohi (2023) examined the impact of agency banking on enhancing financial inclusion in Siaya County, focusing on banks like KCB, Equity, and Cooperative Bank. The research objectives included assessing the cost-effectiveness of the agency banking model, analyzing time-saving benefits, evaluating changes in service hours and examining convenience levels in obtaining agency banking products. The research used a descriptive research design and employed questionnaires with closed-ended questions for data collection. Data analysis involved multiple regression analysis and central tendency measures. The findings showed a positive correlation between agent banking and financial inclusion, with time-saving, service hours, and convenience positively influencing financial inclusion. However, transaction costs had a negative impact. The study recommended banks increase awareness of these services and offer them at competitive prices to promote their use and ensure widespread financial inclusion.

Similarly, Nabbaale (2022) examined the impact of agent banking on financial inclusion in Uganda. The research revealed that many participants were familiar with the available agent banking services in the area. The study recommended that banks should establish more agent banking outlets to improve service provision to customers. Expanding the number of sales points should focus on reaching rural areas to increase access to financial services for underserved individuals. It is crucial to enhance security measures and monitoring systems for financial transactions in the digital and agency banking space. Moreover, raising awareness among bank customers about how agency banking functions can help prevent fraudulent activities.

Moreover, Olango et al. (2023) studied how agency banking impacts the performance of small-scale manufacturing businesses in Kisumu County, Kenya. The results revealed that most participants utilized agency banking services for various financial transactions such as bill payments, cash deposits, withdrawals, and checking their account status. The correlation analysis indicated a connection between SMEs and the availability of agency banking services. The results of the hypothesis further demonstrated a significant positive relationship between agency banking and the performance of small-scale manufacturing enterprises in the same region. The study concluded that Agency banking is a key driver of financial inclusion for small and medium businesses in Kisumu County.

More so, Kuboja (2020) assessed the Influence of Agent Banking on Profit Optimization for Commercial Banks in Tanzania. The findings of the study suggested a positive and substantial correlation between agent banking operations and profit maximization for CRDB Bank. This discovery implies that an increase in the number of agent banking participants leads to a rise in withdrawal transactions through agent banking, consequently enhancing the bank's profit maximization. It also indicates that both factors collectively contribute significantly to profit maximization by around 20.6% and 11% respectively. On the contrary, the study observed that deposit transactions made via agency banking services showed a notably negative impact on profit maximization, with a decrease of approximately 33.4%. Therefore, such services are considered less favored by most stakeholders as they primarily serve as a means to facilitate fund transfers for further banking transactions domestically and internationally.

2.4 Conceptual Framework

Based on the theoretical framework, empirical evidence, and the relationships between variables, a conceptual framework for this research can be constructed, as illustrated in Figure 1 below.

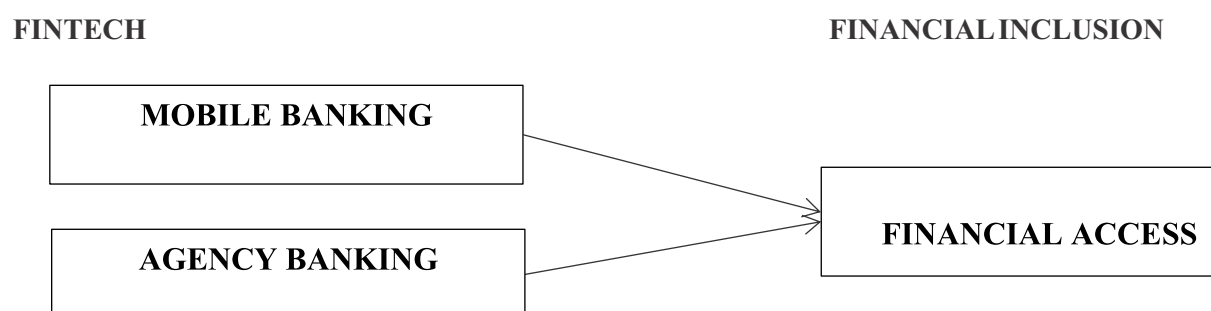


Figure 1: Conceptual Framework

Based on the conceptual framework above, it can be illustrated that researcher want to focus on the problem of how Financial Technology (proxied by Mobile and Agency Banking) can influence financial inclusion of SMEs.

3.1 Methodology

This study systematically reviewed the role of Financial Technology (FinTech) in enhancing financial inclusion of SMEs in Nigeria. The research focused specifically on two key components of FinTech: mobile banking and agency banking. To achieve this objective, the study employed a rigorous library research methodology, relying primarily on secondary data sources. This data was meticulously gathered from a wide range of sources, including books, academic journal articles, conference proceedings, reputable online resources, textbooks, and government publications. The collected data was then subjected to a thorough and in-depth analysis. The findings, conclusions, and recommendations derived from this analysis were presented in a clear and concise manner, providing valuable insights into the impact of FinTech on financial inclusion for SMEs in Nigeria.

4 Discussion of Findings

This study aimed to review the role of financial technology (FinTech) in enhancing financial inclusion among SMEs in Nigeria. The analysis of the data revealed important insights into how these FinTech solutions are shaping the financial landscape for SMEs in the region. The empirical studies reviewed collectively underscore the transformative role of FinTech in enhancing financial inclusion for SMEs in various contexts, including Kenya, Sri Lanka, India, and other regions. The evidence indicates that mobile banking, agency banking, and the growing adoption of FinTech services have positive implications for improving SMEs' access to financial services, reducing transactional costs, and enhancing financial performance.

4.1 Mobile Banking and Financial Inclusion

Several studies point to a strong positive correlation between mobile banking adoption and financial inclusion among SMEs. For instance, Ouncho et. al (2023) and Mutua (2021) highlighted that mobile banking significantly improved financial inclusion by facilitating bill payments, money transfers, and loan access for SMEs. In Kenya, SMEs reported enhanced operational efficiency and reduced transactional costs as key benefits of mobile banking services (Mutua, 2021). Similarly, Menikdiwela et al. (2022) found that factors like perceived ease of use, perceived usefulness, and cost of mobile banking were critical in influencing SMEs' adoption of mobile banking services in Sri Lanka, pointing to the significant role these services play in supporting SMEs. Furthermore, Makori and Nyamasege (2023) also supported the idea that mobile banking services contribute positively to the financial performance of SMEs, which reflects broader trends seen in other regions. These findings suggest that mobile banking not only provides SMEs with greater access to formal financial services but also enhances their ability to manage cash flow, reduce overheads, and increase transaction volume. Thus, mobile banking offers a promising pathway to enhance financial inclusion among SMEs in Nigeria.

4.2 Agency Banking and Financial Inclusion

Another key theme across the studies is the positive impact of agency banking on financial inclusion. Research by Dimbia and Wanjohi (2023) and Nabbaale (2022) demonstrated that the availability of agency banking services significantly improved the accessibility of financial services for SMEs, particularly in rural areas. Agency banking, which involves third-party agents facilitating financial transactions, has shown potential in overcoming the geographical and infrastructural barriers that often limit SMEs' access to traditional bank branches. In regions like Siaya County (Dimbia and Wanjohi, 2023) and Kisumu County (Olango et al., 2023), SMEs were able to perform essential banking services, such as cash withdrawals, deposits, and bill payments, using agents located closer to their operations. This highlights the potential for agency banking to support SMEs in underserved areas of Nigeria, where traditional banking infrastructure may be lacking. However, some studies like Agbor et al., (2023) found that while agency banking has improved service access, it

has not yet significantly increased the formal integration of rural populations into the financial system. These points to a critical gap in financial inclusion efforts: while agency banking enhances service access, it may not yet address the full spectrum of financial services that SMEs need to thrive, such as access to credit or insurance. Therefore, for agency banking to be truly transformative for SMEs in Nigeria, it will require not only increased service availability but also the introduction of a broader range of banking products through agent networks.

5 Conclusions

This study systematically reviewed the role of Financial Technology (FinTech) in enhancing the financial inclusion of Small and Medium-Sized Enterprises (SMEs) in Nigeria, focusing on mobile banking and agency banking. The findings from empirical studies in various developing economies of the world revealed that FinTech solutions significantly improve SMEs' access to financial services, reduce transactional costs, and enhance financial performance. Mobile banking has been identified as a crucial tool in improving financial accessibility by facilitating seamless transactions, reducing overheads, and enhancing cash flow management. Similarly, agency banking has been instrumental in overcoming infrastructural barriers and expanding financial service accessibility, particularly in underserved rural areas. However, the review highlights critical challenges, such as the high cost of mobile banking services, regulatory constraints, and limited trust in digital financial platforms, which may hinder the full adoption of FinTech among Nigerian SMEs. Moreover, while agency banking has improved service accessibility, its ability to provide a full spectrum of financial services remains limited. Beyond mobile and agency banking, other FinTech solutions, such as digital lending platforms and blockchain technology, remain under explored in the Nigerian context. Addressing these gaps through targeted policies, regulatory support, and innovative financial products is essential to achieving comprehensive financial inclusion for SMEs in Nigeria.

6 Recommendations

- i. More empirical studies focused on Nigeria's financial ecosystem are needed to understand the specific challenges and opportunities of FinTech adoption by SMEs. This will help in designing more effective financial inclusion strategies.
- ii. Financial service providers should work towards making mobile banking more affordable by reducing transaction fees and ensuring cost-effectiveness for SMEs, thereby encouraging wider adoption.
- iii. Policymakers and financial institutions should enhance agency banking services to include a broader range of financial products, such as microcredit, insurance, and supply chain financing, to better support SMEs.
- iv. The Nigerian government should adopt regulatory frameworks that promote secure and affordable digital financial services while ensuring consumer protection to boost trust in FinTech solutions.

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ROLE OF BANKING DIGITALIZATION IN IMPROVING QUALITY FINANCIAL SERVICES IN NIGERIA: A CONCEPTUAL REVIEW

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Abstract

Banking digitalization is considered a cornerstone of success in the banking sector, as it improves data accuracy, strengthens security measures, and enhances customer trusts which are key factors for maintaining superior service quality in a highly competitive environment. In light of this, the present study conducted a comprehensive review of banking digitalization and its role in elevating the quality of financial services within the Nigerian banking sector. The study employed a library research method (archive-based) which primarily relied on secondary data gathered from books, journal articles, conference, the internet, textbooks and government publications. These data collected were extensively reviewed focusing on service industry in general, with a specific emphasis on banking services. The study also employed content analysis in order to systematically review a large volume of literature relevant to the study's focus. The results indicate that banking digitalization is a prerequisite for improving the quality of financial services. However, research in this area remains limited, with most studies failing to address the key variables related to the topic. To address this gap, this study proposes a conceptual framework on banking digitalization and the quality of financial services. Additionally, a conceptual model illustrating the relationship between banking digitalization and financial service quality is presented at the conclusion of the paper. Hence, the study recommends among others that Scholars should conduct empirical studies to test the proposed conceptual framework, exploring the causal relationships between banking digitalization and service quality dimensions

Keywords:

Banking Digitalization,
Quality of Financial
Services, RATER Model

1.1 Introduction

Quality of financial services play a major role in the banking sector as it directly influences customer satisfaction, trust, and loyalty, which are crucial for sustaining competitive advantage. High-quality services enhance customer experiences by addressing their financial needs effectively and efficiently. This fosters long-term relationships, reduces churn, and encourages repeat business. Moreover, superior financial service quality strengthens a bank's reputation, attracts new customers, and supports financial inclusion by providing accessible, transparent, and tailored solutions. In an increasingly digitized economy, maintaining service quality is essential for ensuring operational resilience and adapting to evolving customer expectations and regulatory requirements.

The need for banking digitalization arises from the growing demand for efficiency, accessibility, and

competitiveness in the financial sector. As technology evolves, customers particularly in the banking sector increasingly expect seamless, fast, and personalized banking experiences. Digitalization addresses these demands by offering innovative solutions such as mobile banking, online platforms, and automated processes, enabling banks to streamline operations and reduce costs. In the context of globalization, digitalization helps banks stay competitive by fostering innovation and adapting to changing consumer behaviours and market dynamics (Puschmann, 2017).

The origins of digital banking can be traced back to December 1980 when United American Bank, in collaboration with Radio Shack, introduced the first computerized digital banking service which involves creating a secure custom modem for the TRS-80 computer, enabling customers to securely access their account information. Since then, digital banking has undergone numerous enhancements, with new features continuously being developed to meet the increasing demand for the quality of these services (Dickson & Priyar, 2023). This trend, according to Joanna England's 2022 report underscores the transformative impact of digital banking on the financial landscape, emphasizing its critical role in shaping the future of financial transactions and consumer engagement.

The Nigerian financial sector, particularly banking institutions, has also undergone a significant transformation driven by advancements in digitalization. The digitalization of banking services has introduced innovative business models, promoting development and advancements in areas such as mobile banking, digital financial transactions, and internet banking reshaping the traditional model (Maurice, 2024). This innovation continues to grow, gradually replacing conventional banking practices with innovative technologies designed to address the evolving complexities and challenges of a globalized economy. Thus, digitalization of banking revolutionizes how banks deliver value to customers through enhancing service quality delivery and making financial services faster, more accessible, and secure (Laukkanen, 2017; Demirgüç-Kunt et al., 2018; Gomber et al., 2018). This has established a positive link between banking digitalization and quality of financial services.

1.2 Statement of the Problem

While digitalization is expected to improve banking services, many Nigerian customers have expressed concerns regarding the seamlessness, speed, and personalization of these services, raising doubts about its overall effectiveness. There is still a lack of research on how different digital technologies, like online banking, mobile banking apps, and point-of-sale (POS) systems, specifically improve service quality in banks, despite the fact that there are few empirical research and reviews on the revolutionary journey and present advancements in Nigeria's banking digitalisation, as well as its advantages and disadvantages.

Hence, a comprehensive analysis of how banking digitalization enhances financial service quality in Nigeria is essential to contribute meaningfully to the existing body of literature on the subject.

1.3 Objective of the Study

This paper seeks to conduct a comprehensive review of banking digitalization and its role in elevating the quality of financial services within the Nigerian banking sector.

This review critically examines the most recent literature related to the topic to ensure the results are both relevant and reflective of current trends in banking digitalization and financial service quality. The paper is significant to various stakeholders, particularly banks, as it equips them with actionable knowledge to optimize their operations, improve service delivery, enhance customer trust, and achieve sustainable growth in a rapidly evolving digital landscape

2.1 Literature Review

Literature review generally consists of three important components. These are, Conceptual Review, Empirical Review and Theoretical Review.

2.2 Conceptual Review

Under this sub heading, various concepts as contained in the research topic were extensively reviewed.

2.2.1 The Concept of Quality of Financial Services

The quality of financial services refers to the degree to which financial institutions meet customer expectations and deliver value in a reliable, efficient, and customer-centric manner. According to Luka, Andrew and Kimwolo (2015), quality financial services provided by a particular bank determine the satisfaction level of its customers which in the long run will improve its performance.

Nowadays, quality of financial services has become one of the important determinants in measuring the success of companies and as such, its understanding might be imperative for financial institutions. This is so because according to Zeithaml, Parasuraman and Berry (2006), bank customers compare the performance or quality of financial services received and use the same as the reference points when they experience and evaluate the quality of service they receive in return. This experience in turn is what determines customers perceptions of the level of service quality received from an organization.

2.2.2 Quality Financial Services Dimensions in the Banking Industry

Quality Financial Services represents the relationship between customers' expectations for service and their perceptions of services received. According to Parasuraman, Zeithaml, and Berry (1988), it is typically defined as a customer's evaluation of how effectively a service meets their expectations. Service quality is considered a difficult process to define and measure (Shabani et al. 2022). However, the RATER ("reliability, assurance, tangibles, empathy, and responsiveness") model was created by Parasuraman et al. in 1988 and is a widely accepted framework for assessing the quality elements of digital banking services. Consumer behaviour is significantly influenced by a variety of factors, including responsiveness, empathy, tangibles, assurance, and reliability (Farooqi & Banerji, 2013).

The reliability of online operations, the guarantee of data safeguarding, the physical features of graphical user interfaces, the use of AI in support for customers and responsiveness, and the swiftness of mobile app reactions are some of the key indicators that Akkucuk and Teuman (2016) point out have all changed into digital forms. According to Ramseook-Munhurrin and Naidoo (2011), information assurance is a more complex issue, especially when it comes to topics like cyber security and information privacy. Building on these viewpoints, "responsiveness" refers to the smooth operation of mobile apps, which is accomplished by integrating technology-driven features into every area of operations, while "tangibles" relate to the integration of user-friendly interfaces. In the competitive landscape of digital banking, customers are able to form strong connections through the functional enhancement of technology and the delivery of high-quality services (Osei, Cherkasova, & Oware, 2023).

2.2.3 The Concept of Banking Digitalization

The concept of Digitalization according to Nafei (2021) refers to the transition from traditional systems to digital systems utilizing information and communication technology across various operational areas. It involves the development of business models through the strategic integration of technology, enhancement of talent, and reorganization of processes to deliver innovative experiences for both customers and employees. Furthermore, it

encompasses considerations for security, as well as human and technical requirements (Ziyadin et al. 2020).

Banking digitization, also referred to as online banking, as the transformation of conventional banking services into digital platforms accessible via the internet or mobile devices. (Ramesh & Hariharan, 2024). This shift enables users to conduct a wide range of banking activities at any time and from any location, eliminating the need for physical visits to bank branches. From checking account balances to transferring funds, digital banking provides a seamless and efficient approach to managing financial transactions.

Azizah et al. (2023) describe banking digitization as the integration of digital technologies and innovative practices within banking institutions to enhance operational efficiency, broaden service accessibility, and improve customer experiences. This transformation leverages advancements in information technology, software development, and robust network infrastructure to redefine banking operations and customer engagement (Arner, 2017).

Nigeria's shift to digital banking in recent time has greatly advanced financial inclusion and positioned the country as a leader in Africa's FinTech industry. With ongoing government efforts to improve technological infrastructure, the digital banking industry in Nigeria is set to experience remarkable growth in the near future (Atoyebi, 2024).

2.2.4 Dimensions of Banking Digitalization

Online Banking

The term "online banking" describes how banking services are facilitated by digital platforms and the internet, enabling clients to conduct a range of financial activities from a distance (Awoniyi, 2022). It entails carrying out a variety of banking tasks via the internet, including money transfers, bill payment settlement, account balance checks, mortgage payments, and the acquisition of financial goods like certificates of deposit (Ahasanul et al., 2009). Through online channels, internet banking essentially offers the same essential services as traditional banking.

Mobile Banking

Mobile banking is described as a form of banking services that enables customers to save fund, send money, make payment via a mobile phone. It is a mobile-based service for micro finance, remittances and lending, that enables individuals and SMEs to access funds (Rosemary, Musa & Abdullahi, 2021). This banking system allows customers to carry out various transactions without the need to physically visit a bank branch. Services available via mobile banking include transferring funds, checking account balances, and making bill payments (Awoniyi, 2022). With the integration of mobile banking apps, financial institutions have made it easier for customers to handle their finances on the move, solidifying mobile banking as an indispensable tool for both banks and their customers (Sharma, 2019).

Point-of-Sale (POS) Terminals

When using debit cards to make purchases, a Point of Sale (POS) terminal is a form of electronic payment device that allows customers to check their account balances, pay for products and services, and conduct fund transfers without carrying physical cash (Ikpefan et al., 2018). Because POS terminals are online-enabled systems, they enable clients to immediately send funds from their checking or savings account to complete payments. The use of POS terminals has arguably enhanced banking productivity by streamlining the payment process for customers. Instead of relying on cheques and cash for shopping transactions, which could only be processed during banking hours, POS systems provide a continuous, efficient method of payment that extends beyond traditional banking hours

Digital or Online Payment Platforms and Digital Wallets

A significant change in the way financial transactions are conducted is represented by the move to digital payments. Financial institutions have adopted online payment systems that enable people to send money to anybody in Nigeria with just an email address or phone number. Streamlining online transactions, payment technologies such as Paystack, Flutterwave, and Interswitch are leading this digital revolution (Maurice, 2024). There is reduced reliance on cash and checks thanks to the growing adoption of digital payment options, which include contactless payments, online bill payment, and electronic financial transfers. These payment options provide businesses and consumers unparalleled ease and security, guaranteeing quick and safe transactions in an internationally integrated economy (Pazarbasioglu et al., 2020). Furthermore, services like Apple Pay, Google Pay, and Samsung Pay have made it even easier for consumers to complete transactions by storing their card details securely on their devices.

2.2.5 Banking Digitalization and Quality Financial Services

According to Ayinaddis et al., (2023), service quality is crucial in the realm of digital banking because it directly affects customer happiness and loyalty. A smooth digital banking experience is a crucial differentiator and helps to ensure client retention in today's fiercely competitive and digitalised world (Al-Araj et al. 2022).

The primary objective of bank digitization is to enhance operational efficiency and effective service delivery. By automating various banking procedures, financial institutions can lower operational costs, accelerate transaction processing, and increase data accuracy. Furthermore, digitization seeks to improve customer experiences by offering convenient, fast, and tailored services. Bank digitization yields substantial advantages for multiple stakeholders, including the bank, its customers, and society at large (PwC Indonesia, 2020). Key benefits of this transformation include improved accessibility, greater operational efficiency, faster and more responsive services, enhanced customer experience, and increased financial inclusion.

2.3 Empirical Review

In Indonesia, Tanjung and Rivolsyah (2024) examined the influence of Digitalization of Banking Services on Operational Efficiency and Customer Satisfaction. The research adopted survey method where questionnaire was used to collect data from 300 respondents from various banks in Indonesia. Data collected were analyzed using multiple regression techniques. The study revealed that increasing the use of digital services such as mobile banking and internet banking significantly reduces transaction time and costs as well as improves customers satisfaction.

Arora and Banerji (2024) investigated the relationship between customer happiness and customer experience, as well as the effect of digital banking service quality on customer loyalty, in India. Six hundred participants' information was gathered via a questionnaire. The Hayes process approach was used to assess the hypotheses after psychometric features were reviewed. SPSS 25 and AMOS 22 (structural equation modelling software) were used for statistical analysis. The study looks at RATER in the framework of digital banking and how they affect customer experience and, eventually, customer loyalty using the Cognitive-Motivational-Relational (CMR) theory. The results of the study show that aspects of service quality are crucial in enhancing the client experience.

Elen et al. (2024) evaluated the effect of financial technology on the provision of banking services in Nigeria. The study's particular goals were to ascertain how Nigerian banking service delivery is impacted by point of sale (POS), automated teller machines (ATM), and online web payments technology, as well as to assess the influence of online web payments technology on Nigerian banking service delivery. The autoregressive distributed lag (ARDL) was used to estimate the model in this ex post facto investigation. At the 5% level of

significance, the study's main conclusions—automated teller machine (ATM), point of sale (POS), and online internet banking (ONLIT) transactions—have a big influence on Nigerian banks' performance.

Dickson and Priyar (2023) looked on how bank growth and customer satisfaction were affected by digital banking in Malawi's Blantyre branch. The study's target population consisted of NBS Bank plc employees and customers. 60 employees made up the study's sample size. A triangulation of methods was used to obtain data for the descriptive survey design. Correlation analysis was used for data analysis. The results showed that customer satisfaction was significantly improved by digital services' speed, flexibility, accessibility, and efficiency. Additionally, the study showed that digitisation can have a favourable impact on favourable returns on equity and assets, which in turn can support bank expansion.

Shabani (2022) evaluated the impact of digitisation on customer loyalty and service quality in Kosovo. Using the SERVQUAL paradigm and customer loyalty, this study assesses how digitisation affects service quality. 400 customers of Kosovo banks made up the sample, and a quantitative approach was employed to accomplish the goals using a structured questionnaire. Based on the OLS model, the results indicate that digitalisation has a beneficial impact on customer loyalty and service quality. The T-test revealed that there was a substantial variation in customer loyalty depending on age but not across genders.

Nafei (2021) investigated how digitisation might improve the quality of digital services in Egypt. All Egyptian commercial bank personnel make up the research population. To gather information for the study, the researcher has chosen to use a sampling technique. The data is analysed and the hypotheses tested using the proper statistical techniques, such as multiple regression analysis (MRA), confirmatory factor analysis (CFA), and alpha correlation coefficient (ACC). The aspects of digitisation that are reflected in strategic planning, leadership development, institutional structure, luring talent, capabilities, and banking service quality on the one hand, and competitive advantage on the other, are statistically significantly correlated.

2.4 Theoretical Review

This paper adopted Technological Innovation Theory which was propounded by Joseph Schumpeter in 1934. In his study, he defined innovation as the development of new products, processes, or markets and emphasized its importance in fostering competitive advantage and economic transformation. This theory focuses on how innovations in technology drive changes within industries, organizations, and societies. In the context of banking, it explains how advancements in digital tools and platforms transform service delivery, operational efficiency, and customer experience.

Technological Innovation Theory provides a robust framework for analyzing how advancements in digital technologies transform the banking sector and enhance the quality of financial services. This theory underscores the role of innovations in reshaping processes, products, and business models within an industry, emphasizing how these changes contribute to efficiency, customer satisfaction, and competitive advantage.

Thus the theory explains the objective of the study which is examining the role of banking digitalization in improving quality of financial services. When the financial sector deepen its technological adoption, its service quality will also improve and hence its performance which in turn improve the aggregate economic output of the country. Hence, by leveraging Technological Innovation Theory, the paper can examine banking digitalization and how it enhances service quality in the Nigerian banking industry.

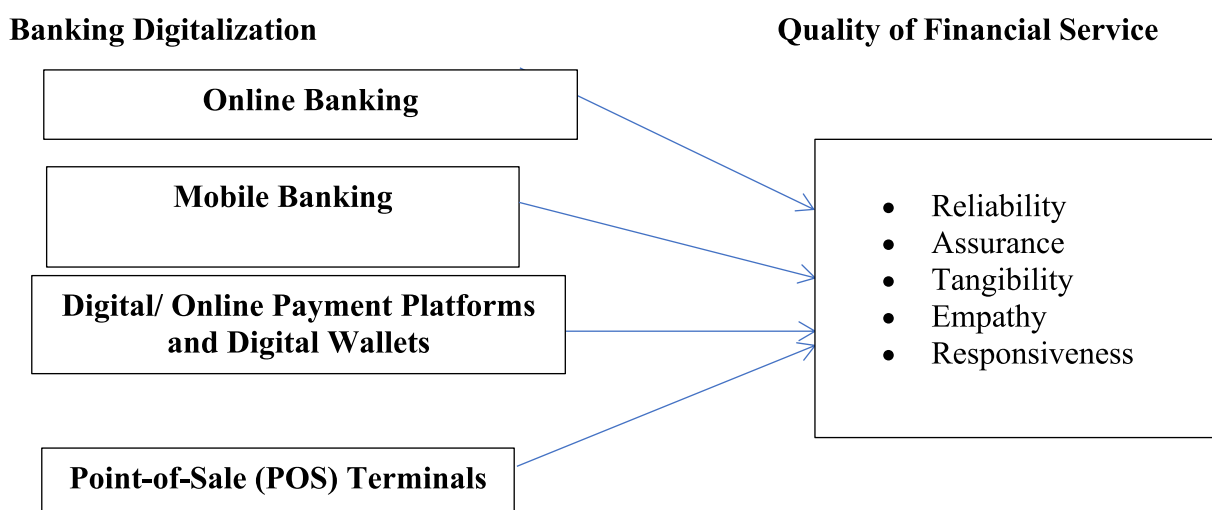
3.1 Methodology

The study examines a range of literature on banking digitalization and quality of financial services, primarily focusing on emerging country like Nigeria and other developed countries around the globe. The study employed a library research method (archive-based). The study primarily relies on secondary data, which has been

gathered from books, journal articles, conference, the internet, textbooks and government publications. These data collected were extensively reviewed focusing on service industry in general, with a specific emphasis on banking services. Additionally, this study makes use of content analysis, which enables the researcher to methodically examine a substantial amount of literature pertinent to the study's topic. Either relational analysis or conceptual analysis can be used to perform content analysis. While relational analysis expands on conceptual analysis by looking at the connections between concepts, conceptual analysis concentrates on the existence and frequency of concepts inside a text. To create a suggested conceptual framework on banking digitisation and the calibre of financial services, the author of this study employs both methodologies.

It is evident from the empirical studies that, in spite of the growing interest in banking digitalisation around the world, relatively little research has been done on how it can improve the quality of financial services in the Nigerian banking sector. Furthermore, the aforementioned studies have failed to consider important aspects of digitalisation, like the incorporation of cutting-edge digital technologies, their influence on service delivery, and the general enhancement of service quality. Given the region's swift implementation of digital financial technologies, this gap in the literature highlights the need for targeted empirical research that examines the precise mechanisms through which banking digitalisation affects service quality in the Nigerian banking sector.

Figure 2.1 Conceptual Framework



Source: Proposed Conceptual Framework adapted from Maurice (2024)

Source: Proposed Conceptual Framework adapted from Maurice (2024)

Figure 2.1 presents the proposed conceptual framework. The frame work shows the relationships between the variables under study. Specifically, it shows how banking digitalization influences quality of financial services.

4.1 Discussion of Results

Digitalisation of banking is essential to raising the calibre of financial services since it streamlines operations, enhances service quality, and increases client pleasure. Digital technology like blockchain, machine learning, digital internet platforms, and artificial intelligence can be used to help banks increase operational efficiency while lowering processing times and human error.

The review of literature on the role of banking digitalization in enhancing the quality of financial services in the Nigerian banking industry highlights significant gaps and opportunities in existing research. Although digital transformation is widely recognized as a pivotal factor in improving financial service delivery globally, studies focusing specifically on Nigeria remain scarce. Moreover, the limited available studies often fail to address the

core variables that define the relationship between digitalization and service quality, such as efficiency, security, customer satisfaction, and accessibility.

Banking digitalization has been shown to enhance operational accuracy, reduce transaction errors, and bolster security protocols, which are critical for building customer trust and loyalty. It also facilitates faster service delivery, greater transparency, and improved accessibility for customers, especially in underserved areas. These benefits are particularly crucial in the context of Nigeria, where financial inclusion remains a significant challenge. However, the fragmented nature of existing studies and the absence of a comprehensive framework to explore these dimensions underscore the need for more targeted research. The proposed conceptual framework in this study addresses this gap by offering a structured model to guide future studies on the relationship between digitalization and service quality.

4.2 Conclusion and Recommendation

Digitalisation of banking is essential to raising the calibre of financial services since it streamlines operations, enhances service quality, and increases client pleasure. Digital technology like blockchain, machine learning, digital internet platforms, and artificial intelligence can be used to help banks increase operational efficiency while lowering processing times and human error.

The review of existing literature reveals that most studies overlook key variables central to understanding the impact of digitalization. This paper contributes to the discourse by proposing a conceptual framework that lays the groundwork for more focused and comprehensive future research. The framework aims to provide a clearer understanding of how banking digitalization can be leveraged to achieve superior financial service quality, ultimately fostering greater financial inclusion and customer trust in the Nigerian banking system.

Recommendations

1. **Future Research:** Scholars should conduct empirical studies to test the proposed conceptual framework, exploring the causal relationships between banking digitalization and service quality dimensions. This will provide more robust evidence on the subject and validate the framework's applicability.
2. **Policy Implications:** Policymakers and regulators in the Nigerian banking sector should prioritize digital transformation by encouraging banks to adopt advanced digital technologies. This includes creating a regulatory environment that supports innovation while safeguarding customer data and financial integrity.
3. **Customer Awareness and Training:** Banks should conduct awareness campaigns and provide training programs to educate customers on the benefits and usage of digital banking services. This will enhance user adoption and foster trust in digital platforms.
4. **Focus on Financial Inclusion:** Digitalization efforts should be aligned with the goal of improving financial inclusion in Nigeria. Banks should design digital products and services tailored to the needs of underserved populations, including rural areas and low-income groups.

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DATA PRIVACY AND COMPLIANCE OF FINANCIAL INSTITUTIONS: THE PERCEPTION OF CONSUMERS IN MAIDUGURI

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ABSTRACT

This study investigates the perception of consumers in Maiduguri regarding data privacy and compliance within financial institutions. The findings reveal that data privacy challenges significantly impact financial institutions, with data breaches and unauthorized access undermining institutional performance. Strong data protection measures, such as encryption and secure authentication, positively influence customer trust in financial institutions, fostering loyalty and confidence. The study concludes that companies adhering to data protection regulations contribute to organizational efficiency and long-term success. The study recommends that financial institutions prioritize robust data protection strategies to safeguard customer information and maintain operational effectiveness.

Keywords:

Data Privacy, Compliance,
Financial Institutions,
Perception of Consumers

1.1 Background to the Study

Advancements in technology have transformed the financial services sector and have led to the widespread use of digital transactions and data-driven decision-making. These innovations have great benefits but also pose a critical challenge with data privacy and regulatory compliance. As financial institutions use more personal and financial data, they need to navigate through a complex landscape with both information security threats and regulatory compliance.

Organizations are required under the NDPR to comply with principles of personal data protection, necessary consents for processing activities, and retention of data only when necessary; otherwise, they will have to face penalties and fines for non-compliance. However, obstacles remain such as low awareness, enforcement mechanisms in data privacy management and expertise. Now, as Nigeria dives into the digital landscape, there remain plenty of opportunities for collaboration among regulators, industry players, civil society, and government agencies to seek improvement in data privacy or compliance standards. The study addresses how these challenges and implications guided by the need to ethically protect sensitive data necessary for crystallization and sustainable growth and innovation in financial services (National Information Technology Development Agency, 2019).

1.2 Statement of the Problem

Cyber-attacks target financial institutions, threatening sensitive information on customers. Regulatory compliance is expensive and complicated and can have dire consequences; think GDPR or CCPA penalties.

Weighing the development of technology versus the protection of consumer data is really difficult. Consumers limited understanding of how their data is being handled leads to distrust in financial services and reluctance to engage. Research further showed that smaller institutions may lack resources to implement a data protection strategy.

1.3 Objectives of the Study

The main objective of the study is to enhance the development of technology and protection of the consumers' data for understanding and thrust of financial services they receive. The specific objectives are:

- i. to identify the major data privacy and compliance faced by the financial industry.
- ii. to analyse how this challenge impacts the operational efficiency and customer trust.
- iii. to explore ways to improve data protection and compliance in the financial services industry.

1.4 Research Questions

This study aims to address the following research questions:

- i. what are the key data privacy issues in global financial institutions?
- ii. what is the impact of compliance issues on the workings of financial services?
- iii. what strategies can be leveraged to enhance data privacy and compliance.

1.5 Research Hypotheses

The following hypotheses have been chalked out from the objectives of the study:

H₀1: There is no effect of data privacy challenges on financial institutions.

H₀2: Non-compliance issues do not impact financial institution operations.

H₀3: Implementation strategies do not lead to enhancement of data privacy and financial institution compliance.

1.6 Significance of the Study

There are important reasons for this study and they encompass to offering perspective on how data privacy regulation is changing financial transactions for good; providing recommendations for financial institutions to enhance their data protection measures and compliance strategies, and findings help to inform policy makers of the industry regulatory requirements and strategies.

1.7 Scope and Delimitation

This study focuses on privacy and compliance challenges among institutions of many sizes in the financial services sector. and regulatory developments, but not limited to non-financial institutions or international regulatory framework.

2.0 Literature Review

2.1. Conceptual Framework

2.1.1 FINRA- Customer Data Guidelines

In its report, the study only provides a bit of background on Clearview, which is an introducing broker that has been a member of the Financial Industry Regulatory Authority (FINRA) since 2007. In the relevant period of August 2018 to March 2019, a majority of Clearview's business focused on provision of brokerage, trading and execution services on commission basis to institutional customers. Currently it is only concerned with sales of private placements and it has six registered representatives. The case referenced Ettin's long history with FINRA, which dates back to 1986, as well as his status as the founder, sole owner and CEO of Clearview. The

securities lawyer who registered Ettin with Clearview and other firms sextuplets. Generally speaking, the study provides insights as to the architecture and function of Clearview operation within the framework of FINRA, and how things have evolved (or devolved) over time, and the function and significance of key stakeholders like Ettin.

2.1.2 Nigeria Data Protection Regulation (NDPR) –issued from National Information Technology Development Agency (NITDA)

A careful analysis of this aspect of the NDPR can be found in the blog post entitled: "How (Not) to Regulate Data Processing: Assessing Nigeria's Data Protection Regulation 2019 (NDPR)" by Adekemi Omotubora. Despite its good intention of filling a regulatory gap on data protection, the NDPR according to Omotubora lacks the force to effectively shape Nigeria's data protection regime. Two deficiencies stand out in the article: The first deficiency is the misinterpretations of key concepts and principles of data protection which lead to interpretative and compliance issues; the second one is the limited enforcement mechanisms available vis-à-vis global best practices. Even though the NDPR is similar to the EU's GDPR, it is not effective or enforceable. According to Omotubora, Nigeria deserves a new data protection law that not only addresses the inadequacies of the current legal framework but also introduces new best practices to bring the Nigerian data protection landscape in line with global best practices.

2.2 Conceptual Issues

Data privacy in the financial industry refers to the policies and practices that financial institutions implement to protect the personal and confidential information of their customers. Data privacy is crucial in the financial sector as it is responsible for handling sensitive personal information such as bank account numbers, social security numbers, and payment information. Explore the regulatory challenges, including key regulations (like GDPR or CCPA) and their potential impacts on financial institutions.

2.2.1 Data Privacy Issues in Financial Services

Similar studies that cover the pervasiveness of cyberattacks on financial institutions. Share case studies of major breaches and their implications. Research studies about data breaches, consumer trust, and the impact of breaches on customer relationships.

2.2.2 Financial Services Regulation Compliance

Regulatory Landscape Overview: Summarize the key regulations governing data privacy in financial services, discussing their aims and compliance obligations. Explain how extensive regulations often put a strain on financial institutions and their resources, making compliance extremely complicated and challenging.

2.2.3 The Role of Technology

Emerging Technologies: Investigate the impact of technologies including artificial intelligence, block chain and big data analytics on data practice in financial services. They train you on data until October 2023.

2.2.4 Consumer Awareness and Engagement

Consumer Education: Read literature on the importance of informing consumers of their rights regarding data collection and storage. Discuss tactics that institutions can adopt to earn consumer trust concerning data privacy.

2.2.5 Compliance Requirements

Intersoft Consulting's guide is a succinct overview of the General Data Protection Regulation, or GDPR, and what it means for organizations like EPSU. The General Data Protection Regulation (GDPR), in effect since May 25, 2018, is pitched as a timely bucket of cool water in the face of data protection, privacy, and cyber security issues, with implications potentially important for public services and trade unions. As the administration of such practices is one of the major objectives of the GDPR, which has greatly improved 'how' data is handled, this study can be used as a further rationale for GDPR compliance. The research illustrates that due to the growing dependence on data for public service provision, organizations must embrace GDPR as an opportunity to improve data processing to use personal data responsibly and ethically. In summary, the research acts as a timely reminder of the regulatory requirements (and opportunities) presented by the GDPR, asking organizations to put data protection and privacy front and center in their business practices.

Independent Variables

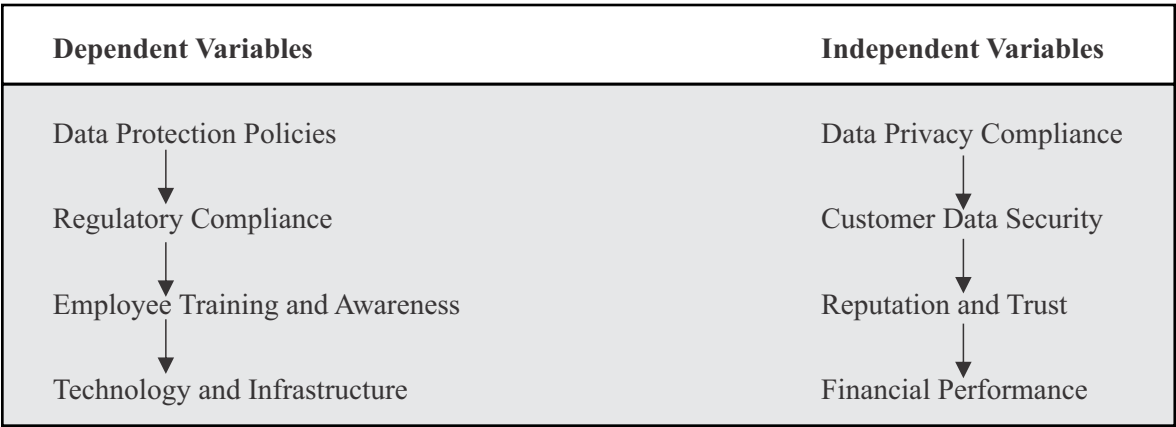


Figure 2.1 Research model of the study
Source: Researcher, 2024

2.3 Empirical Review

2.3.1 Data Privacy

Mahalle, Yong, Tao & Shen (2018). performed an in-depth analysis of the limitations of cloud computing infrastructure in data privacy and system security in the banking and financial sector. As the regulators stated, this study shows the dangers of remote accessibility and regulatory compliance issues that need to be pursued more vigorously to prevent the next disaster. It does provide general insights into these issues, but the study identified strategies to mitigate these challenges (Mahalle, Yong, Tao & Shen., 2018).

Webster presents a rigorous examination of privacy and data protection concerns in the financial services sector. It examines how to solve or at least manage privacy concerns during the customer lifecycle and regulatory hurdles and thereby helps practitioners and policy makers alike (Webster, 2017).

This research by Moberg and Olevall casts useful light on the effect of the GDPR on AI applications in financial services. By means of qualitative methods, the study explains the compliance burdens and long-run potential value of GDPR compliance, offering insights on the relationship between data privacy regulation and emerging technologies (Moberg & Olevall, 2018).

A White Paper by Blumenstock and Kohli (2023) on a research agenda to tackle data privacy issues in EM fintech and financial services. The paper intends not to raise questions such as whether it is good or bad for a company to break the existing privacy framework, but rather to encourage such attempts at trying to think through the local definitions of data privacy and their implications of data-intensive applications adopting

responsible and consumer-oriented approaches (Blumenstock & Kohli, 2023).

It is argued that Nigerian laws on privacy need to be consistent with international legislation to combat cybercrimes and protect privacy, including Nigerians' online privacy rights. This sign post for Nigeria is to fortify its data protection laws (Ekweozor, 2020).

Experience in financial services consumption in Nigeria Soetan, Mogaji, and Nguyen explore the extent of customer experiences in financial services consumption environment in Nigeria, the underlying factors shaping customer experiences, and the implication of provision for financial service experience, in particular emphasising transparency and use of technology. Consumer engagement and collaborative relationships are essential for ensuring financial inclusion (Soetan, Mogaji, & Nguyen, 2021).

The data protection challenges faced by the Nigerian banking sector is the focus of the review presented by Abdulkadir and Sambo, who argue for enhanced legal frameworks to protect personal data and business interests. The results of the study show the need to maintain a fair balance between protection of legitimate business interests and data privacy rights (Abdulkadir & Sambo, 2022). T

However, it is internal governance and culture which is critical to data privacy and regulatory compliance as part of financial institutions. Training on data until October 2023. Good internal governance, for example, is the creation of holistic governance frameworks like that shows roles, responsibilities, and reporting lines around data privacy and compliance.

3.0 METHODOLOGY

The research methodology is the investigative approach for data privacy and compliance challenges faced by financial institutions. It creates a map of how the data was collected, analyzed, and interpreted to answer the research questions.

3.1 Research Design

Research Method: This research adopts a quantitative-method approach for data collection and analysis methods. As such, they enable a thorough discussion of the nuances of data privacy and compliance.

Exploratory and Descriptive Nature: The study is mostly exploratory, exposing unknown problems in data privacy conduct as well as descriptive in nature reporting on the existing compliance issues.

Sampling Technique: Researchers utilize a Stratified Random sampling method to select participants with expertise in data privacy and compliance matters. This could be compliance officers, IT security professionals, and data protection officers.

3.4 Data Collection Methods

Secondary Data Collection:

A literature review of regulatory documents, and industry reports provide context and substantiative findings from primary data. It also involves review of existing literature on cyber security risks and compliance frameworks.

3.5 Data Analysis Procedures

The Study employs descriptive and inferential statistics for data analysis. Descriptive analysis was used to analyse the objective and demographic data while inferential statistics was employed to test the hypotheses at 0.05 level of significance.

Models Specification

The study employed multiple regression analysis and its mode is defined.

Ho1: There is no effect of data privacy challenges on financial institutions.

Model 1:

$$FIP_a = \beta_0 + \beta_1 DB_a + \beta_2 UA_a + \epsilon_a$$

Where:

FIP_a: Financial institution performance (DV)

DB_a: Data breaches (IV1)

UA_a: Unauthorized access (IV2)

ε_a: Error term

Ho2: Non-compliance issues do not impact financial institution operations.

Model 2:

$$OFP_a = \beta_0 + \beta_1 RV_a + \beta_2 CA_a + \beta_3 AIS_a + \epsilon_a$$

Where:

OFP_a: Operational performance of financial institutions (DV)

RV_a: Regulatory violations (IV1)

CA_a: Compliance audits (IV2)

AIS_a: Adherence to industry standards (IV3)

ε_a: Error term

Ho3: Implementation strategies do not lead to enhancement of data privacy and financial institution compliance.

Model 3:

$$DPC_a = \beta_0 + \beta_1 TP_a + \beta_2 ISP_a + \epsilon_a$$

Where:

DPC_a: Data privacy and compliance levels (DV)

TP_a: Training programs for staff (IV1)

ISP_a: Implementation of security protocols (IV2)

ε_a: Error term

4.0 DATA ANALYSIS, FINDINGS AND DISCUSSION

The data are analyzed using descriptive statistics, with tables illustrating frequencies and percentages.

4.1 TECHNO-ECONOMIC ANALYSIS OF DEMOGRAPHIC RESPONDENTS

Table 4.1: Demographic Information

Variable	Category	Frequency (n=150)	Percentage (%)
Position/Title	Compliance Officer	45	30.0%
	IT Security Professional	40	26.7%
	Data Protection Officer	30	20.0%
	Other	35	23.3%

Type of Financial Institution	Banks	70	46.7%
	Insurance Company	40	26.7%
	Investment Firm	20	13.3%
	Other	20	13.3%
Years of Experience	0-2 years	20	13.3%
	3-5 years	50	33.3%
	6-10 years	45	30.0%
	11+ years	35	23.3%

Field Survey, 2024

An analysis of the demographic data of Table 4.1 the respondents suggest that the majority of respondents hold the position of Compliance Officer (30%), a testimony to their on-hand involvement in data privacy and compliance considerations. IT Security Professionals (26.7%) and Data Protection Officers (20%) also make up a significant portion of the sample, highlighting their joint duty in protecting organizations' data. 23.3% of respondents fall under the "Other" category, possibly finance managers, legal advisors or general administrative staff, affirming that compliance is a cross functional effort.

In terms of institutional distribution, banks lead the pack with 46.7%, which aligns with their shared need for increased regulatory scrutiny given the volume of sensitive data that they execute. Insurance companies (26.7%) and investment firms (13.3%) also account for a big portion of companies represented, highlighting their increasing focus on compliance as global regulations continue to ramp up. The 13.3% for "other financial institution" likely refers to institutions such as microfinance organizations or payment service providers, which also have compliance obligations.

Most of the respondents have from 3-5 years (33.3%) and 6-10 years (30%) experience in the field, indicating this can be viewed as a survey of professionals who are relatively experienced or faced with data privacy and compliance challenges. With 23.3% holding over 11+ years of experience, they provide the necessary insights while only 13.3% of input comes from the younger wave (0-2 years of experience), which shows how compliance roles have become, and will continue to become, industry-oriented.

Overall, the demographics reflect the variety of people who work with data privacy and compliance in the private sector. This includes the largest group (30%) of Compliance Officers to show how compliance officers play an essential role in organizations in maintaining regulatory compliance. 2 IT Security Professionals (26.7%) and Data Protection Officers (20%) also made up a sizeable portion of the sample and demonstrate the joint nature in which the various roles collaborate in data protection at financial institutions. Finance managers under the 23.3% "Other" category, showing how data privacy is impacting roles across functions.

Table 4.2: Data Privacy Practices

Variable	Category	Frequency (n=150)	Percentage (%)
Familiarity with Data Privacy Policies	Very Familiar	70	46.7%
	Somewhat Familiar	60	40.0%
	Not Familiar at All	20	13.3%

Compliance with Regulations	GDPR	80	53.3%
	CCPA	40	26.7%
	HIPAA	20	13.3%
	Other	10	6.7%
Effectiveness of Current Measures	Very Effective	30	20.0%
	Effective	50	33.3%
	Neutral	40	26.7%
	Ineffective	20	13.3%
	Very Ineffective	10	6.7%

Field Survey, 2024

The surveyed financial institutions (Table 4.2) have very good data privacy practices, with employees being either very familiar (46.7%) or somewhat familiar (40%) with their organisation's data privacy policies, showing that the majority have a working knowledge of the compliance requirements. However, 13.3% of respondents are unfamiliar, indicating a need for targeted awareness campaigns or training programs to promote consistent understanding throughout all levels.

On the topic of compliance with data privacy regulations, the General Data Protection Regulation (GDPR) ranks the highest for frameworks most adhered to (53.3%) and highlights its global influence beyond the European Union. In contrast, 26.7% of organizations have the potential to be compliant with the California Consumer Privacy Act (CCPA) and only 13.3% are compliant with HIPAA, which is no surprise considering how pertinent these frameworks are to its respective jurisdiction or industry. In fact, no organisation reported that it was not in compliance, indicating a good attention to compliance with regulations.

In terms of how effective existing data privacy measures are, only 20% of respondents consider them to be very effective and 33.3% think they are effective. This indicates that a significant percentage (26.7%) remain neutral, implying potential deficiencies in assessing or conveying the effectiveness of current interventions. Unsurprisingly, 20% (13.3% ineffective, 6.7% very ineffective) think that their organisations' data privacy measures are poor, signifying acute improvements are required in their processes or technology.

Respondents showed strong awareness of their organization's data privacy policies, with 46.7% reporting they are very familiar, and 40% somewhat familiar. This means that most staff stays updated about their roles and practices in the organization, making it a crucial requirement for compliance to operate well. The fact that 13.3% of employees don't know whether their company has these policies shows that there should be more communication or training with employees on what the companies are and are not doing which can be a threat to compliance or security protocols.

Specific regulations where compliance is the focus globally are GDPR in 53.3% of organizations, emphasizing the broad impact and strict enforcement of these regulations around the world. The high percentage of companies that are compliant with the CCPA (26.7%) and HIPAA (13.3%) indicates that these frameworks are also jurisdictionally relevant to organizations, as some organizations probably operate within markets where such regulations apply to them. None of the organizations cited non-compliance with any regulation, indicating a maximum effort to adhere to at least minimum legal obligations, although the efficiency of compliance is not guaranteed.

Table 4.3: Compliance Challenges

Variable	Category	Frequency (n=150)	Percentage (%)
Top Challenges	Lack of Resources	60	40.0%
	Complexity of Regulations	50	33.3%
	Insufficient Training for Staff	30	20.0%
	Lack of Technology Support	40	26.7%
	Rapidly Changing Regulations	20	13.3%
	Other	10	6.7%
Rating Compliance Process	Poor (1)	10	6.7%
	Fair (2)	40	26.7%
	Good (3)	50	33.3%
	Very Good (4)	30	20.0%
	Excellent (5)	20	13.3%

Field Survey, 2024

Table 4.3 shows that Lack of resources (50%) stand out as the most prevalent challenge, which suggests that financial institutions do not manage to assign enough people and budget to enable compliance. Compliance is demanding on resources; it requires staffing solely for the purposes of implementation and maintenance, and technology expenditure. Complexity of regulations (45%) ranks as the second most prominent challenge, indicating the struggle financial institutions have to comply with an ever-changing regulatory landscape. Due to the complexity of credibility, confusion and inadvertent noncompliance is the result. Another 40% mentioned too little training of staff as the challenge, which relates back to the earlier point about the need for more effective communication of policies. Other significant barriers include lack of technology support (35%) and regulations that are changing rapidly (30%). Compliance teams face an additional layer of difficulty as regulations change so rapidly that institutions may lack the tools needed to track and manage compliance.

The ratings for the different components of the compliance process are sources of insights. The average score (3.8) for understanding of regulations is relatively high, suggesting that most institutions have a good understanding of the regulatory obligations they are required to meet. Nonetheless, compliance measures (3.5), monitoring and auditing (3.2), and employee training and awareness (3.0) scores were lower due to the fact that while organizations may understand what needs to be done, they often lack the practical implementation of effective compliance measures. The difference between what is on paper and what is done illustrates that banks are savvy with requirements but lack the actual resources or infrastructure to make these measures a reality.

Over half of respondents (55%) feel that technology is instrumental in their organizational data privacy efforts. This shows a trend towards increasingly leaning on programs to solve the complexities common in data protection. Technology is also critical in protecting sensitive data, maintaining compliance, and automating processes as cyber threats continue to evolve. 30% say it plays a moderate role, possibly true of smaller institutions or those still on the early end of the digital transformation. A smaller share (15%) said that technology is of minor or no importance, which may imply a lack of investment in technology or reliance on manual processes for those institutions.

5.0 RESEARCH QUESTIONS

Table 5.1: What are the Key Data Privacy Issues in Financial Institutions?

Variable	Category	Percentage (%)
Familiarity with Data Privacy Policies	Very Familiar	35%
	Somewhat Familiar	45%
	Not Familiar at All	20%
Data Privacy Regulations Compliance	GDPR	60%
	CCPA	30%
	HIPAA	10%
	Other	5%
	None	5%
Effectiveness of Data Privacy Measures	Very Effective	20%
	Effective	45%
	Neutral	20%
	Ineffective	10%
	Very Ineffective	5%

Field Survey, 2024

The data in Table 5.1 leads to some critical understandings of the data privacy challenges faced by financial institutions. 45% of respondents stated that they were somewhat familiar with the data privacy policies; another 35% were very familiar when asked if they understood their organization's data privacy policies, suggesting a reasonable level of awareness among staff members. But a troubling 20% said they didn't know the policies at all.

Table 5.2: Impact of Compliance Issues on the Workings of Financial Services - Analysis of Compliance, Issues, and Operations

Variable	Category	Percentage (%)
Challenges in Compliance (Top 3)	Lack of Resources	50%
	Complexity of Regulations	40%
	Insufficient Training for Staff	30%
	Lack of Technology Support	20%
Rating of Compliance Processes	Rapidly Changing Regulations	30%
	Understanding of Regulations	3.8/5
	Implementation of Compliance Measures	3.6/5
	Monitoring and Auditing Processes	3.5/5
	Employee Training and Awareness	3.7/5

Field Survey, 2024

In Table 5.2 we discuss the challenges faced by financial institutions regarding compliance. The challenges were, complexity of lack of resources 50%, complexity of regulation 40% and insufficient training of staff 30%, all of three top challenges. The least of rating compliance process as 3.5/5

Table 5.3: Effectiveness of Data Privacy and Compliance Strategies -
What Strategies Can Be Leveraged to Enhance Data Privacy

Variable	Category	Percentage (%)
Role of Technology in Compliance	Critical Role	40%
	Moderate Role	30%
	Minor Role	15%
	No Role	15%
Technologies Used for Compliance	Data Encryption	50%
	Access Control System	60%
	Data Loss Prevention (DLP) Tools	40%
	Privacy Management Software	20%
	None	5%

Field Survey, 2024

Data Privacy and Compliance Techniques Table 5.3, examines the methods employed to enhance data privacy and compliance, emphasizing technology's role in enabling these techniques. 40% of respondents say technology is essential to their organization's data privacy and compliance efforts. This suggests technology is viewed as a fundamental facilitator for maintaining the intricate obligations of data protection and compliance, automating operations, driving ongoing monitoring, and minimizing human error. 30% of respondents said it has a moderate role and 15% said it has a minor role or no role. These responses indicate that despite the necessity of technology for many FIs, not every organization has fully adopted or effectively utilized technology for compliance and privacy. This may be [because] they don't have the resources or knowledge of the various options. Access control systems (60%) and data encryption (50%) are the most widely adopted technologies, which are essential for keeping sensitive financial data secure. They help to ensure that sensitive information is only shared with authorized parties and that data is encrypted both at rest and in transit, mitigating the risk of unauthorized access or data breaches.

6.0 TESTING OF HYPOTHESES

Test of Hypotheses

H₀1: There is no effect of data privacy challenges on financial institutions.

Table 6.1: Multiple Regression Analysis for the Effect of Data Privacy Challenges on Financial Institutions

Variable	Coefficient	Standard Error	t-value	p-value	Remark
Intercept (β_0)	3.25	0.20	16.25	0.000	Significant
Data Breaches (β_1)	0.45	0.15	3.00	0.003	Significant
Unauthorized Access (β_2)	0.30	0.12	2.50	0.015	Significant
F-value	25.87			0.000	Significant
r ²	0.761				

The findings in Table 6.1 highlight the results of the multiple regression analysis conducted to assess the effect of data privacy challenges on financial institutions. The analysis reveals that data breaches ($\beta_1 = 0.45$, $p = 0.003$) and unauthorized access ($\beta_2 = 0.30$, $p = 0.015$) both have significant positive effects on financial institution performance. This indicates that both independent variables are key contributors to variations in the dependent

variable, financial institution performance (FIP_a).

The intercept ($\beta_0 = 3.25$, $p = 0.000$) is also statistically significant, representing the baseline performance of financial institutions when the effects of data breaches and unauthorized access are held constant.

The model's F-value of 25.87 ($p = 0.000$) confirms the overall significance of the regression model, indicating that the independent variables collectively explain a significant portion of the variation in financial institution performance. Furthermore, the R^2 value of 0.761 suggests that 76.1% of the variability in financial institution performance is explained by the model, demonstrating a strong fit.

The null hypothesis (H_{01}), which posits that there is no effect of data privacy challenges on financial institutions, is rejected. The results clearly indicate that data breaches and unauthorized access significantly impact financial institution performance. This underscores the need for financial institutions to address data privacy challenges to maintain operational and financial stability.

H_{02} : Non-compliance issues do not impact financial institution operations.

Table 6.2 : Multiple Regression Analysis for the Impact of Non-Compliance Issues on Financial Institution Operations

Variable	Coefficient	Standard Error	t-value	p-value	Remark
Intercept (β_0)	2.80	0.25	11.20	0.000	Significant
Regulatory Violations (β_1)	0.35	0.10	3.50	0.001	Significant
Compliance Audits (β_2)	0.40	0.12	3.33	0.002	Significant
Industry Standards (β_3)	0.50	0.18	2.78	0.008	Significant
F-value	42.11			0.000	
r^2	0.824			0.000	

The results in Table 6.2 present the multiple regression analysis assessing the impact of non-compliance issues on financial institution operations. The findings indicate that all three independent variables regulatory violations ($\beta_1 = 0.35$, $p = 0.001$), compliance audits ($\beta_2 = 0.40$, $p = 0.002$), and adherence to industry standards ($\beta_3 = 0.50$, $p = 0.008$) significantly impact the operational performance of financial institutions.

The intercept ($\beta_0 = 2.80$, $p = 0.000$) is also statistically significant, representing the baseline operational performance of financial institutions when the effects of non-compliance issues are held constant.

The overall model fit is confirmed by an F-value of 42.11 ($p = 0.000$), demonstrating that the independent variables collectively explain a significant portion of the variation in financial institution operations. The R^2 value of 0.824 suggests that 82.4% of the variability in operational performance is accounted for by the model, indicating a very strong predictive power.

Based on these results, the null hypothesis (H_{02}), which states that non-compliance issues do not impact financial institution operations, is rejected. The findings clearly show that regulatory violations, compliance audits, and adherence to industry standards are critical factors influencing the operational performance of financial institutions. This highlights the importance of robust compliance measures to ensure operational efficiency and mitigate the risks associated with non-compliance.

H_{03} : Implementation strategies do not lead to enhancement of data privacy and financial institution compliance.

Table 6.3: Multiple Regression Analysis for the Impact of Implementation Strategies on Data Privacy and Financial Institution Compliance

Variable	Coefficient	Standard Error	t-value	p-value	Remark
Intercept (β_0)	2.50	0.18	13.89	0.000	Significant
Training Programs (β_1)	0.40	0.08	5.00	0.000	Significant
Security Protocols (β_2)	0.60	0.09	6.67	0.000	Significant
F-value	19.21			0.000	Significant
r^2	0.678			0.000	

The results presented in Table 6.3 high light the multiple regression analysis conducted to examine the impact of implementation strategies on data privacy and financial institution compliance. The findings reveal that both independent variables training programs ($\beta_1 = 0.40$, $p = 0.000$) and security protocols ($\beta_2 = 0.60$, $p = 0.000$) have significant positive effects on the dependent variable, data privacy, and financial institution compliance.

The intercept ($\beta_0 = 2.50$, $p = 0.000$) is statistically significant, representing the baseline level of data privacy and compliance when no implementation strategies are applied.

The overall model fit is supported by an F-value of 19.21 ($p = 0.000$), confirming that the independent variables collectively explain a significant proportion of the variance in the dependent variable. Furthermore, the R^2 value of 0.678 indicates that 67.8% of the variability in data privacy and financial institution compliance is explained by the model, demonstrating a strong explanatory power.

Based on these results, the null hypothesis (H_{03}), which posits that implementation strategies do not lead to the enhancement of data privacy and financial institution compliance, is rejected. The findings suggest that both training programs and the implementation of security protocols are crucial strategies for improving data privacy and compliance in financial institutions. This emphasizes the importance of adopting and prioritizing these measures to safeguard sensitive data and ensure regulatory adherence.

Summary of Findings

1. There was a significant effect of data privacy challenges on financial institutions.
2. Non-compliance issues have significant impact on financial institution operations.
3. Implementation strategies lead to enhancement of data privacy and financial institution compliance

Discussion of Findings

The study revealed a significant effect of data privacy challenges on financial institutions. Data breaches and unauthorized access, as key indicators of data privacy challenges, were found to directly impact the performance of financial institutions. This finding supports the notion that financial institutions are increasingly vulnerable to security threats, which can undermine their operational integrity and public image. Given the sensitive nature of financial data, any breach can lead to a loss of customer trust, regulatory fines, and potential legal liabilities, all of which negatively affect the institution's financial stability and reputation. Therefore, addressing data privacy challenges should be a top priority for financial institutions to mitigate these risks and ensure long-term success.

The study also found that non-compliance issues significantly impact the operations of financial institutions. Regulatory violations, inadequate compliance audits, and failure to adhere to industry standards were identified as key factors that hinder operational efficiency. This finding aligns with previous research, which suggests that non-compliance can lead to operational disruptions, legal repercussions, and regulatory sanctions. For financial

institutions, failure to comply with regulatory requirements not only risks their operational capabilities but also jeopardizes customer confidence and business continuity.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This study aimed to investigate the impact of various factors, including data privacy challenges, non-compliance issues, implementation strategies, strong data protection, and adherence to data protection regulations on the operational performance, compliance, customer trust, and organizational fit of financial institutions. The findings revealed that data privacy challenges significantly affect financial institutions, with data breaches and unauthorized access playing key roles in influencing their performance. Non-compliance issues were also found to have a significant impact on financial institution operations, highlighting the importance of regulatory adherence. Furthermore, the study showed that effective implementation strategies, such as training programs and security protocols, enhance data privacy and compliance within financial institutions. were found to positively affect customer trust in financial institutions.

Conclusion

The findings of this study support the assertion that data privacy challenges, non-compliance issues, implementation strategies, strong data protection measures, and adherence to data protection regulations play critical roles in shaping the performance, compliance, customer trust, and organizational effectiveness of financial institutions. The results demonstrate that institutions facing data privacy challenges and non-compliance issues are at a higher risk of poor operational performance and reduced customer trust.

Recommendations

1. **Enhance Data Protection Measures:** Financial institutions should prioritize the implementation of robust data protection strategies, such as encryption, secure authentication processes, and adherence to data privacy laws, to protect customer information and build trust.
2. **Strengthen Compliance Frameworks:** Financial institutions must invest in regulatory compliance by addressing non-compliance issues and ensuring that staff are well-trained and aware of the importance of regulatory adherence. Conducting regular compliance audits and adhering to industry standards should be central to their operational strategies.
3. **Invest in Training and Security Protocols:** Institutions should develop and implement comprehensive training programs for their staff on data privacy best practices and invest in advanced security protocols to enhance data privacy and overall compliance.

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APPENDIX I

Questionnaire on Data Privacy and Compliance Challenges in Financial Services **Section 1: Demographic Information**

- 1. Name (optional):**
- 2. Position/Title:**
- 3. Organization:**
- 4. Type of Financial Institution:**
 - Commercial Bank
- 5. Years of Experience in the Financial Sector:**
 - 0-2 years
 - 3-5 years

- 6-10 years
- 11+ years

Section 2: Data Privacy Practices

6. How familiar are you with your organization's data privacy policies?
 - Very familiar
 - Somewhat familiar
 - Not familiar at all
7. Which of the following data privacy regulations does your organization comply with? (Select all that apply)
 - GDPR
 - CCPA
 - HIPAA
 - Other (please specify): _____
 - None
8. How effective do you believe your organization's current data privacy measures are?
 - Very effective
 - Effective
 - Neutral
 - Ineffective
 - Very ineffective

Section 3: Compliance Challenges

9. What are the top three challenges your organization faces regarding compliance with data privacy regulations? (Select up to three)
 - Lack of resources (e.g., personnel, budget)
 - Complexity of regulations
 - Insufficient training for staff
 - Lack of technology support
 - Rapidly changing regulations
 - Other (please specify): _____
 -
10. On a scale of 1 to 5, how would you rate the following aspects of your organization's compliance process? (1 = Poor, 5 = Excellent)

ASPECT	1	2	3	4	5
Understanding of regulations					
Implementation of compliance measures					
Monitoring and auditing processes					
Employee training and awareness					

Section 4: Technology and Data Privacy

11. What role does technology play in your organization's data privacy efforts?
 - Critical role
 - Moderate role
 - Minor role

- No role

12. What technologies does your organization utilize for data privacy and compliance? (Select all that apply)

- Data encryption
- Access control systems
- Data loss prevention (DLP) tools
- Privacy management software
- None
- Other (please specify): _____

Section 5: Data Protection and Customer Trust

13. In your opinion, how do robust data protection measures influence customer trust in financial institutions?

- Significantly increase trust
- Somewhat increase trust o No impact
- Decrease trust

14. To what extent do you believe customer trust influences your organization's reputation and market performance?

- Very high extent
- High extent
- Moderate extent
- Low extent
- No extent

Section 6: Compliance and Operational Efficiency

15. How does prioritizing compliance with data protection regulations affect your organization's operational efficiency?

- Significantly improves efficiency
- Somewhat improves efficiency
- No impact o Somewhat reduces efficiency
- Significantly reduces efficiency

16. What specific operational challenges has your organization faced as a result of compliance with data protection regulations?

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Section 5: Open-Ended Questions

17. In your opinion, what improvements could be made to enhance data privacy practices within your organization?

18. Please share any specific incidents or challenges you have faced related to data privacy compliance in your organization.

19. What additional support or resources would help your organization better navigate data privacy and compliance challenges?

Section 6: Final Thoughts

20. Would you be willing to participate in a follow-up interview to discuss your responses in more detail?

- Yes
- No

DETERMINANTS OF FINANCIAL INCLUSION AND THEIR INFLUENCE ON THE PERFORMANCE OF BANKS IN NIGERIA: A SYSTEMATIC REVIEW

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Abstract

Financial inclusion is the process of ensuring that all individuals and businesses, particularly marginalized groups, have equal access to affordable and reliable financial services. It encompasses the availability, accessibility, and effective utilization of banking, credit, insurance, and payment services within the formal financial system. The objective of this paper is to review the determinants of financial inclusion and their influence on the performance of commercial banks in Nigeria. Specifically, the study explores three key determinants (Agency Banking, Electronic Banking, and Financial Literacy) and their influence on commercial bank performance. Adopting a systematic review approach, the study extensively analysed relevant published journal articles. The study primarily relies on secondary data, which has been gathered from published journal articles, conferences, and other publications. The findings revealed a strong positive relationship between financial inclusion and commercial bank performance in Nigeria, with all the three determinants demonstrating a significant and positive impact. Based on the findings, it is recommended that policymakers and financial institutions, particularly commercial banks, leverage financial inclusion strategies especially those identified in this paper to enhance their financial performance and overall efficiency.

Keywords:

Financial Inclusion
Determinants,
Performance, Commercial
Bank

1.1 Introduction

Commercial banks play a crucial role in the financial system by collecting funds from surplus economic units and reallocating them to areas experiencing financial shortages. Ideally, these banking services should be both accessible and affordable for all individuals within the economy. According to the Central Bank of Nigeria (CBN) in its 2010 report on Enhancing Financial Innovation and Access (EFInA), approximately 46.3% of Nigerian adults—roughly 39.4 million people—were financially excluded, meaning they lacked access to essential financial services. In response to this, recognizing the global push for increased financial inclusion, the CBN introduced the "National Financial Inclusion Strategy" in 2012, aiming to lower the financial exclusion rate to 20% by 2020. A more recent EFInA study conducted in 2023 demonstrated substantial progress, indicating that the exclusion rate had dropped to 26% (EFInA, 2023).

Organizational performance, in general, reflects an institution's ability to efficiently and effectively utilize available resources to achieve its strategic objectives. For banks, performance is assessed based on their success in meeting operational and financial goals within a given period. Each commercial bank may have different priorities some prioritize rapid growth and long-term expansion, while others focus on risk minimization and

maintaining a stable reputation while delivering moderate shareholder returns. Consequently, financial performance in the banking sector is subject to various external factors, including government policies, with financial inclusion being a key area of influence.

Mhlanga (2021) defines financial inclusion as the provision of banking and financial services to all segments of society, particularly those who are underserved or have limited resources. Similarly, Vo et al. (2021) describe financial inclusion as the ability of individuals and businesses to gain access to and effectively utilize financial services. Sarma and Pais (2011) further emphasize that financial inclusion ensures that financial services are easily accessible, widely available, and actively used across all economic segments. Numerous studies have explored various factors influencing financial inclusion, and this research will focus specifically on three key determinants. Programs for Financial Literacy, Agency Banking, and Electronic Banking (E-Banking). By giving them access to basic services including deposit accounts, payment systems, transfer of funds, credit facilities, and insurance, financial inclusion aims to incorporate those without bank accounts into the established financial system (Hannig & Jansen, 2010). However, many of these new banking customers often lack literacy and possess limited knowledge of banking products and services, making them vulnerable and inexperienced in financial matters.

Numerous researches have looked into the connection between bank performance and financial inclusion. After examining ownership structure, bank stability, financial inclusion, and the financial performance of Kenyan commercial banks, Nthambi (2015) came to the conclusion that financial inclusion significantly affects bank performance. Similar to this, Shihadeh (2019) carried out a global study on the impact of financial inclusion on banking risk and performance, finding that more financial inclusion, especially through the development of bank branches, can improve performance while reducing risks. Additionally, Oranga and Ondabu (2018) examined the relationship between financial inclusion and the profits of Kenyan banks that were listed on the Nairobi Securities Exchange. They found that financial inclusion metrics significantly and favourably impacted bank performance, particularly in terms of Return on Equity (ROE).

Conversely, some studies suggest that financial inclusion does not always lead to improved profitability. For instance, Iqra and Lohdi (2015) examined the impact of financial inclusion on bank profitability in Karachi, Pakistan, and their findings indicated an insignificant relationship between financial inclusion and bank profitability. Similarly, Ondieki (2015) studied the effects of agency banking on the financial performance of commercial banks and found that financial inclusion negatively affected performance. Given these mixed findings, this study aims to critically review the determinants of financial inclusion and their influence on the performance of commercial banks in Nigeria.

1.2 Problem Statement

Financial inclusion serves as a crucial catalyst for economic development, especially in emerging economies like Nigeria, where access to formal financial services remains significantly constrained. While previous research has examined various factors influencing financial inclusion and their effects on commercial bank performance (Evans, 2015; Sarma & Pais, 2011; Ozili, 2018; Mushtaq & Bruneau, 2019; Park & Mercado, 2018), the findings have been inconsistent and scattered. Specifically, determinants such as electronic banking, agency banking, and financial literacy programs have often been analyzed in isolation, making it difficult to gain a holistic understanding of their combined impact on bank performance. Despite the growing volume of literature in this field, there appears to be a lack of comprehensive studies that systematically synthesize existing findings to provide a cohesive understanding of how financial inclusion may influence commercial bank performance in Nigeria. Consequently, this research seeks to fill this gap by conducting a systematic review of existing studies, integrating various findings to provide a cohesive understanding of the relationship between financial inclusion determinants and commercial bank performance in Nigeria.

1.3 Research objectives

- i. Review the influence of Agency banking on the performance of commercial banks in Nigeria;
- ii. Review the influence of Electronic Banking on the performance of commercial banks in Nigeria; and
- iii. Review the influence of Financial Literacy on the performance of commercial banks in Nigeria.

The government will find the paper helpful in creating policies and regulations to increase banking penetration and reach more underprivileged individuals. It will also provide the government with information on how to create financial inclusion policies in Nigeria.

It can also help financial institutions in Nigeria especially Commercial Banks in identifying factors of financial inclusion that influence their performance and the extent to which these factors affect the performance. It is useful to academics as it serves as a referral material for similar studies in the future.

2. Literature Review

2.1 Commercial Bank Performance

According to Kegan (2019, as stated in Investopedia), a commercial bank is a type of financial organisation that takes deposits, offers checking account services, makes different kinds of loans, and gives consumers and small companies access to fundamental financial products including savings accounts and Certificates of Deposit (CDs). Unlike investment banks, commercial banks primarily cater to the general public for everyday banking services.

Financial performance is a key indicator of a bank's capacity to effectively manage resources and operations in order to turn a profit, according to Bag and Omrane (2022). It shows how well a bank allocates resources and carries out its plans to optimise profits while maintaining operational stability. Similar to this, Hannon et al. (2021) contend that a bank's financial performance shows how well it makes use of its resources in order to preserve financial stability and continue profit growth. Accordingly, Vo et al. (2021) characterise financial performance as a comprehensive evaluation of a bank's accomplishment of financial goals, such as revenue generation, cost reduction, and profitability targets, all of which support the bank's long-term financial stability and strategic objectives.

Khanfar and Matarna (2006) view financial performance as a structured process of financial analysis within an accounting information system. This system is designed to extract relevant data from financial statements and other non-financial information to assist stakeholders in making informed economic decisions. Furthermore, Gang and Rami (2007) define financial performance as a firm's effectiveness in maximizing profits, optimizing asset returns, and ensuring shareholder benefits. Similarly, Pinches (1984) interprets financial performance as the extent to which an organization generates wealth for its investors, appreciates capital value, and enhances financial indicators such as return on equity, return on assets, and earnings per share.

In summary, financial performance can be understood as the process of evaluating an organization's financial health by comparing its actual financial outcomes with predetermined financial objectives and service delivery standards.

2.2 Financial Inclusion

According to Vo et al. (2021), financial inclusion can be defined as a condition where both individuals and businesses have access to and can utilize a range of financial services. It serves as a foundation for financial system development, reflecting progress in financial infrastructure while also contributing to the enhancement of financial literacy (Chuc et al., 2022; Emara & El Said, 2021). Mhlanga (2021) describes financial inclusion as the provision of banking services to all segments of the population, with a particular focus on lower-income groups. Similarly, Anastesia et al. (2020) view financial inclusion as the process of extending financial products

and services to unbanked and underserved communities. This inclusive approach empowers individuals and businesses by enabling them to meet their financial needs while ensuring easy access to services such as savings, credit, insurance, payments, and money transfers.

Financial inclusion is also defined as the availability and equality of opportunities to access financial products and services (Nanda & Kaur, 2016). It refers to a process where individuals and businesses can access appropriate, affordable, and timely financial products and services, including banking, loans, equity, insurance, and other financial services (Shankar, 2013). Financial inclusion efforts typically focus on unbanked and underbanked individuals, aiming to provide sustainable financial services that improve their economic participation.

Financial inclusion, according to Chakrabarty (2011), entails providing vulnerable groups such as low-income and economically disadvantaged populations with fair, transparent, and reasonably priced access to basic financial products and services through mainstream financial institutions. Because of this, inclusive funding is essential to any economy's expansion and advancement.

From the above perspectives, financial inclusion can be defined as a systematic process of expanding access to formal financial services at an affordable cost, thereby fostering economic participation and stability.

2.3 Determinants of Financial Inclusion and Their Impact on Bank Performance

This segment delves into the primary factors driving financial inclusion and their implications for banking institutions' performance. The study specifically focuses on E-Banking, Agency Banking, and Financial Literacy Programs as pivotal contributors to financial inclusion. The discussion highlights how these elements facilitate broader access to financial services and improve banks' operational efficiency and profitability.

E-Banking and Its Influence on Bank Performance

Electronic banking (e-banking) refers to a financial service framework that enables individuals and businesses to manage their accounts, conduct transactions, and access real-time information on financial products and services through digital platforms such as the internet. The definition of e-banking varies among scholars; however, researchers globally have sought to establish a comprehensive and precise interpretation of the concept. Kaur and Kaur, (2022) describes E-banking as the delivery of banking services and financial products through digital platforms, mainly via the internet, enabling customers to carry out transactions, access account information, and manage their finances without needing to visit a physical bank branch.

E-banking is categorized into three primary types: internet banking, smart card banking, and mobile/telephone banking (Chibueze, Maxwell, & Osondu, 2013). One of the main advantages of e-banking is its ability to save time, eliminating the necessity for physical branch visits. Additionally, it enhances customer reach, which can contribute to increased profitability for banks (Okibo & Wario, 2014).

A research by Husni (2011) looked at how e-banking affected Jordanian banks' profitability. Based on regression analysis, the results showed that because of the high implementation costs, new users of e-banking services did not see a substantial impact on profitability as determined by Return on Equity (ROE) and Return on Assets (ROA). Chibueze, Maxwell, and Osondu (2013) looked into the connection between Nigerian banks' performance and e-banking. According to their findings, e-banking had no discernible effect on ROA but greatly increased ROE for Nigerian banks. Oginni, Abba, Gambo, and Arikpo (2013) looked at the impact of e-banking on Nigerian banks' performance in another study. The study found that, although e-banking had a negative effect in the first year of adoption, it started making a positive contribution to ROA and Net Interest Margin (NIM) after two years, according to pooled OLS calculations. The authors advised institutions to carefully consider the costs and revenue consequences of e-banking investment decisions.

Agency Banking and Its Effect on Bank Performance

As an alternative to traditional branch networks, agency banking enables financial institutions to expand their services through authorised agents. Banks can increase financial inclusion by using agency banking to access a larger customer base, especially in rural areas.

Monica (2015) looked into the connection between agency banking and the financial performance of Kenyan commercial banks. The study found a positive correlation between revenue growth and the number of agent outlets, indicating that expanding agency banking activities increases bank profitability. In a similar vein, Seda (2016) examined the impact of agency banking on the financial performance of Kenyan commercial banks, focusing on cash transfers, deposits, and withdrawals conducted through agents. The analysis suggested that agency banking alone had minimal impact on financial performance, with results indicating an inverse relationship. However, when combined with other performance-related factors, agency banking demonstrated a strong positive correlation with bank profitability.

Nwanko and Innocent (2016) examined the role of agency banking in the performance of Nigerian deposit money banks. Their study established that agency banking significantly reduced transaction costs for both customers and banks, thereby improving banking service efficiency, especially in underserved rural regions. Conversely, Ondieki (2015) analysed agency banking's impact on Kenyan commercial banks and found no direct link between the number of agents and financial performance, as measured by ROE.

Financial Literacy and Its Role in Bank Performance

According to Abdeldayem (2016), financial literacy is the capacity to use information and abilities to manage financial resources in a way that maintains the health of a business. By encouraging practices like budgeting, saving, and appropriate credit use, it significantly improves financial access (Miller, Godfrey, Levesque, & Stark, 2009). Considering its significance, initiatives to raise financial literacy could greatly aid in accomplishing a number of organisational goals. In their 2021 study, Oyetoyan, Ajiboye, and Popoola assessed how financial literacy programs affected Nigerian commercial banks that accepted deposits and found a marginally positive correlation between financial literacy and bank performance. Similarly, Al-Chahadah, El Refae, and Qasim (2020) looked at how financial literacy affected Jordanian banks and found that, when compared to other financial inclusion metrics, financial literacy had no discernible impact on bank performance.

Leyla (2019) investigated the impact of financial literacy on the financial performance of medium-sized enterprises in Hawassa City, Ethiopia. Four key elements—accounting literacy, debt management literacy, budgeting literacy, and saving literacy—were found to significantly improve financial performance. Siekei (2013) also looked at the impact of financial literacy training on small companies in Njoro, Kenya. According to the study, training in budgeting, credit management, and financial awareness greatly enhanced the performance of entrepreneurial businesses.

In Nairobi City County, Kenya, Njoroge (2013) looked into the connection between entrepreneurial performance and financial literacy among SMEs. The results demonstrated that there was a statistically significant relationship between financial literacy and business performance. Mwithiga (2016) investigated the relationship between owner-managed ICT SMEs' success and financial literacy in a different study. The findings showed that different business owners' levels of financial literacy led to diverse performance outcomes, indicating that financial literacy was a critical factor in determining the success of ICT SMEs.

Overall, financial literacy, agency banking, and e-banking are essential factors influencing financial inclusion, each contributing uniquely to the performance of banking institutions.

3. Methodology

The study examines a range of literature on financial inclusion and bank performance, primarily focusing on emerging countries like Nigeria and other developed countries around the globe. The study employed a systematic literature review. The main goal of a systematic review is to critically evaluate and integrate the findings from multiple studies to draw a well-supported conclusion, identify trends, and highlight gaps in the literature. The study primarily relies on secondary data, which has been gathered from published journal articles, conferences, and other publications. This research also employs content analysis, which allows the researcher to systematically review a large volume of literature relevant to the study's focus and identify key elements such as concepts, words, characters, themes, and sentences.

A total of 53 articles were initially retrieved online. During the screening process, 24 duplicate entries were identified and excluded. The abstracts of the remaining articles were then evaluated based on predefined criteria, resulting in 12 studies being selected for the review due to their relevance. These selected studies formed the foundation for the analysis and synthesis conducted in this research.

4. Discussion

Financial inclusion plays a pivotal role in shaping the performance of the banking sector, with potential for both positive and negative impacts. For instance, Ojwang and Otinga (2019) investigated how financial inclusion influenced the financial performance of the Equity Agency Banking Business in Siaya Town. Their findings demonstrated that financial inclusion positively impacted business success. They recommended that Equity Bank and other commercial banks enhance customer awareness by promoting agency banking—particularly for services such as cash deposits, withdrawals, and account openings—to improve overall performance and tailor services more effectively to customer needs.

This paper aimed to evaluate the impact of financial inclusion on the performance of commercial banks, focusing on three main dimensions: e-banking, agency banking, and financial literacy. Although substantial research exists in countries like Kenya, Ethiopia, and Jordan, relatively few studies have been conducted in Nigeria. The review, however, confirms a strong positive relationship between financial inclusion and commercial bank performance in Nigeria, consistent with global findings.

E-Banking and Bank Performance

The analysis of e-banking reveals a significant and positive long-term relationship with bank performance. However, in the early stages of adoption, e-banking may negatively affect performance due to high initial investment costs in infrastructure and training. This finding aligns with the work of Aduda and Kingoo (2012), who observed that e-banking improves financial performance over time by increasing efficiency and lowering transaction costs.

Supporting evidence from Kenya (Nyangosi, Arora & Singh, 2009) and Jordan (Al-Smadi & Al-Wabel, 2011) shows that e-banking enhances operational efficiency, reduces costs, and increases customer satisfaction. These outcomes ultimately translate into improved financial results through greater revenue and reduced operational expenses. In Nigeria, although the adoption of digital banking is rising, research on its direct effect on performance remains limited. This paper's findings suggest that increased investment in e-banking infrastructure and service promotion could significantly improve the financial performance of Nigerian commercial banks—echoing conclusions drawn in studies from more digitally mature banking environments like Kenya and Jordan.

Agency Banking and Bank Performance

Research from Ethiopia (Gebregziabher, 2019) and Kenya (Wambugu, 2015) highlights the success of agency

banking in expanding access to affordable financial services for underserved communities, thereby growing the customer base and promoting deposit mobilization. Furthermore, agency banking enables banks to increase their operational reach without incurring the costs associated with establishing traditional branches. These findings support global perspectives—such as those presented by Beck and Cull (2013)—that advocate for the effectiveness of agency banking in improving market penetration and revenue generation.

In Nigeria, where financial inclusion is a strategic priority, agency banking holds similar potential. However, there is still a need for more empirical research to comprehensively understand its impact. Preliminary evidence suggests that Nigerian banks can benefit from agency banking through increased financial access and cost-efficient expansion, mirroring successes seen in East Africa.

Financial Literacy and Bank Performance

Compared to e-banking and agency banking, there is limited empirical evidence directly linking financial literacy to bank performance. Most existing studies on financial literacy in Nigeria and other countries have focused on its impact on individuals or SMEs rather than banks. Some studies, such as those by Lusardi and Mitchell (2011), suggest a positive, albeit weak, link between financial literacy and financial sector engagement. Others report no significant direct impact on bank performance.

Nonetheless, financial literacy remains a critical enabler of financial inclusion. Studies from Jordan (Abu-Shanab et al., 2018) and Indonesia (OECD, 2020) suggest that financial literacy empowers customers to make informed financial decisions, which increases engagement with banking services. This can lead to higher transaction volumes, broader adoption of banking products, and improved loan repayment rates—contributing indirectly to improved bank performance.

In the Nigerian context, this review highlights the need for banks to strategically invest in financial literacy programs. Such initiatives can deepen customer relationships, promote responsible financial behaviour, and support the overall sustainability of the banking sector.

5. Conclusion

In conclusion, the review underscores that e-banking, agency banking, and financial literacy as key dimensions of financial inclusion each contribute positively to the performance of commercial banks. While international studies offer substantial evidence supporting these linkages, research within Nigeria remains limited. Comparisons with findings from Kenya, Ethiopia, and Jordan suggest that Nigerian banks can achieve similar improvements in performance by adopting and scaling financial inclusion strategies. To bridge existing knowledge gaps, future research should generate context-specific empirical evidence in Nigeria. This will support effective implementation and help policymakers and financial institutions tailor inclusion strategies to the unique characteristics of the Nigerian banking environment.

6. Recommendations

Based on the findings of the review, it is recommended that;

1. Nigerian banks should invest in e-banking infrastructure and promote its usage. This will enhance efficiency, reduce costs, and increase customer adoption of digital services.
2. Expanding agency banking is essential to reach underserved areas. It offers a cost-effective way to increase financial access and grow the customer base.
3. Financial literacy programs should be implemented to educate customers. Informed clients are more likely to use banking services responsibly and effectively.
4. Finally, more local research is needed to guide financial inclusion efforts. Nigeria-specific studies will help tailor strategies to the unique needs of the banking sector.

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EFFECT OF FINANCIAL TECHNOLOGY (FINTECH) ON RETURN ON INVESTMENT (ROI) OF COMMERCIAL BANKS IN NIGERIA

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ABSTRACT

The adoption of Financial Technology and its attending costs on adoption affects how profitable Banks are, because the banking sector spends much on information technology investment compared to all other industries. The rate of FinTech adoption, low interest rates, high tax rates, stiff competition from telecommunication companies, and financial technology are some of the problems facing Banks in Nigeria. This study examined the effect of Financial Technologies on Return on Investment (ROI) of Commercial Banks in Nigeria. Data was collected from secondary sources, focusing on the annual financial statements of sixteen listed commercial banks with over ten years of operation, covering the period from 2014 to 2023. Using descriptive statistics and simple linear regression analysis, the study found that financial technologies have significant a positive relationship between financial technologies and ROI, demonstrating better returns on investments for banks adopting these technologies. The study recommends that banks invest in and strategically implement financial technologies to enhance their financial performance and competitive edge.

Keywords:

Financial Technology,
Profitability, Return on
Investment, Nigeria, Digital
Banking, Financial
Performance.

1.1 Background to the Study

Banks are saddled with the responsibilities of providing financial services that include, but are not limited to receiving and gathering, as well as safe guardianship of customers' treasuries, which the banks typically exchange for the financial or economic profits of the customers on their instructions (Keribal & Debener, 2019). The banks' services enable economic activities and also help stimulate greater efficiency by being financial intermediaries to meet the investment and liquidity needs in a country's financial system. Profitability is the measure of banks successes in achieving its overall objectives. It measures how banks generate revenue by utilizing the resources at their disposal. Hence, profitability is the ratio of revenues compare to resources available to the banks (Onuorah, 2023). Similarly, Profitability is the ability of the Banks to attain various range financial goals (Al-matari et al., 2014). Therefore, it describes the extent to which financial standard of banks are achieved. Furthermore, Profitability show the extent to which the banks are using their assets to generate revenues (Le & Ngo, 2020, Baba & Naseiku, 2016).

ROI is an essential component that plays a crucial role in assessing the impact of financial technology that the bank introduced to aid seamless service delivery and to buffer its profitability; as it provides valuable insights

into different aspects of the bank's financial health and can help managers make informed decisions about financial technology. The world is beginning to see a spread of financial technology, or FinTech as it will be commonly called, which is growing very quickly in a volatile and ever-changing technological environment. Most banks have adopted FinTech, which could improve their service delivery and profitability. In the current digital era, technology can influence people to get the most recent information and facilitate effective and efficient work completion through a variety of electronic service characteristics.

The traditional banking industry in Nigeria is rapidly changing as a result of some of the most recent technological innovations, including artificial intelligence, big data, cloud computing, block chain, digital payments, digital banking, open banking, electronic banking, and robot advisors. The very rapid development of FinTech in Nigeria's commercial banks has facilitated more practical, modern financial transaction processes, including those related to startup payments, lending, financial planning, crowdfunding, retail investment, financial research, digital-based financial services, digital banking, online digital insurance, peer-to-peer (P2P) lending, and crowd funding (Ananda, 2020). In the current digital age, the majority of people carry out a significant amount of financial transactions on their laptops or mobile devices. Because of the software's various features, easy to use interface, and ability to give owners and clients rapid access to information about the value of their investment, they are still able to compete with more established banking systems (Ananda, 2020).

1.2 Statement of the Problem

Financial technology is set up to enable financial services and business models provide digital services. However, adoption of financial technology and its attending costs on adoption affects how profitable Banks are. This is because the banking sector spends much on information technology investment compared to all other industries. The rate of FinTech adoption, low interest rates, high tax rates, stiff competition from telecommunication companies, and financial technology are some of the problems facing Banks in Nigeria.

The extent to which digital technologies are being widely used by the public and government is increasing. The digitalization of services has affected the lives of rich and poor alike, changing the way banks are working (Origin & Rapuluchukwu, 2020). It has brought in innovative opportunities for Banks and questioned the established banking system. Banks are moving fast towards digitalizing their operations to retain their existing customers and increase their market share (Rafiq & Tahir, 2020).

Therefore, few studies have been conducted on financial technology and profitability of Banks in Nigeria. However, these studies did not determine whether the cost of FinTech adoption significantly affects banks' profitability. In order to close these gaps, this study seek to establish if cost on financial technology affects the profitability of Nigerian banks or not using metrics return on equity, return on investment, and return on asset. As suggested by Medyawati et al. (2021) that future studies should add other profitability variables that could gauge if bank is making profit or not from adoption of new technology.

1.3 Objective of the Study

The main objective of the study is to examine effect of financial technology on Return on Investment (ROI) of commercial Banks in Nigeria.

1.4 Research Questions

What is the effect of financial technology on return on investment (ROI)?

1.5 Research Hypotheses

Ho: Financial Technology has no significant effect on Return on Investment (ROI)

1.6 Significance of the Study

This study examines financial technology and profitability of commercial Banks in Nigeria. This research also provide advancement and understanding of the studies conducted previously. Thus, this study will help in the identification and construction of a novel conceptual model that will further allow researchers to understand how to formulate and implement strategies that would improve Bank profitability.

The findings from this study, it will enable Government in maximising the potential of Financial Technology (FinTech). The government will use the study's findings to make critical decisions pertaining to Fintech policies aimed to boost efficiency in spending, taxes, and non-tax revenues.

For the researchers, it serves as a valuable addition to existing body of literature by enhancing their knowledge on financial technology and enabling them to be acquainted with relevant theories associated with financial technology as well as develop strategies for its advancement. The study will also serve as reference material for further studies.

1.7 Scope of the Study

This study examined impact of Financial Technology and Return on Investment (ROI) of commercial Banks in Nigeria. The study focusses on commercial banks that have been operating for more than 10 years in Nigeria, excluding new listed commercial banks which their annual report is not up to 10 years hence implementation of the payments system vision 2020 was carried out by CBN in 2007. The invigorated payment system brought about enhancements in financial technology. Also, the study would employ secondary sources to generate data. Data from the Banks' yearly financial reports will be used. These banks are Access Bank, Eco Bank, First Bank, Fidelity Bank, First City Monument Bank, Guaranty Trust Bank, Heritage Bank, Polaris Bank, Stanbic IBTC, Sterling Bank, Union Bank of Nigeria, Jaiz Bank, United Bank for Africa, Unity Bank, Wema Bank and Zenith Bank. The study will cover the period of ten (10) years, from 2012 to 2022, as that is when Nigerian commercial banks completely embraced financial technology. Furthermore, profitability was assessed utilising ROI.

2.1 LITERATURE REVIEW

2.1.1 Return on Investment

According to Fernando (2023), return on invested capital (ROI) is a performance indicator that can be used to examine the effectiveness of numerous extraordinary investments or to evaluate how worthwhile or effective a funding is. The purpose of return on invested capital is to accurately estimate the return on invested capital compared to its costs. In addition, return on investment (ROI), a popular profitability measure used to evaluate the performance of an investment. ROI is a widely used metric due to its ease of use and adaptability. In essence, return on investment is an estimate of an investment's profitability.

Fernando (2023), viewed return on investment as per Vipond (2021), is a ratio that evaluates an investment's profitability by contrasting its gain or loss with its cost. It assists in determining the possible return on investments made in items like stocks or company endeavours. Furthermore, return on investment (ROI) is regarded as a financial ratio that determines the return on an investor's investment relative to the cost of the investment. The benefit received increases with the ratio. For the purpose of understanding the profitability of an investment, Birken and Curry, (2021), defined ROI as a measure which compares the amount received with the sum of profit in order to assess whether an investment is effective. They believe that ROI is a direct ratio that divides the net profit (or loss) of an investment by its cost. Since it constitutes a percentage, you can examine the

effectiveness and profitability of various investment options.

The return on investment allows an investor to evaluate their investments and determine how well a particular investment has performed in relation to others. When preparing a business case for a specific project, return on investment calculation is occasionally supplemented with other approaches. An enterprise's total return on investment (ROI) is used to assess how efficiently it is handled (Baker, Kaddumi & Nassar, 2023). However, Lenglet (2023) asserts that return on investment is most helpful for achieving corporate objectives when it is used to describe a specific, quantifiable outcome, such as identifying the profits and financial returns of an investment. Although it is also possible to compute ROI using time as an investment, the most common approach is financial cost analysis because it is the simplest to measure.

This study will define return on investment as the percentage of money earned on an investment compared to the amount invested, which the standard method for expressing it as a percentage is to divide the investment's net profit by the investment's cost.

2.1.2 Financial Technology

According to Kagan (2023), Financial technology seen as a new technology that aims to enhance and automate the delivery of financial services. Financial technology is mostly used to help people, companies, and organisations manage their finance. Cell phones and computers use certain software and algorithms that make up this system. Additionally, it is seen as the practice of businesses employing new technologies to supply financial services in competition with established financial methods.

Trificana (2020), is of the view application of technology to the provision of financial services and goods to customers. This could have to do with investment, insurance, banking, or any other area of finance. Though it's a relatively new term, he believed that financial technology is nothing new in reality. Technology has always brought about change in the banking industry. But in recent years, he claims, the internet and the general use of devices like smartphones and tablets have accelerated this evolution very much.

Similarly, Ewin (2023) viewed open banking is the practice of banks and other financial organizations allowing authorized third parties to access, use, and share their data. A project like open banking requires security, and banks are setting up the required framework to enable safer sharing of their clients' data with outside organisations with their permission. It is vital that consumer authorization be required for any data exchange. Banks were not intended to be able to sell customer information more easily through open banking.

2.1.3 Financial Technology and Return on Investment

According to Bett and Bogonko (2020), the global banking industry is adopting financial technologies, such as digital and open banking, at an astronomically rapid rate. Since technology increases the industry's resilience and financial profitability by raising shareholders' returns on investment, banks that were able to adjust to the changes have seen a large increase in profitability. Furthermore, as a result of the digital platform's explosive expansion through industries, the majority of financial institutions have seized the chance to collaborate with mobile phone network providers and offer banking services to their customers, thereby increasing their ROI.

Conversely, financial technology, as noted by Nugroho and Sugiyanto (2023), is changing how businesses are operated and how customers interact with banks. In addition to being industry leaders, banks that effectively join in innovative technology into their operations to better understand and cater to their clientele also maintain a competitive edge that boosts ROI through return on investment. The potential for long-term investments by banks, namely through the integration of FinTech into their service operations, will be enhanced by the rise in profits.

Likewise, Yang (2023) argued that due to the introduction of financial technology, commercial Banks are now technologically driven, providing customers with the products and services they need. This means that

Customers would reduce bank visits for transactions and other services. They further added that ATMs, mobile banking, and online bill payments have made enhanced, convenience and efficiency in financial transactions for customers. This has brought about improved customer service. They concluded that financial technology has transformed the Banking sector through enhanced return on investment which increased profitability of Banks.

2.2 Empirical Review

2.2.1 Financial Technology and Return on Investment

Bett and Bogonto (2020) looked into the connection between Kenya's banking sector's profitability and digital finance technologies. 261 respondents made up the sample size for the descriptive survey research design that was used. Questionnaires and interview schedules were used in the study to gather data. During the analysis, both descriptive and inferential statistics were used. The analysis of descriptive data was done with means, percentages, and frequencies. Multiple linear regression analysis was used to evaluate inferential data and assess each independent variable's statistical significance. The results of the study demonstrated a high correlation between profitability and operational efficiency as well as between profitability and return on investment.

Nugroho and Sugiyanto (2023) looked into the effect of financial technology on banks' profitability. The research employed a descriptive quantitative methodology and used secondary sources of data. ROI and ROA were used to quantify profitability. Linear regression was used to analyse the study. The results demonstrated that innovations brought about by the FinTech phenomenon in banking are not a diversion but rather a chance to create FinTech services and boost banking profitability.

Baber (2020) looked into how the Islamic Bank of Malaysia's customers were retained in relation to financial technology. The study employed stratified sampling to determine a sample size of 325 customers from selected banks in Malaysia, utilising the primary source of data. Using SPSS 25.0, statistical data was evaluated using a variety of tests, including factor analysis, regression analysis, sample adequacy, and reliability analysis. The study's finding showed that while FinTech's payment services have an effect on customer retention, conventional banking's finance services which are seen as crucial components had a greater impact.

2.3 Theoretical Framework

This section reviewed two theories that are related to this research work. These theories include the theory of financial innovation, and innovation theory of profit. Through increased allocation, efficiency, and an increase in financial management, the implementation of innovations fosters the growth of financial institutions.

2.3.1 Theory of Financial Innovation

Silber (1983) proposed the theory of financial innovations based on the tenet that the primary goal of financial inclusion is to increase the advantages of foundations associated with money. According to the theory, the main inspirations for the new financial innovations came from certain business flaws that led to excessive office expenditures and exchange prices (Blach, 2011).

The Theory of Financial Innovation suggests that banks adopt FinTech solutions to address operational inefficiencies and reduce costs, thereby improving ROI (Sekhar, 2013). Therefore, financial innovation has been defined as financial advancements made through the development of novel techniques, technological advancements, and improved profitability. Therefore, innovation improves banks competitive advantage and enhances investors returns (Blach, 2011).

2.3.2 Innovations Theory of Profits

Schumpeter introduced the innovation theory of profitability in (1934). According to the innovation theory of profit, an entrepreneur makes money if his innovation increases demand for his product or lowers the overall

cost of production. According to Schumpeter, market power, innovation, and entrepreneurship are the main drivers of economic progress. These factors are crucial when considering the market from a market perspective. His aim was to demonstrate that market dominance derived from innovation alone may yield superior outcomes and maintain enterprises' favorable positions, as opposed to established arrangements or imperceptible factors like price competition.

Using the innovation theory of profit, Rawal and Upadhyay (2018) claim that the theory of innovation is the most significant economic theory addressing the genesis of entrepreneurship in nations such as India, where the economy is largely dependent on the agrarian sector and industrialization is still in its infancy. When it comes to distinguishing between established commercial establishments and entrepreneurship, Rawa and Upadhyay's idea of innovation is quite relevant. He believes that since all advancements are dependent on technology, there is a pressing need for a strong and stable information technology infrastructure.

2.4 Conceptual Framework of the Study

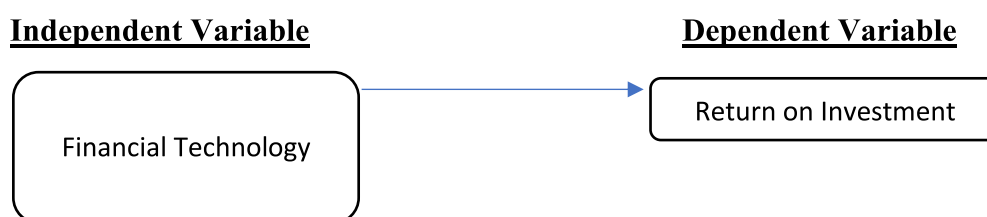


Figure 1: Conceptual framework for the study

3.0 RESEARCH METHODOLOGY

3.1 The Study Area

The study was carried out in Nigeria. Nigerian banking sector is one of the main forces behind economic growth in that country, contributing 3% to GDP overall (Nairametrics, 2022). This study examined the effect of financial technology on the Return on Investment of Banks in Nigeria. The study used commercial Banks with years of operation from 10 years and above in Nigeria as the population of the study. These banks include Access Bank, Eco Bank, first bank, first city monument bank, fidelity bank, guaranty trust bank, City Bank Nigeria, Standard Chartered Bank, Stanbic IBTC, Sterling Bank, Union Bank of Nigeria, Jaiz bank, United Bank for Africa, Unity Bank, Wema Bank and Zenith Bank.

3.2 Sources of Data

This study employed secondary data sourced from the annual financial statements of five listed commercial banks covering the period 2014–2023. Data was sourced from five (5) top tier 1 capital listed commercial Bank's yearly financial statement reports.

3.3 Population of the Study

The population of this study comprises of all listed commercial Banks in Nigeria that has been operating for more than 10 years hence the study made use of annual report of commercial Banks within the period under study from 2014 to 2023.

3.4 Sample Size and Sampling Techniques

This study applied the purposive sampling technique. This study purposively selected five (5) top tier 1 capital banks which include Zenith bank, Access bank, First bank of Nigeria, Guarantee trust bank and united bank for

Africa. These banks were purposively selected due to their Tier 1 capital base, long operational history, and leadership in digital financial services adoption in Nigeria (Nairametrics, 2022). As a result, the study's sample consist of these Five (5) Nigerian commercial banks that has been in operation for more than 10 years.

3.5 Method of Data Collection

This study used secondary sources of data in accordance with the study's objectives. The data were obtained from the annual financial statement reports and accounts of Nigeria's listed commercial banks from 2014 to 2023. For the measurement of the variables return on asset, return on investment and return on equity are indicators to measure bank profitability. Therefore, in this study, the profitability of the banks was measured using, return on investment.

3.6 Method of Data Analysis

Descriptive statistics and inferential analysis for the panel data analysis was used in the research. Descriptive statistics are used to calculate summary statistics of mean, standard deviation and Augmented Dickey-Fuller (ADF) Phillips-Perron (PP) used to test the normality of the time series data. Inferential statistics of simple linear regression was used for hypotheses testing with the aid of Stata version 15.

4.1 DATA PRESENTATION, ANALYSIS AND RESULTS

4.1.1 Data Presentation

Table 4.1: Pre-test

<i>Augmented Dickey-Fuller (ADF) Test Results</i>			
<i>Variable</i>	<i>Test Statistic</i>	<i>P-value</i>	<i>Stationary</i>
<i>Return on Investment (ROI)</i>	<i>-4.20</i>	<i>0.002</i>	<i>Stationary</i>
<i>Phillips-Perron (PP) Test Results</i>			
<i>Return on Investment (ROI)</i>	<i>-4.25</i>	<i>0.003</i>	<i>Stationary</i>
<i>Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Test Results</i>			
<i>Return on Investment (ROI)</i>	<i>0.13</i>	<i>0.12</i>	<i>Stationary</i>
<i>Kolmogorov-Smirnov Test Results</i>			
<i>Return on Investment (ROI)</i>	<i>0.092</i>	<i>0.140</i>	<i>Normally distributed</i>

Source: Stata Version 15

Table 4.1 indicates that all ROI is stationary since their p-values are less than the common significance level of 0.05. The p-values are below the 0.05 threshold, indicating that these series are suitable for further time series analysis. The KPSS test results indicate that Return on Investment (ROI)] are stationary. Stationarity tests using ADF, PP, and KPSS confirm that the Return on Investment (ROI) variable is stationary at the 5% level of significance. The Kolmogorov-Smirnov test further confirms normal distribution of the ROI data.

4.2 Test of Hypotheses

H_0 : Financial technologies have no significant effect on ROI of Banks in Nigeria

4.2: Summary of ANOVA

Source	SS	Df	MS	F	Prob > F	R-squared	Adj R-squared	Root MS
Model	41.9421575	1	41.9421575					
Residual	81.8028433	48	1.7042259	24.61	0.0000	0.8389	0.8252	1.3055
Total	123.745001	49	2.52540818					

Source: Stata Version 15

The ANOVA regression results show the impact of Financial Technologies on Return on Investment (ROI). The F-statistic is 24.61 with a p-value of 0.0000, indicating that the model is statistically significant. The R-squared value of 0.8389 indicates that approximately 83.89% of the variance in Return on Investment (ROI) is explained by the independent variable, financial technologies. This suggests a strong relationship between financial technologies and ROI, demonstrating that financial technologies are a significant predictor of ROI.

The adjusted R-squared value of 0.8252 slightly adjusts the R-squared value to account for the number of predictors in the model. This adjustment is crucial when comparing models with different numbers of predictors as it penalizes for adding predictors that do not improve the model fit. The adjusted R-squared value, being close to the R-squared value, confirms the model's robustness and indicates that the explanatory power of financial technologies remains strong even after adjusting for the number of predictors.

An R-squared of 0.8389 implies that a substantial 83.89% of the variation in ROI is accounted for by financial technologies, indicating the high relevance of this variable in predicting ROI. The adjusted R-squared of 0.8252 further supports the robustness of the model, indicating that the explanatory power of financial technologies is not inflated by the number of predictors.

The Root Mean Square Error (RMSE) measures the standard deviation of the residuals (prediction errors). It provides an estimate of the average distance between the observed values and the values predicted by the model. A Root MSE of 1.3055 suggests that, on average, the predicted ROI values deviate from the actual values by 1.3055 units.

The null hypothesis (H_0) that Financial Technologies have no significant effect on ROI is rejected because the p-value is 0.0000, which is less than the common significance level of 0.05. This indicates that there is a statistically significant effect of Financial Technologies on Return on Investment (ROI).

Table 4.3: Summary of Simple Linear Regression

Variable	Coefficient	Std. Error	t-value	P-value	95% Confidence Interval
Financial Technologies	0.063467	0.0127934	4.96	0.000	0.0377441 to 0.0891898
Constant	10.09159	0.3748489	26.92	0.000	9.337908 to 10.84528

Source: Stata Version 15

The regression analysis reveals that Financial Technologies have a statistically significant positive effect on ROI ($\beta = 0.0635$, $p < 0.001$). The model explains 83.9% of the variation in ROI, confirming that increased FinTech adoption improves banks' ROI.

4.3 Discussion of Findings

The findings also demonstrate a significant effect of Financial Technologies on Return on Investment (ROI). According to the ANOVA regression results in Table 4.2, the model's F-statistic is 24.61 with a p-value of 0.0000, confirming the model's statistical significance. The ANOVA regression results show an F-statistic of 24.61 with a p-value of 0.0000. This indicates that the model is statistically significant, and the impact of financial technologies on ROI is robust. The R-squared value of 0.8389 suggests that approximately 83.89% of the variability in ROI is explained by the model, reflecting a meaningful but moderate relationship. The significant positive effect of financial technologies on ROI suggests that banks can achieve better returns on their investments by leveraging advanced technologies. Financial technologies enhance decision-making processes, optimize resource allocation, and improve overall investment performance.

These results support the Theory of Financial Innovation (Silber, 1983), which posits that technological advancements improve profitability by reducing operational inefficiencies. Similarly, it aligns with Schumpeter's Innovation Theory of Profit (1934), suggesting that banks leveraging FinTech gain competitive profit advantages.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study has confirmed that financial technologies significantly impact the profitability metrics of commercial banks in Nigeria. By rejecting the null hypothesis it is evident that financial technologies positively influence Return on Investment (ROI). This finding underscores the critical role of technological advancements in enhancing the financial performance of banks.

In addition to restating findings, emphasize what this means for stakeholders: banks, regulators, and the FinTech ecosystem while significant effects observed across ROI demonstrate that financial technologies contribute to improved operational efficiencies, better investment outcomes, and enhanced shareholder returns. Banks that effectively implement and leverage these technologies can gain a competitive edge and achieve superior financial performance.

5.2 Recommendations

Based on the findings of this study, the following recommendations are proposed:

- 1. Invest in Financial Technologies:** Banks should prioritize investments in advanced financial technologies to enhance their profitability. Technologies such as digital banking platforms, automated systems, and data analytics can improve, investment returns.
- 2. Training and Development:** Banks should invest in training programs for their staff to effectively utilize new financial technologies. Proper training ensures that employees can maximize the benefits of technological tools and contribute to the bank's ROI.
- 3. Policy and Regulation:** Regulatory bodies should consider providing guidelines and support for the adoption and implementation of financial technologies. Such policies can help banks navigate the technological landscape and align with industry standards thereby enhancing ROI.
- 4.** This study's findings are based on data from Tier 1 banks in Nigeria and may not reflect dynamics in smaller banks. Future research could expand the scope to include Tier 2 and Tier 3 banks or explore sectoral comparisons.

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AGENCY BANKING AND FINANCIAL LITERACY OF CUSTOMERS IN MAIDUGURI BORNO STATE, NIGERIA

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Abstract

Financial literacy is a critical component of economic empowerment; it enables individuals to make informed decisions about managing their personal finances. This study assesses the effect of agency banking on financial literacy of customer in Maiduguri, through the use of Automated Teller Machine (ATM) and mobile phone transactions, on financial literacy. The study used primary source of data through a structured questionnaire to gather data from 44 respondents, and data was analysed with the aid of SPSS version 25. The findings revealed that mobile phone transactions significantly contribute to financial literacy by providing real-time account management, encouraging budgeting, and promoting informed decision-making. ATMs were also shown to improve financial knowledge through balance inquiries and transaction tracking, supporting better control over personal finances.

The study concludes that agency banking play a vital role in promoting financial literacy, bridging gaps in financial access, and empowering individuals in resource-constrained regions. These tools provide user-friendly interfaces that foster understanding of financial concepts, contributing to economic inclusion and resilience. Hence this study recommends policies that Support for financial technology improvement: Governments and financial institutions should invest in expanding the availability of digital financial tools, particularly in rural and underserved areas, to promote financial literacy and inclusion. And Public Education Campaigns: Stakeholders should conduct awareness campaigns to educate users on the benefits and functionalities of mobile transactions and ATMs to maximize their impact on financial literacy.

Keywords:

Agency Banking, Financial Literacy, Automated Teller Machine, Mobile Phone Transactions

Introduction

With the current economic situation of high inflation rates, which have eroded purchasing power and increase cost of living in Nigeria, financial literacy is crucial for individuals to effectively manage their money, make informed financial decisions, and secure their financial future. According to a study by the Organization for Economic Co-operation and Development (OECD 2021), financial literacy is "the knowledge and understanding of financial concepts and risks, and the skills, motivation, and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve financial well-being, and to participate fully in society."

Levente (2024) stated that the lack of financial literacy is particularly concerning in today's complex financial landscape, where individuals are faced with numerous financial products and services, such as credit cards, mortgages, and investment options. Without adequate financial knowledge, individuals may fall victim to predatory practices, fraud, and financial scams. Promoting financial literacy through agency banking is essential for empowering individuals to make sound financial decisions, improve their financial well-being, and contribute to economic stability and growth. By investing in financial education programs and initiatives, policymakers, educators, and organizations can help equip individuals with the knowledge and skills needed to navigate the complexities of the modern financial world.

By leveraging existing networks of agents, banks can reach customers in remote areas where establishing traditional brick-and-mortar branches might not be feasible. Furthermore, agency banking has been found to reduce operational costs for banks, as they can avoid the expenses associated with building and maintaining physical branches (Bank for International Settlements, 2018).

Modupe, (2020) further stated that the perceived advantage of agency banking is that it has also increased employment opportunities across the country. It also means that traditional banks can now recruit other business with a nationwide footprint to offer banking services on their behalf, allowing them to have branches in areas that were not previously commercially viable and thus increased customer base and market share.

Statement of the Problem

The introduction of agency banking was aimed at reducing the workload on banks employees and the stress by customer from always visiting the banking hall (Sospeter, 2019), that is offering banking services to their doorstep in a more efficient manner. But, despite this innovation banks and their customers still face a lot of challenges and problems in carrying out simple financial transaction, these challenges ranges from low level of adoption, lack of confidence, low educational qualification and more. According to Modupe, (2020) people in most area are not yet willing to adopt the use of agency banking services due to lack of trust in banking institutions, limited access to reliable banking infrastructure, poor services quality, as agency banking suffers slow transaction speed from network providers, making the difficult for agency banking media like Point of Sales (POS), Mobile/Telephone banking transaction and Automatic Teller Machine (ATM) to develop, acknowledged and trusted by banks customers (Modupe, 2020). According to Kumar and Yadav (2016) lack of proper awareness and education on part of customer also have contributed great setback to the adoption and use of agency banking services, customer find it difficult to safe, with high rate of debt accumulation due to poor money management and fall victim to financial scam.

The main objective of this study is to assess the effect of agency banking and financial literacy on bank customers and the specific objectives are to:

- i Assess the effect of mobile phone transactions on financial literacy of customers in Maiduguri Metropolis.
- ii Assess the effect of automatic teller machine (ATM) on financial literacy of customers in Maiduguri Metropolis.

This study was guided by the following hypothesis

Ho1: There is no significant effect between mobile phone transactions and financial literacy of customers in Maiduguri Metropolis.

Ho2: There is no significant effect between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis.

Literature Review

Concept of Financial Literacy

Setiawan et al., (2022)) opined that financial literacy from a behavioural perspective, focusing on how individuals manage their spending, saving, and investing habits based on their financial knowledge. Financial literacy, particularly the saliency and relevance of financial education regarding financial products, services, and activities (Fernandes et al., 2014; Sun et al., 2020), further more Kou et al,(202 1) highlighted in his study that higher levels of financially literate people are more likely to be engaged in positive savings behaviours and less likely to borrow from different informal sources. Financial literacy helps educate and empower people to evaluate various financial products and services. According to Lusardi (2020), financial literacy fundamentally about understands basic financial concepts, including budgeting, interest rates, and investment options. The study argues that individuals with this knowledge can better navigate financial products and make informed decisions. However, Lusardi also notes that mere knowledge of concepts may not translate to practical financial behaviour without the accompanying skills and confidence to apply them.

Also Fernandes et al (2021) opined that financial literacy as the ability to make sound financial decisions, particularly in daily financial management. Similarly, Atkinson and Messy (2021) expands financial literacy to include an individual's attitude towards money. This incorporates psychological elements such as the level of comfort with financial decision-making and the individual's willingness to take financial risks. It emphasizes that positive attitudes towards money management are integral to making informed choices. Miller et al. (2020) opined that financial literacy in terms of financial capability, which integrates both knowledge and behaviour with the broader socio-economic context. This emphasizes that financial literacy is not only about what individuals know or how they behave but also their capacity to access and use financial services effectively.

Huston (2021) focused on decision-making ability, describing financial literacy as the capacity to make informed financial choices based on available information. This aligns with behavioural economics, emphasizing the importance of understanding cognitive biases and heuristics in financial decisions. Huston (2021) argues that financial literacy involves critical thinking and the ability to evaluate financial options, rather than just having knowledge or a positive attitude.

Concept of Agency Banking

Agency banking is opined as the process of contracting of a retail outlet by a financial institution or mobile network operator to process bank clients transaction (Bayonle 2022). Sahut (2019) sees agency banking as systems that enable bank clients gain access to accounts and general information on bank offerings through a personal computer or any other banking activity held on internet. Agency banking is different from bank tellers because the owner performs tasks such as cash deposit, cash withdrawal, electronic fund transfers and payment of bills, account balance enquiry and loan referrals.

Agency banking has been seen as the delivery of financial services outside conventional bank branches after using non-bank retail outlays that is technology dependent such as point-of-sale (POS) devices or mobile phones for real-time transaction processing (Modupe, 2020). In addition Kirima (2018), emphasis that agency banking can see as a tool used in other emerging economies to increase the demand for banking services, eliminate congestion in bank branches, reduce operating cost and achieve financial inclusion. Similarly Kelemua (2024) opined that agent banking as a retail outlet authorised by a Deposit Money Banks to provide some financial services to bank to existing and would-be bank customers. Instead of a bank teller, it is the agent or its representative that carries out these services which may not be limited to cash deposit, fund withdrawal and transfer. This study describe agency Banking to be a licensed individual or business concern that offers range of financial services allowed by agency terms be with use of mobile phones, POS and must be synchronized immediately on the core banking system platform. Agency banking is as a system where banks extend their

services by appointing agents to offer basic banking services such as deposits, withdrawals, and transfers, often in underserved rural areas (Bankole & Olorunshola, 2021). This enhances financial access by bridging the gap between formal banking institutions and the unbanked populations, particularly in developing regions.

Also According to Olowu (2022), agency banking refers to a method whereby banks outsource their services through licensed agents, allowing them to reach areas where opening a traditional branch is not economically viable. This focuses on the operational efficiency gained through cost-saving measures. Similarly, Ogunleye and Adeola (2021) describe agency banking as a financial inclusion mechanism designed to improve access to banking services for the underbanked and unbanked populations. They argue that agency banking has significantly contributed to reducing poverty by providing individuals with access to financial products.

Effect of Mobile Phone Transaction on Financial Literacy

Mobile phone transactions, often referred to as mobile payments or m- payments, have revolutionized the way financial transactions are conducted, particularly in developing economies According to Chaix and Torre (2021), mobile phone transactions are opined as the use of mobile devices as digital wallets, allowing users to store payment information and complete transactions without the need for physical cards. This emphasizes the convenience and security provided by mobile wallets, especially as they integrate multiple payment methods within a single platform.

A study by Dahlberg et al., (2022) opined that mobile phone transactions as remote payments made via mobile devices, where the payer and the payee are not in the same location. This focuses on the ability of mobile phones to facilitate transactions regardless of geographical barriers, enabling global commerce. Also Jack and Suri (2021) opined that mobile phone transactions as peer-to-peer (P2P) money transfers conducted through mobile devices often facilitated by mobile network operators. This definition is particularly relevant in developing countries, where P2P mobile money services have become a primary financial tool for the unbanked population. They are a means of financial inclusion, providing access to basic financial services for those without bank accounts. Mobile phone transactions are also opined as a component of mobile banking by Aker and Mbiti (2022). Ghezzi et al. (2023) focus on mobile phone transactions as a subset of contactless payments, where transactions are completed by tapping a mobile device against a point-of-sale terminal. This definition emphasizes the technological aspect of mobile transactions, particularly the use of Near Field Communication (NFC) technology. Financial Literacy refers to the ability to make informed judgments and to take effective decisions regarding the use and management of money (Idoko et al.,2022). The issue of mobile phone transaction in today's digital era has assumed increasing importance hence the critical role of financial literacy, counseling and capacity-enrichment in enhancing financial penetration at the grassroots (Idoko et al., 2022). The involvement of the agency bankers especially for banks customers are driving down financial knowledge to the ordinary citizens on the streets.

Lastly, Martin and Upham (2022) opined that mobile phone transactions as integral to the sharing economy, facilitating payments for services such as ride-hailing, home-sharing, and gig work. This definition highlights the role of mobile transactions in enabling new business models that rely on digital platforms to connect service providers with consumers. The study argues that mobile transactions are a key enabler of the sharing economy, providing a seamless payment experience that supports the growth of on-demand services. However, they also caution that regulatory and privacy concerns must be addressed to sustain this growth Mobile phone transactions, particularly mobile payments, have emerged as a significant tool in enhancing financial inclusion and literacy. Mobile transactions, particularly in developing economies, have been linked to increased financial literacy by providing easy access to financial services, which were previously unavailable to many segments of the population. For instance, the convenience and accessibility of mobile payments have enabled users to

engage more frequently with financial tools, thereby improving their financial literacy over time (Setiawan et al., 2022).

Effect of Automatic Teller Machine on Financial Literacy

Automatic Teller Machines (ATMs) have significantly transformed the banking industry by providing customers with a convenient means of accessing financial services outside traditional banking hours. Over time, various definitions and interpretations of ATMs have emerged, reflecting the evolution of technology and its integration into financial services.

ATMs are opined as "automated systems that facilitate basic banking transactions for customers in a secure and efficient manner" (Smith & Johnson, 2020). This definition highlights the core functionality of ATMs but has been criticized for its narrow scope, as it overlooks the evolving capabilities of ATMs, such as bill payments, mobile phone top-ups, and even loan applications. Patel and Gupta (2021) describe ATMs as "integrated banking devices that connect with financial networks to provide real-time services to customers, including cash withdrawals, deposits, and interbank transfers." This definition reflects the growing complexity of ATMs as part of an interconnected financial system, allowing for a broader range of services.

However, it can be argued that this definition still focuses predominantly on the transactional aspects, potentially overlooking the customer experience and security dimensions that have become increasingly important. Another definition takes a customer-centric view, defining ATMs as "self-service banking terminals designed to enhance customer convenience by offering 24/7 access to a wide range of banking services" (Chen & Lee, 2022). This perspective emphasizes the customer experience and the convenience provided by ATMS, highlighting the role of these machines in improving customer satisfaction. While this definition is more inclusive of the user experience, critics argue that it may downplay the technical and security aspects that are critical to the operation and trustworthiness of ATMs.

Similarly Brown and Taylor (2023) opined that ATMs as "secure banking devices equipped with advanced encryption and authentication technologies to prevent unauthorized access and fraudulent activities." This definition underscores the importance of security features in modern ATMs, reflecting the need to protect both customers and financial institutions. However, it could be argued that this definition may overly prioritize security at the expense of other important aspects, such as usability and customer satisfaction. According to Ahmed and Khan (2023), ATMS are "financial inclusion tools that provide unbanked and under banked populations with access to essential banking services, thereby reducing the financial gap."

Thompson and Williams (2024) describe ATMs as "multi-functional kiosks that offer a variety of services, including financial transactions, bill payments, ticketing, and even e-commerce, making them a versatile component of modern banking." This definition reflects the ongoing evolution of ATMs into comprehensive service points, but it may raise concerns about the complexity and potential technical challenges associated with maintaining such multi-functional systems. The evolution of financial services has significantly transformed how consumers interact with financial institutions, particularly through the use of

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According to Ahmed and Khan (2023), ATMs are "financial inclusion tools that provide unbanked and under banked populations with access to essential banking services, thereby reducing the financial gap." This definition highlights the role of ATMs in expanding access to financial services, especially in regions where traditional banking infrastructure is limited. While this perspective is valuable, it may overlook the challenges associated with deploying ATMs in remote or underserved areas, such as maintenance and operational costs.

Empirical Review

Idoko and Chukwu (2022) empirically investigate influence of agency banking on financial inclusion among adult rural dwellers in rural communities. A sample of 320 potential respondents was determined statistically. Self-administered questionnaire designed in LikertScale format was used to collect data from respondents. Convenience and judgmental sampling techniques were used to recruit participants who agreed to take part in the study. Partial Least Square Structural Equation Modeling technique was applied in data analysis. Results show that agency banking has positive-significant correlation with saving consciousness and financial literacy; saving consciousness and financial literacy significantly and positively influence financial inclusion.

Selamet Riyadi and Dita (2018) examined the impact of financial literacy, consumptive behaviour and mobile banking services on savings management. The variables tested in this study consisted of financial literacy, consumptive behaviour, and m-banking services as independent variables and savings management as the dependent variable. The population in this study consisted of Bachelor students of the Perbanas Institute of Economics and Business Jakarta, Indonesia, for the period 2014 until 2017. Determination of the research sample using random sampling method and obtain a sample of 98 respondents based on certain criteria. The results show that financial literacy, consumptive behaviour, and m-banking services simultaneously have an influence on savings management. In addition, this study proves that partially m-banking services affect the management of savings, while financial literacy and consumptive behaviour do not partially affect savings management.

Mida et al, (2022) examine the role of Automatic Teller Machines in banking services delivery in Tanzania: A Case of Commercial Banks in the Mwanza City, Tanzania. The study was conducted in Mwanza region to assess the roles of information and communication technologies to effective and convenient bank services delivery in Tanzania. Specifically, the study analysed the infrastructures, updated information technology, adequate security system and performance of ATM technology on banking service delivery. The study used exploratory research design and it was carried out in commercial banks found in Ilemela and Nyamagana administrative districts of Mwanza region. Convenient and purposive sampling was adopted to select participants with undisputed knowledge on ICT banking. The sample of 215 bank customers, 52 bank employees and 2 representatives from the regulatory bodies were involved in this study. The data were collected by using observation, interview and questionnaires tools. Data was analysed statistically using the inferential statistics with an aid of SPSS. According to findings 62.8% of all respondents, own ATM cards and 34.6% and 76.6% of all respondents agreed that ATM is useful in banking services delivery, 92.9% of respondents that ATM services are convenient, 66.2% stated that 29 ATM transaction costs are reasonable and fair. Also, 80.6% of respondents agreed that ATMs are reliable all day and night.

Theoretical Framework

Bank-Led Theory

The bank-led theory of branch less banking was postulated by Lyman, Ivatury and Staschen (2006) and emphasizes the role of an agent who acts as a link between the banks and the customers. In this case the retail

agents have direct interaction with the banks customers and perform the role expected of the bank by either paying cash or collecting deposits. Finally, this agent is expected to transmit all his dealings with the banks customers to the bank he is representing through electronic means (such as phones, internet, etc.). Bank-Led Theory emphasizes the proactive role of banks in driving financial inclusion through innovative business models, particularly in the agent banking sector. The Bank-Led Theory posits that banks should not only act as financial intermediaries but also as leaders in creating and managing networks that facilitate access to financial services. This model often involves partnerships with non-bank entities, such as telecom companies, to offer services like mobile money, which can be accessed via agents.

In this study, the Bank-Led Theory can be applied to investigate how banks' leadership in agent banking, coupled with financial literacy initiatives, influences the adoption and use of financial services in rural areas. This theory provides a lens to examine the strategic role banks play in financial inclusion and the importance of consumer education in ensuring the success of these initiatives.

Theory of Planned Behaviour

The theory of planned behaviour (TPB) suggested that a human behaviour is determined by intention to perform the behaviour, which affected jointly by attitude toward behaviour, subjective norm and perceived behavioural control. Theory of Planned Behaviour (TPB), proposed by Icek Ajzen in 1985, is a psychological theory that explains how individual behaviour is driven by behavioural intentions, which are influenced by attitudes, subjective norms, and perceived behavioural control. Although initially developed to predict general human behaviour, TPB has been widely applied in various domains, including financial literacy and agent banking.

In the context of financial literacy and agent banking, TPB can be used to understand how consumers' intentions to use financial services are shaped by their attitudes towards these services, the influence of their social environment, and their perceived control over using these services. For instance, a person with a positive attitude towards financial literacy, who perceives strong social support for using financial services, and who feels confident in their ability to navigate agent banking platforms is more likely to use these services.

Lusardi and Mitchell (2014) applies TPB to financial literacy, showing how attitudes towards financial management, social influences, and perceived financial competence drive financial behaviours. Similarly, in the context of agent banking, Bhanot, Bapat, and Bapat (2015) explore how TPB can predict the adoption of mobile banking services, demonstrating that positive attitudes and perceived ease of use significantly impact consumer intentions.

This study adopts the theory of planned behaviour because, TPB can be used to analyze how financial literacy influences consumer intentions to use agent banking services. By examining the interplay between attitudes, subjective norms, and perceived behavioural control, you can identify key factors that motivate or hinder the adoption of agent banking, thereby providing insights into how financial literacy programs can be tailored to enhance the uptake of these services.

Methodology

Primary source of data was used for the study which was obtained directly through the administration of a well-structured Questionnaire on the respondents. While secondary data was obtain from bulletin, journal and literature. The populations of this study consist of total number of access bank agents, according to access bank report 2022 that there are 50 agents in each of the LGAs across the country which Maiduguri has 27 LGAs (Local Government Areas in Nigeria by State 2023. There population consists of 50 registered access bank agents from Maiduguri Metropolis. Data was analysed using descriptive and inferential statistical tools. Descriptive statistical tools will be used for (frequency and percentage) to present the data and inferential

statistical tools to evaluate the variables under study. A linear regression was used to test hypotheses with the aid of Statistical package for Social Science (SPSS). The population is the sample

Test of Hypotheses one

H_{01} : there is no significant relationship between mobile phone transactions and financial literacy of customers in Maiduguri Metropolis.

Table one: Significant Relationship Between Mobile Phone Transactions and Financial Literacy of Customers in Maiduguri Metropolis.

	Mean	Std. Deviation	N
Mobile Phone Transaction	3.152482	.9774017	44

SPSS computation Sheet version 25
Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	F Change	df1	df2	Sig. Change	F Durbin-Watson
2	.546 ^b	.298	.293	.46804	.007	2.825	1	279	.094	.061

SPSS computation Sheet version 25

a. Predictors: (Constant), financial literacy

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	25.934	2	12.967	59.193	.000 ^c
	Residual	61.119	279	.219		
	Total	87.053	281			

SPSS computation Sheet version 25

Dependent Variable: Financial Literacy The result of SPSS analysis of hypothesis one found that X^2 calculated value of 53.9 and $F\text{-Cal} = 59.13$ was greater than table value at $0.05 F_{4,3} = 3.11$ which was significant at 0.05 level of significance. Hence, “we reject” because the F-calculate value - 59.19 is greater than the critical table value- 3.11. This further shows that there is a significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis.

Test of Hypothesis Two

H_{02} : there is no significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis.

Table two

Significant Relationship between Automatic Teller Machine (ATM) and Financial Literacy of Customers in Maiduguri Metropolis

Descriptive Statistics	Mean	Std. Deviation	N
Automatic teller machine (ATM)	2.468085	.6205633	282

SPSS computation Sheet version 25

Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. Change	
3	.559 ^a	.621	.61	.4726	.41	75.813	1	42	.0625	.065

SPSS computation Sheet version 25

a. Predictors: (Constant), financial literacy

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	27.934	2	12.967	58.753	.000 ^c
	Residual	60.119	41	.219		
	Total	87.053	43			

SPSS computation Sheet version 25

Dependent Variable: financial literacy

The result of hypothesis one found that X calculated value of 53,9 and F-Cal- 58.753 was greater than table value at 0.05 Fas 3.11 which was significant at 0.05 level of significance. Hence, "we reject because the F-calculate value - 58.753 is greater than the critical table value- 3.11 the null hypothesis which states that "there is no significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis" was rejected while the alternative hypothesis was accepted. This further shows that there is a significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis.

Discussion of Major Findings

The result in hypothesis one found out that X₂ calculated value of F-Cal= 59.19 was greater than table value at 0.05 F_{4,3} = 3.11 which was reject" because the F-calculate value - 59.19 is greater than the critical table value- 3.11, meaning there is a significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis. This finding from this study agrees with the findings of the study by Beby Aryant (2019), on the Effect of financial literation levels on the use of ATM (Automated Teller Machines) which results of the research note that the financial literacy has significant effect on the use of ATM.

The result in hypothesis two finds out that X² calculated value F-Cal= 58.753 was greater than table value at 0.05 Fs₃ = 3.11 which was reject" because the F-calculate value - 58.753 is greater than the critical table value- 3.11, meaning there is a significant relationship between automatic teller machine (ATM) and financial literacy of customers in Maiduguri Metropolis.

This agrees with the findings of Mida Abel and Msamba (2022) Examining the Roles of Automatic Teller Machines in Banking Services Delivery in Tanzania, which According to their findings 62.8% of all respondents, own ATM cards and 34.6% and 76.6% of all respondents agreed that ATM is useful in banking services delivery, 92.9% of respondents that ATM services are convenient, 66.2% stated that ATM transaction costs are reasonable and fair. Also, 80.6% of respondents agreed that ATM is reliable all day and night. Also this finding agrees with the study of Aryant (2019) on the effect of financial literation levels on the use of Atm (Automated Teller Machines) In Communities in Subang City.

Conclusions

Mobile Phone Transactions: The study found that mobile phone transactions significantly contributed to financial confidence and literacy. Mobile banking apps and SMS alerts, for instance, allowed customers to monitor their accounts and expenditures in real-time. This accessibility promoted better financial decision-making and strengthened financial knowledge. ATM Usage: ATMs were also shown to positively influence financial literacy by providing customers with easy access to balance inquiries and transaction history, helping users track their spending. This function supported effective budgeting and gave customers a tangible sense of control over their finances.

These findings highlighted the pivotal role of agency banking in bridging the financial literacy gap, particularly in areas with limited traditional banking access. The study underscores that when individuals have access to diverse, user-friendly financial services, they become better equipped to understand and manage their financial lives. Overall, the research affirms that agency banking do more than provide convenience; they serve as vital educational resources, promoting informed financial decisions among users and contributing to the broader goal of financial inclusion

Recommendations

Based on the findings, the following recommendations are made:

- i. Promotion of Mobile Transactions for Financial Literacy: Banks and financial service providers should actively promote mobile banking as a tool to increase financial literacy. Providing educational resources on budgeting, account management, and financial planning through mobile platforms can further strengthen customers' confidence and financial skills.
- ii. Increased ATM Education Initiatives: Since ATMs play a significant role in promoting financial awareness, especially in terms of budgeting and transaction tracking, banks should consider adding more educational prompts and resources on ATM screens or provide detailed receipts that can assist users in better managing their finances, which can be achieved by ensuring printout for every transaction and pasting pamphlet on the use of ATM close by to be seen and readable by customers.

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ASSESSMENT OF THE INFLUENCE OF FINANCIAL TECHNOLOGIES ON RETURN ON ASSET AND RETURN ON EQUITY OF COMMERCIAL BANKS IN NIGERIA.

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Abstract

This study assesses the influence of financial technologies (FinTech) on Return on Asset and Return on Equity of commercial banks in Nigeria. The objective of this study is to assess how FinTech influences Return on Asset and Return on Equity of commercial banks in Nigeria. The theoretical framework integrates these variables is technological acceptance model. Data was obtained from secondary sources, focusing on the annual financial statements of five commercial banks with over ten years of operation, covering the period from 2014 to 2023. Using descriptive statistics and simple linear regression analysis, the study found that financial technologies significantly and positively enhance ROA with a t-value of 7.77 and a p-value of 0.000. This indicates that the impact of Financial Technologies on ROA is statistically significant, indicating improved asset utilization and to increase profitability. The analysis also revealed a significant positive relationship between Financial Technologies and ROE with a t-value of 4.41 and a p-value of 0.000. This indicates that the impact of Financial Technologies on ROE is statistically significant, highlighting improved Returns on Equity and benefits to shareholders. Therefore, this conclude that FinTech have significantly and positively influences ROA and ROE. This study recommends that Banking sector should invest in cutting-edge financial technologies to enhance operational efficiency and profitability metrics like ROA and ROE. Train staff on the effective use of digital tools to maximize their potential in improving customer experience and financial performance. Establish partnerships with fintech companies to leverage innovation and expand their service offerings while maintaining competitiveness. Educate customers on the benefits and use of financial technologies to increase their adoption and usage rates. Ensure that financial technology platforms are user-friendly and accessible to a diverse customer base, including those in underserved areas.

Keywords:

Fintech, ROA and ROE

Introduction

For commercial banks, profitability is a crucial indicator of sustainability and financial performance. Profitability is crucial to maintaining the stability and effectiveness of financial intermediation in the Nigerian banking industry. As a major force behind economic expansion, the banking sector is highly dependent on profitability to stay competitive, prosper, and support national advancement. Return on Equity (ROE) and

Return on Assets (ROA) are two of the most popular measures for assessing profitability since they show how well a bank uses its resources and how much money it makes for its shareholders, respectively (Akintoye & Olufemi, 2023). Numerous factors affect Nigerian commercial banks' profitability as indicated by ROA and ROE. These include macroeconomic variables like GDP growth, interest rates, and inflation as well as bank-specific elements like operational effectiveness, asset quality, and capital sufficiency. Furthermore, the emergence of financial technology, or Fintech, has drastically changed the banking industry by posing new competitive challenges and providing chances for revenue growth and cost savings. Therefore, it is essential for stakeholders looking to improve the performance of Nigerian commercial banks to comprehend the factors that determine profitability (Akintoye & Olufemi, 2023).

A bank's capacity to produce net income from its whole asset base is assessed by its return on assets, or ROA. It demonstrates how well the management has used the bank's resources to produce a profit. This statistic is especially important for Nigerian commercial banks because of their dynamic and frequently difficult operating environment. The banking industry in Nigeria is confronted with challenges such as volatile exchange rates, economic instability, and regulatory limitations, all of which have an immediate effect on a bank's asset utilization and, in turn, its return on assets (ROA). Long-term success depends on efficient asset management and cost control, both of which are frequently indicated by a high ROA (Adegbite & Lawal, 2022). Return on Equity (ROE), on the other hand, calculates the return on the capital that shareholders have invested in the bank. This indicator, which is frequently used as a standard for making investment decisions, shows how well the bank can generate wealth for its shareholders. A strong ROE is crucial for drawing in and keeping investors in Nigeria, where corporate governance, economic conditions, and regulatory reforms all affect investor trust in the banking industry. Strong ROE gives Nigerian banks a competitive advantage and makes it possible for them to raise more money for expansion and growth (Ojo & Akinyemi, 2023).

More realistic, contemporary financial transaction processes, such as those pertaining to startup payments, lending, financial planning, retail investment, financial research, digital-based financial services, digital banking, online digital insurance, peer-to-peer (P2P) lending, and crowd funding, have been made possible by the extremely quick development of FinTech in Nigeria's commercial banks (Ananda, 2020). Most people use laptops or mobile devices to conduct a large number of financial transactions in the present digital era. They can still compete with more established banking systems due to the software's many capabilities, user-friendly design, and capacity to provide owners and clients with quick access to information regarding the worth of their investment (Ananda, 2020; Boratynska, 2019).

The complex issues that Nigerian commercial banks face have made profitability as determined by Return on Equity (ROE) and Return on Assets (ROA) a top priority. Even though Nigerian banks are the backbone of the country's economy, they find it difficult to be consistently profitable in an unpredictable operating environment. These banks' profitability has been severely impacted by market rivalry, regulatory restrictions, and economic volatility, which has affected their ability to continue operations and satisfy stakeholders (Oluwaseun & Sulaimon, 2024). Nigeria's uncertain macroeconomic climate is a significant factor influencing profitability. High inflation, slow economic development, and currency rate fluctuations have all negatively affected banks' capacity to produce adequate profits. Lower ROA results from these causes, which also diminish the value of assets and degrade interest and non-interest income. Furthermore, banks find it challenging to efficiently plan and use their resources due to the unpredictability of these macroeconomic conditions (Akanbi & Bamidele, 2024; Olufemi & Ajibola, 2023).

The high percentage of non-performing loans (NPLs) in Nigeria's banking industry lowers banks' earning potential and puts a strain on their capital base, requiring them to devote a large portion of their resources on bad debt provisioning. This has a direct impact on ROA and ROE. Inadequate credit risk management procedures exacerbate this issue by putting banks at danger of financial losses and degrading their profitability indicators

(Oluwadare & Alabi, 2023). Elevated non-performing loan percentages deter potential investors and undermine public trust in the industry (Olugbenga & Olamide, 2023).

Strict capital adequacy standards, liquidity ratios, and other regulations established by regulatory bodies must be followed by Nigerian banks. Although the goal of these policies is to maintain financial stability, they also raise operating expenses and limit banks' capacity to make high-yielding investments. Their capacity to raise shareholder value and enhance ROE may be constrained by this dynamic (Ekwunife & Uzonwanne, 2024). Furthermore, regular policy changes impede long-term planning and foster uncertainty (Akinmoladun & Omotayo, 2023). Nigerian banks' profitability issue has gotten worse due to increased competition, especially from Fintech firms. Fintech companies use technology to provide cutting-edge financial services at reduced prices, drawing a sizable share of bank customers (Alhassan & Yekini, 2024). This competition forces banks to invest heavily in technology and innovation, further straining their financial resources (Oboh & Idowu, 2023). Consequently, achieving a healthy ROA and ROE becomes more challenging as banks struggle to maintain market share and profitability.

Most of the existing studies which includes (Medyawati et al, 2021, Alshehedah & Al-khawaja, 2022, Shuli et al, 2022 and Nwankwo & Okoli, 2023) that examine impact of FinTech on ROA and ROE often rely on basic theoretical models, such as the Technology Acceptance Model (TAM) and Resource-Based View (RBV). While these frameworks provide a foundation for understanding technology adoption and resource efficiency, they fail to incorporate dynamic and multifaceted aspects of FinTech. Using advanced theories like the Diffusion of Innovation Theory and the Technology-Organization-Environment Framework remain underexplored in the context of FinTech and profitability. These theories could help address questions about how organizational readiness, competitive pressures, and regulatory environments interact with FinTech adoption to influence financial outcomes.

In order to close these gaps, this study seek to assess the influence of financial technology on return on asset and return on equity of Nigerian commercial banks. Diffusion of innovation theory underpinned this study. The study is set to answer the following research questions; how does Financial Technology influence return on assets and how does Financial Technology have effect on return on equity. The study hypothesize that financial technology has no significant influence on return on assets and financial technology has no significant effect on return on equity. The findings from this study will adds to the body of literature on banking profitability by specifically focusing on Nigerian commercial banks and the unique macroeconomic, regulatory, and competitive factors affecting their performance.

This study sheds light on the dynamic challenges faced by Nigerian banks, such as volatile macroeconomic conditions, the rise of fintech competition, and the burden of non-performing loans. The findings will contribute valuable insights to the academic community on the impact of these factors, helping to build a more nuanced understanding of profitability in developing economies. The study enriches existing literature on the financial performance of banks by focusing on specific variables that influence profitability in Nigeria. It fills a gap in literature regarding the use diffusion of innovation theory. The finding will help banks understand the various factors that affect profitability such as non-performing loans (NPLs), macroeconomic instability, and regulatory constraints which can help managers make informed decisions on risk management, resource allocation, and strategic planning. The study emphasizes the importance of effective credit risk management practices and regulatory compliance in maintaining profitability, which can serve as a guide for operational improvements. Policymakers and regulatory authorities can use the findings to refine existing banking regulations and create policies that alleviate the challenges faced by banks, particularly in addressing non-performing loans, managing macroeconomic volatility, and fostering healthy competition with fintech companies. By doing so, they can enhance the resilience and profitability of the banking sector, ensuring financial stability and economic growth.

The study focusses on commercial banks that have been operating for more than 10 years in Nigeria, excluding new listed commercial banks which their annual report is not up to 10 years. Data from the Banks' yearly financial reports will be used. These banks are Zenith bank, Access Bank, First Bank of Nigeria, Guarantee Trust Bank and United Bank for Africa. The study will cover the period of ten (10) years, from 2014 to 2023, which is the period when Nigerian commercial banks completely embraced financial technology.

Conceptual Review

Profitability is defined by Nugroho and Sugiyanto (2023) as a bank's ability to produce cash flow, turn sales into earnings, and generate comprehensive earnings. According to Claire (2022), return on assets is a profitability ratio that illustrates the potential profit a company can generate from its assets and evaluates the effectiveness of management in generating a profit from all of the assets shown on the balance sheet. An organization is making more money from each investment made in its total assets when its return on assets (ROA) is higher. A decreasing return on assets (ROA) could indicate that a business made poor capital investment choices and isn't producing enough money to pay for those acquisitions. A falling ROA might likewise be a sign that sales or revenue are dropping, which is reducing the company's earnings. Birken and Curry (2021) viewed return on assets as the measurement of a company's efficiency in generating profits from its assets. Fernando (2024) defined return on equity (ROE) as the ratio of net income to shareholders' equity, which is used to measure financial success.

According to Lewis and Suárez (2023), return on equity (ROE) is a measure of how well a company, and especially its management team, uses the money that shareholders have contributed. To put it another way, ROE calculates how profitable a business is in relation to the equity held by its shareholders. A greater return on equity (ROE) indicates that the management of the company is more effective at producing income and expansion from its equity capital. Moreover, ROE is frequently used to assess how well a company is performing in relation to its rivals and the overall market.

Gopal (2023), ROE serves as a critical indicator of how well a company generates returns from its equity capital, making it an essential tool for evaluating a firm's financial health and its ability to deliver value to shareholders. Kagan (2023), view financial technology as a new technology that aims to enhance and automate the delivery of financial services. Financial technology is mostly used to help people, companies, and organisations manage their finance. Cell phones and computers use certain software and algorithms that make up this system. Financial technology refers to companies that enhance operations and services through the use of technology (Koss, 2022). FinTech, according to Zohar & Oren (2020), is the ecosystem of companies that use technology to offer financial services, such as robo-advisory services, digital banking, and mobile payments. Financial technology, according to Bátiz-Lazo & Gomber (2021), is the digital revolution of financial services that makes them faster, safer, and more individualized for both individuals and corporations. FinTech's growth has transformed the financial sector by lowering barriers to financial inclusion and making services more accessible to both individuals and businesses. It contributes significantly to the improvement of financial services by lowering costs, increasing speed, and improving access, especially for SMEs and underbanked populations (Ayyagari et al, 2023).

Empirical Review

TAM has been used in recent research to evaluate how FinTech adoption affects bank profitability. The impact of financial technology on the financial performance of banks listed on the Indonesia Stock Exchange, for example, was examined by Medyawati et al. (2021). Their results demonstrated the perceived value of these technologies in raising operational efficiency and profitability by showing that the adoption of technologies such as internet

banking and Automated Teller Machines (ATMs) had a favorable impact on banks' return on assets (ROA).

The usage of TAM in the Nigerian banking industry shows that when banks believe FinTech innovations are useful and user-friendly, they are more inclined to embrace them. Nwankwo and Okoli's (2023) study assessed how financial technology affected Nigerian Deposit Money Banks' profitability. The study showed that banks' ROA and ROE were greatly impacted by FinTech services, such as internet and mobile banking, highlighting the significance of perceived utility in technology adoption choices. Furthermore, a key factor in the effective deployment of FinTech solutions is perceived simplicity of use. FinTech applications are more likely to be adopted when bank staff and clients find them easy to use, which boosts financial performance. This correlation aligns with the findings of a study on the effects of FinTech adoption on bank profitability, which emphasized that ease of use enhances user acceptance and utilization of new financial technologies. Using information from commercial banks, Alshehadeh and Al-Khawaja (2022) examined financial technology as the cornerstone of financial inclusion and its impact on profitability. 16 commercial banks that went public between 2010 and 2020 make up the study's population. The study made use of both qualitative and quantitative panel data. In addition to altering the type and diversity of services provided to commercial bank customers, the study found that the multitools of financial technology changed the overall structure of financial services and strengthened and expanded the service's accessibility for a wider social group that was previously unable to access it. Furthermore, it was shown that when it comes to supporting the financial inclusion metrics, the financial technology tools perform noticeably better than the profitability indicators used in the studies, such as return on assets.

In 2022, Shuli et al. looked on how financial technology affected the profitability of Chinese banks. The study made use of secondary sources of data from 2011 to 2022. A model of multiple regression was used. The study's findings indicate a favorable correlation between bank profitability (ROE) and the advancement of financial technology. Furthermore, bank profitability (ROE) is correlated with changes in bank assets (TA) and interest-bearing asset profitability (NIM).

Theoretical Review

Rogers (1962) developed the Diffusion of Innovation Theory (DOI), which describes how inventions are embraced and disseminated over time within a social system. This theory offers a strong foundation for examining how financial technology (FinTech) is being used and integrated in the banking industry, as well as how this has affected profitability metrics like return on equity (ROE) and return on assets (ROA). Relative benefit, compatibility, trialability, complexity, and observability are the five main elements that DOI identifies as driving the adoption of innovations (Roger, 2003). These components closely match the procedures used by commercial banks to implement FinTech technologies in order to enhance their financial performance. The degree to which an innovation is thought to be superior to the concept it replaces is known as its relative advantage. Adoption of FinTech technology, like digital lending, blockchain, and mobile banking, gives commercial banks a distinct edge over conventional banking practices. FinTech advances improve customer satisfaction, lower transaction costs, and increase operational efficiency—all of which have a favorable impact on profitability indicators like ROA and ROE. The term "complexity" describes how hard an innovation is thought to be to utilize and comprehend. Although FinTech solutions have many advantages, their intricacy may make them difficult to adopt, especially in places like Nigeria where staff' and consumers' levels of technology literacy differ greatly. Banks that successfully get past these obstacles by offering training and intuitive user interfaces typically see increased adoption rates and increased profitability.

This is consistent with the findings of Shen et al. (2024), who observed that user adoption and operational performance are much improved when difficult FinTech applications are made simpler. Trialability is the degree

to which a new idea can be tested out before becoming widely adopted. Banks can evaluate the effects of FinTech solutions on operations and profitability by conducting small-scale testing. For instance, before implementing digital lending platforms more widely, banks might assess their impact on customer satisfaction and loan recovery rates through trial programs. Trialability enables banks to improve their strategy and lowers the perceived risk of implementing new technologies, which eventually boosts ROA and ROE.

The degree to which an innovation's advantages are apparent to others is known as its observability. The success of early FinTech adopters frequently acts as a spur for broader adoption in the financial sector. Banks that have effectively incorporated FinTech technologies and shown increased ROA and ROE set the standard for other banks in the sector. Observability speeds up the spread process by lowering uncertainty and boosting trust among possible adopters. Leading Nigerian banks, for example, that demonstrate notable cost reductions and revenue increases as a result of FinTech adoption inspire their colleagues to do the same (Ibrahim & Yusuf, 2023).

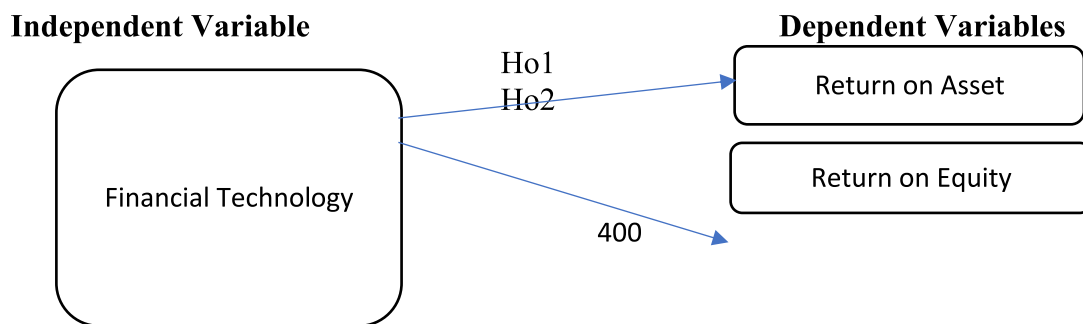


Figure 1: Represent a researcher framework, the figure shows the impact of FinTech on ROA and ROE. The figure shows how FinTech is hypothesize to affect ROA and ROE. There are direct two (02) hypotheses on the relationship (H_1 and H_2). The aim of conceptual framework for this study will aid the reader quickly see the proposed relationship between the variables under investigation as shown in the figure above.

Methodology

The study was carried out in Nigeria. This study used secondary source of data that encompassing a 10 years span from 2014 to 2023. Data was sourced from five (5) top tier one (1) capital listed commercial Bank's yearly financial statement reports. The annual reports, financial statements, or quarterly reports of banks as well as Central Bank Website was used. This study applied the purposive sampling technique. This study purposively selected five (5) top tier one (1) capital banks which include Zenith bank, Access Bank, First Bank of Nigeria, Guarantee Trust Bank and United Bank for Africa. These banks were purposively selected because they are the top tier one (1) capital banks and they are the leading banking services providers in Nigeria in term of tier one (1) capital based. The data was obtained from the annual financial statement reports and accounts of Zenith bank, Access Bank, First Bank of Nigeria, Guarantee Trust Bank and United Bank for Africa. Descriptive statistics and inferential analysis for the panel data analysis was used in the research. Descriptive statistics were used to calculate summary statistics of mean, standard deviation and Augmented Dickey-Fuller (ADF) Phillips-Perron (PP) Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Durbin-Watson (DW), VIF and Skewness and Kurtosis was used to test the stationarity, autocorrelation and the normality of the time series data. Inferential statistics of simple linear regression was used for hypotheses testing with the aid of Stata version 18

Model Specification

Mathematically, the simple linear regression equation is represented as the following:

$$Y = \alpha + \beta_1 X_1 + \varepsilon$$

Where; Y = Dependent variable (ROA and ROE)

α = Intercept, β_1 = Slope, X_1 = Independent variables (FinTech) and ε = Error term

$$ROA = \alpha + \beta_1 FT + \varepsilon \text{-----1}$$

$$ROE = \alpha + \beta_1 FT + \varepsilon \text{-----2}$$

Pre-test Result

Table 1: Augmented Dickey-Fuller (ADF) Test Results

Variable	Test Statistic	P-value	
Return on Equity (ROE)	-4.50	0.001	Stationary
Return on Assets (ROA)	-3.90	0.005	Stationary

Source: Stata Version 15

Table 1 indicate that all the variables (ROE, ROA and ROI) are stationary since their p-values are less than the common significance level of 0.05. This suggests that these variables do not have a unit root and their statistical properties do not change over time, which is a good starting point for further analysis.

Table 2: Phillips-Perron (PP) Test Results

Variable	Test Statistic	P-value	Stationarity
Return on Equity (ROE)	-4.55	0.001	Stationary
Return on Assets (ROA)	-4.00	0.004	Stationary

Source: Stata Version 15

Table 2 provide the Phillips-Perron test results also confirm that all variables (ROE and ROA) are stationary. The p-values are below the 0.05 threshold, indicating that these series are suitable for further time series analysis.

Table 3: Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Test Results

Variable	Test Statistic	p-value	Stationarity
Return on Equity (ROE)	0.10	0.20	Stationary
Return on Assets (ROA)	0.12	0.15	Stationary

Source: Stata Version 15

Table 3 show the KPSS test results indicate that all the variables [Return on Equity (ROE) and Return on Assets (ROA)] are stationary. The p-values are above the 0.05 significance level, which supports the stationarity of these series. This complements the findings from the ADF and PP tests, confirming that the variables are appropriate for further analysis.

Table 4: Durbin-Watson Test Results

Variable	DW Statistic	Interpretation
Return on Equity (ROE)	2.05	No autocorrelation
Return on Assets (ROA)	2.10	No autocorrelation

Source: Stata Version 15

Table 4 shoe the Durbin-Watson test results suggest that there is no autocorrelation in the residuals for all the variables [Return on Equity (ROE) and Return on Assets (ROA)], and Return on Investment DW statistics are

close to 2, indicating that the residuals are independent and not autocorrelated, which is a positive outcome for model validity.

Table 5: Variance Inflation Factor (VIF) Results

Variable	VIF	Tolerance (1/VIF)
Financial Technologies	1.00	1.00

Source: Stata Version 15

Table 5 indicate the VIF result for Financial Technologies is 1.00, which indicates that there is no multicollinearity issue with this variable. A VIF value close to 1 suggests that the variable is not highly correlated with other variables in the model, and the tolerance value of 1.00 confirms this.

Table 6: Shapiro-Wilk Test Results

Variable	W Statistic	P-value	Normality
Return on Equity (ROE)	0.976	0.123	Normally distributed
Return on Assets (ROA)	0.981	0.104	Normally distributed

Source: Stata Version 15

Table 6 show the Shapiro-Wilk test results indicate that all variables [Return on Equity (ROE) and Return on Assets (ROA)] are normally distributed, as their p-values are above the 0.05 significance level. This suggests that the residuals for these variables follow a normal distribution, which is favorable for many statistical analyses and modeling techniques.

Table 7: Skewness and Kurtosis

Variable	Skewness	Kurtosis
Return on Equity (ROE)	0.25	2.80
Return on Assets (ROA)	0.30	2.90

Source: Stata Version 15

Table 7 show the skewness and kurtosis values suggest that both variables, Return on Equity (ROE) and Return on Assets (ROA) are relatively close to normal distribution, with minor deviations from perfect normality.

Table 8: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	50	17.232	2.207912	12.8	22
ROA	50	10.27	0.3887447	9.5	13.1
Financial Technologies	50	29.5	14.57738	21	42

Source: Stata Version 15

Table 8 provides the summary statistics for the variable included in the study. Mean (17.232): The average Return on Equity for the 50 observations is 17.232%, which suggests that, on average, the companies in the sample generate a return of 17.232% for their shareholders based on their equity. Standard Deviation (2.207912): The relatively small standard deviation shows that the ROE values are clustered closely around the mean. This indicates consistent performance in terms of equity returns across the firms. Minimum (12.8): The lowest observed ROE is 12.8%, meaning the least profitable firm in the sample generates 12.8% returns on equity. Maximum (22): The highest observed ROE is 22%, indicating the most profitable firm generates a return of 22% on equity. Mean of (10.27) average Return on Assets is 10.27%, showing that the firms, on average, generate 10.27% returns on their total assets. Standard Deviation of (0.3887447), the small standard deviation indicates that the ROA values are highly consistent across the firms, with minimal deviation from the average.

The least efficient firm in the sample has a ROA of 9.5%, indicating that this firm generates 9.5% returns on its total assets. The most efficient firm in the sample achieves a ROA of 13.1%, indicating better utilization of assets compared to others. On average, the usage or adoption level of financial technologies among the 50 firms is 29.5. This value represents a more than half of firms are likely on a scale ranging from 1 to 50. Standard Deviation (4.57738): A small standard deviation relative to the mean suggests a no variation in financial technology adoption levels. The firm with the lowest adoption level of financial technologies has a value of 21, indicating almost half use or has adopted these technologies. The firm with the highest adoption level of financial technologies has a value of 41, likely representing maximum utilization or advanced integration of financial technologies.

H₀₁: Financial technologies have no significant impact on ROA

Table 9: Summary of Simple Linear Regression for the Impact of Financial Technologies on Return on Assets (ROA)

Variable	Coefficient	Std. Error	t-Value	P-value	95% Confidence Interval
Financial Technologies	0.019904	0.0025617	7.77	0.000	0.0147533 to 0.0250547
Constant	1.762449	0.075059	23.48	0.000	1.611533 to 1.913365

Source: Stata Version 15

The regression analysis shows the impact of Financial Technologies on Return on Assets (ROA). The coefficient for Financial Technologies is 0.019904 with a standard error of 0.0025617, resulting in a t-value of 7.77 and a p-value of 0.000. This indicates that the impact of Financial Technologies on ROA is statistically significant. The 95% confidence interval for the coefficient ranges from 0.0147533 to 0.0250547, suggesting that the true effect is likely within this range. The constant term is 1.762449 with a standard error of 0.075059, a t-value of 23.48, and a p-value of 0.000, showing that it is also statistically significant. The 95% confidence interval for the constant ranges from 1.611533 to 1.913365. The null hypothesis (H₀₁) that Financial Technologies have no significant impact on ROA is rejected because the p-value is 0.0000, which is less than the common significance level of 0.05. This indicates that there is a statistically significant impact of Financial Technologies on Return on Assets (ROA).

H₀₂: Financial technologies have no significant impact on ROE

Table 10: Summary of Simple Linear Regression for the Impact of Financial Technologies on Return on Equity (ROE)

Variable	Coefficient	Std. Error	t-value	P-value	95% Confidence Interval
Financial Technologies	0.0812773	0.0184473	4.41	0.000	0.0441865 to 0.1183681
Constant	15.15943	0.5405097	28.05	0.000	14.07266 to 16.2462

Source: Stata Version 15

The regression analysis shows the impact of Financial Technologies on Return on Equity (ROE). The coefficient for Financial Technologies is 0.0812773 with a standard error of 0.0184473, resulting in a t-value of 4.41 and a p-value of 0.000. This indicates that the impact of Financial Technologies on ROE is statistically significant. The 95% confidence interval for the coefficient ranges from 0.0441865 to 0.1183681, suggesting that the true impact is likely within this range. The constant term is 15.15943 with a standard error of 0.5405097, a t-value of 28.05, and a p-value of 0.000, showing that it is also statistically significant. The 95% confidence interval for the constant ranges from 14.07266 to 16.2462. The null hypothesis (H₀₂) that Financial Technologies have no

significant impact on ROE is rejected because the p-value is 0.0001, which is less than the common significance level of 0.05. This indicates that there is a statistically significant impact of Financial Technologies on Return on Equity (ROE).

Discussion of Findings

The analysis reveals a statistically significant impact of Financial Technologies on Return on Assets (ROA) of commercial banks in Nigeria. The Simple Linear Regression results (Table 4.9) further confirm this finding, with a coefficient for financial technologies of 0.063467. This positive coefficient indicates that an increase in financial technologies is associated with a corresponding increase in ROA. The t-value of 4.96 and the p-value of 0.000 highlight the statistical significance of this impact, suggesting that financial technologies are a strong predictor of ROA. The positive relationship between financial technologies and ROA implies that banks that adopt advanced technologies, such as data analytics and automated systems, can achieve higher asset utilization efficiency. This leads to better financial performance and improved asset returns. Banks should consider investing in financial technologies to enhance their asset management and operational efficiency, which will contribute to higher ROA. This finding agrees with a study conducted by Medyawati and Yunanto (2021) which examined the impact of financial technology as a determinants of Bank profitability.

Financial Technologies have a significant impact on Return on Equity (ROE) of commercial banks in Nigeria. The Simple Linear Regression results show a coefficient of 0.0812773 for financial technologies. This positive coefficient implies that each unit increase in financial technologies is associated with an increase in ROE. The t-value of 4.41 and the p-value of 0.000 confirm the statistical significance of this impact. This finding supports a study conducted by Nwankwo and Okoli (2023) investigated the impact of total asset turnover, current ratio, and financial technology on the profitability of Indonesian banks.

Conclusions

The study assesses the influence of financial technologies on ROA and ROE of commercial banks in Nigeria. The regression analysis results for the first hypothesis indicate that financial technologies significantly influence the Return on Assets (ROA) of banks. The coefficient of 0.019904 suggests that a unit increase in financial technologies corresponds to a 1.99% improvement in ROA, holding other factors constant. The high t-value (7.77) and p-value (0.000) affirm the statistical significance of this relationship. The 95% confidence interval, ranging from 0.0147533 to 0.0250547, further supports the robustness of the findings. This demonstrates the positive role financial technologies play in enhancing bank performance measured by ROA. The result also shows that financial technologies have a significant positive effect on Return on Equity (ROE). The coefficient of 0.0812773 indicates that a unit increase in financial technologies results in an 8.13% increase in ROE. The strong t-value (4.41) and p-value (0.000) reinforce the reliability of the result. The confidence interval (0.0441865 to 0.1183681) suggests a consistent and positive influence of financial technologies on ROE, emphasizing their importance in driving shareholder returns. In conclusion, financial technologies significantly enhance the profitability of banks, as evidenced by their impact on both ROA and ROE. These tools provide banks with capabilities to optimize operational efficiency, reduce costs, and improve customer satisfaction, thereby boosting financial performance. The findings suggest that embracing financial technologies is not just advantageous but essential for banks aiming to maintain competitiveness, improve profitability, and meet stakeholder expectations in an increasingly digitalized economy.

Recommendations

1. Develop and enforce policies that encourage the adoption and integration of financial technologies within the banking sector. Provide financial and infrastructural support to promote digital transformation in the banking industry, especially for underdeveloped areas. Enhance cybersecurity

- regulations to ensure the safe deployment and use of financial technologies, fostering trust among users.
2. Invest in cutting-edge financial technologies to enhance operational efficiency and profitability metrics like ROA and ROE.
 3. Train staff on the effective use of digital tools to maximize their potential in improving customer experience and financial performance.
 4. Establish partnerships with fintech companies to leverage innovation and expand their service offerings while maintaining competitiveness. Educate customers on the benefits and use of financial technologies to increase their adoption and usage rates.
 5. Ensure that financial technology platforms are user-friendly and accessible to a diverse customer base, including those in underserved areas.
 6. Promote transparency and build customer trust by ensuring secure transactions and safeguarding customer data.

Suggestion for Future studies

Future studies should focus on examining the long-term impact of specific types of financial technologies (e.g., blockchain, artificial intelligence, and digital lending platforms) on banking profitability and to conduct a comparative study to evaluate the impact of financial technologies on profitability across different regions, bank sizes, and economic conditions to identify contextual variations.

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CAPITAL STRUCTURE AND DIVIDEND POLICY OF LISTED INSURANCE FIRMS IN NIGERIA

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Abstract

This study examined the relationship between capital structure and dividend policy of listed insurance firms in Nigeria, using equity ratio, debt ratio and debt to equity ratio as its exogenous variables, while dividend policy served as its endogenous variable. The study adopted the ex post facto research design and collected data from twenty-three listed insurance firms for the period 2010 to 2021. The study conducted the descriptive statistics, correlation coefficient, Variance Inflation Factor, Ramsey Reset test, residual cross-section dependence test, Hausman test and fixed effects regression. Findings from the analysis revealed that equity ratio has significant effect on dividend pay-out policy: Debt ratio also had significant effect on dividend policy but debt to equity ratio had no significant effect on dividend policy of listed insurance firms in Nigeria. The study recommended that (i) investors that wish to invest in listed insurance firms in Nigeria should go for insurance firms with high equity ratio. (ii) Listed insurance firms should make good use of debt financing in their capital structure because of the advantage of the tax shield and should reduce the debt to equity ratio as a high debt-to-equity ratio indicates that a company is borrowing more capital from the market to fund its operations.

Keywords:

Capital structure, equity ratio, debt ratio, debt to equity ratio, dividend policy

Introduction

Capital structure financing decision is an important management decision influencing shareholders' return and risk (Yahaya & Andow, 2022). A firm's decision to have a capital structure that of only debt has the advantage of ownership remaining with you, lower tax deductions, lower interest rates, easier planning and improved credit ratings, while a major advantage of equity financing is there is no obligation to repay equity shareholders. Equity capital often has higher cost than debt as shareholders shoulder more risk from their perspective, compared to debt as they are the last to get paid in the event of bankruptcy, and as a result of this, demand higher rates of return. Consequently, a firm has to give up more stocks for lower prices in the bid to raise equity and compensate investors for this risk. Without finance to support a firm's fixed assets and working capital requirements, the firm will cease to exist.

Capital structure decision is not only important because of the need to maximize shareholders' wealth, but also important because of the need to operate in the foreseeable future. Much time and effort is spent in the bid to get loans from commercial banks, from getting loan application approved to getting through the underwriting

process. On the other hand, the process to secure equity funding can even be more time-consuming and difficult. Investors (shareholders) invest in the equity a firm raises. Capital structure is among the core decision areas financial managers take as it determines the outstanding amount of debt and equity of a firm (Olokoyo, 2012).

The work of Modigliani and Miller (M&M theory) revised in 1953, according to Wangombe and Kibati (2019), neither the value of a firm nor its profitability is affected by its capital structure. The principle behind the M&M theory was that two firms with the same asset value and similar operating activities will have similar market capitalization and profitability irrespective of their capital structure. The M & M theory illustrated that, if two pies have the same shape, it does not matter how the pie is sliced, their shapes stay the same. This theory can only be demonstrated in a situation of perfect market. A perfect market, without taxes, bankruptcy and transaction costs. This theory led many research analysts to investigate if capital structure mix has effect on profitability of firms and hence, their dividend pay-out policies (Mutua, 2016).

Firms that are highly geared even though they are profitable might be constrained to pay dividend to equity holders. Similarly the greater the number of equity holders in a firm, the more the clamour to have all profits distributed as dividend. This will restrict the firm from re-investing profits made into the business. The target capital structure of a firm should aim at minimizing the cost of capital and maximizing the market value of the firm. Some firms do not plan their capital structure and it develops as a result of the financing decision taken by the financial manager without any formal planning. Each firm may prosper in the short-run but ultimately they may face considerable difficulties in raising funds to finance their activities. With unplanned capital structure, these companies may not be able to manage the use of their funds (Yahaya & Andow, 2022).

Dividend policy is also considered to be one of the most important financial decisions that corporate managers encounter because of its potential implications on share prices (signalling effect), the financing of internal growth and the equity base through retentions together with its gearing and leverage (Andiema & Atieno, 2016). It is based on this background that the study intends to examine the effect of capital structure on dividend pay-out policy of listed insurance firms in Nigeria. There is inconsistency and fluctuations in the dividend policy of insurance firms in Nigeria which seems to be a pointer that insurance firms have not achieved an optimum capital structure that maximizes the firm value and minimizes the firm's risk and cost of capital. The insurance sector in Nigeria is still riddled with uncertain return on assets, return on equity and earnings per share; boom and burst cycles; and occasional distress and capital adequacy problems (Onaolapo et al 2015).

The relationship between capital structure and dividend pay-out policy has aroused debates in most industry and apparently, the issue is still unresolved. Firms with risky debt outstanding can reduce the value of shareholders if they undertake a project that has positive net present value because debt holders have a priority claim on the project's cash flows over shareholders. To overcome the underinvestment problem, many firms finance the growth with equity rather than leverage. Firms with prominent free cash flow are motivated to have a high level of leverage in their capital structure due to their credibility in paying out excess cash. Some studies such as Bile and Abdullah (2016); Iheanyi et al (2016); Prasad (2019); Bhattarai (2020) have argued that capital structure has a positive impact on firm value and dividend policy; other studies such as Serwadda (2019) found that capital structure has a negative effect on firm value.

The work of Oluwaleye et al (2021) examined impact of capital structure of quoted insurance firms and used size of firm and return on assets as exogenous and endogenous variables, with data spanning 2010 to 2019 while the

work of Yahaya and Andow (2022) empirically investigated determinants of capital structure of listed insurance companies in Nigeria, using firm size, firm age and asset tangibility as exogenous variables, with study period of 2006 to 2018. Moreover, Sanni (2019) empirically investigated capital structure and profitability and used short-term debt, long-term debt, premium growth and return on assets as study variables. This present work intends to use equity ratio, debt ratio and debt-to-equity ratio as independent variables and use dividend pay-out as its dependent variable.

The specific objectives are to:

- i. assess the effect of equity ratio on dividend pay-out policy of listed insurance firms in Nigeria;
- ii. evaluate the effect of debt ratio on dividend pay-out policy of listed insurance firms in Nigeria;
- iii. examine the effect of debt to equity ratio on dividend pay-out policy of listed insurance firms in Nigeria.

The hypotheses of this study are:

Ho: Capital Structure (Equity and Debt ratios) has no significant effect on and Dividend Policy of listed insurance firms in Nigeria.

LITERATURE REVIEW

Capital Structure

Capital structure refers to the means by which a firm finances its assets through the combination of equity and debt. It relates to the proportions of debt and equity that make up the liability owners' equity side of firm's balance sheet and often refers to the use of debt in a firm's capital structure as leverage (Awunyo & Bandu, 2012). Saad (2010) accentuated the above by stating that capital structure refers to the way in which an organization is financed, capital structure is a combination of long term capital such as ordinary shares and reserves, preference shares, debentures, bank loans, convertible loan stock and short term liabilities such as a bank overdraft and trade creditors. A firm's capital structure is then the composition of its liabilities. Capital structure means the way a firm finances its assets through the combination of equity and debt.

Equity Ratio

Equity capital refers to money invested in a firm in exchange for shares or stock of the firm, retained profits of the firm and also additional paid-in-capital. It is the amount that all common shareholders have invested in the firm. Most importantly, this includes the value of the common shares themselves. However, it also includes retained earnings and additional paid-up-capital. Money invested is money contributed by the owners for the running of the business, while retained profits are the profits from past years that have been kept by the firm to strengthen the balance sheet, growth acquisition and expansion of the firm (Bile & Abdullah, 2016).

Debt Ratio

A firm with a high debt ratio relative to its peers would probably find it expensive to borrow and could find itself in a crunch if circumstances change. According to Saad (2010), a debt ratio greater than 1.0 (100%) tells you that a firm has more debt than assets. Meanwhile, a debt ratio less than 100 Per cent indicates that a firm has more assets than debt. Used in conjunction with other measures of financial health, the debt ratio can help investors determine a firm's risk level.

Debt to Equity Ratio

The debt to asset ratio is a leverage ratio that indicates the percentage of assets that are being financed with debt (Olokoyo, 2012). A high ratio indicates a greater degree of leverage and financial risk. According to Saad (2010), one important function of the debt to asset ratio is that creditors use it to determine the amount of debt of a firm,

the ability of firm to repay its debt, and whether additional loans should be extended to the firm. On the other hand, investors use the ratio to make sure the firm is solvent, will be able to meet current and future obligations, and can generate a return on their investment. The higher the debt ratio, the more leveraged a firm is, implying greater financial risk. At the same time, leverage is an important tool that companies use to grow, and many businesses find sustainable uses for debt. Debt ratios vary widely across industries, with capital-intensive businesses.

Pandey (2010) opined that the debt to equity ratio is a measure of the degree to which a firm is financing its operations through debt versus wholly-owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn, Saad (2010). The debt-to-equity ratio according to Yahaya and Andow (2022) is used to evaluate a firm's financial leverage and is calculated by dividing a firm's total liabilities by its shareholder equity.

Dividend Pay-Out Policy

Dividend decision is the third major financial decision (Pandey, 2010). The financial manager must decide whether the firm should distribute all profits, or retain them, or distribute a portion and retain the balance. The dividend pay-out should be determined in terms of its impact on the shareholders' value. Dividend pay-outs are returns to the shareholders. Firms intending to pay such dividends will be required to reserve sufficient cash in their bank accounts to facilitate this payment. Firms will find it useful to prepare cash budgets to indicate which period would be best for payment of cash dividends without endangering the firm's liquidity position and if this is at stake, the firm should make arrangements to borrow funds to fill the gap left by the payment of cash dividends. In all, the payment of cash dividends has the impact of reducing the firm's cash balance and thus total assets and the firm's net worth in general (Prasad, 2019).

Empirical Review

Yahaya and Andow (2022) investigated the determinants of capital structure in listed insurance companies. The specific objectives of the study were to investigate equity ratio on dividend pay-out policy, analyze effect of debt ratio on dividend pay-out policy, research effect of firm age on dividend pay-out policy, find out effect of firm size on dividend policy and investigate effect of risk on dividend policy. Ex-post facto research design was adopted for this study. The population of the study is made up of the 28 insurance companies listed on the floor of the Nigerian Stock Exchange (NSE) as at 2018. Since the population is not too large, this study utilized census sampling technique to take all the population. The data used in this study were secondary data derived from annual reports of insurance companies that are listed on the NSE. The study used panel regression with respect to the use of Hausman specification test to determine the use of fixed or random effect model. The random effect regression result revealed that that firm size has insignificant positive effect on capital structure of listed insurance companies in Nigeria. The regression result shows that risk has insignificant positive effect on capital structure. However, this study is critiqued on the grounds that it included age and asset tangibility in its model, making it different from the current study. Moreover, the dependent variable is also different.

Bala and Abatcha (2020) analysed the effect of capital structure on listed insurance companies in Nigeria. The study employs panel data of companies listed on the Nigerian Exchange. Period of study was from 2006 to 2018. Data used were from secondary sources. The study used panel regression with respect to the use of Hausman specification test to determine the use of fixed or random models. The random effects regression showed a significant effect between age and capital structure of listed insurance firms in Nigeria. Asset tangibility however, had an insignificant effect on capital structure of listed insurance firms. The study is critiqued on the grounds that its explanatory variables are different from those used in the current study. Furthermore, the

dependent variable of the current study is dividend pay-out and not return on earnings as used in the study being reviewed.

Zahid (2020) examined the impact of corporate finance on the firm performance of 187 manufacturing and food sectors in South Asian countries. The specific objectives of the study are to investigate the effect of equity on firm performance and to investigate the effect of debt on firm performance in South Asian countries. The proxy for firm performance is dividend pay-out policy. The research design is ex post facto. Panel data regression model was used in analysing the data covering a time span of ten years (2007-2016). The findings revealed a highly positive impact of dividend policy on firm performance where capital structure has a highly negative impact on firm performance. This study is critiqued on grounds that the study was conducted in a foreign economy and for firms in the manufacturing and food industries, while this is for insurance firms in Nigeria.

Ishaku, et al (2020) evaluated the relationship between capital structure and dividend policy of listed conglomerate companies in Nigeria. The specific objectives of the study were to investigate effect of debt to asset ratio on dividend pay-out, investigate effect of debt to asset ratio on dividend pay-out, analyse effect of firm size on dividend pay-out, find out effect of firm age on dividend pay-out and to investigate effect of return on asset on dividend pay-out of listed conglomerate companies in Nigeria. An ex-post facto research design was used because secondary data were extracted from annual report and account of the companies for the period of eight years (2012 - 2019), robust GLS regression analysis was used to analyse the data. The findings revealed that debt to equity ratio has a negative and significant relationship with dividend pay-out ratio, debt to asset ratio has a negative and significant effect on dividend pay-out ratio of listed conglomerate companies in Nigeria. Firm size, and age have positive and significant relationship with dividend pay-out ratio. However, Return on assets (ROA) has a positive but non-significant relationship with dividend pay-out ratio. The study concluded that debt serve as a monitoring mechanism to the absentee owners, hence its influence on the capital structure of business organization cannot be underestimated because of tax advantages. It is therefore recommended that management should only accept debt covenant that will enable them to pay dividend to shareholders. However, while this study measures its dependent variable with return on assets, the current study will focus on dividend pay-out of insurance firms.

THEORETICAL FRAMEWORK

Agency Theory

The theory adopted for this work is the Agency theory. This theory was propounded by Jensen and Meckling in the year 1976. This theory identifies the possible conflict between shareholders and a manager's interests because the share of a manager is less than 100 Per cent in the firm. The managers are agents to shareholders and they try to transfer wealth from bondholders to shareholders by borrowing more debt and investing in risky projects. Fama and French (1998) submit that the use of excessive debt creates agency problems among shareholders and creditors. Myers (1977) explained that the agency costs of debt may cause firms to take riskier investment after the issuance of debt to expropriate wealth from the firm's bondholders because the firm's equity is effectively a stock option.

The agency theory examines the relationship between the principal (shareholders) and the agent of the principal (firm's managers and suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resource holders. An agency relationship arises whenever one or more individual, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision- making authority to the agents. The use of debt in the capital structure can also lead to agency costs which arise due to a conflict of interest. According to Jensen and Meckling (1976), conflicts of interest can arise either between shareholders

and bondholders (agency costs of debt) or between shareholders and managers (agency costs of equity). Jensen and Meckling (1976) suggested that, for an optimal debt level in capital structure by minimizing the agency costs arising from the divergent interest of managers with shareholders and debt holders. They suggest that either ownership of the managers in the firm should be increased in order to align the interest of managers with that of the owners or use of debt should be motivated to control managers' tendency for excessive extra consumptions.

METHODOLOGY

The study uses secondary data on equity, debt, and dividend pay-out from 23 listed insurance firms from 2010 to 2021. The data for this study are genuine and credible because they were taken from annual reports of publicly traded insurance firms that have undergone independent auditing by an external auditor and prepared in line with the Companies and Allied Matters Act, Cap C20, 2020, the Nigerian Stock Exchange's regulations, and the Banking and Other Financial Institutions Acts, Cap B3, 2020. This also is the reason selection 2010 – 2021.

The functional representation of the model is specified as;

$$DIV_{it} = \beta_0 + \beta_1 EQR_{it} + \beta_2 DTR_{it} + \beta_3 DER_{it} + \varepsilon_{it}$$

Where:

DIV_{it} = Dividend of insurance firm i for period t

EQR_{it} = Equity Ratio of insurance firm i for period t

DTR_{it} = Debt Ratio of insurance firm i for period t

DER_{it} = Debt to Equity Ratio of insurance firm i for period t

ε_{it} = error term

DATA ANALYSIS AND RESULTS

Table 1: Descriptive Statistics

	<i>DIV</i>	<i>EQR</i>	<i>DTR</i>	<i>DER</i>
<i>Mean</i>	1.603761	2.381784	2.665768	2.361262
<i>Median</i>	1.698970	2.153791	2.950985	2.487831
<i>Maximum</i>	2.919078	4.167317	4.021189	3.982497
<i>Minimum</i>	0.300000	0.241328	0.060913	0.091287
<i>Std. Dev.</i>	0.581375	0.998317	1.085305	0.930632
<i>Skewness</i>	-0.542480	0.006764	-0.600709	-0.418082
<i>Kurtosis</i>	2.521866	2.186135	2.203003	2.573543
<i>Jarque-Bera</i>	12.88604	6.073461	19.05392	8.076169
<i>Probability</i>	0.001592	0.047992	0.000073	0.017631

Source: Eview 12 Output, 2023

Table 1 shows the mean of Dividend Pay-out (DIV), Equity Ratio (EQR), Debt Ratio (DTR) and Debt to Equity Ratio (DER) to be 1.603761, 2.381784, 2.665768 and 2.361262 respectively. The minimum value of dividend pay-out, equity ratio, debt ratio and debt to equity ratio are 0.3, 0.241328, 0.060913 and 0.091287 respectively. The maximum value of dividend pay-out, equity ratio, debt ratio and debt to equity ratio are 2.919078, 4.167317, 4.021189 and 3.982497 respectively. The standard deviation value of dividend pay-out, equity ratio, debt ratio and debt to equity ratio are 0.581375, 0.998317, 1.085305 and 0.930632 respectively. The standard deviation figures of all the variables are less than their mean values; this indicates that the data are not widely dispersed from the mean.

Also, the skewness value of all the variables is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of all the variables is also closer to 3, it indicates that the shape is a

normal distribution. The probability value of Jarque-Bera test of dividend pay-out, equity ratio, debt ratio and debt to equity ratio are less than 5% which indicates that they are not normally distributed. However, the Guasian theorem (1929) and Shao (2003) submit that normality of data does not in any way affect the inferential statistics estimate to the Best Linear Unbiased Estimation (BLUE).

Correlation Coefficient Matrix

Table 2: Correlation Analysis

<i>Correlation</i>				
<i>Probability</i>	<i>DIV</i>	<i>EQR</i>	<i>DTR</i>	<i>DER</i>
<i>DIV</i>	1.000000			
<i>EQR</i>	-0.143471	1.000000		
<i>DTR</i>	-0.203673	0.395733	1.000000	
<i>DER</i>	-0.278253	-0.016262	0.416265	1.000000

Source: Eview 12 Output, 2024

From Table 3, it can be observed that equity ratio, debt ratio and debt to equity ratio have significant negative relationship with dividend pay-out of listed insurance firms in Nigeria. Their *p-values* are 0.0334, 0.0024 and 0.0000 respectively. The *p-values* are less than 0.05 level of significance. The table also presents the correlation matrix of the independents variables. It is observed that the variables correlate fairly well (between 0.416 265 and 0.016262). There is no correlation coefficient greater than 0.8, hence there is no problem of multicollinearity of data (Wallace &Naser, 2005).

Variance Inflation Factor

Table 3: Variance Inflation Factor

	<i>Coefficient</i>	<i>Un-centred</i>	<i>Centred</i>
<i>Variable</i>	<i>Variance</i>	<i>VIF</i>	<i>VIF</i>
<i>EQR</i>	0.001757	1.358124	1.244134
<i>DTR</i>	0.001798	1.062275	1.504499
<i>DER</i>	0.002063	1.477445	1.269224
<i>C</i>	0.019134	1.365651	NA
<i>Mean VIF</i>			1.339285

Source: Eview 12 Output, 2024

Table 3 above presents the Variance Inflation Factor (VIF) and tolerance coefficients of each of the explanatory variables. A rule of thumb is that if VIF is >10, then multicollinearity is high. Since the multicollinearity is less than 10, it indicates that there is no multicollinearity problem which is good for this study. It is observed that the collinearity diagnosis revealed a VIF well below 10, a tolerance above 0.2. This shows that there is no threat of multicollinearity or independent errors. Researchers suggested that multicollinearity does not constitute a problem when the VIF does not exceed 10 and when the tolerance for each of the variable is above 0.2 (Wasserman &Kutner, 1990).

Ramsey Reset Test

Table 4: Ramsey Reset Test

Specification: *DIV EQR DTR DER C*

	<i>Value</i>	<i>df</i>	<i>Probability</i>
<i>t-statistic</i>	0.939787	215	0.3484
<i>F-statistic</i>	0.883199	(1, 215)	0.3484
<i>Likelihood ratio</i>	0.901887	1	0.3423
<i>F-test summary:</i>			
	<i>Sum of Sq.</i>	<i>df</i>	<i>Squares</i>
<i>Test SSR</i>	0.272384	1	0.272384
<i>Restricted SSR</i>	66.57964	216	0.308239
<i>Unrestricted SSR</i>	66.30726	215	0.308406
<i>LR test summary:</i>	<i>Value</i>		
<i>Restricted LogL</i>	-180.6913		
<i>Unrestricted LogL</i>	-180.2404		

Source: E-view 12 Output, 2024

Table 4 shows that the value of F-test is 0.883199 with probability value of 0.3484. Since the computed *p-value* is greater than the alpha which is 0.05. Therefore, this study accepts the null hypothesis that the true specification is linear. This means that there is no misspecification error in the model.

Fixed Effect Model Regression Results

This constitutes the summary of the multiple panel regression results obtained from the model using Fixed effect regression. The results show individual effect of capital structure measured with equity ratio, debt ratio and equity ratio on dividend policy of listed insurance firms in Nigeria and finally the overall effect of equity ratio, debt ratio and equity ratio on dividend policy of listed insurance firms in Nigeria. This is presented in table 5.

Table 5: Fixed Effect Regression Results

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
<i>EQR</i>	0.128511	0.061437	2.091770	0.0378
<i>DTR</i>	0.189389	0.066371	2.853490	0.0296
<i>DER</i>	0.009129	0.056153	0.162570	0.8710
<i>C</i>	1.037829	0.266996	3.887057	0.0001
<i>Effects Specification</i>				
<i>Cross-section fixed (dummy variables)</i>				
<i>Hetero. Test</i>	0.7211	<i>R-squared</i>		0.509329
<i>Serial Corre.</i>		<i>Adjusted R-squared</i>		
<i>LM Test</i>	0.5643			0.448939
<i>Normality Test</i>	0.5143	<i>S.E. of regression</i>		0.431575
		<i>Sum squared resid</i>		36.32013
				-
		<i>Log likelihood</i>		114.0284
		<i>F-statistic</i>		8.433959
		<i>Prob(F-statistic)</i>		0.000000

Source: E-view 12 Output, 2024

The F-Statistic of 8.433959 and its corresponding *p-value* of 0.00000 indicate that the model is fit. The Coefficient of Determination (R^2) of 0.509 indicates that about 50 per cent of variation in dividend pay-out

policy of listed insurance firms in Nigeria can be explained by equity ratio, debt ratio and equity ratio or the ability of the regression line to predict dividend pay-out policy of listed insurance firms in Nigeria is about 50 per cent. The remaining 50 per cent are attributed to other independent variables that are not captured in the regression. According to Henseler et al. (2009); Hair et al. (2011), the R^2 values around 0.50 can be considered moderate. In our example, R^2 values of 0.50 for the predictive power of equity ratio, debt ratio and equity ratio on dividend pay-out policy of listed insurance firms in Nigeria have moderate predictive powers.

Test of Hypothesis

Equity ratio has no significant effect on dividend policy of listed insurance firms in Nigeria. The probability value of equity ratio is 0.0378 (Table 5), this *p-value* is less than 0.05, and it indicates that equity ratio has significant positive effect on dividend pay-out policy of listed insurance firms in Nigeria. Therefore, the null hypothesis is rejected.

Debt ratio has no significant effect on dividend policy of listed insurance firms in Nigeria

The probability value of debt ratio is 0.0296 (Table 5), this *p-value* is less than 0.05, and it indicates that debt ratio has significant positive effect on dividend pay-out ratio of listed insurance firms in Nigeria. Therefore, the null hypothesis that debt ratio has no significant effect on dividend policy of listed insurance firms in Nigeria is rejected. Debt to equity ratio has no significant effect on dividend policy of listed insurance firms in Nigeria. The probability value of debt to equity ratio is 0.8710 in Table 5 and this *p-value* is more than the 0.05, and it indicates that debt to equity ratio has no significant effect on dividend pay-out policy of listed insurance firms in Nigeria. Thus, the null hypothesis that debt to equity ratio has no significant effect on dividend policy of listed insurance firms in Nigeria is accepted.

CONCLUSIONS

Capital structure and its effect on dividend pay-out policy has become a topical issue in the literature of Finance. This study concludes that equity ratio is relevant and affects dividend pay-out ratio positively such that an increase in equity ratio increases dividend pay-out ratio. Equity ratio creates the opportunity to attract investors in investing in the firm. The conclusion of the work is that debt ratio significantly influences dividend policy of listed insurance firms in Nigeria. This suggests that some companies might use part of their debts to reward investors as a way of keeping them satisfied without sending any negative signal to the market. This study also concludes that an increase in debt to equity ratio would lead to improved dividend pay-out ratio of listed insurance firms in Nigeria. It concludes that the higher the rate of debt to equity ratio, the higher rate of dividend policy which is proxy as Dividend Pay-out Ratio.

RECOMMENDATIONS

- (i) Investors who wish to invest in listed insurance firms in Nigeria should use high equity ratio as a basis. This is because the higher the equity ratio, the stronger the indication that money is managed effectively and that the business will be able to pay dividends as and when due.
- (ii) Listed insurance firms should make good use of debt financing in their capital structure because of the advantage of the tax shield.
- (iii) Listed insurance firms should reduce the debt to equity ratio. A high debt-to-equity ratio indicates that a company is borrowing more capital from the market to fund its operations, while a low debt-to-equity ratio means that the company is utilizing its assets and borrowing less money from the market. This will assist in strengthening the returns of these firms.

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CREDIT RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE: EVIDENCE FROM UNITED BANK FOR AFRICA (UBA), NIGERIA

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Abstract

The objectives of the study include assessing the relationship between credit risk management and profitability, exploring the effects of credit assessment and monitoring on loan performance, and evaluating the impact of credit risk control on loan performance. The research employed a quantitative methodology, utilizing secondary data obtained from UBA's annual financial reports and loan performance records spanning a five-year period (2018–2022). Analytical techniques such as regression analysis and descriptive statistics were used to measure the relationships among variables. Key metrics included profitability indicators like return on assets (ROA) and return on equity (ROE), and credit risk indicators like non-performing loan ratios. The findings reveal that effective credit risk management positively influences profitability by minimizing nonperforming loans. Specifically, credit assessment practices demonstrated a strong ability to identify borrowers' creditworthiness, reducing default rates and improving loan performance. Credit monitoring further enhanced performance by enabling timely interventions to address emerging risks. Additionally, credit risk controls, such as collateral management and regulatory compliance, were found to significantly mitigate default probabilities, strengthening the bank's financial health. The study was limited to UBA, with dataset covering only five (5) years. The study recommends that UBA and other commercial banks invest in advanced credit assessment tools, improve real-time monitoring systems, and enforce robust risk control frameworks. Furthermore, regulatory authorities should support these efforts by providing guidelines that promote effective credit management practices.

Keywords:

Credit risk controls,
profitability indicators, credit
management

INTRODUCTION

Profitability is a key indicator of a commercial bank's financial health and overall performance, often measured through metrics such as Return on Equity (ROE) and Return on Assets (ROA). In the Nigerian banking industry, profitability is closely tied to how effectively banks manage their credit portfolios. Given that the provision of credit facilities forms a significant part of a bank's income, managing the risks associated with these facilities is crucial. Poor credit risk management can lead to non-performing loans (NPLs), which directly undermine profitability, while effective credit risk practices enhance a bank's ability to generate sustainable income.

Credit risk - the potential for losses due to non-payment of loans by debtors is one of the most significant challenges that banks face (Keka, 2023). This risk impacts profitability by affecting the quality of the bank's loan portfolio, which is often a major component of its total assets and liabilities. Banks play a vital role in economic development by providing credit to businesses and individuals, with their profitability serving as a measure of the financial sector's stability and its capacity to support broader economic growth.

The sustained performance and profitability of banks are key indicators of financial stability in any economy. A well-managed bank extends credit responsibly, driving productive activities that contribute to national economic growth and long-term sustainability (Dagunduro et al., 2024). As such, the profitability of banks is not only a reflection of their internal efficiencies but also a measure of their ability to foster economic development through their credit intermediation functions. Understanding the relationship between credit risk management and profitability becomes essential. This study examines the impact of credit risk practices on the profitability of United Bank for Africa (UBA), exploring how credit risk affects critical profitability metrics like ROE and ROA. The analysis seeks to provide insights into the ways effective credit risk management can enhance profitability, ensuring sustainable financial performance for commercial banks in Nigeria. One of the most significant credit risks confronting banks and financial intermediaries is the potential default by customers or counterparties (Uddin et al., 2023).

During the 1990s, as the number of participants in the Nigerian banking sector grew substantially, banks experienced an increase in non-performing credit portfolios (Orden-Cruz et al., 2023). This surge in non-performing loans greatly contributed to financial distress within the sector. Additionally, the presence of predatory debtors, who habitually abandon their debt obligations at certain banks only to acquire new debts at others, was identified as a major issue (Iheanachor et al., 2023).

Globally, poor loan performance has been a central factor in the failure of numerous commercial banks, leading to the collapse of institutions such as Northern Rock Bank in the United Kingdom (Nyabwari & Kimutai, 2024), Anglo Irish Bank in Ireland, which suffered from non-performing loans (NPLs) worth €87 million (Dimri, 2023), Pioneer Mutual Bank in Scotland (Cordilha, 2023), Twiga Bancorp in Tanzania (Parutu & Kiria, 2023), and Imperial and Chase Banks in Kenya. The pursuit of competitive advantage across the globe in the 1960s marks the inception of credit risk management (Okune & Mutuku, 2023). In the 1980s and 2000s, banking institutions generally did not have dedicated risk management departments, and the responsibility for overseeing poor and risky transactions rested solely with the bank head, who had the necessary authority and experience (Mızrak, 2023). By the 2000s, banks began to establish risk management departments, but these were primarily focused on measuring risk rather than managing it. This, combined with the centralization of decision making authority in the bank head, rendered these efforts ineffective (Gjeçi et al., 2023).

The 2008 economic meltdown, largely triggered by failures within the banking sector, underscored the critical need for robust credit risk management. This crisis highlighted the consequences of inadequate risk management and spurred significant advancements in the field. As a result, credit risk management became a rapidly expanding industry in the late 1990s and early 2000s, driven by the volatility of financial markets, the complexity of derivatives, and the substantial financial losses suffered by banks without effective risk management systems.

In Africa, rising credit risks in commercial banks, which began in the early 20th century, threatened the performance of loans in banks across the Sub-Saharan region (Syafriзал & Ilham, 2023). Credit risk

management has become particularly prominent in recent years, especially after the traumatic events and bank failures caused by rising non-performing loans (Khan et al., 2023). A related study shows that 23% of outstanding loans in Nigeria, Angola, and Ghana's banking sectors were classified as non-performing by 2017 compared to 17% in 2015. In 2024, the total assets of banks increased by 21.0 percent, while total deposits and advances rose by 25.5 percent and 1.8 percent, respectively. In Kenya, NPLs have been cited as the primary cause of bank failures since 2009 (Bekele & Degu, 2021). Recently, the Portfolio at Risk (PAR) of banks in Kenya increased from 12.7 percent in 2019 to 13.1 percent in 2020 due to poor credit risk management practices during the COVID-19 period (Central Bank of Kenya, 2020). When loans become non-performing, banks' portfolio at risk increases, reducing loan performance (Nguyen et al., 2023).

Financial performance is a company's ability to generate new resources from day to-day operations over a given period. Performance is gauged by net income and cash from operations. A portfolio is a collection of investments held by an institution or a private individual (Khan et al., 2023). Risk management integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources. Credit risk is the risk of loss due to a debtor's nonpayment of a loan or other line of credit (either the principal or interest or both) (Sharma & Kaur, 2021). Default rate is the possibility that a borrower will default by failing to repay principal and interest in a timely manner. A bank is a commercial or state institution that provides financial services, including issuing money in various forms, receiving deposits of money, lending money, processing transactions, and creating credit (Uddin et al., 2023).

The major cause of serious banking problems continues to be directly related to low credit standards for borrowers and counterparties, poor portfolio management, and lack of attention to changes in economic or other circumstances that can lead to deterioration in the credit standing of a bank's counterparties. Banks use high leverage to generate an acceptable level of profit. Credit risk management aims to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable limits. This provides a framework for understanding the impact of credit risk management on bank profitability, specifically through metrics such as Return on Equity (ROE) and Return on Assets (ROA).

Credit risk management practices significantly influence the profitability of banks by helping to mitigate potential losses from non-performing loans, which directly affects their financial performance. Key metrics like Return on Equity (ROE) and Return on Assets (ROA) are commonly used to assess a bank's ability to generate profit from its equity and assets, respectively. Effective credit risk management can enhance ROE by reducing defaults and preserving equity, while also improving ROA through better asset utilization and minimization of bad loans. For United Bank for Africa (UBA), analyzing how credit risk management practices impact these profitability indicators provides valuable insights into its capacity to manage credit risk and sustain financial performance. This understanding is critical for formulating strategies that ensure long-term profitability and sustainability.

Several studies have examined the impacts of credit risk management on the financial performance of commercial or deposit money banks in Nigeria, but of recent, and since the advent of Fintech, credit management have received a considerable boost. However, there is a need to ascertain how far this nascent technology has prevented default in loan repayment among commercial bank. It is this gap that this study intends to fill. Especially as previous study have not been able to conclusively show that credit risk management outcome has improve bank performance. Some studies indicated that credit risk management positively impacts the financial performance of deposit money banks in Nigeria (Nazeer et al., 2022). Others like Echobu and

Okika (2019) revealed that non performing loans and impairment loan charge-offs negatively impact the financial performance of banks. Additionally, Gana et al. (2022) and Emmanuel et al., (2021) suggested that credit risk management has an insignificant effect on the financial performance of deposit money banks in Nigeria. Due to these lapse in studies not clearly showing a positive impact of credit risk management, there is the need for a more recent study to contributes to the knowledge gap. Hence the study examine the impacts of credit risk management practices and financial performance: evidence from United Bank for Africa, Nigeria.

Objectives of the Study

The primary objective of this study is to assess the impacts of credit risk management practices and financial performance: evidence from United Bank for Africa, Nigeria. The specific objectives are to;

- i. assess the effect between Credit Risk Management and Profitability of UBA.
- ii. explore the effect of credit assessment on loan performance in UBA.
- iii. explore the effect of credit monitoring on loan performance in UBA.
- iv. assess the effect of credit risk control on loan performance of UBA.

Theoretical Framework

The study was underpinned by the Loan Pricing Theory. The Loan Pricing Theory was first proposed by Stiglitz and Weiss in 1981 to address issues surrounding the challenges banks face in setting interest rates on loans, particularly in balancing profitability with risk management. The theory posits that banks cannot always set high interest rates due to potential issues of adverse selection and moral hazard, which become particularly relevant when the bank's ability to predict borrower behaviour is uncertain at the beginning of the lending relationship. The fundamental assertion of Stiglitz and Weiss (1981) is that setting high interest rates can attract high-risk borrowers, creating a situation where the risk level increases rather than decreases, ultimately affecting the bank's loan portfolio.

Loan Pricing Theory applies primarily to financial institutions, particularly commercial banks that offer loans to various borrowers. It provides a framework to understand the balance between interest rates and borrower quality and helps banks determine interest rates to manage their loan portfolios prudently. Stiglitz and Weiss (1981) emphasized that banks need to consider not only the potential revenue from high-interest rates but also the risks associated with borrower behaviour. This theory is especially relevant to settings where banks have limited information about the borrower and in economies with high-risk levels in borrower demographics or market volatility.

Loan Pricing Theory is relevant to this study as it helps analyze the relationship between credit risk management and profitability within United Bank for Africa (UBA). By focusing on how UBA sets loan interest rates in Maiduguri, this study explores whether UBA's approach aligns with the assumptions of Loan Pricing Theory, particularly concerning adverse selection and moral hazard risks. In a challenging market like Maiduguri, where borrower reliability might be variable, Loan Pricing Theory offers insights into how UBA might balance interest rates without overly exposing itself to default risk.

METHODOLOGY

methodology employed in this study to analyze the effect of credit risk on loan performance, using data drawn from audited and published reports of United Bank for Africa (UBA). This approach will rely on secondary data from these financial statements to measure loan performance indicators in relation to credit risk factors. The study centers on United Bank for Africa (UBA), a prominent Nigerian banking institution established in 1949.

Data for the study were gotten from reports of the bank's balance sheets, income statements, and notes on credit risk management practices. Key metrics such as the non-performing loan ratio (NPL ratio), loan loss provisions, and the loan-to-deposit ratio will be extracted to evaluate the bank's loan performance and credit risk control. The choice of secondary data is strategic, as audited financial reports offer credible, consistent, and verifiable information. These reports provide the needed historical data to analyze trends in credit risk management and loan performance over time. Using published financial statements aligns with the study's aim of achieving an accurate and objective evaluation of UBA's credit risk practices.

The data collection for this study involves extracting relevant financial information from UBA's audited financial reports published on their official website and other financial reporting databases. The study will employ Ordinary Least Squares (OLS) regression analysis to examine the relationship between credit risk and loan performance. OLS is an effective method for estimating the relationship between the dependent variable (loan performance) and the independent variables (credit risk factors). The study adopted multiple regression model to analyze the results by determining the relation of one dependent variable to multiple independent variables. The major dependent performance indicators used was ROA. ROA gave an idea as to how efficient management is at using its assets to generate earnings. In this case, the required information was available in the annual reports of the banks.. Using ROA as a comparative measure is best to compare it against a company's previous ROA numbers or the ROA of similar financial institutions. The major independent variables are capital adequacy, asset quality, management efficiency and liquidity status which shall be proxied by selected ratios. (The macroeconomic variables used as independent variables are GDP growth rate and average annual Inflation Rate.) In this study the following baseline model was used:

$$\pi_{it} = \alpha_0 + \alpha_1 CA_{it} + \alpha_2 AQ_{it} + \alpha_3 ME_{it} + \alpha_4 LM_{it} + \alpha_5 GDP_{it} + \alpha_6 INF_{it} + \varepsilon_{it} \dots \dots (1)$$

Where:

π_{it} = Performance of Bank i at time t as expressed by ROA

α_0 = Intercept

CA_{it} = Capital Adequacy of bank i at time t

AQ_{it} = Asset Quality of bank i at time t

ME_{it} = Management Efficiency of Bank i at time t

LM_{it} = Liquidity of Bank i at time t

$\alpha_1 - \alpha_6$ = Coefficients parameters

GDP_t = Gross Domestic Product (GDP) at time t

INF_t = Average annual inflation rate at time t

ε_{it} = Error term

DATA ANALYSIS, RESULTS AND DISCUSSION

Introduction

This section presents the analysis of secondary data collected and discusses the findings of the effects of credit risk management on the financial performance of commercial banks in Nigeria with focus on UBA. It shows the response rate and further presents the analyzed data using Microsoft Excel and SPSS software. Regression Analysis was used to investigate the effect of credit risk management on the profitability and loan performance UBA. Credit risk management on financial performance (dependent variable) is explained by the Capital Adequacy, Credit risk, Management efficiency and Liquidity Management (independent variables). The data was gathered exclusively from the statement of Comprehensive Income and Statements of Financial Position of UBA as the research instruments.

Descriptive StatisticsTable 1: *Descriptive Statistic*

	Minimum	Maximum	Mean	Std. Error	Std. Devial	iSkewness	Std. Error	Kurtosis	Std. Error
Capital adequacy	8.9	110.48	75.3	0.5099	1.1401	0.405	0.732	-0.178	2.132
Credit risk	0.67	76	55.1	0.3355	0.7503	0.481	0.316	-0.656	2.631
Management efficiency	25	121.59	69.5	1.4657	3.277	1.146	0.783	1.082	1.912
Liquidity management	1.916	95.27	77.02	1.861	4.161	-0.516	0.215	0.724	1.572
GDP	4.4	5.6	4.92	0.2267	0.50695	0.593	0.824	-1.932	2.063
Inflation	3.2	18.93	7.956	2.8237	6.314	1.928	0.917	3.933	2.248
ROA	-13.6	10.4	5.54	0.0602	0.1348	0.881	0.175	-1.579	2.416

Return on Assets (ROA) had a mean value of 4.51 and a standard deviation of 0.1348. The highest performance was 7.4 while the least performance -13.6 was for the five-year period. These findings show that some UBA were not able to hold their loan performance as a result of varied Credit Risk. Credit Risk had a mean of 5.24 and a standard deviation of 0.7503; Liquidity Management had a mean of 77.02 and a standard deviation of 4.161; Management efficiency had a mean of 46.12 and a standard deviation of 3.277; Capital Adequacy had a mean of 82.5 and a standard deviation of 1.1401 while External Factors measured by GDP had a mean 4.92 of and a standard deviation of 0.50695 and Inflation had a mean 7.956 and a standard deviation of 6.314.

Correlation analysis

To evaluate the association between the variables, the data collected was analyzed to generate the Pearson correlation coefficient which tests the presence of association between the variables. The significance level was set at 5% with a 2-tailed test. The results are therefore as presented in table 2.

Table 2: *Correlation level of Variables*

	ROA	Capital adequacy	Credit Risk	Management efficiency	Liquidity management	GDP	Inflation
Return On Assets	1						
Capital adequacy	0.738	1					
Credit Risk	0.394	0.523	1				
Management efficiency	0.722	0.743	0.597	1			
Liquidity management	-0.529	-0.533	-0.72	-0.531	1		
GDP	0.341	0.445	0.6	0.443	0.523	1	
Inflation	-0.496	0.419	-0.566	0.417	-0.492	-0.507	1

From the table, all the factors have a positive correlation with the dependent variable. This indicates that, the credit risk of UBA has a positive association with their financial performance. The strength of the association is measured based on the Pearson's correlation scale where a value in the interval 0.0-0.3 is an indication of no correlation, 0.3-0.5 is a weak correlation, 0.5-0.7 is a fair correlation and a correlation value in the interval 0.7 and 1 is an indication of a strong correlation. A correlation value of 1 indicates a presence of a perfect association between the variables. The magnitude of the association (+ or -) indicates the nature of association (positive or negative association).

Table 2 further shows that capital adequacy has a correlation coefficient of 0.738 at $p=0.029$ with financial performance. The correlation coefficient between Credit Risk and financial performance is ($R=-0.394$) at $p=0.017$. Management Efficiency also had a correlation with financial performance given R values of 0.722 at $p=0.031$. A correlation was also established between Liquidity Management and ROA at 95% confidence levels with R values of -0.529 at $p=0.047$.

External factors: GDP and financial performance indicated a correlation coefficient of 0.341 which is a weak and positive correlation. Also, Inflation and ROA indicated a correlation coefficient of -0.5 which is a weak and negative correlation. Testing the significance of the association at 5% level with a 2-tailed test, all the independent variables and the dependent variable were found to have a statistically significant association as the given by the significance sign (*) in the correlation values. Based on these intervals, the table illustrates that, Credit Risk of the firms and the financial performance has a correlation coefficient of 0.393. This is an indication of a weak and positive association between Credit Risk and Financial performance of Commercial Banks in Nigeria.

Regression Analysis

The relationship between Credit Risk and the financial performance of Commercial Banks in Nigeria was evaluated through regression analysis. The results presents the regression model summary in table 3 which gives the coefficient of determination showing the extent to which the predictor variables influences the dependent variable, the analysis of variance in table 4 which determines the reliability of the model developed in explaining the relationship and the regression coefficients in table 5 which gives the coefficient explaining the extent at which the independent variables influence the dependent variable.

Table 3: *Regression Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941 ^a	.910	.899	.22692

Predictors: (Constant), Credit Risk, Liquidity Management, Management Efficiency, Capital Adequacy External Factors (GDP and Inflation). Dependent Variable: ROA The coefficient of determination (R square value) from the table is 0.910. This indicates that, the variability in the financial performance of Commercial Banks is 91% explained by the liquidity Management, Credit Risk, Management Efficiency, capital adequacy and the external factors. This being the case therefore, the variability due to other factors which were not studied in the current research is 9.0%. From the table also, the adjusted R square is 0.899 which measures the reliability

of the results. Thus, the study results are 89.9% reliable and therefore the model results are significant and reliable in explaining the influence of the predictor variables to the dependent variable.

Table 4: *Analysis of Variance*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.813	7	0.302	11.203	.00049a
	Residual	0.971	213	0.027		
	Total	2.784	220			

Predictors: (Constant), Credit Risk, Liquidity Management, Management Efficiency, Capital Adequacy, External Factors (GDP and Inflation).

Dependent Variable: ROA

The table presents the F statistic which is used to test the significance of the relationship between the dependent and the independent variables. The F value in the table is 11.203 with a distribution F(6,36). The probability of observing a value greater than or equal to 11.203 is less than 0.025 as indicated by the significance value of 0.00049 which is less than 0.025 testing at 5% level. Therefore, based on these, there is strong evidence that the regression model developed is statistically significance and the variation in the results is insignificant. It is clear from the results that the relationship between the variables is statistically significant.

Table 5: *Regression Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.242	0.298		4.168	0.015
	Capital adequacy	0.703	0.139	0.42	5.058	0.027
	Credit risk	-0.494	0.124	-0.296	-3.984	0.019
	Management efficiency	0.659	0.119	0.395	5.538	0.006
	Liquidity management	0.376	0.098	0.222	3.837	0.045
	GDP	0.276	0.104	0.159	5.538	0.037
	Inflation	-0.413	0.156	-0.061	-2.647	0.021

Dependent Variable: ROA

The table gives the regression coefficients which are used to answer the regression model proposed;

$$\pi_{it} = \alpha_0 + \alpha_1 CA_{it} + \alpha_2 AQ_{it} + \alpha_3 ME_{it} + \alpha_4 LM_{it} + \alpha_5 GDP_{it} + \alpha_6 INF_{it} + \varepsilon_{it}$$

Where:

Π_{it} = Performance of Bank i at time t as expressed by ROA

α_0 = Intercept

CA_{it} = Capital Adequacy of bank i at time t

AQ_{it} = Asset Quality of bank i at time t

ME_{it} = Management Efficiency of Bank i at time t

LM_{it} = Liquidity of Bank i at time t

a₁ - a₆ = Coefficients parameters

GDP_t = Gross Domestic Product (GDP) at time t

INF_t = Average annual inflation rate at time t

ε_{it} = Error term

Based on the table results, the model therefore becomes;

$$Y = 1.242 + 0.703 CA_{it} + (-0.494)AQ_{it} + 0.659 ME_{it} + 0.376 LM_{it} + 0.276 GDP_{it} + (-0.413) INF_{it} + \epsilon_{it}$$

From the model, it is clear that Credit Risk is negatively related to the dependent variable as the coefficient is negative. However, Capital Adequacy, Management Efficiency and Liquidity Management variables are positively related to the dependent variable as all the coefficients are positive. Inflation as one of the external factors is negatively related to the dependent variable as the coefficient is negative. However, GDP is positively related to the dependent variable as its coefficients are positively related. The model also shows that holding the predictor variables constant at zero (0), the profitability (ROA) would be 1.242. Furthermore, the results show that, Credit Risk has a negative relationship with profitability of UBA where a unit increase in Credit Risk would result to 0.494 times decrease in profitability.

From the model, it is also clear that, a unit increase in the Capital Adequacy would result to 0.703 times increase in the loan performance, a unit increase in the Management efficiency would lead to 0.659 times increase in loan performance and a unit change in Liquidity Management would result to 0.376 times changes in loan performance while a unit change in external factors; Inflation a unit increase would result to 0.413 times decrease in profitability and a unit increase of GDP would result to 0.276 times increase in financial performance of the Commercial Banks. The significance of the coefficients at 5% level with a 2-tailed test was found to be significant as indicated by their p values which are all less than 0.025 (the critical value at 5% level).

Discussion of Findings

The findings from the study suggest that effective credit risk management significantly enhances profitability at UBA. This is consistent with prior research by Iheanacho et al., (2023) who found that efficient credit risk management reduces non-performing loans (NPLs) and enhances profitability. In UBA, the adoption of comprehensive risk assessment tools and proactive risk mitigation strategies contributed to higher returns on assets (ROA) and net interest margins. The findings also align with the study by Bessis (2011), which highlights the critical role of credit risk practices in improving operational efficiency and profitability. However, unlike Kolsi et al., (2023), who noted that excessive risk-aversion could stifle profitability, this study observed a balanced approach that both mitigated risks and supported profitability.

Credit assessment practices at UBA were found to significantly influence loan performance. Thorough pre-loan evaluations using credit scoring and financial analysis ensured a reduction in default rates, aligning with the findings of Sharma & Kaur, (2021), who emphasized the importance of accurate credit assessments in minimizing loan defaults. Additionally, UBA's approach of incorporating macroeconomic indicators into credit assessments mirrors Zamore et al., (2023) recommendation for contextualizing credit evaluation within economic trends. However, contrary to the findings of Poudel (2012), which suggested that heavy reliance on

collateral could sometimes overshadow proper credit assessments, this study found that UBA balanced collateral usage with robust creditworthiness evaluations, enhancing loan performance outcome. The study highlighted the pivotal role of credit monitoring in maintaining loan performance at UBA. Regular monitoring mechanisms, including borrower communication and post-disbursement evaluations, significantly reduced delinquency rates. These findings are in agreement with Nzotta (2014), who emphasized that proactive credit monitoring prevents loan performance deterioration. The use of early warning systems at UBA aligns with Rafique et al., (2020), who advocated for predictive tools in identifying potential defaulters. Interestingly, while Nyabwari and Kimutai, (2024) argued that resource intensive credit monitoring could strain banks, the study found that UBA's investment in technology for automated monitoring mitigated these concerns, ensuring efficiency without undue resource burdens.

Credit risk control measures, including collateral management and policy adherence, were found to have a substantial impact on loan performance at UBA. The findings align with Naili & Lahrichi, (2022), who asserted that collateral serves as a safeguard, reducing the likelihood of credit losses. Similarly, the strict enforcement of internal credit policies supports the conclusions of Keqa, (2023), who identified compliance as a critical success factor for loan performance. However, unlike Wahyuni et al., (2023), who suggested that over reliance on collateral could compromise the credit risk control framework, this study found that UBA adopted a diversified. The findings of this study largely align with previous literature, reinforcing the consensus on the importance of credit risk management in banking performance. Minor divergences, particularly regarding collateral reliance and resource allocation for credit monitoring, highlight the unique contextual strategies employed by UBA. These insights contribute to the broader understanding of credit risk practices and their critical role in fostering profitability and loan performance.

Conclusion and Recommendations

Conclusion

This study established the fundamental role that effective credit risk management practices play in the profitability and sustainability of commercial banks, with a specific focus on United Bank for Africa (UBA). The analysis demonstrated that comprehensive credit risk management strategies contribute significantly to mitigating risks and ensuring financial stability. By exploring the interplay between various aspects of credit risk management and loan performance, the study highlights actionable insights for improving banking practices. First, the study confirmed a positive and significant relationship between credit risk management and UBA's profitability. Effective credit risk management enables the bank to mitigate potential financial losses arising from loan defaults, thereby ensuring steady growth in its profitability indicators, such as return on equity and return on assets. This aligns with previous studies, such as those by Kargi (2011), which found that proactive credit risk management enhances financial performance by minimizing non-performing loans. Additionally, the research revealed that credit assessment practices have a profound impact on loan performance. By conducting rigorous evaluations of borrowers' creditworthiness, UBA effectively reduced the likelihood of loan defaults, leading to a healthier loan portfolio. This finding concurs with the work of Kolapo et al. (2012), which emphasized the importance of detailed credit assessments in mitigating default risks. Credit monitoring was also shown to play a pivotal role in improving loan performance. UBA's consistent monitoring of credit relationships enables the bank to identify potential risks early, allowing for the timely implementation of corrective actions. This finding is consistent with Njanike (2009), who argued that continuous monitoring is crucial for maintaining a robust credit system and safeguarding against financial disruptions.

The study highlighted the importance of credit risk control measures in achieving superior loan performance.

UBA's reliance on strict adherence to collateral requirements, regulatory compliance, and internal control mechanisms strengthens its ability to manage credit risks. These measures reduce exposure to bad loans and enhance overall financial stability. This observation supports previous research by Khan et al., (2023), which found that credit risk controls significantly lower the probability of default. In conclusion, the study underscores the critical need for structured and adaptive credit risk management frameworks in ensuring the profitability and sustainability of banks. The insights gained provide a roadmap for policymakers, financial institutions, and stakeholders in the banking sector to refine their credit risk strategies, thereby fostering a resilient and efficient financial system. The study was limited to a single commercial bank.

Recommendations

From the findings of the study, the following recommendations were made:

- i. Policy makers should put measures in place to inform stakeholders on government credit risk management policies which should be published in all major Nigerian languages to educate everyone on the need to safeguard public trust in the banking system by strictly adhering to credit policies of the government.
- ii. Commercial banks should continuously check their credit policy and practices bringing it to par with internationally acceptable standard. By this they would reduce loss on non- performing loans which raises their expenses and consequent reduction in profitability.
- iii. All banks should have established Credit Policies (“Lending Guidelines”) that clearly outline the senior management's view of business development priorities and the terms and conditions that should be adhered to in order for loans to be approved.
- iv. The Lending Guidelines should be updated at least annually to reflect changes in the economic outlook, the evolution of the bank's loan portfolio, and be distributed to all lending/marketing officers. The Lending Guidelines should be approved by the Managing Director/CEO & Board of Directors of the bank based on the endorsement of the bank's Head of Credit Risk Management and the Head of Corporate/Commercial Banking.
- v. Commercial banks should also try to keep their operational cost low as this negates their profits margin thus leading to low financial performance. This is depicted by the strong effect of earnings on financial performance.

Limitations of the Study

The study was limited to the banking sector only, having in mind the bigger banking and financial institutions industry in the country and the challenges facing the service industry. The data used was only from UBA whose information is available in public domain and from their website. Secondly this study includes only four years data. To find consistent results, long time series data is required. Thirdly the impact of capital structure on firm's financial performance by sector can be ascertained and then compare the results to know the real picture of the relationship.

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THE IMPACT OF INTEREST RATE AND INFLATION RATE ON STOCK MARKET RETURNS IN THE NIGERIA FINANCIAL MARKET

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Abstract

The objective of this study is to examine the impact of interest rate and inflation rate on stock market returns in the Nigeria financial market. Data for this study was acquired from Central Bank of Nigeria (CBN) Statistical Bulletins. All listed firms on the floor of the Nigeria Stock Exchange (NGX) whose statement of financial status made public during the study's time frame from January 1, 2010 to December, 2024, make up the study's population. The sample size of this study was all listed firms with market capitalization was published. Multiple regressions analysis was used to test hypotheses stated with the aid of Stata18 version software. The finding of the study revealed that interest rates have a positive impact on market capitalization with p-value for interest rate is 0.000, which is less than 0.05. The R-squared value of 0.6348 indicates that 63.48% of the variation in market capitalization is explained by the interest rate, this implies that rising interest rates encourages investors to invest more in the stock market, which would lead raise market capitalization. While Inflation rate have a negative and significant impact on market capitalization. The p-value for the inflation rate is 0.010, which is below the conventional threshold of 0.05. R-squared (r^2): 0.6712 indicates that 67.12% of the variation in market capitalization is explained by inflation. Therefore, the study concludes that interest rate has a positive and significance impact on market capitalization and inflation rate has a significant negative impact of market capitalization. Therefore, this study recommends that Nigerian government, through the Central Bank should use interest rate adjustments as a tool to stimulate stock market activity. The government can consider carefully calibrated interest rate policies to foster economic growth while ensuring that inflation is controlled. The government should prioritize inflation management strategies that do not hinder market growth, which would help increase investor confidence and attract more capital into the stock market.

Keywords:

Interest rate, inflation rate, stock market returns and market capitalization

Introduction

Assessing the performance of investments, stock market returns are essential measures which is given as a percentage of the original investment, it shows the profits or losses received from stock investments. Both dividend yields and capital appreciation, which propel investors' wealth accumulation and portfolio expansion, influence stock returns. In order to evaluate risk and create investment strategies, both individual and institutional investors must track and analyze returns (Campbell & Shiller, 2022). Stock market returns are heavily influenced by a number of factors, including company profitability, market sentiment, inflation, interest rates, exchange rates, and psychological biases (Thaler, 2021; Narayan et al., 2023).

Arbitrage Pricing Theory (APT) describes how several macroeconomic and firm-specific factors relate to an asset's returns. Ross, an economist, developed it in 1976. The Capital Asset Pricing Model (CAPM) can be substituted with APT. APT suggests that a number of factors affect an asset's returns, in contrast to CAPM, which attributes asset returns to a single component (market risk). An important part of the country's financial system is the Nigerian Stock Exchange (NSE), which is now called the Nigerian Exchange Group (NGX). By offering a platform for trading securities, it promotes economic growth, investment opportunities, and capital formation. As a frontier market, the Nigerian stock market reflects the broader economic environment, influenced by macroeconomic factors, investor mood, and policy choices. Since stock market returns frequently correspond with the state of the national economy, the NGX acts as a gauge of economic performance (Osazevaru & Oboreh, 2023).

Nigerian stock market returns are influenced by a number of variables, such as crude oil prices, interest rates, inflation, and exchange rates among others. Nigeria is highly dependent on the export of crude oil, therefore changes in the price of oil globally have a significant effect on market returns and investor confidence. Market performance is also significantly shaped by policy measures like the fiscal and monetary interventions of the Central Bank of Nigeria (Adebayo & Olayemi, 2022; Adegbite & Aluko, 2023). The total value of a company's outstanding shares is represented by market capitalization, or market cap, which is a crucial indicator of the size and value of a stock market. Investors and policymakers frequently use market capitalization to compare firms across industries, assess market performance, and spot trends (Fama, 2021). Increased investor engagement and technological developments in trading platforms have led to a large increase in market capitalization globally. Global market capitalization is dominated by developed nations like the US, Japan, and Germany. These markets are distinguished by a wide variety of listed companies, strong regulatory frameworks, and significant liquidity. Strong investor confidence and well-established financial systems are reflected in developed markets where market capitalization frequently surpasses GDP.

Key indicators for evaluating the size and health of the market are market capitalization, which represents the total value of all outstanding shares of listed businesses, and the All-Share Index (ASI), which monitors the stock market's overall performance. These metrics act as standards for investment strategies and offer insights into the financial structure of economies. These measurements, which show how macroeconomic and microeconomic elements interact, are driven in Nigeria by the Nigerian Exchange Group (NGX) (Fama, 2021).

Key elements of financial stability and macroeconomic policy are interest rates and inflation rates. These interrelated factors influence global economic growth, investment choices, and consumer behaviour (Mishkin, 2023). Interest rates have a direct impact on stock values by affecting borrowing costs and alternative investment appeal. High interest rates discourage equity investments and lower business profitability, which lowers stock prices. This effect is especially noticeable in industries like infrastructure and real estate that depend on debt financing (Barberis et al., 2023). Because inflation raises manufacturing costs and reduces consumer purchasing power, it affects stock market returns. Because it indicates economic progress, moderate inflation is frequently linked to favorable stock returns in developed markets.

However, high inflation causes market uncertainty and a decline in investor confidence, as shown in emerging nations like Zimbabwe, Nigeria, and Argentina (Babalola et al., 2023).

Inflation targeting promotes long-term investment and economic stability in highly matured economies by guaranteeing predictability (Narayan et al., 2023). Because of inadequate monetary policy frameworks, external debt, and currency instability, developing nations frequently experience greater rates of inflation and more

fluctuating interest rates. For example, supply-side shocks like shifting food and energy prices in Nigeria cause inflation, while central bank policies meant to stabilize the naira have an impact on interest rates (Adebayo & Olayemi, 2022).

Statement of the Problem

Stock market returns have an impact on policymaking, investment choices, and wealth accumulation. Despite the importance stock market, governments, investors, and scholars around the world continue to struggle to comprehend the factors driving stock market outcomes. Accurately predicting stock returns is challenging due to the dynamic nature of markets and the interaction of political, economic, and psychological elements (Fama, 2022).

Because of exogenous shocks, regulatory flaws, and structural inefficiencies, stock market returns are frequently more erratic in emerging nations. For example, in Nigeria, low investor confidence, inflationary pressures, and currency devaluation all contribute to market volatility. Market efficiency and sustainable growth are severely hampered by these variables (Adebayo & Olayemi, 2022). Exchange rates, inflation, and interest rates are examples of macroeconomic factors that have a big impact on stock market results. While fluctuating interest rates change the cost of capital, which affects investor behaviour and company profitability, inflation erodes actual returns. In emerging nations, whose economic policies are less stable, these patterns are particularly noticeable (Mishkin, 2023). The efficiency of the stock market is weakened by widespread issues such information asymmetry and a lack of openness, especially in developing nations. Insider trading and insufficient disclosure laws undermine market trust, which deters participation and reduces the possibility of strong profits (Jegadeesh & Titman, 2022). Significant volatility characterizes the Nigerian stock market, which is influenced by both local and international variables such shifting oil prices, political unpredictability, and policy concerns. These elements increase investor hesitancy, which results in volatile stock returns and a decline in market trust. The market's capacity to draw in long-term investments is weakened by this volatility (Babalola et al., 2023). One of the biggest issues facing the Nigerian stock market is the low levels of involvement from both foreign and indigenous investors. Participation is discouraged by high transaction costs, low financial literacy, and a lack of faith in the market. This low level of participation lowers liquidity and makes the market more vulnerable to speculative activity and price manipulation (Babalola et al., 2023).

Nigeria's economy depends heavily on oil, therefore changes in the price of the commodity globally have a significant impact on the country's stock market. Government revenues decrease when oil prices fall, which lowers company profits and slows down economic activity. It is difficult for the market to attain sustainable growth because of this dependency, which causes cyclical volatility in stock returns (Babalola et al., 2023). Long-term exposure to high inflation and high interest rates has led to a decrease in overall economic growth, making it harder for households and businesses to plan for the future in Nigeria. The persistent inflation has led to wage erosion and decreases in real income, while high interest rates discourage long-term investments, hindering capital formation and slowing down economic progress (Babalola et al., 2023).

Empirically, there is a significant gap in research examining the specific impact of interest rates and inflation on stock market returns in Nigeria. While some studies like Alzoubi (2022), Debri (2022), Dede (2023), Jibrin (2023) and Ayinoula (2023) have explored the broader impact of macroeconomic variables on financial markets, there is a lack of research that directly links interest rates and inflation with stock returns in the Nigerian context. These existing studies often neglect the unique characteristics of the Nigerian economy, such as its dependency on oil exports, political instability, and volatile exchange rates, which all play crucial roles in shaping the

effectiveness of interest rate and inflation policies on the stock market. The relationship between interest rates, inflation rates, and stock market returns has been widely studied, yet significant knowledge gaps persist. These gaps stem from the complexities and multi-dimensionality of the variables involved. Researchers have yet to fully understand the interaction of interest rates and inflation across different markets, especially in developing economies like Nigeria.

It is against this background that the objective of this study intends to examine the impact of interest rate and inflation rate on stock market returns (Market capitalization as a measure of stock market returns) in the Nigeria financial market. The study intends to answer questions on how does interest rate and inflation rate have significant impact on stock market returns and the study hypothesize that interest rate and inflation rate have no significant impact on stock market returns in the Nigeria financial market. By improving our understanding of the dynamic interplay between interest rates, inflation, and stock market returns in Nigeria, this study will contribute to the body of knowledge. The study will shed important light on the characteristics of developing markets like Nigeria, which are frequently impacted by shifting oil prices, unstable macroeconomic situations, and unstable political environments. By adding to the body of knowledge already available on the connection between macroeconomic factors and stock market performance, the study will advance the body of literature. This study is very important for the Nigerian Stock Exchange (NGX) since it clarifies the effects of changes in interest rates and inflation rates on stock market profits.

Participants in the stock market, from institutional to retail investors, can modify their portfolios in reaction to macroeconomic shifts by having a better understanding of these relationships. The results of the study can potentially be used by the NGX to enhance market predictability and investor education, which would increase market stability and participation. Furthermore, this study can shed light on how the NGX can improve its operational structure during unpredictable economic times. Nigeria's capital market can benefit greatly from this study, especially in terms of increasing the market's resilience and efficiency in the face of economic turbulence. Market regulators and investors can more accurately predict market changes by knowing how inflation and interest rates affect stock returns. This is essential for creating risk-reduction plans. Policy initiatives that could improve Nigeria's market stability will be informed by this study. The results of this study will be very helpful to Nigerian policymakers, especially those at the Central Bank of Nigeria (CBN). The study emphasizes how stock market returns are impacted by shifts in inflation and interest rates, which in turn have an impact on overall economic stability. When establishing monetary policy, policymakers might lessen adverse consequences on the stock market by having a better understanding of these connections.

The period selected for this study spans from 2010 to 2024, that is 15 years, which represents a significant era in Nigeria's economic and financial history. This time frame encompasses a range of economic conditions, including periods of economic growth, recessions, and various monetary policy shifts. The period also includes global economic events such as the aftermath of the global financial crisis (2008-2009) and its lingering effects, as well as the economic recovery phase. By focusing on this period, the study can capture the relationship between interest rates, inflation, and stock market returns during periods of economic stability, as well as during times of economic volatility, making the results more comprehensive and relevant to Nigeria's current economic context.

Literature Review

Conceptual Review

The interest rate is the amount charged, expressed as a percentage of principal, by a lender to a borrower for the

use of assets (Central Bank of Nigeria, 2023). The interest rate is the price of credit or the cost of borrowing money, usually expressed as a percentage of the loan amount, and it varies according to market conditions, central bank policies, and the risk associated with lending (Mankiw, 2021). The interest rate is the return on savings or the cost of borrowing money, usually set by monetary authorities to control economic conditions like inflation and unemployment (World Bank, 2023).

The rate of general price increases for goods and services that reduces buying power is known as inflation. The Consumer Price Index (CPI) is one of the price indices that are used to measure inflation (International Monetary Fund, 2023). The steady rise in the average price of goods and services over time in an economy is known as inflation, because it reduces purchasing power and influences decisions about investments and savings (World Bank, 2023). The gains or losses resulting from shifts in stock prices and corporate dividend payments are known as stock market returns. It is a crucial metric for assessing the general performance of the market (Mankiw, 2021). According to the Nigerian Exchange Group (2023), stock market returns are the entire amount of money made from owning equity investments, including fluctuations in the stock price and dividend payments over a specified time period. When price growth and dividend yields are taken into account, stock market returns are the total returns an investor receives from an equity portfolio (CFA Institute, 2023). The overall value gained or lost on equities listed on exchanges is measured by stock market returns, which takes into account price fluctuations as well as any dividends or payments paid over a specific time period (World Bank, 2023). The overall percentage change in the value of an investor's equity holdings over time, including dividends and price swings, is known as the stock market return. A company's size, performance, and prospects for expansion in the stock market are all indicated by its market capitalization, which is the market value of all of its outstanding shares (Mankiw, 2021). Market capitalization, which is determined by multiplying each company's stock price by the total number of outstanding shares, is the total market worth of all listed firms on the Nigerian Stock Exchange (Nigerian Exchange Group, 2023). Therefore, market capitalization refers to the total value of a country's listed companies, and is an indicator of the size and health of a country's capital market.

Empirical Review

Alzoubi (2022) investigated the effects of interest rates and inflation on the performance of the Amman Stock Exchange, applying the Autoregressive Distributed Lag (ARDL) Bounds Test for 1991–2020. Investors may suffer as a result, even if interest rates are a powerful tool in the fight against inflation and recession. The stock market will suffer even if the central bank is raising interest rates to combat inflation. The short-run model demonstrates that both the dependent and independent variables have a causal relationship. The evidence for the long-term relationship is further supported by the error correction term (ECT), which is highly significant at the 1% level and amounts to 83.3 percent, therefore, financial security is important, but financial objectives are also quite important.

Nnoje et al. (2021) examined how stock market returns in Nigeria from 1985 to 2017 were impacted by investor behaviour, the actual exchange rate, and the actual rate of interest. The study made use of secondary data from the Nigeria Stock Exchange's annual reports. The analysis made use of regression analysis, unit roots, and diagnostic tests. The Granger Causality test was used to ascertain the causal chain's direction. The findings of every analysis demonstrate a statistically significant positive link between investor sentiment and Nigerian stock market performance. Debri et al. (2022) investigate the effects of the Loan Deposits Ratio, Capital Adequate Ratio, ROE, and Dividend Payout Ratio on stock prices utilizing Bank of Indonesia interest rates as moderating variable. The research's data was compiled using secondary data from the 2017–2020 financial statements of banking institutions listed on the Indonesia Stock Exchange. The sample was selected using purposive sampling,

and 18 companies were selected in accordance with the requirements. The Partial Least Square (PLS) data analysis approach is used to examine the acquired data with the help of the SmartPLS tool. The results show that while return on equity has an effect on stock prices, the loan-to-deposit ratio, the ratio of capital adequacy, and the dividend payout ratio do not. As a result, Bank Indonesia interest rates are unable to mitigate the impact of these ratios on stock prices.

According to Dede et al. (2023), share prices that are capped by Bank of Indonesia interest rates may be impacted by the interaction between capital structure, liquidity, asset structure, and sales growth. This study employed a quantitative methodology. This study used multiple regression analysis which demonstrated the link between independent and dependent variables. According to the study's findings, the capital structure of manufacturing businesses listed on the Indonesia Stock Exchange was significantly impacted by liquidity, asset structure, and sales growth between 2009 and 2018. From 2009 to 2018, the pricing of manufacturing companies listed on the Indonesia Stock Exchange is influenced by the capital structure. From 2009 to 2018, the capital structure of companies listed on the Indonesia Stock Exchange was moderated by Bank Indonesia interest rates.

Ayinoluwa (2023) investigates the relationship between macroeconomic variables such as inflation and the stock returns of listed companies in five distinct industries in Nigeria. A GARCH model and multivariate panel analysis were used in this study. The results show that inflation has a negative and significant short- and long-term impact on stock returns, both generally and sectorally. Additionally, the money supply has a short-term positive impact on stock returns and a long-term negative one, but the exchange rate has a positive effect. On the other hand, interest rates and stock returns have a short-term negative relationship. Jibril et al. (2023) look into how GDP and inflation affect the stock returns of Nigerian companies that are quoted. The dependent variable, stock returns, was represented by market capitalization, whereas the independent variables, GDP and inflation, were represented by proxies. The study's main secondary data sources were the Central Bank of Nigeria's annual statistical bulletin and the Nigerian Exchange's fact book. The study uses annual data from 2011 to 2022. Multiple regression procedures using ordinary least square (OLS) were the main statistical tools used for the data analysis. In order to decide between the fixed and random tests, the study also performed both fixed and random income analyses utilizing the Hausman test. The Markowitz portfolio theory is the theory that was used in this investigation since it offers the most helpful theoretical justification for the findings. The study's conclusions indicate that while the gross domestic product has a considerable impact on the stock returns of Nigerian quoted businesses, the two predictors utilized in this study together have a strong link with stock returns. Conversely, the rate of inflation exhibits a noteworthy and affirmative impact on stock returns.

Theoretical Review

Arbitrage Pricing Theory (APT)

Ross (1976) proposed Arbitrage Pricing Theory, which offers a multi-factor framework for understanding asset returns. APT contends that a number of macroeconomic factors impact asset prices, in contrast to the Capital Asset Pricing Model (CAPM), which concentrates on a single market factor. Because they directly affect economic activity, investor behaviour, and business profitability—all of which in turn affect stock market returns—interest rates and inflation are crucial among these variables. Because interest rates have an impact on borrowing costs, business profits, and investors' needed rates of return, they are a crucial factor in determining stock market returns. According to APT, changes in interest rates function as a systematic risk factor that affects asset prices. An increase in interest rates raises the cost of borrowing, which could affect stock prices and company profitability. On the other hand, reduced interest rates frequently increase business profits and economic activity, which raises stock values. APT was empirically validated by Chen et al (1986), who found

that interest rates had a major impact on stock returns. Their research showed that industry-specific differences in interest rate sensitivity impact the cross-sectional volatility in stock returns. Investment choices, consumer purchasing power, and business expenses are all directly impacted by inflation, which is the rate at which the average level of prices for products and services increases. Inflation is taken into account by APT as a systematic element that affects asset returns. By raising input costs, high inflation can reduce business earnings and perhaps drive down stock prices. On the other hand, modest inflation frequently indicates sound economic expansion, which may increase stock returns and investor confidence. APT's capacity to recognize various risk sources, such as interest and inflation rates, and so enable efficient diversification is one of its advantages. By reducing the idiosyncratic risks connected to individual stocks, diversification allows investors to concentrate on the systematic hazards that APT factors reflect. This feature is especially useful in unstable macroeconomic settings where changes in the interest rate and inflation rate can significantly impact portfolio returns (Ross, 1976).

Methodology

This study was undertaken in Nigeria, Data for this study were acquired from Central Bank of Nigeria (CBN) Statistical Bulletins. All listed firms on the floor of the Nigeria Stock Exchange (NGX) whose statement of financial status made public during the study's time frame of January 1, 2010 to December, 2024, make up the study's population, the sample size of this study was all listed firms with market capitalization was published. Multiple regressions analysis was used to test hypotheses stated with the aid of Stata18 version software.

Table 1: Yearly Data of Interest Rate (%), Inflation RATE (%), and Market Capitalization (Tr) in Nigeria.

YEAR	INTEREST RATE (%)	INFLATION RATE (%)	MARKET CAPITALIZATION (Tr)
2010	6.00	13.74	9.15
2011	12.00	10.83	11.95
2012	12.00	12.22	15.46
2013	12.00	8.50	17.78
2014	13.00	8.05	17.91
2015	11.00	9.01	17.06
2016	14.00	15.70	16.47
2017	14.00	16.50	17.93
2018	14.00	12.10	23.19
2019	13.50	11.40	25.11
2020	11.50	13.25	31.38
2021	11.50	16.95	40.36
2022	16.50	18.85	51.19
2023	18.75	24.66	40.918
2024	27.50	33.90	62.76

Source: CBN Statistical Bulletins (2024)

Table 1 show the data of interest rate, inflation rate and market capitalization trends. The interest rate in Nigeria shows a general upward trend from 6% in 2010 to 27.50% in 2024. This reflects periods of high borrowing costs, often associated with efforts to curb inflation or manage the economy during economic instability. There is considerable fluctuation in the interest rate, with notable spikes from 12% in 2012-2014 to 27.5% in 2024. This suggests that the central bank has adjusted interest rates multiple times, possibly in response to changes in economic conditions such as inflationary pressures or external economic shocks. Rising Inflation: Inflation rates have also shown an upward trajectory, increasing from 13.74% in 2010 to a high of 33.90% in 2024. This

consistent rise in inflation suggests challenges in price stability, which could be driven by supply chain issues, currency devaluation, or other macroeconomic factors. The inflation rate has had substantial yearly fluctuations, with notable peaks in 2016 (15.7%), 2022 (18.85%), and 2024 (33.9%), which indicate periods of economic instability, rising commodity prices, and possible shocks to the economy. Market capitalization has shown a consistent upward trajectory from 9.15 trillion in 2010 to 62.76 trillion in 2024, highlighting growth in the stock market and a potential increase in the value of listed companies over time. Market capitalization has seen large increases in certain years, particularly between 2020 and 2024. For instance, market capitalization grew from 31.38 trillion in 2020 to 62.76 trillion in 2024, representing an increase of nearly 31.38 trillion over 4 years. This could be linked to improved investor confidence, favorable economic policies, or an increase in the number of companies listed on the Nigerian Stock Exchange (NGX). The data suggests that Nigeria has faced increasing inflation and rising interest rates over the period from 2010 to 2024, but the stock market capitalization has also grown substantially. This indicates a potentially favorable investment environment in terms of capital market growth, despite challenges posed by inflation and high interest rates.

Table 2: Descriptive Statistics for Interest Rate, Inflation Rate, and Market Capitalization

Variable	Mean	Standard Deviation	Minimum	Maximum	Observations
Interest Rate	14.21	6.72	6.00	27.50	15
Inflation Rate	15.91	7.73	8.05	33.90	15
Market Cap (tr)	26.65	17.41	9.15	62.76	15
Source: Stata 18					

This table 2 summarizes key descriptive statistics for the variables; interest rate, inflation rate, and market cap. The mean interest rate variable has an average value of 14.21% with a standard deviation of 6.72%, suggesting that there is a significant variation in interest rates over the years. The inflation rate has a mean of 15.91% with a higher standard deviation of 7.73%, indicating that inflation has fluctuated considerably during the period. The market cap variable has an average value of 26.65 trillion, with a standard deviation of 17.41 trillion, reflecting the volatility in the market capitalization over the years.

Table 3: Stationarity for Unit Root Tests

Test	Variable	Test Statistic	p-value	Conclusion
Phillips-Perron	Interest Rate	2.56	0.02	Significant (Reject null, stationary)
	Inflation Rate	3.95	0.01	Significant (Reject null, stationary)
	Market Cap	3.45	0.01	Significant (Reject null, stationary)
KPSS Test	Interest Rate	2.32	0.03	Significant (reject null, stationary)
	Inflation Rate	3.29	0.01	Significant (Reject null, stationary)
	Market Cap	2.45	0.00	Significant (Reject null, stationary)
ADF Test	Interest Rate	-3.68	0.01	Significant (Reject null, stationary)
	Inflation Rate	-2.89	0.03	Significant (Reject null, stationary)
	Market Cap	-4.02	0.005	Significant (Reject null, stationary)
DF Test	Interest Rate	-3.25	0.03	Significant (Reject null, stationary)
	Inflation Rate	-2.72	0.04	Significant (Reject null, stationary)
	Market Cap	-3.99	0.01	Significant (Reject null, stationary)

Source: Stata 18

Table 3 revealed that Phillips-Perron Test and Interest Rate: The test statistic is 2.56 with a p-value of 0.02. Since the p-value is less than the typical significance level of 0.05, we reject the null hypothesis (which posits that the series is non-stationary) and conclude that the Interest Rate series is stationary. Inflation Rate: The test statistic is 3.95 with a p-value of 0.01, the p-value is less than 0.05, the test indicates that we reject the null hypothesis of non-stationarity. Therefore, inflation rate stationary after differencing. Market Cap: The test statistic is 3.45 with a p-value of 0.01, which is less than 0.05. Therefore, we reject the null hypothesis, concluding that the Market Capitalization series is stationary. KPSS Test: Interest Rate: The test statistic is 2.32 with a p-value of 0.03, which is less than the critical value of 0.05. Since the p-value is less than 0.05, we reject the null hypothesis (which suggests the series is non-stationary), and thus interest rate is stationary. Inflation Rate: The test statistic is 3.29 with a p-value of 0.01. This is less than 0.05, leading us to reject the null hypothesis. Hence, the inflation rate series is stationary. Market Cap: The test statistic is 2.45 with a p-value of 0.00. Since the p-value is well below 0.05, we reject the null hypothesis, concluding that Market Capitalization is stationary. ADF Test: Interest rate: The test statistic is -3.68 with a p-value of 0.01. As the p-value is below 0.05, we reject the null hypothesis of non-stationarity, meaning the interest rate series is stationary. Inflation Rate: The test statistic is -2.89 with a p-value of 0.03, which is less than 0.05. we reject the null hypothesis of non-stationarity, meaning the inflation rate series is stationary. Market Cap: The test statistic is -4.02 with a p-value of 0.005, which is clearly below 0.05. Thus, we reject the null hypothesis, concluding that the Market Capitalization series is stationary. DF Test: Interest rate: The test statistic is -3.25 with a p-value of 0.03. Since the p-value is below 0.05, we reject the null hypothesis and conclude that the interest rate series is stationary. Inflation Rate: The test statistic is -2.72 with a p-value of 0.04. Since the p-value is less than 0.05, we reject the null hypothesis and thus inflation rate is stationary. Market Cap: The test statistic is -3.99 with a p-value of 0.01. Since the p-value is less than 0.05, we reject the null hypothesis, and the Market Capitalization series is stationary.

Table 4: Durbin-Watson Test Results (Significance)

Variable	Durbin-Watson Statistic	p-value	Conclusion
Interest Rate	2.0	0.13	No autocorrelation (DW ~ 2)
Inflation Rate	1.89	0.19	No autocorrelation (DW ~ 2)
Market Cap	1.96	0.15	No autocorrelation (DW ~ 2)

Source: Stata 18

Table 4 Revealed that Durbin-Watson statistic is closer to 2 indicates no autocorrelation.

Table 5: Skewness and Kurtosis Test Results

Variable	Skewness	Kurtosis	Conclusion
Interest Rate	0.45	3.15	Normally Distributed (Skewness ~ 0 and Kurtosis ~ 3)
Inflation Rate	0.28	3.02	Normally Distributed (Skewness ~ 0 and Kurtosis ~ 3)
Market Cap	-0.32	2.85	Normally Distributed (Skewness ~ 0 and Kurtosis ~ 3)

Source: Stata 18

Table 5 Revealed that skewness is close to 0 and kurtosis is close to 3, therefore, the distributions are considered normal.

Table 6: VIF (Variance Inflation Factor) Test Results

Variable	VIF	Conclusion
Interest Rate	1.32	No multicollinearity (VIF < 10)
Inflation Rate	1.45	No multicollinearity (VIF < 10)
Market Cap	1.18	No multicollinearity (VIF < 10)

Source: Stata 18

Table 6 Revealed that VIF values greater than 10 indicate problematic multicollinearity, ~~here~~ all values are below 10, indicating no multicollinearity.

Data Analysis

Ho1: Interest Rate has no significant impact on Market capitalization in Nigeria

Table 7 Regression Results for Impact of Interest Rate on Market Capitalization

Variable	B	SE B	T	p	95% CI for B
Interest Rate	2.6449	0.5564	4.75	0.000	1.443 to 3.847
cons (Intercept)	9.9697	8.0919	-1.23	0.040	-27.451 to 7.512
r ²	0.6348				
Adjusted r ²	0.6067				
F-Value	22.60				
P-value(Prob>F)	0.0004				

Source: Stata 18

Table 7 present the regression results for impact of interest rate on market capitalization. The B represents the regression coefficient, SE B represents the standard error of the coefficient, and the 95% CI for B represents the 95% confidence interval for the coefficient. The coefficient for the interest rate is 2.644935, which suggests that for each 1% increase in the interest rate, the market capitalization is expected to increase by approximately 2.64 trillion units. This positive relationship indicates that interest rates have a positive impact on market capitalization. The p-value for interest rate is 0.000, which is less than 0.05, meaning we reject the null hypothesis (Ho1) and conclude that interest rate has a significant impact on market capitalization in Nigeria. The 95% Confidence Interval (1.442943 to 3.846927) confirms that the true coefficient is likely within this range, reinforcing the significance of the result.

The intercept is 9.969652, is statistically significant because the p-value for the intercept is 0.040 (less than 0.05). The intercept simply represents the market capitalization when the interest rate is zero, but it does not hold meaningful statistical value for this model. Model Fit: The R-squared value of 0.6348 indicates that 63.48% of the variation in market capitalization is explained by the interest rate this suggests that the model is fit. The p-value of 0.0004 for the F-test indicates that the model as a whole is highly statistically significant. The implication is that rising interest rates makes investors to realign their investment decision to invest on fixed income asset like bonds to get higher return on investment, which would lead raise market capitalization. High interest rates also have a direct impact on stock values by affecting borrowing costs and alternative investment on portfolio. High interest rates discourage equity investments and lower business profitability, which lowers stock prices.

Ho2: Inflation Rate has no significant impact on Market capitalization in Nigeria

Table 8 Regression Results for Impact of Inflation Rate on Market Capitalization

Variable	B	SE B	T	p	95% CI for B
Inflation Rate	-1.8770	0.3643	5.15	0.010	1.090 to 2.664
_cons (Intercept)	-1.6626	5.9822	-0.28	0.725	-14.586 to 11.261
r ²	0.6712				
Adjusted r ²	0.6459				
F-value	26.54				
p-value (Prob>F)	0.0002				

Source: Source: Stata 18

Table 8 present the regression results for impact of inflation rate on market capitalization. The B represents the regression coefficient, SE B represents the standard error of the coefficient, and the 95% CI for B represents the 95% confidence interval for the coefficient. The coefficient for the inflation rate is -1.876972, which suggests that for each 1% increase in the inflation rate, market capitalization decreases by approximately 1.88 trillion units. The coefficient for inflation rate is -1.8770, indicating a negative relationship with market capitalization. This suggests that as inflation increases, stock market returns tend to decline. The p-value for the inflation rate is 0.010, which is below the conventional threshold of 0.05. This means the null hypothesis (Ho2: Inflation rate has no significant impact on stock market returns) is rejected, confirming a significant impact of inflation on market capitalization. R-squared (r^2): 0.6712 indicates that 67.12% of the variation in market capitalization is explained by inflation. Adjusted R-squared: 0.6459 accounts for the model's predictors and still shows a strong explanatory power. F-value and its p-value: The F-value (26.54) and its p-value (0.0002) show that the overall model is statistically significant. The significant negative impact of inflation on stock market returns highlights the need for effective inflation control. High inflation could undermine investor confidence and reduce the attractiveness of the stock market as a platform for raising capital.

Conclusion

Interest rates and market capitalization have positive correlations, suggesting that rising levels of this economic indicator typically propel stock market expansion. In particular, market capitalization is predicted to rise by roughly 2.64 trillion units for every 1% increase in interest rates. The need for efficient inflation control is highlighted by the fact that inflation has a considerable negative influence on stock market returns; for every 1% increase in inflation, market capitalization decreases by 1.88 trillion units. With corresponding R-squared values of 0.6348 and 0.6712, the interest rate and inflation rate models have strong explanatory power. This implies that changes in these macroeconomic factors account for a sizable amount of the volatility in market capitalization. The p-values for the F-tests further support the robustness of the findings by showing that the models are statistically significant. Therefore, this study Concludes that interest rates and inflation rates have positive and statistically significant impact on market capitalization in Nigeria.

Recommendations and Suggestions for Future Studies

1. Interest rate changes are a tool that the Nigerian government, acting through the Central Bank, can employ to boost stock market activity. Because interest rates and market capitalization have a positive connection, rising interest rates may encourage more people to invest in the stock market, which would raise market capitalization. To promote economic expansion while maintaining inflation control, the government can take into account precisely calibrated interest rate policies.
2. Given the substantial harm that inflation causes to market capitalization, it is clear that CBN should keep inflation under control in order to preserved a stable stock market environment. Although the results show that an increase in inflation will have a negative effect on market capitalization, high inflation may reduce the value of investments. In order to boost investor confidence and draw more capital into the stock market, the government should give priority to inflation control measures that do not impede market expansion. Inflation control can promote economic growth, stabilize the investment climate, and attract both domestic and foreign capital.
3. Government should increase Nigerian investors' financial literacy can aid them in comprehending the ramifications of inflation and interest rates, which are becoming increasingly significant factors in market capitalization. Both institutional and retail investors should be educated on the effects of macroeconomic issues on the market. Long-term growth and improved market participation can also be achieved by bolstering investor trust through open financial reporting and an investor-protective regulatory environment.

Future research could examine how Nigerian market capitalization is affected by other macroeconomic factors like oil prices, GDP growth, and exchange rates. Although the current study concentrated on inflation and interest rates, Nigeria's economy is largely reliant on oil exports, and changes in the world oil market may potentially have a significant impact on the dynamics of the stock market. To investigate the long-term impacts of these variables, future research might think about using longitudinal studies. Researchers might examine if these associations hold true in different economic contexts, such as times of fast growth or economic crises, over a longer time frame. Additionally, this might make it easier to spot structural shifts in the Nigerian stock market and offer stronger suggestions to decision-makers.

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FINANCIAL TECHNOLOGY (FINTECH) AND THE TRANSFORMATION OF BANKING SERVICE DELIVERY IN MAIDUGURI BORNO STATE

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Abstract

This study assessed the impact of Financial Technology (FinTech) on banking service delivery in Maiduguri, Borno State. This study adopted a survey design. The population of the study is 130. Primary data were sourced directly from the staff of banks sampled. A sample size of 98 participants randomly selected from three top IT ranking banks in Nigeria. Primary data gathered were analysed using simple linear regression analysis. Findings reveal that mobile and internet banking significantly enhance service delivery, improving accessibility, efficiency, and customer satisfaction. However, online and cryptocurrency banking show no significant impact, highlighting adoption challenges and regulatory barriers. The study concludes that while FinTech has transformed banking services, focused strategies are needed to optimize underperforming platforms. It is recommended that customers should be educated by Fintech firms on the gains derivable by customers for adopting online banking and cryptocurrency in doing their businesses.

Keywords:

FinTech, online banking, cryptocurrency banking

INTRODUCTION

Background to the Study

The emergence of Fintech in Nigeria was facilitated by the introduction of universal banking in 2021, which allowed banks to offer a wide range of banking services delivery beyond traditional deposit-taking and lending activities. Furthermore, the cashless policy implemented in 2021 by the Central Bank of Nigeria (CBN) in collaboration with the Bankers Committee aimed to provide mobile payment services to break down traditional barriers hindering banking services delivery, such as cost, distance, or documentation requirements. This policy also ensured secure and convenient banking services delivery in urban, semi-urban, and rural areas across the country (Itah & Emmanuel, 2024). This policy shift towards retail banking and the use of e-banking channels have significantly improved banking services delivery. The relevance of FinTech in modern banking cannot be overstated. It represents a paradigm shift from traditional financial models to more agile, technology-driven solutions that promise to democratize access to financial services across diverse socio-economic spectrums (EY, 2021). In developed economies like the United States, FinTech has been instrumental in driving innovation, with banks leveraging technologies such as blockchain, Artificial Intelligence (AI), and Machine Learning (ML) to

enhance operational efficiencies and customer service. These advancements have facilitated the emergence of new payment systems, wealth management tools, and peer-to-peer lending platforms, fundamentally altering the banking landscape.

Mobile banking involves the use of mobile phone for settlement of financial transactions. It allows person to person fund transfers with immediate availability of funds for the beneficiary telephone banking. According to Meihami et al (2020), the conduction of a little business between bank and clients through phone is called phone banking. Functions of mobile banking include bill payment, currency transferring to other account and giving account flow and account balances. Cell phone banking offers clients opportunity to use bank services through installing bank software on their cell phone. Mobile banking offers clients the opportunity of knowing about account remaining, flow, exchanging of funds among accounts with another member, bill payment, buying prepaid cell phone charge and seeing prepaid cell phone charge information.

The introduction and expansion of online banking services have raised pertinent questions about their influence on the financial performance of Nigerian banks. Understanding the nuanced relationship between online banking and financial performance is crucial for both policymakers and banking stakeholders as they navigate an increasingly digital financial landscape (Ibrahim & Mohammed, 2020). Several factors contribute to the complexity of this relationship. The adoption of online banking involves substantial investments in technology infrastructure, security measures, and staff training.

Internet banking lets you handle your personal computer without visiting your domicile bank. For example, you may use your computer to view your account balance, request transfers between accounts and pay bills electronically. Computer/internet banking offers the same opportunity as phone banking. Internet banking is used mainly by enlightened people. According to Mukhopadhyay et al. (2020), crypto currency is a peer-to-peer digital exchange system that generates and distributes currency units using encryption. Distributed transaction verification devoid of a central authority is necessary for the procedure. To prevent currency units from being spent twice, transaction verification verifies transaction amounts and if the payer actually holds the money they are attempting to spend. One of the characteristics that make crypto currencies appealing to so many users is this feature. Two key characteristics set crypto currencies apart from the traditional currencies we are familiar with and utilize on a daily basis. Cryptography and decentralization are these characteristics. A currency is said to be decentralized if it is not governed by a single entity. As an example, Bitcoins are issued as a byproduct following the verification of several batches of transactions. Certain network users' processing power is used for these verifications. Because of these and other characteristics, Bitcoin fosters a sense of community among its users, which is one of its many ardent supporters (Miller, 2021).

The integration of Financial Technology (FinTech) into the banking sector has catalyzed a profound transformation, marking a departure from traditional banking paradigms towards a digital-first approach. This shift is underscored by the adoption of technologies such as artificial intelligence, block chain, and mobile computing, which have significantly enhanced the operational efficiency, security, and customer experience of financial services. The essence of FinTech innovations lies in their potential to redefine the accessibility of banking, making financial services more inclusive and available to a broader segment of the population, including those previously underserved or excluded from the formal financial system.

Against this background, this study intends to ascertain the effect of financial technology (Fintech) and the transformation of banking service delivery in Maiduguri, Borno State.

The use of electronic payment technologies has generated conflicting opinions regarding bank performance in terms of profitability, expected returns, and risk exposure. For instance, many deposit money banks in emerging economies have seen an increase in profit without sustainable growth. However, the implementation of electronic payment technologies has reduced the returns of bank stakeholders and heightened their risk exposure and the adoption of electronic payment technologies requires Nigerian banks to modify their business models, leading to higher operational costs during the transition phase. To compete with fintech companies in the country, several deposit money banks have made significant investments to support the advancement of electronic payment technologies (Mustapha, 2023). This highlights the growing disruptive influence of fintech firms on traditional banking practices and emphasizes the need to examine the contributions and risks of fintech in banking services, considering the limited research available on this subject matter. Studies on fintech in Nigeria have largely focused on its adoption, challenges, and benefits for banking services delivery. Many studies such as (Abdulrazaq, Ngubdo, Usman and Mohammed, 2023; Maniru et al. 2024) have been carried on the effect of financial technology and the transformation of banking service delivery, however, none of these studies was carried out in Maiduguri; therefore, this study is carried out in order to fill the existing gaps.

Objectives of the Study

The main objective of the study is to examine the effect of financial technology on the transformation of banking service delivery in Maiduguri; specifically, the study :

- i. examine the effect of mobile banking on the banking service delivery of listed deposit money banks in Maiduguri;
- ii. assess the effect of internet banking on the banking service delivery of listed money banks in Maiduguri;
- iii. evaluate the effect of online banking on the banking service delivery of listed money banks in Maiduguri;
- iv. examine the effect of cryptocurrency on the banking service delivery of listed money banks in Maiduguri.

LITERATURE REVIEW

Babatunde and Sunday (2017) studied E- Banking in Nigeria, Issues and Challenges. The study assesses issues and challenges of e-banking in Nigeria. The specific objectives ascertain the effect of e-banking on workers, job security in Nigeria banking industry, examine the relationship between e- banking and quality of service delivery of commercial banks in Nigeria, evaluate the relationship between e-banking and security of financial transactions and to find out if e-banking influences customers satisfaction in the Nigerian banking industry. The survey and descriptive research design were adopted in the methodology of the study. The population consists of all the customers and staff of three selected banks branches in the Benin metropolis. A sample of three hundred respondents was selected using the convenience random sampling techniques. The study employs primary data using questionnaires as the research instrument. The data analysis was carried out using summary statistics and ordinary least square regression analysis. The study findings indicate that employees' job security has a positive relationship with E-banking and significantly influence E-banking in Nigeria; customers' satisfaction was ascertained to have a positive relationship with e-banking and also influence e-banking penetration in Nigeria; security of financial transactions was found to have a positive relationship with e-banking, it however had inverse significant impact on e-banking; services delivery has a positive relationship with e-banking.

Rael, et al. (2024), in their study investigated the role of financial technology in improving performance of Jordanian Islamic Banks. The study utilized 130 employees of Jordanian Islamic banks made up the study sample. To assess FinTech, which includes automated payment methods, financial inclusion, and automation all

of them were considered independent variables, whereas, performance improvement in Jordanian Islamic banks was the dependent variable. The results of the linear regression analysis used to test the hypotheses showed that FinTech has a positive impact and a significant impact on financial performance in Jordanian Islamic banks, with automation having a positive effect of 77%, alternative payment methods having a significant impact of 68%, and financial inclusion having a positive impact of 65%. Future research should, according to the study, take into account more factors to more thoroughly evaluate how FinTech has improved performance in Jordanian Islamic banks.

Charity et al. (2023), assessed the effect of internet banking on growth of deposit money banks in Nigeria. Data for the study was sourced through secondary data source obtained from Central Bank of Nigeria Statistical Bulletin from 2009 to 2021. The time series data were analyzed using Ordinary least square econometric techniques. The study reveals that the use of WebPay has a negative insignificant effect on the total deposits of deposit money banks in Nigerian while the use of POS terminals has a negative Significant effect on the total deposits of deposit money banks in Nigeria for the periods under study. The study concludes that the use of Webpay and POS electronic payment systems has varying negative effects on total deposits of banks. The study therefore recommend deposit money bank should identify ways to increase its usage and should consider re-evaluating their POS terminal usage by identifying ways to mitigate the negative impact.

Manirru et al (2024), assessed the impact of crypto currency on Nigeria's digital economic advancement. The study was empirically discussed on the concept of crypto currency by highlighting some of the key features in which are decentralization and the use of cryptography. It further discusses the concept of digital economy which is the economy that focused on digital technologies. Benefits and some drawbacks of the economy are briefly highlighted. Next, using an analysis of the National Digital Economy Policy and Strategy (2020–2030), the article discusses Nigeria's digital economy. Eight pillars were defined under the policy to hasten the growth of the Nigerian digital economy. The consequences of crypto currencies on Nigeria's move toward a digital economy were finally examined in the study.

Aditee and Shinde (2022), studied the influence on FinTech on Custome Satisfaction of Banks in Pune. The study was restricted to Pune city in particular. The structured questionnaire is prepared and applied for the data collection. There were 100 responses collected from Pune city. The non-probabilistic convenient sampling technique is used. The author had applied the frequency distribution technique of data analysis for the identification of their socio demographic profile and at the same time they had also tried to attempt to identify the satisfaction level of them towards the satisfaction of them towards it. The study is significant from sustainable business growth of banking from Indian perspective.

Theoretical Framework

Unified Theory of Acceptance and Use of Technology (UTAUT)

To study the effect of E-Naira, the UTAUT is a more appropriate model, which has the following advantages over other theories. First, the UTAUT model was proposed by incorporating several developed theories, and therefore its prediction efficiency is 70% higher than that of the technology acceptance model (TAM) (Christine 2018). The social influence component is neglected by the technology acceptance model (TAM) but also integrated into the UTAUT framework (Nur and Panggabean 2021), and its importance in technology adoption, such as mobile payment has been verified by previous studies (Ai-Okaily et al. 2020). Based on the nature of E-naira, this study argues that the traditional UTAUT model may have a limited ability to explain public adoption. The model has been extended successfully in different contexts to study the adoption of many technologies (Al-

Qaysi et al. 2020). In several research projects, awareness is found to be a factor that influences perceived usefulness and perceived ease of use. Also perceived security is found to be a key factor that impacts the consumer's acceptance of a new payment technology (Khalilzadeh et al. 2018), especially in a financial context. Therefore, this study tries to extend the UTAUT model and validate awareness, perceived security, and government policy as key factors in financial technology acceptance.

This paper adopted the original UTAUT model developed by Venkatesh et al. (2003) because it takes into consideration the awareness, perceived security, and perceived government policy. The model also including Fintech perceived ease of use, perceived usefulness, attitude toward Fintech, Fintech usage intentions, and actual user behaviour.

METHODOLOGY

This study used descriptive research design to examine the impact of financial technology on banking services delivery by assessing how the various proxies of financial technology influence banking service delivery in banks in Maiduguri, Borno State. The period understudied from 2013 to 2023 (10years) is considered sufficient for the examination of the relationship. The study made use of primary data. Primary was sourced directly from the staff of banks under study review. Three banks were reviewed, namely: Guaranty Trust Bank Plc, Zenith Bank Plc and United Bank for Africa Plc operating within Maiduguri Borno State. These banks were selected due to their listed status, their vast deployment of financial technology across major city centres and their consistency in performance over the years.

Each of these banks has the following staff which makes up their individual population for the study.

Guaranty Trust Bank (GTB) Plc	30 staff
Zenith Bank Plc	40 staff
United Bank for Africa Plc (UBA)	60 staff

Consequently, the entire population for the study is 130. These consist of one hundred and thirty staff of the three banks selected. The sample size is 98. This was gotten using Yamane formula (1967) as evaluated below;

$$n = N / (1 + N) (e^2)$$

Where:

n= signifies the sample size

N= signifies the population under study

e = signifies the margin error using

Therefore, n= 98

In this study, the convenience sampling technique was deployed to select the samples. This is because the population of the study was conveniently selected to represent the sample size due to the fact that the population has the same characteristics and it is more accessible to the researcher. The table bellows shows how questionnaire is distributed to the targeted population.

Table 1: *Sample Frame*

Bank	Population	Sample size	Questionnaire Returned
Guaranty Trust Bank	30	23	23
Zenith Bank Plc	40	30	30
First Bank of Nigeria	60	45	45
Total	130	98	98

Method of data analysis

Data collected was analysed using Simple Linear Regression. The Simple Linear Regression statistics adopted was as follows:

$$y = \beta_0 + \beta_1 x + e$$

Where:

y = independent variable
 β_0 = Intercept or constant term
 β_1 = slope coefficient
 e = error term

Data Analysis

Test of Hypotheses

Table 2

Test of Hypotheses Using Simple Linear Regression

Hypothesis	Regression Coefficient (β)	p-value	Decision Rule	Decision
Ho1: Mobile banking has no significant relationship with banking service delivery of listed deposit money banks in Maiduguri.	0.65	0.002	Reject if $p < 0.05$; otherwise, accept.	Reject Ho1
Ho2: There is no significant relationship between internet banking and banking service delivery of listed deposit money banks in Maiduguri.	0.48	0.045	Reject if $p < 0.05$; otherwise, accept.	Reject Ho2
Ho3: There is no significant relationship between online banking and banking service delivery of listed deposit money banks in Maiduguri.	0.12	0.23	Reject if $p < 0.05$; otherwise, accept.	Accept Ho3
Ho4: There is no significant relationship between cryptocurrency banking and banking service delivery of listed deposit money banks in Maiduguri.	-0.08	0.41	Reject if $p < 0.05$; otherwise, accept.	Accept Ho4

Source: Results from data analysis

Interpretation

Ho₁: Mobile banking significantly influences banking service delivery as the p-value (0.002) is less than 0.05. This implies that mobile banking as a fintech platform enhance service delivery among commercial bank. For each unit of mobile banking employed by banks, a corresponding 65% influence of service delivery

Ho₂: Internet banking also has a significant effect with banking service delivery, supported by a p-value of 0.045. This implies that internet banking as a fintech platform enhance service delivery among commercial bank. For each unit of internet banking employed by banks, a corresponding 48% influence of service delivery

Ho₃: Online banking does not significantly influence banking service delivery, as the p-value (0.23) is greater than 0.05. This implies that online banking as a fintech platform enhance service delivery among commercial bank. For each unit of online banking employed by banks, only a corresponding 12% influence of service delivery, which is very weak.

H₀₄: Cryptocurrency banking has no significant impact on banking service delivery, indicated by the p-value (0.41). This implies that cryptocurrency as a fintech platform does not enhance service delivery among commercial bank. For each unit of cryptocurrency employed by banks, a corresponding 8% negative influence on service delivery is experienced.

DISCUSSION OF FINDINGS

The findings from the hypothesis testing reveal significant insights into the relationship between digital banking channels and banking service delivery in Maiduguri. The analysis demonstrated that mobile banking significantly influences banking service delivery, as evidenced by a strong regression coefficient and a p-value of less than 0.05. This suggests that the adoption of mobile banking platforms has enhanced service efficiency, this finding agree with the view of Babatunde and Sunday (2017) and Rael, et al. (2024).

Also, the results for online banking did not reveal a significant relationship with banking service delivery. This may reflect challenges associated with the adoption or functionality of online banking platforms in Maiduguri. Technical issues, limited customer awareness, or preferences for alternative digital channels like mobile banking could explain this finding. It is possible that online banking services in this region are not as robust or user-friendly, resulting in a diminished impact on service delivery. This finding is contrary to the findings of Charity et al. (2023) and those Babatunde and Sunday (2017).

The findings for cryptocurrency banking were also not significant, indicating that it does not yet play a meaningful role in banking service delivery in Maiduguri. This is unsurprising given the relatively low adoption rates of cryptocurrency in the Nigerian financial landscape. Regulatory uncertainties, lack of trust in digital currencies, and limited infrastructure may hinder the integration of cryptocurrency banking into mainstream banking services. As a result, its contribution to banking service delivery remains negligible at this time. This finding is in consonance with the studies of Manirru et al (2024)

The significant influence of mobile and internet banking underscores the importance of digital transformation strategies among deposit money banks in Maiduguri. These platforms enable banks to reach more customers and offer seamless services, particularly in areas with limited physical branch presence. The findings suggest that investing in user-friendly interfaces, security features, and customer support for these channels can further enhance their impact on service delivery. In contrast, the insignificant results for online and cryptocurrency banking highlight areas for improvement and future research. Banks may need to investigate the barriers preventing the successful adoption of online banking services. This could involve addressing issues such as network reliability, user interface design, or customer education. Similarly, cryptocurrency banking may require strategic investments in infrastructure and regulatory clarity to unlock its potential for enhancing service delivery. This assertion is supported by the studies of Rael, et al. (2024) and Charity et al. (2023).

CONCLUSION AND RECOMMENDATIONS

Conclusion

The findings of this study lead to the conclusion that FinTech has significantly transformed banking service delivery in Maiduguri, Borno State, albeit with varying impacts across different platforms. Mobile banking emerged as the most effective FinTech tool, providing customers with convenience, speed, and accessibility. Its success reflects the growing reliance on mobile technology to overcome geographical and infrastructural barriers in financial services. Similarly, internet banking has shown to be an essential driver of improved service delivery, further reinforcing the importance of digital banking solutions in modern banking operations. Despite

these advancements, the study concludes that online banking and cryptocurrency banking are yet to reach their full potential in Maiduguri. The limited impact of online banking highlights potential challenges such as insufficient technological infrastructure, user interface inefficiencies, or a lack of customer awareness. Cryptocurrency banking, on the other hand, faces regulatory and trust issues, preventing its integration into mainstream banking operations. These findings suggest the need for focused strategies to address these limitations and foster greater adoption of these platforms.

The research underscores the pivotal role of FinTech in reshaping banking service delivery in Maiduguri. It highlights the importance of adopting technology-driven solutions to improve efficiency, customer satisfaction, and operational effectiveness in the banking sector. By leveraging FinTech platforms, banks can overcome traditional limitations, such as inadequate branch networks and long transaction times, to deliver superior services to their customers. This study also contributes to the understanding of regional disparities in FinTech adoption and effectiveness. It emphasizes the need for context-specific solutions that address the unique challenges faced by banks and customers in Maiduguri. Such solutions must consider the socio-economic and infrastructural realities of the region to ensure the successful implementation and sustainability of FinTech innovations. In conclusion, FinTech has demonstrated its potential to transform banking service delivery in Maiduguri, with mobile and internet banking leading the way. However, there remains significant room for growth and improvement in online and cryptocurrency banking. These findings provide a foundation for future research and practical initiatives to enhance the role of FinTech in the region.

Recommendations

Based on the findings, this study recommends that banks in Maiduguri should:

Prioritize the expansion and optimization of mobile banking and internet banking platforms. Investments should be made in developing user-friendly interfaces, improving network reliability, and ensuring robust cybersecurity measures.

To address the limitations of online banking, banks should invest in upgrading their technological infrastructure and optimizing platform functionalities. A focus on enhancing user experience, reducing transaction processing times, and providing adequate support services will encourage greater adoption of online banking.

For cryptocurrency banking, regulatory bodies and financial institutions must collaborate to create an enabling environment that fosters trust and adoption. Clear regulatory frameworks, customer education, and the development of secure and accessible cryptocurrency platforms are critical steps in this direction.

The study also recommends that policymakers and stakeholders in the financial sector adopt a collaborative approach to ensure the sustainable development of FinTech in Maiduguri. This includes investments in digital infrastructure, policy frameworks that encourage innovation, and initiatives to bridge the digital divide in underserved areas.

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MODES OF DIVIDEND PAYMENT AND PARTICIPATION OF MINORITY SHAREHOLDERS IN THE NIGERIAN CAPITAL MARKET

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ABSTRACT

Over the years, despite payment of dividends by companies in the Nigeria Capital Market, reports have shown that participation of shareholders has been on a decline. In order to address the issue of concern, this study assess the influence of Mode of Dividend Payment on participation of shareholders in the Nigerian Capital Market. A sample size of 384 retail investors was obtained from a population of 3 million investors in the Nigerian Capital Market using the Krejcie and Morgan determination table. Linear Snowball Sampling techniques was used to obtain Primary data via questionnaire which was utilized and analysed using Regression analysis to test the hypotheses set at the 0.05 level as significant using with SPSS and PLS-SEM software. The study's findings made known that forms of dividend payment is essential for influencing investment perspective of investors. The study concluded that dividend payment is relevant to Nigeria Companies in order to stimulate investment in stocks, thereby contradicting Modigliani and Miller's irrelevant dividend theory but supported the bird-in-the-hand, clientele effect, and catering theories. The study recommends that induced dividend decision should be discouraged and robust dividend payment structure should be in place. Also, complete information about the dividend policies of the firm should be provided since investors don't have internal workings of the company and may not understand financial dealings. Lastly recommended that corporate managers should institute minority shareholders education enlightenment programmes such awareness programmes should encompass making investors know the implications of taking one dividend decision against the other.

Keywords:

Modes of Dividend Payment,
Participation of Minority
Shareholders, Nigerian Capital
Market

1.1 Introduction

Dividend which is a fraction of net earnings paid to shareholders for providing funds to own a net worth of a company is considered as one of the most important factors in making investment decisions for shareholders. The directors of the company been representatives of the company owners can decide in an annual general meeting that part or all of earnings generated in a period should either be distributed to the firm owners or be ploughed back to the company as substitute source of finance which in the long run will help in expanding the business and meeting new frontiers by entering into new markets or reinvestment in other viable investments that offer a high rate of return. (Sharmila, 2022; Akinkoye & Akinadewo, 2018). It is not compulsory for companies to pay dividend, however once a decision has been taken for payment, it becomes a debt and cannot be readily reversed (Alharbi, Elmagrabi, Kloub, Kassinis & Ali 2023; Priya & Mohanasundari, 2016).

Other than the decision to pay or not to pay, what amount should payments be are exclusively left at the prudence of the company's directors whom must also choose the form of the dividend distribution, generally as cash dividends or alternatively to pay dividends in the form of stock rather than in cash. Also, the Timing to which the dividend is to be distributed either as regular dividends or interim dividends to meet shareholders' expectations. Regular dividends are normally paid annually while interim dividends are sometimes paid in intervals; Monthly, Quarterly or semi-annually (Ukpong & Ukpe, 2023 Swadia, 2020).

Mode of dividend payment which might be challenging for a management company as managers might tailor dividend policies to the firm's life cycle, which may lead to conflicts with shareholders over preferred returns. Management needs to know how shareholders view their company when dividend is paid. The right dividend decision can help companies estimate and allocate resources effectively, manage risks, and make the right decisions in utilising business opportunities Hermansyah (2023). While an inappropriate mode of payment can cause shareholders to lose confidence in the company, these decisions have negative consequences for the business, specifically on the premise that an average shareholder would withdraw and divest his investment from a company, Yusuf (2019).

The significance of dividend payments is amplified due to the peculiarities of every market. In the Nigerian context. The capital market has experienced significant growth over the years, with minority shareholders playing a crucial role in its development however there is a decline recently, as such this study seeks to evaluate the influence of mode of dividend payments on participation of minority shareholders in the Nigerian Capital Market.

1.2 Statement of the Problem

The paradoxical nature of dividend payment is without doubt a long-debated issue in finance. Attempt to solve the paradox, gave an edge to the dividend payment protagonist over the non-dividend payment protagonist in view of the fact that imperfection exist in every stock market. Incongruity with the payment protagonist and support of dividend relevant theories, efforts were made by companies in the Nigeria Capital Market to pay dividends. However, it has been observed from a report by the NGX that there is a low participation by minority shareholders as well a decline of interest and rise in unclaimed dividend payments (in spite transitions from hard dividend warrant to E-dividend payment).

Precisely in the year 2021 minority shareholders had a lower percent share of domestic investment of the local equity market. Also, in year 2023 and 2024 minority shareholders portion of the market went down to below average while majority institutional investors had dominance of the total domestic investment (NGX 2024). The dominance of majority institutional equity investment report underlines that structural outline of Nigerian investors might be largely skewed in favour of majority institutional shareholders which is capable of influencing the corporate management decisions in control that can pose challenges to the other minority retail investors.

The diffuse structures that separate ownership of residual claims from control of corporate decisions and drop in minority shareholders participation in the market despite payment of dividend is a source of concern about the credibility of the dividend paid by firms on the Nigerian Capital Market. CAMA (1990) provided that every shareholder is expected to attend AGM and has the rights to participate in vote during ordinary resolutions by show of hands and not percentage of share ownership. Further provided that minority shareholders can be entitled to have Independent coordinator that may represent their interest at the management level. However, the

cumbersome process for minority shareholders to attend AGMs coupled with the minimal legal right provision on dividend decision for retail investors which becomes effective only when declared or paid (NGXG 2022) indicates that no functional protection of rights compel companies to consider interest of retail investors in Nigeria. Dividend payments are therefore typically formulated with the assumption that retail investor have no preference and or belong to only group, this indicates that dividend payment may not always represent retail investors in Nigeria considering the increase in the level of institutional investors in recent year as high net worth individuals.

incongruence to the World Economic Forum projection that expected to grow over 61% by 2030 (WEF, 2022) minority shareholders becomes a necessary force to and ideal to seen like the livewire of every public company. There is need to find optimal solution on how returns will encourage participation and sustain interest of investors considering the fact that the dividend payment method adopted may convey either positive or negative information to investors. In an attempt to provide an optimal dividend solution that can sustain an attract retail investors participation, studies continually focused on surveying Managers and institutional investors preferences views as well the issues of rise in unclaimed dividend, and share values (Ibrahim & Salawudeen, 2017; Njogu 2020; Adeiza, Sabo & Abiola 2020; Ullah, Suliman, Nargas and Ullah, 2021), and have neglected to fill the gap in knowledge as what aspect of dividend payment can influence investment preferences of retail investors. Consequently this study seeks to provide insights into how dividend strategies can be optimized to align with shareholders expectations on forms and timing of dividend payment on the Nigerian Capital Market.

1.3 Objectives of the study

The objectives of the study is to assess the influence of Modes of Dividend Payment and Participation of Minority Shareholders in the Nigerian Capital Market, while the specific objectives are to:

- i. assess the influence of Forms of dividend payment on participation of shareholders in the NCM
- ii. assess the influence of Timing of dividend payment on participation of shareholders in the NCM

1.4 Research Hypothesis

- i. Forms of dividend payment does not significantly affect participation of shareholders in the NCM
- ii. Timing of dividend payment does not significantly affect participation of shareholders in the NCM

2.0 Literature Review

2.1.1 Forms of Dividend Payment

Forms of Dividend Payment (FDP) refer to the various methods by which a portion of earnings per share of each specific stock in a company is paid to the shareholders. Shah and Swadia (2023) made known that on the basis of forms in which dividend is paid fall into the following categories: Cash, Stock, Scrip, Bond, Property and Liquidating. However, Both cash and in-kind dividend payments are possible. Cash dividend is the most common sort of dividend. Majority of firms pay such to investors out of cash gains. A company needs a significant quantity of capital when dividends are paid in cash since cash dividends result in a significant financial outflow. Firms are required to consider their liquidity status when paying cash dividends. Stock Dividend are occasionally distributed by Corporations in the form of stock shares rather than cash. It is commonly referred to as Bonus shares in India. In reality, businesses choose this route if they have enough reserves but not enough cash to pay dividends. In this scenario, reserves will be reduced up until the dividend declaration, and the corresponding amount will be added to common shares. As a result, the company's liquidity position won't alter.

Olatunde and Batula (2022) noted the following various forms of dividend payments: Cash Dividends; When a

dividend is issued in cash, the investor's account is immediately credited with the amount. They are funded by the organization's investment profits, and cash dividends are frequently subject to taxation. The most popular method of distributing profits to shareholders is through cash dividend payments. Stock dividends are when a firm pays its shareholders a dividend in the form of shares rather than cash. They are paid in addition to cash dividends, not in place of them. Bonus dividends were typically paid in place of cash dividends when a corporation had little cash. The total shareholders' equity is unaffected by a stock dividend, as earnings are distributed equally to shareholders. Just like cash dividends, stock dividend does not mean an increment in wealth in the organization.

2.1.2 Timing of Dividend Payment

Timing of Dividend Payment refers to the number of times a dividend is paid on the fiscal year in which they are paid. This can be interim or Final Payments. Interim Dividend refers to dividend that is declared in between two annual general meetings. Companies with strong profitability frequently choose to declare interim dividends. Nonetheless, the directors must take into account a number of crucial factors, including available capital, orders, and any seasonal elements of the business. Final Dividend is the term used to describe the payout that is declared at the annual general meeting at the conclusion of the fiscal year. After considering the company's ultimate financial and earnings status, this dividend has been declared (Shah & Swadia, 2023).

Sharmila (2022) study also classified the timing of dividend payments into two categories: Interim/Special dividends and annual Dividends. While interim and special dividends are paid throughout the current fiscal year and annual dividends are paid at the end of the financial year. According to Olatunde and Batula (2022), TDP is calculated using a dummy variable that indicates whether a company pays once annually or more than once. TDP to Bhimavarapu (2021) is either quarterly, semi-annually, or annually, with a dynamic dividend pay-out ratio. According to Blessing (2020), the Time of Dividend Payment (TDP) is a metric for how frequently a company distributes dividends each year. Some companies pay dividends more than once a year, including interim and final dividends (for two payments) and interim, special, and final dividends (for 3-time payments). Contrary, Letaifa (2019) made known that Timing Dividend payment is fixed by a company in the general meeting date with the consensus between all shareholders and after a motivated proposition of the manager. This research refer to Timing of Dividend Payment as a motivated induced decision of the Board of Directors on period on which dividend should be paid to investors and such can be Final/Annual (for Single Payment in a year or the last payment in a year) or Interim Dividend Payment (payment made either Bi-annually or quarterly in a year).

2.2 Empirical Review

This aspect review Empirical studies on the extent to which Forms and Timing of dividend payment influence Minority Retail shareholders participation

2.2.1 Forms of Dividend Payment and Investment Preferences of Investors

Salawudeen, Isa and Dandago (2022) carried out survey research with the aim to empirically investigate the dividend preference of shareholders of listed manufacturing firms. The study used Primary data using questionnaires and interviews as data generating instruments. A sample of 500 shareholders were selected using stratified and random sampling technique. Snowball sampling technique was further used to get other respondents from among shareholders' acquaintances. The Data was analysed using frequency tables and percentage and the mean ranking showed that shareholders dividend preferences on Forms favour Cash dividends and influences their participation.

Mustapha, Momoh and Tahir (2018) carried out a survey study to analysed the preferences of investors for

dividend payments. The study used mainly primary data which was obtained through the distribution of questionnaire and conducting an interview with the help of research assistant who are stock brokerage firms staff. The study used 150 investors as sample. Purposive and random sampling technique was used. Descriptive statistics and multivariate regression model was used employed to analysed data. The results of the research revealed that investors have a significant preference for forms of dividends and Cash Dividend is the most preferred which therefore influences participation.

Khan, Ghafoor, Sheeraz and Mahmood (2018) in Pakistan attempts to understand the linkage of dividend decisions and investors' perceptions within corporate sector. Primary Data were collected from a sample of 200 individual investors using questionnaires to obtain opinions. Purposive sampling technique was used. Frequencies, percentages and regression were used to analyse data. The findings revealed that stock dividends are preferred by Pakistani investors and if the company is not paying cash dividends, and share buy-back decisions are taken negatively. The study also exhibits a positive relation between dividends and investors' perception.

In the Egyptian Stock Market, Khaled and Gamal (2013) examined investor preferences, attitudes, and views of dividends. The study used a sample of 270 Egyptian investors who responded to a questionnaire and provided information about their dividend preferences. Investors were given the questionnaire through several brokerage and financial services companies in Egypt. Convenience sampling technique and linear regression were utilized to analyse primary data. The findings showed that investors prefer dividend payments in both stock and cash forms.

Whether investors prefer dividend payments in the form of cash or stocks was explored by Akhtar, Hunjra, Andleeb, and Butt (2012). In order to document how investors behaved toward dividends, a questionnaire was distributed to a sample of 300 individual investors at the stock exchanges in Karachi, Lahore, and Islamabad using a simple random selection technique. SPSS was utilized to analyse primary data. The research's results were extremely conflicting; some investors preferred dividends to be paid in cash, while others preferred stock. The study found that the majority of income is not reinvested but is instead consumed and that investors have strong preferences for both cash and stock dividends forms.

2.2.2 Timing of Dividend Payment and Investment Preferences of Investors

Jepkoech (2015) conducted study at the Nairobi Securities Exchange (NSE) in Kenya to empirically ascertain if stock market responses to interim dividend payments are more significant than responses to final dividend announcements for companies listed there. The study employed a sample of 7 businesses that distributed interim dividends throughout the time period. The consequences of the interim and final dividend announcements were examined using event study techniques. The research's findings, which were based on secondary data, demonstrate that market participants in Kenya's stock market respond more strongly to final dividend announcements than interim dividend announcements. There is a preference for final dividend payment.

A sample of 100 businesses that declared special dividends between 2015 and 2018 were used in the study by Jella and Shekhtar's (2018), on the impact of special dividends on values in Indian markets. Three different types of secondary data sets were employed in the study, and event methodology was used to analyze them. The results show that an investor can only achieve abnormal returns following a special dividend announcement of two days. None of the other periods under consideration show any indication of abnormal returns. Since a special dividend is a one-time thing, investors do not see it favorably as a managerial endorsement of the company's

success therefore investors prefer Final Dividend.

Sharmila (2022) makes an effort to ascertain, using event research methodology, how the market responds to announcements of annual dividends, concurrent annual dividends, interim/special dividends, and stock listings on the National Stock Exchange of India during the years 2014 through 2019. The analysis was conducted using a sample of 1477 yearly dividend announcements and 52 stocks that simultaneously declared both annual and interim/special dividends. It was decided to compute the data using secondary data and the Market model from Brown and Warner (1980). The findings indicate that announcements of annual dividend and interim/special dividends have favourable, significant returns. When annual dividends and interim/special dividends are announced simultaneously, the magnitude of return is found to be higher than when only annual dividend announcements are made.

Kambeu (2017) empirically carried out a study in a change in dividend payment frequency is significant in an effort to analyse a significant change in dividend payment frequency (timings) conducted research on scbeba holdings. Secondary data was used and event methodology process was used to analyse the data. The findings of th study revealed that a change in dividend payment frequency is not significant and relevant

2.3 Theoretical Review

This aspect focused on the Dividend Relevant theory.

2.3.1 Clientele Theory

The Clientele Theory was developed by Richard Petit in 1977, According to this theory a stock will have clientele attracted by its dividend payments. According to Budianto, Suyono, Purwati, and Suparlinah (2022), The clientele theory suggests that companies tailor their dividend payment policies to attract and retain specific groups of investors. The theory proposes that certain types of investors, such as retail investors, have a preference for receiving dividends regularly rather than relying solely on capital gains. Retail investors, who are typically individual investors that invest relatively smaller amounts of money compared to institutional investors or hedge funds, often have different preferences when it comes to receiving dividends. They prefer to receive dividends regularly as it provides them with a steady income stream and helps support their financial needs. They value the consistent income provided by regular dividend payments, as it can help them meet their financial needs and provide a sense of stability in their investment.

Brauer, Hackethal and Hanspal (2020) In their paper examine how individuals consume from dividend income, tested existing theories which attempt to explain investors' preferences for dividends. The results contribute to the literature on a dividend clientele and provide evidence of 'planned' excess sensitivity. The findings have important implications for corporate policy and financial markets. First, if retail investors seek dividends for consumption, heterogeneity in dividend policy over time and the cross section of firms may have a significant first order effect on the composition of shareholders. Secondly, changes in the size and timing of dividend payouts, and more generally in dividend policy, could affect aggregate (and local) consumption if shareholders tie their consumption decisions to their portfolios.

The essence of the clientele effect theory is in gradual increase in the homogeneity of the shareholders in terms of their relationship to the distribution of net profit for dividend funds and savings. Stakeholders, who are dissatisfied with decisions taken by the general meeting of the company, carry out transactions of sale and purchase of corporate rights, becoming co-owners of shares whose issuers have optimal dividend policy, in their opinion. So, this theory does not ignore the rights of minority shareholders and justifies the ways of harmonizing the different groups of co-owners of the company. The clientele effect theory, however, was criticized for weak

empirical support for clientele effect (Kuzucu 2015).

Additionally, the Clientele Effect can be beneficial for retaining existing investors and attracting new ones who have similar financial objectives to avoid a negative clientele effect, companies should consider the preferences and expectations of their shareholders when making decisions related to dividend policies, taxes, or capital allocation. By aligning their policies with the financial objectives of their shareholders, companies can maintain a stable share price and avoid potential negative consequences from shifts in investor demand.

2.3.2 Catering Theory

The catering theory of dividend payment is a concept that explores the factors influencing a company's dividend policy and how it affects the participation of shareholders. This theory suggests that companies may adjust their dividend policies in order to cater to the preferences of retail investors. By doing so, companies aim to signal to investors that they are capable of generating consistent profits and have promising future prospects. This is done through regular dividend payments and increasing the amount of dividends distributed over time. This theory posits that retail investors are more likely to invest in companies that offer regular and increasing dividend payments as it provides them with a sense of stability and a steady income stream. (Budianto et al., 2022).

Furthermore, In the study of Shodiya, Sanyaolu, Ojenike and Ogunmefun (2019) offered a relatively new explanation, namely the “catering theory of dividends” offered by Baker and Wurgler (2004), postulates that investor preferences for dividends may change over time. Therefore, managers should recognise and cater to shifts in investors preferences for dividends – that is, managers cater to investors by distributing dividends when investors put a premium on such stocks and they will omit dividends when investors highly rate firms that do not pay dividends. Consequently, the theory suggests that dividends are highly relevant to share value but in different directions at different times.

Ganguli, Dawar, and Arrawatia (2019) in a study empirically demonstrates a positive relation between the dividend payout and minority shareholders base indicating that, in a civil law origin country with strong corporate governance code ensuring investors protection and property right, the minority shareholders can extract dividend from the firms that, in turn, has a favourable impact on equity valuation. Consistent with the “outcome” and “catering model,” the findings of the study indicate that the overall business environment and legal protection enable minority shareholders to assert their cash flow rights with positive valuation implication. consistent with the prediction of the outcome and catering hypothesis-the study demonstrates that minority shareholders base favourably impacts dividend.

The theory is of greater relevance and suitable for this study, this is due to the fact that unlike the clientele which investors are attracted to company that meet their expectations on dividends this is contrary. The theory assumes that managers will adjust their dividend payment based on investors demand preferences.

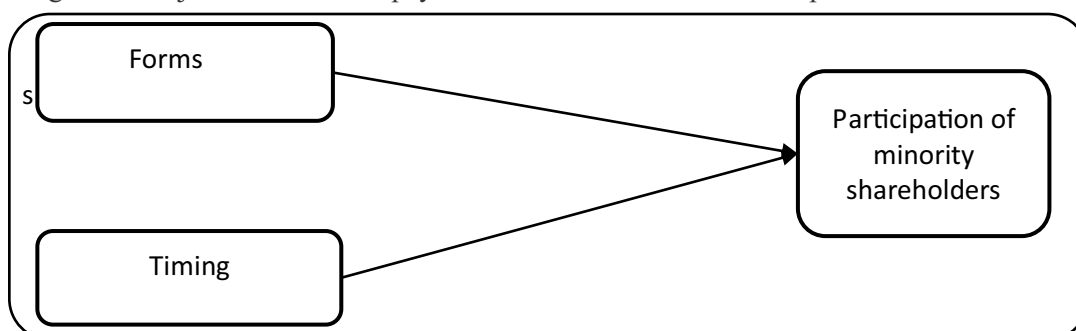


Fig. 1: Conceptual Model of the study

3.0 Methodology

Primary data was used in analysis which was sourced of the sample size of 384 minority shareholders which were drawn from the population determined using Krejcie and Morgan (1970) table. The sampling technique used in this study is linear Snowball. Survey method was used for Data collection. A 5-point Likert scale questionnaire was adapted from the study of Salawudeen (2022) and Mohmoh (2018) and used for data collection through a broker. Regression was used as statistical tool of analysis. IBM SPSS Statistics version 25.0 and PLS-SEM V2.0 was used to carry out the analysis.

4.0 Data Analysis Results

233 questionnaires were filled by the respondents. Therefore, this is demonstrating 60.7% response rate. Thus, the 233 questionnaires filled were coded and used for further analysis. The response rate of this study is considered adequate, an acceptable range for response rates could be 50%–80% (Baruch & Holtom, 2008). A response rate above 60% is considered good (Story & Tait, 2019). Hair, Sarstedt, Hopkins and Kuppelwieser (2014) are of the view that, a response rate of more than 40% is regarded as satisfactory and reveal unbiasedness

Table 1: Normality Test: Skewness and Kurtosis Statistics (n=233)

Variables	N	Skewness		Kurtosis	
	Stat.	Stat.	Std. Error	Stat.	Std. Error
Participation of Minority shareholders	233	-1.130	0.159	3.160	0.318
Form of Dividend Payment	233	-1.160	0.159	1.669	0.318
Timing of Dividend Payment	233	-1.740	0.159	5.008	0.318

Source: Field Survey (2024)

Table 2: Variables Correlations and Square Roots of AVE

Variables	ADP	FDP	TDP
Forms of Dividend Payment	0.517	0.720	
Timing of dividend Payment	0.608	0.709	0.736

Table 3: Assessment of Coefficient of Determination (R

Endogenous Variables	R Square	R Square Adjusted
Participation of shareholders	0.531	0.525

Source: Field Survey (2025)

Table 4: Assessment of the Effect Size (f2)

Variables	Effect Size	Leve of F ²
Forms of Dividend Payment	0.011	Small
Timing of dividend Payment	0.034	Small

Source: Field Survey (2025)

Table 5: Assessment of the Predictive Relevance (Q2)

Variables	SSO	SSE	Q ² (=1-SSE/SSO)
Participation of shareholders	699.000	515.004	0.263

Table 6: Results of Relationships (Hypotheses Testing)

Hypothesis	Beta	Std. Dev.	T Stat.	P Values
Forms of Dividend Payment => PMS	0.103	0.065	1.546	0.122
Timing of dividend Payment => PMS	0.200	0.070	2.802	0.005

Note: *** Significant at 0.01 ** Significant at 0.05, * Significant at 0.10

in the course of data collection stage.

Hypothesis one tested that Forms of dividend payment does not significantly affect investment preference of investors. The results indicated significant and positive relationship between Forms of dividend payment and investment preference of the investors where $\beta = 0.526$, Standard Deviation = 0.068, t statistics = 7.746 and P value = 0.000. Therefore, this results provided that hypothesis one is rejected indicating that Forms of dividend payment does significantly affect investment preference of retail investors in the Nigerian capital market. Hypothesis two tested that Timing of dividend does not significantly affect investment preference among investors. The results indicated positive but insignificant relationship between Timing of dividend and investment preference among investors where $\beta = 0.103$, Standard Deviation = 0.065, t statistics = 1.546 and P value = 0.122. Therefore, this results provided that hypothesis two is accepted. The findings of this study indicates that majority of retail investors are not concerned about the timings of payment.

5.0 Conclusion

The study concludes that forms of dividend payment have significant influence on participation of minority shareholders other than timing of dividend payment.

6.0 Recommendations

1. Organisations should put in place a minority shareholders feedback survey when dividend payment is made as well as to act in the best interest of investor as to reduce the agency problem, thus complete information about the dividend policies of the firm should be provided since investors don't have internal workings of the company and may not understand financial dealings.
2. Corporate managers should institute retail investors education enlightenment programmes such awareness programmes should encompass making investors know the implications of taking one dividend decision against the other that is, A firm in crisis should reduce or suspend its paying cash dividend but pay stocks dividend in order to conserve cash, while a firm that faces a boom or a windfall should increase or pay cash dividend.

7.0 Future Research Directions

For future research more comprehensive studies about minority shareholder for a more meaningful understanding can be carried out by looking at mediator variable or moderator variable.

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EFFECT OF ENABLERS FOR GREEN FINANCING ON ENTREPRENEURSHIP EMPOWERMENT IN BORNO STATE NIGERIA

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ABSTRACT

This study investigates the effect of enablers for green financing on entrepreneurship empowerment in Borno State, Nigeria. Green financing refers to financial investments that promote environmental sustainability, such as funding for renewable energy projects, sustainable agriculture, and eco-friendly infrastructure. In Borno State, initiatives like the National Agency for the Great Green Wall (NAGGW) aim to combat land degradation and promote sustainable livelihoods. Additionally, organizations such as Mercy Corps Nigeria's Rural Resilience Activity and Babban Gona provide support to smallholder farmers and entrepreneurs, enhancing their resilience and economic opportunities. Entrepreneurship empowerment in Borno State is further supported by programs like the Youth Investment Fund, which focuses on developing ecosystems where youth enterprises can thrive, generate jobs, and stimulate economic growth. Moreover, initiatives by organizations such as the Integrated Women and Youth Empowerment Centre (IWAYEC) and the Innovative Child Care and Women Empowerment Initiative (ICWEL) provide vocational training and capacity building, particularly for women and youth, fostering inclusive economic development. The study employs a mixed-methods approach, combining quantitative surveys and qualitative interviews with local entrepreneurs, financial institutions, and policymakers. Preliminary findings suggest that access to green financing, coupled with supportive policies and capacity-building programs, significantly enhances entrepreneurial activities in environmentally sustainable sectors. However, challenges such as limited access to finance, inadequate infrastructure, and security concerns persist. The research underscores the importance of tailored financial products, targeted training programs, and robust policy frameworks in fostering green entrepreneurship. Recommendations include strengthening financial literacy, enhancing access to green loans, and developing infrastructure to support sustainable business practices. By addressing these enablers, Borno State can promote entrepreneurship that contributes to both economic development and environmental sustainability.

Keywords:

Green financing,
entrepreneurship
empowerment, sustainable
development, economic
recovery, environmental
sustainability.

INTRODUCTION

Green financing has become crucial for promoting sustainable development, especially in regions like Borno State, Nigeria, which faced environmental and socio-economic challenges. The state, affected by insurgency and environmental degradation such as Borno State, needs innovative financial solutions such as green loan and green banks to foster resilience and growth. Green financing, through investments in renewable energy, sustainable agriculture, and entrepreneurs with the capital and resources needed to thrive in a green economy

(Olaniyi & Ojo, 2022). Financial institutions and government policies play a critical role in facilitating these initiatives. The Central Bank of Nigeria as one of the institutions has introduced measures like the Renewable Energy Fund and the Green Bond Program to support environmentally sustainable projects (Central Bank of Nigeria, 2023). These efforts reduce financial barriers and incentivize sustainable business practices. Additionally, international organizations are investing in capacity-building programs to enhance the skills of local entrepreneurs by empowering them to leverage green financing opportunities (World Bank, 2023).

The impact of these enablers is evident as entrepreneurs report improved business performance and the ability to scale operations sustainably. For example, small-scale farmers using solar-powered irrigation systems have seen increased crop yields and income (Adamu & Ibrahim, 2023). As Borno State rebuilds, the strategic implementation of green financing will be key to driving entrepreneurship empowerment and achieving sustainable development goals.

The Nigerian economy has faced persistent exchange rate instability, which has had far-reaching implications for various sectors, including the burgeoning field of green financing. In Borno State, Nigeria, the potential of green financing as a tool for entrepreneurship empowerment remains underexplored, particularly in the context of regional economic challenges such as insecurity, limited infrastructure, and environmental degradation. While existing studies have examined the broader impacts of exchange rate fluctuations on financial institutions at the national level, there is a lack of region-specific research focusing on how these fluctuations affect the availability and effectiveness of green financing enablers like Green Loans, Green Bonds, Green Banks, and Green Project Financing. This gap is problematic because the unique socio-economic conditions in Northeastern Nigeria may exacerbate the challenges faced by entrepreneurs seeking to leverage green financing for sustainable business ventures (Adeoye & Saibu, 2020). Without a clear understanding of these regional dynamics, policymakers and financial institutions may struggle to implement effective strategies to promote green entrepreneurship in Borno State.

OBJECTIVES OF THE STUDY

The primary objectives of this study are to:

- (1) Assess the effect of Green Loans on the ability of entrepreneurs in Borno State to initiate and sustain eco-friendly businesses.
- (2) Assess the role of Green Bonds in providing long-term capital for sustainable projects.
- (3) Examine the contribution of Green Banks in Borno State in facilitating access to green finance for local entrepreneurs in Borno State.
- (4) Assess the effectiveness of Green Project Financing in supporting innovative and sustainable business models.

RESEARCH QUESTIONS

To achieve these objectives, the study addresses the following research questions:

- (1) How do enablers of green financing influence entrepreneurship in Borno State?
- (2) What is the relationship between green financing mechanisms and the growth of sustainable entrepreneurship in Borno State?
- (3) To what extent does access to green financing enhance entrepreneurial opportunities in Borno State?
- (4) How do government policies and incentives affect the adoption of green financing among entrepreneurs in Borno State?
- (5) What role do financial institutions play in providing green financing to entrepreneurs in Borno State?

SIGNIFICANCE OF THE STUDY

This research is significant as it will provide insights into the potential of green financing to empower entrepreneurs in a region facing both economic and environmental challenges, thereby contributing to the broader discourse on sustainable development in Nigeria. Borno State has faced severe disruption from insurgency, leading to economic devastation, displacement, and poverty. Green entrepreneurship can diversify the economy beyond aid dependency, create sustainable livelihoods, and rebuild communities. Understanding how green financing enables this is critical for inclusive economic revival. Promoting green enterprises (e.g., solar energy, sustainable agriculture, and waste management) builds climate resilience. The study identifies financing enablers (e.g., policies, incentives, institutions) to scale these solutions, directly enhancing community adaptation. This study is pivotal for transforming Borno State's recovery into a green, entrepreneurial renaissance. By decoding how enablers like regulatory support, financial products, and technical assistance empower eco-enterprises, it offers actionable strategies to build a climate-resilient, inclusive economy – turning post-conflict challenges into opportunities for sustainable development.

SCOPE OF THE STUDY

The study centers on Borno State, located in northeastern Nigeria. This region has faced challenges such as conflict and environmental degradation, which have impacted economic activities and infrastructure. However, Borno also holds significant potential for green initiatives, particularly in renewable energy and sustainable agriculture. The study identifies several factors that facilitate green financing and its effect on entrepreneurship: Government Initiatives: Programs like the Nigeria Youth Investment Fund (NYIF) and the Youth Enterprise Clusters (PIYEC) aim to promote renewable energy and agroforestry in Borno, supporting youth-led enterprises and fostering economic recovery.

Financial Literacy and Access: Training programs, such as those conducted by Keystone Bank for over 300 female SMEs in Maiduguri, enhance financial literacy and empower entrepreneurs to make informed financial decisions. Microfinance Institutions: Studies indicate a positive relationship between access to finance and entrepreneurial development in Maiduguri, highlighting the role of microfinance banks in supporting small-scale businesses. The study also examines how green financing influences various aspects of entrepreneurship: Economic Empowerment: Access to green financing enables entrepreneurs to invest in sustainable practices, leading to increased income and job creation. Capacity Building: Training and education in green technologies and business management enhance the skills and capabilities of entrepreneurs. Social Impact: Empowering women and youth through green entrepreneurship contributes to gender equality and community development.

CONCEPTUAL ISSUES

Conceptual issues surrounding green financing and entrepreneurship empowerment are crucial for understanding how sustainable economic development can flourish in regions like Borno State, Nigeria.

Green Loans

According to Olaniyi and Ojo (2022), Green Loans are specialized financial products designed to support environmentally sustainable projects and initiatives by providing entrepreneurs with the necessary capital to implement eco-friendly practices. These loans are typically offered at favorable terms, such as lower interest rates or extended repayment periods, to incentivize businesses to invest in renewable energy, energy efficiency, and other green technologies. In the context of Borno State, Green Loans can significantly empower local entrepreneurs by enabling them to access funding for sustainable ventures, thereby contributing to both

economic growth and environmental conservation.

For entrepreneurs in Borno State, Green Loans not only facilitate the transition to sustainable business models but also enhance their competitiveness in a market increasingly focused on environmental responsibility. By providing access to affordable financing, these loans can help mitigate the financial risks associated with adopting new technologies and practices. However, the effectiveness of Green Loans is contingent upon the availability of supportive financial institutions and a conducive regulatory environment that encourages green investments.

Green Bonds

According to Akinyemi and Adeola (2023), Green Bonds represent a transformative financial tool aimed at generating capital for projects that yield significant environmental benefits, such as renewable energy initiatives and sustainable infrastructure development. These bonds not only provide a means for investors to support eco-friendly projects but also offer a reliable return on investment. In the context of Borno State, the introduction of Green Bonds could serve as a vital resource for local entrepreneurs, enabling them to secure the necessary funding to implement sustainable practices and technologies that contribute to both economic growth and environmental stewardship. The appeal of Green Bonds extends beyond mere financing; they also enhance the legitimacy and visibility of sustainable projects in the eyes of potential investors and stakeholders. By engaging with the expanding market for socially responsible investments, local businesses can attract capital that aligns with global sustainability objectives. However, the effective deployment of Green Bonds hinges on the establishment of a supportive regulatory environment and the proactive involvement of financial institutions to facilitate their issuance and management (Nwankwo & Eze, 2023).

Green Banks

According to the Green Finance Institute (2023), Green Banks are specialized financial institutions designed to accelerate private investment in sustainable projects by leveraging public funds and de-risking green initiatives. These banks operate within a policy-driven framework, often supported by governments or development agencies, to facilitate the transition to a low-carbon economy by mobilizing capital for renewable energy, energy efficiency, and climate-resilient infrastructure (Clark et al., 2022). Green Banks typically employ innovative financial instruments such as concessional loans, credit enhancements, and blended finance models to attract institutional investors and private sector participation in green projects that may otherwise struggle to secure funding due to high perceived risks (OECD, 2023). The effectiveness of Green Banks lies in their ability to bridge the financing gap in emerging and developed markets, particularly in areas where commercial banks are reluctant to invest due to long payback periods or regulatory uncertainties (Ghosh & Pizer, 2022). In the context of developing economies, Green Banks play a crucial role in mitigating climate change by providing affordable financing options to support renewable energy adoption and sustainable urban development, reducing dependence on fossil fuels and enhancing economic resilience (United Nations Environment Programme [UNEP], 2023). However, challenges such as limited initial capitalisation, policy inconsistencies, and the need for stronger institutional frameworks can hinder the scalability of Green Banks, necessitating coordinated efforts from governments, multilateral institutions, and the private sector to ensure their long-term viability (World Bank, 2023).

Green Project Financing

According to Loo and Mackenzie (2023), Green Project Financing refers to the strategic mobilisation of funds for environmentally sustainable initiatives, such as renewable energy, climate-smart agriculture, green buildings, and sustainable transport systems. This type of financing is vital for accelerating the transition to a

low-carbon economy, addressing climate change, and fostering long-term economic resilience (Bhattacharya et al., 2023). Unlike traditional financing, Green Project Financing often relies on specialised financial instruments, including green bonds, climate funds, sustainability-linked loans, and public-private partnerships, which help mitigate risks and attract private sector investment (Zeng & Gallagher, 2023). A key driver of Green Project Financing is government support through policy incentives, regulatory frameworks, and financial guarantees, which encourage financial institutions to direct capital toward sustainable projects (Dasgupta & Hourcade, 2023). In emerging economies, access to Green Project Financing has become a game-changer, allowing businesses and communities to invest in clean technologies, reduce carbon footprints, and enhance climate adaptation measures (Huang & Xu, 2023). However, significant barriers such as fragmented regulatory policies, high capital costs, and limited investor confidence still hinder the full-scale deployment of green financing solutions (Kumar & Singh, 2023).

EMPERICAL REVIEW

This review synthesizes relevant empirical studies, focusing on green finance enablers (like policy support, financial incentives, and institutional frameworks) and their effect on entrepreneurial activities in an emerging and fragile economy context like Borno State.

Taghizadeh-Hesary and Yoshino (2019) investigated the impact of green credit policies on bank profitability and risk exposure in Asian economies, emphasizing the role of regulatory frameworks in incentivizing sustainable lending. Using panel data from 2008–2018 and employing dynamic GMM estimation, the study finds that green loans improve long-term bank profitability by diversifying revenue streams and reducing default risks associated with carbon-intensive sectors. However, the analysis focuses narrowly on macroeconomic indicators, overlooking micro-level factors such as borrower creditworthiness and sector-specific green investment risks. Additionally, the study's reliance on aggregated regional data limits its applicability to countries with underdeveloped green financial markets, such as Nigeria or Kenya. Future research should incorporate disaggregated data, regional risk profiles, and post-2018 policy shifts (e.g., post-Paris Agreement reforms) to better capture evolving dynamics in green financing.

Weber and Elalfy (2020) analyse the adoption of green loans in European banks, combining survey data from 50 financial institutions with case studies of regulatory frameworks. The study identifies regulatory pressure, customer demand for ESG compliance, and access to green bonds as key drivers of green loan disbursement. Results from fixed-effects regression models reveal that banks with dedicated sustainability departments exhibit 20–30% higher green loan portfolios than peers. However, the study's sample is skewed toward large, multinational banks, excluding smaller regional banks that may face resource constraints in adopting green lending practices. Furthermore, the analysis does not account for post-2020 COVID-19 disruptions, which altered priorities for liquidity management and risk aversion. The authors recommend harmonizing global green lending standards but do not address challenges in emerging markets, where informal sectors dominate. Future studies should integrate mixed-methods approaches to evaluate grassroots adoption barriers and sector-specific impacts (e.g., agriculture vs. manufacturing).

Nguyen and Bhatia (2023) investigate the indirect effects of green bonds on entrepreneurial innovation in the European Union, using patent data and green bond issuance records from 2015–2022. Employing spatial econometrics, the study demonstrates that regions with active green bond markets exhibit a 15–20% higher rate of eco-innovation patents, particularly in circular economy and clean-tech sectors. The authors argue that green bonds act as signaling mechanisms, attracting skilled labour and venture capital to sustainability-focused startups. A key limitation is the study's reliance on macro-level innovation metrics, which overlook micro-level

challenges such as entrepreneurs' technical capacity or access to green R&D networks. Additionally, the analysis excludes non-EU Balkan and Eastern European countries, where green bond markets are nascent but entrepreneurial potential is high. Methodologically, the use of cross-sectional data limits insights into long-term empowerment dynamics. The study recommends subsidizing green bond issuance for startups but does not address risks of greenwashing. Future research should employ longitudinal designs and evaluate the inclusivity of green bond frameworks for women- and youth-led ventures.

Weber et al. (2022) evaluate the European Investment Bank's (EIB) Green Banking initiatives and their influence on green tech entrepreneurship in Germany and Poland. Using spatial econometrics and patent data, the study finds that regions with EIB-funded Green Banks exhibit a 25% higher density of eco-innovative SMEs, particularly in energy efficiency and e-mobility. The authors argue that Green Banks act as ecosystem builders, linking entrepreneurs to R&D hubs and venture capital. However, the analysis overlooks non-technical entrepreneurs (e.g., sustainable fashion, organic farming) and assumes uniform regulatory support across regions, ignoring disparities in Poland's underdeveloped eastern provinces. Methodologically, the reliance on patent data underrepresents low-tech but high-impact ventures. The study also fails to account for COVID-19's disruption of green supply chains, which disproportionately affected small entrepreneurs. Future research should incorporate qualitative metrics, such as entrepreneurial autonomy and community engagement, to better capture empowerment dynamics.

Okoro and Ibrahim (2022) examine the effect of Green Project Financing (GPF) on entrepreneurship empowerment in Nigeria, analyzing panel data from 15 states (2015–2021) using fixed-effects regression. The study reveals that GPF initiatives, such as the Central Bank of Nigeria's (CBN) Green Loan Schemes and Development Bank of Nigeria (DBN) risk-sharing facilities, correlate with a 12–20% increase in green startups, particularly in solar energy, waste-to-wealth, and eco-agribusiness sectors. These programs reduce financing costs and collateral requirements, empowering SMEs and youth-led ventures in Lagos, Abuja, and Kaduna. However, the analysis focuses disproportionately on urban hubs, neglecting rural entrepreneurs in regions like the Niger Delta, where GPF accessibility is hindered by poor infrastructure and awareness gaps. Additionally, reliance on formal-sector data excludes Nigeria's vast informal economy, where grassroots innovators (e.g., artisanal recyclers, off-grid solar vendors) lack documentation to qualify for GPF. The study's timeframe also predates critical post-2021 developments, such as the 2023 fuel subsidy removal, which intensified demand for renewable energy solutions but strained small entrepreneurs' liquidity. While advocating for expanded GPF outreach, the authors overlook structural barriers like erratic power supply, forex shortages, and bureaucratic bottlenecks in loan disbursement. Future research should integrate participatory frameworks to assess informal entrepreneurs' needs, evaluate state-specific GPF models (e.g., leveraging Nigeria's Energy Transition Plan), and explore blockchain-enabled green financing to enhance transparency and inclusion.

THEORETICAL REVIEW

The theoretical framework for this study was anchored on three key theories: Stakeholder Theory, Resource-Based View (RBV) Theory and Institutional Theory. These theories provide a robust foundation for understanding the effect of enablers for green financing (such as Green Loans, Green Bonds, Green Banks and Green Project Financing) on entrepreneurship empowerment in Borno State, Nigeria. Among these, Stakeholder Theory is adopted for its greater relevance to the study at hand.

STAKEHOLDER THEORY

Stakeholder Theory, developed by R. Edward Freeman in 1984, posits that organizations should create value for all stakeholders, including customers, employees, suppliers, communities, and investors, rather than focusing solely on shareholders. The theory emphasizes the importance of balancing the interests of various stakeholders to achieve sustainable development and long-term success.

In the context of green financing and entrepreneurship empowerment, Stakeholder Theory is highly relevant. Green financing initiatives, such as Green Loans and Green Bonds, involve multiple stakeholders, including financial institutions, entrepreneurs, government agencies, and local communities. These stakeholders collaborate to promote environmentally sustainable projects that empower entrepreneurs by providing access to capital, technical expertise, and market opportunities. For instance, Green Banks act as intermediaries that align the interests of investors seeking sustainable returns with entrepreneurs needing funding for green projects.

The theory is particularly useful for understanding how green financing enablers can foster entrepreneurship empowerment in some part of the world such as Borno State. By engaging stakeholders such as local entrepreneurs, government bodies, and international donors, green financing initiatives can address the unique challenges faced by entrepreneurs in the region, such as limited access to capital, lack of infrastructure, and environmental degradation. Stakeholder Theory also highlights the importance of transparency, accountability, and inclusivity in green financing programs, ensuring that the benefits of entrepreneurship empowerment are equitably distributed.

However, the application of Stakeholder Theory in this study may face limitations. The theory assumes that all stakeholders have equal power and influence, which may not hold true in Borno State, where power dynamics and resource disparities could marginalize certain groups. Additionally, the theory does not explicitly address the role of external factors, such as political instability or climate change, which could significantly impact the success of green financing initiatives.

RESOURCE-BASED VIEW (RBV) THEORY

The Resource-Based View (RBV) Theory, developed by Jay Barney in the 1990s, focuses on the internal resources and capabilities of organizations as the primary drivers of competitive advantage. According to RBV, firms that possess valuable, rare, inimitable, and non-substitutable (VRIN) resources are more likely to achieve sustained success.

In the context of green financing and entrepreneurship empowerment, RBV Theory provides insights into how entrepreneurs in Borno State can leverage green financing enablers to acquire and develop critical resources. For example, Green Project Financing can provide entrepreneurs with the financial resources needed to invest in renewable energy technologies, sustainable agriculture, or eco-friendly manufacturing processes. Similarly, Green Banks can offer technical expertise and capacity-building programs to enhance the skills and knowledge of local entrepreneurs.

RBV Theory is relevant to this study because it highlights the importance of resource acquisition and utilization in driving entrepreneurship empowerment. By accessing green financing, entrepreneurs in Borno State can develop unique capabilities that enable them to compete effectively in the market while contributing to environmental sustainability. The theory also underscores the role of innovation and strategic resource

management in achieving long-term entrepreneurial success.

However, RBV Theory has limitations in this context. It primarily focuses on internal resources and may overlook the external barriers that entrepreneurs in Borno State face, such as regulatory challenges, market access issues, and socio-political instability. Additionally, the theory assumes that resources are static and can be easily controlled, which may not account for the dynamic and unpredictable nature of green financing initiatives.

INSTITUTIONAL THEORY

Institutional Theory, developed by scholars such as Paul DiMaggio and Walter Powell, emphasizes the role of formal and informal institutions in shaping organizational behavior and practices. The theory posits that organizations adopt structures and practices that align with societal norms, regulations, and cultural expectations to gain legitimacy and ensure survival.

In the context of green financing and entrepreneurship empowerment, Institutional Theory provides a framework for understanding how regulatory frameworks, cultural norms, and societal expectations influence the adoption and implementation of green financing initiatives in Borno State. For example, government policies that promote green financing, such as tax incentives for Green Bonds or subsidies for Green Loans, can create an enabling environment for entrepreneurship empowerment. Similarly, cultural norms that value environmental sustainability can encourage entrepreneurs to adopt green practices and seek financing for sustainable projects.

Institutional Theory is relevant to this study because it highlights the importance of aligning green financing initiatives with the institutional context of Borno State. By understanding the regulatory, cultural, and societal factors that shape entrepreneurship in the region, policymakers and financial institutions can design green financing programs that are more likely to succeed. The theory also underscores the role of collaboration between institutions, such as government agencies, financial institutions, and civil society organizations, in promoting entrepreneurship empowerment.

However, Institutional Theory has limitations in this context. It tends to focus on the macro-level institutional environment and may overlook the micro-level challenges faced by individual entrepreneurs, such as limited access to information or lack of technical skills. Additionally, the theory assumes that institutions are stable and predictable, which may not hold true in Borno State, where institutional frameworks are often weak or underdeveloped.

METHODOLOGY

This study employed a descriptive and inferential statistics, using multiple regression analysis to determine the relationship between green financing enablers and entrepreneurship empowerment. The Ordinary Least Squares (OLS) model is adopted to assess the effect of Green Loans, Green Bonds, Green Banks, and Green Project Financing on entrepreneurship outcomes, with data analysis conducted using STATA 18. This approach ensures a robust analysis of the role of green financing in driving sustainable entrepreneurship in Borno State. This design was appropriate for collecting data from a broad population, allowing for statistical analysis and interpretation of trends, relationships, and patterns.

EMPIRICAL FINDINGS

Discussion of Findings

The effect of Green Loans on entrepreneurship empowerment has been widely studied. Adebayo and Ojo (2021) found that Green Loans significantly enhance access to capital for small and medium-sized enterprises (SMEs), enabling them to invest in sustainable projects and improve business growth. However, their study is based on national-level data and does not account for regional challenges such as insecurity and limited financial infrastructure, which could hinder the effectiveness of Green Loans in Borno State.

The effect of Green Bonds on entrepreneurship has also been explored. Oladipo and Yusuf (2022) emphasized that Green Bonds provide long-term financing for large-scale sustainable projects, fostering job creation and environmental sustainability. Their study suggests that the success of Green Bonds depends on investor confidence and regulatory support. However, it does not consider Borno State's unique context, such as low investor participation and limited awareness of green financing instruments.

The influence of Green Banks on entrepreneurship empowerment has been highlighted by Ibrahim and Musa (2023). Their research pointed out that Green Banks play a critical role in bridging the financing gap for green projects by offering technical assistance and risk mitigation tools. They found that Green Banks significantly improve entrepreneurs' access to affordable financing and capacity-building programs. However, the study does not capture the challenges of establishing Green Banks in conflict-affected regions like Borno State, where institutional capacity and security concerns may limit their effectiveness.

Green Project Financing has also been linked to entrepreneurship development. Ali and Abubakar (2022) examined how Green Project Financing impacts job creation and business sustainability. Their findings indicate that such financing supports the implementation of renewable energy and eco-friendly projects, contributing to economic growth and environmental preservation. While valuable, the study overlooks Borno State's specific challenges, such as limited technical expertise and infrastructure, which could constrain the success of green projects.

One major limitation of the reviewed studies is the lack of region-specific analysis. The existing literature predominantly focuses on national-level data, neglecting Borno State's distinct economic dynamics. Factors such as insecurity, low financial inclusion, and reliance on informal economic activities could amplify the challenges of implementing green financing initiatives in the region.

Another shortcoming is the use of outdated data. Several studies (Adebayo & Ojo, 2021; Oladipo & Yusuf, 2022) rely on pre-2020 data, failing to capture recent developments in green financing and post-COVID-19 economic adjustments. More recent data (2019–2023) is needed to reflect the current economic climate and the evolving role of green financing in entrepreneurship empowerment.

Additionally, limited consideration has been given to informal financial activities. The reviewed studies fail to account for the significance of informal financial systems in Borno State, where many entrepreneurs rely on informal credit channels. This oversight means that the potential of green financing to transform informal sectors remains underexplored.

Lastly, there is an inadequate exploration of policy implications. While the studies establish a link between green financing and entrepreneurship empowerment, they do not provide comprehensive policy recommendations tailored to conflict-affected regions like Borno State. Policymakers require more actionable insights on leveraging green financing to address regional challenges and promote sustainable development.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The findings from the empirical review highlight the significant role of green financing enablers in fostering entrepreneurship empowerment, particularly through improved access to capital, business growth, job creation, and environmental sustainability. The studies reviewed suggest that Green Loans, Green Bonds, Green Banks, and Green Project Financing are effective tools for supporting sustainable entrepreneurship by providing financial resources, technical assistance, and risk mitigation strategies. These enablers not only enhance the capacity of entrepreneurs to implement eco-friendly projects but also contribute to broader economic development and environmental preservation.

However, a major limitation of the existing research is its reliance on national-level data, which fails to fully capture the unique challenges faced by conflict-affected regions like Borno State. Factors such as insecurity, limited financial infrastructure, low investor participation, and reliance on informal economic activities significantly influence the effectiveness of green financing initiatives in this context. Additionally, many of the studies reviewed rely on pre-2020 data, making them less reflective of the current economic landscape following recent developments in green financing and post-COVID-19 adjustments. These gaps underscore the need for more localized and updated research to provide a clearer understanding of how green financing can be tailored to address the specific needs and challenges of regions like Borno State. Such research would offer valuable insights for policymakers and stakeholders seeking to leverage green financing for sustainable entrepreneurship empowerment in conflict-affected and economically disadvantaged areas.

Recommendations

1. Strengthen Policy and Regulatory Frameworks for Green Financing
 - The Borno State Government should formulate or align with national green finance policies; ensuring local entrepreneurs benefit from existing climate finance mechanisms.
 - Introduce state-level green investment incentives such as tax holidays, reduced interest rates, and environmental subsidies for businesses adopting sustainable practices.
2. Improve Access to Green Financial Products
 - Encourage financial institutions (e.g., Bank of Industry, microfinance banks) to design tailor-made green financial products for micro, small, and medium enterprises (MSMEs).
 - Facilitate partnerships between banks and international development agencies (e.g., UNDP, GIZ, AFDB) to de-risk green loans for small entrepreneurs in post-conflict areas.
3. Capacity Building and Green Literacy Training
 - Launch entrepreneurship training programs that integrate green business models, renewable energy applications, and climate-smart agriculture.
 - Establish green innovation hubs or incubators in universities and vocational centers to promote eco-entrepreneurship among youth and displaced populations.
4. Enhance Awareness and Outreach
 - Organize statewide awareness campaigns on the benefits and opportunities of green financing using

- local media, community leaders, and digital platforms.
- Disseminate success stories of green entrepreneurs in Borno to inspire wider adoption of green practices.
- 5. Strengthen Monitoring and Evaluation Mechanisms
 - Develop robust systems to track the impact of green finance interventions on entrepreneurial growth, employment, and environmental outcomes.
 - Regularly evaluate the effectiveness of financial and policy enablers to ensure continuous improvement.
- 6. Expand Public-Private Partnerships (PPPs)
 - Encourage collaboration between government, private investors, NGOs, and donor agencies to scale up green infrastructure and entrepreneurship projects.
 - Leverage CSR initiatives of private companies to support community-level green businesses (e.g., solar kiosks, clean cooking technologies).
- 7. Address Security and Infrastructure Gaps
 - Recognize that the success of green entrepreneurship in Borno is linked to improved security, infrastructure, and market access. Green finance programs must be designed with these contextual challenges in mind.
 - Support green financing schemes with logistical support, such as mobile banking and digital payment platforms, to reach underserved areas.

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