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Risk Management Practices and Firm Value of Listed Deposit Money Banks in Nigeria

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Abstract

This study investigates the impact of risk management practices on firm value within the Nigerian banking sector over the period 2013–2024. The study population comprises all Deposit Money Banks (DMBs) operating in Nigeria, while a sample of eight (8) listed banks on the Nigerian Exchange Group (NGX) as at 31 December 2025 was purposively selected. An ex post facto research design was adopted, utilizing secondary data sourced from the audited financial statements of the selected banks. To analyze the relationship between risk management indicators and firm value, panel data estimation techniques were employed, including both fixed and random effects models. The selection of the preferred model was guided by the Hausman specification test, which indicated the suitability of the random effects estimator. Empirical results indicate that both credit risk and liquidity risk exert a statistically significant negative influence on firm value, implying that increased exposure to non-performing loans and liquidity constraints diminishes market valuation. In contrast, capital risk exhibits a positive and significant relationship with firm value, suggesting that higher capital adequacy levels enhance investor confidence and contribute to improved firm valuation. Operational risk and firm size were found to be statistically insignificant, implying no meaningful impact on firm value during the period under review. Diagnostic results confirm the robustness of the model, with no multicollinearity concerns. The study concludes that effective risk management is essential for value creation in Nigerian banks, particularly through improved credit and liquidity risk control and stronger capital buffers. It is recommended that banks enhance credit monitoring systems, maintain adequate liquidity reserves, and strengthen capital management practices, while regulators reinforce risk governance frameworks to improve stability and firm value.

Keywords: Risk management, firm value, credit risk, liquidity risk, capital risk

Introduction

Financial institutions, particularly banks, play a pivotal role in driving economic development by channeling funds from surplus units to deficit units and supporting productive economic activities (Batten & Vo, 2019). In Nigeria, banks constitute the core of the financial system, but their operations expose them to various risks, including credit, liquidity, and operational risks, which can significantly affect their stability and value (Adeusi et al., 2014). Risk management is therefore essential in ensuring that banks balance risk and return while maintaining solvency and profitability. Regulatory reforms such as the adoption of Basel II/III frameworks and prudential guidelines by the Central Bank of Nigeria (CBN) have strengthened risk management practices. However, Nigerian banks continue to experience challenges such as rising non-performing loans and liquidity constraints, raising concerns about the effectiveness of these frameworks (CBN, 2018).Firm value represents the extent to which a bank can sustain profitability and create wealth for its shareholders, and it is commonly assessed using both accounting-based measures and market-oriented indicators. Although the literature generally acknowledges the importance of risk management in shaping firm outcomes, empirical findings remain inconclusive. While some studies document that effective risk management practices contribute positively to profitability (Muasya, 2019; Boahene et al., 2012), others report either weak or adverse effects (Kithinji, 2010; Kolapo et al., 2012). These inconsistencies suggest that the impact of risk management on firm value may vary across institutional and economic contexts. Furthermore, existing studies in Nigeria have largely focused on credit risk and accounting-based measures of performance, with limited attention to liquidity and operational risks, as well as market-based indicators of firm value. This creates a gap in understanding the comprehensive effect of risk management on firm value.In light of these considerations, this study investigates how credit risk, liquidity risk, and operational risk influence firm value within the Nigerian banking sector, with market capitalization adopted as the proxy for firm valuation. By integrating multiple dimensions of risk, the study extends existing literature through a more comprehensive assessment of risk management and its role in value creation among Nigerian banks.

1.0 Literature Review (Conceptual Review)

Firm Value

Firm value captures the market's assessment of a firm's financial strength and future earning potential, reflecting expectations about its ability to sustain profitability and expand over time. Gichobi (2019), viewed the term firm value as the worth a company is valued and thereby rendering a viable economic concept. It goes beyond the book value of assets to incorporate market expectations, risk exposure, and long-term profitability. In financial literature, firm value is typically conceptualized as the present worth of expected future cash flows, discounted using a rate that reflects the firm's underlying risk characteristics (Damodaran, 2016). This forward-looking nature makes it a more comprehensive indicator of corporate performance than accounting-based measures alone.The central goal of financial management is the maximization of shareholders' wealth, which is more accurately reflected in firm value than in short-term profitability indicators. (Brigham & Ehrhardt, 2022). Firm value reflects not only profitability but also efficiency, risk management practices, and investor confidence. In the Nigerian context, it serves as a critical indicator of how well firms balance performance with exposure to financial and operational risks (Nwude&Anyalechi, 2018; Egbunike&Okerekeoti, 2019). In the banking sector, firm value is particularly important due to the high-risk nature of banking operations. Banks are exposed to credit, liquidity, and operational risks, which directly influence their financial stability and market valuation. Ineffective risk management may lead to increased non-performing loans, liquidity pressures, and loss of investor confidence, thereby reducing firm value. Conversely, sound risk management enhances stability, strengthens investor trust, and improves market valuation (Al-Khouri, 2017; Saleh & Afifa, 2020; Munangi& Sibindi, 2019).

Measurement of Firm Value

Firm value can be measured using several proxies, depending on the research objective and data availability. Common indicators used to measure firm value include market capitalization, Tobin's Q, price-to-book ratio, price-to-earnings ratio, and economic value added (EVA).*Market capitalization,* defined as the product of a firm's share price and its total outstanding shares, reflects the real-time valuation assigned by investors and is widely employed in empirical finance studies (Otekunrin et al., 2022). Similarly, Tobin's Q, which expresses the ratio of a firm's market value to the replacement cost of its assets, is used to capture growth potential and investor expectations, thereby serving as a reliable proxy for firm value (Chung & Pruitt, 1994; Lee & Ryu, 2021).Additional valuation indicators, including ratios based on book value and earnings performance, provide insight into how the market assesses a firm relative to its accounting fundamentals, while economic value added (EVA) captures the extent to which a firm generates returns above its cost of capital. However, these measures may be influenced by accounting policies or data limitations (Alshammari, 2020; Abdullah &Tursoy, 2021).Tobin's Q is used as the proxy for firm value in this study because it captures both market-based and asset-based valuations. It is particularly suitable for the banking sector, where market perceptions quickly adjust to changes in risk exposure and financial performance. Moreover, Tobin's Q has been widely used in empirical studies on emerging markets, including Nigeria, thereby enhancing comparability and robustness (Otekunrin et al., 2022).

Risk Management

Exposure to risk is a fundamental aspect of banking operations due to uncertainties in financial markets, borrower behavior, and macroeconomic conditions. It represents the possibility that actual outcomes will deviate from expected results, potentially leading to financial losses (Adeusi et al., 2014). Given their intermediation role, banks are particularly exposed to various risks arising from lending activities, funding structures, and operational processes. If not properly managed, these risks can undermine profitability, erode investor confidence, and threaten institutional stability. Risk management has therefore become a critical function in modern banking. It involves a systematic process of identifying, assessing, mitigating, and monitoring risks to ensure that institutions achieve their objectives while maintaining financial stability (COSO, 2017). Importantly, the objective of risk management is not the complete removal of risk but to strike an optimal balance between risk and return in order to enhance firm value (Hull, 2018).In Nigeria, the importance of effective risk management has been reinforced through regulatory reforms such as banking consolidation and the adoption of Basel II/III frameworks by the Central Bank of Nigeria (CBN, 2018). Empirical evidence suggests that sound risk management practices improve financial performance, strengthen resilience, and enhance firm value (Ali & Dhiman, 2022).For the purpose of this study, risk management is defined as the set of strategies and processes through which banks identify, monitor, and control major risk exposures; including credit, liquidity, operational, and capital risks, in order to maintain financial stability and enhance firm value.

Type of Risk Management

Credit Risk

Credit risk refers to the likelihood that borrowers will fail to meet their contractual obligations, resulting in financial losses to banks. It is the most significant risk in banking due to the dominance of lending activities. High levels of non-performing loans (NPLs) reduce profitability, weaken asset quality, and threaten financial stability (Kolapo et al., 2018). In Nigeria, weak credit appraisal systems, insider lending, and poor monitoring have historically contributed to banking crises (Sanusi, 2010). Effective credit risk managementthrough proper loan evaluation, diversification, and monitoringenhances asset quality and supports firm value by stabilizing cash flows and improving investor confidence (Annor & Obeng, 2018).

Liquidity Risk

Liquidity risk refers to the situation where a bank is unable to meet its short-term financial commitments when they become due. It arises largely from the mismatch between short-term deposits and long-term loans. Failure to manage liquidity effectively can trigger loss of confidence and potential bank runs (Bessis, 2010). The global financial crisis underscored the critical role of liquidity management, as numerous banks faced difficulties in obtaining funding during periods of financial stress. In Nigeria, liquidity challenges remain significant due to reliance on short-term funding and macroeconomic volatility (Adeusi et al., 2014). Maintaining adequate liquidity buffers and diversified funding sources is therefore essential for sustaining firm value and operational stability.

Operational Risk

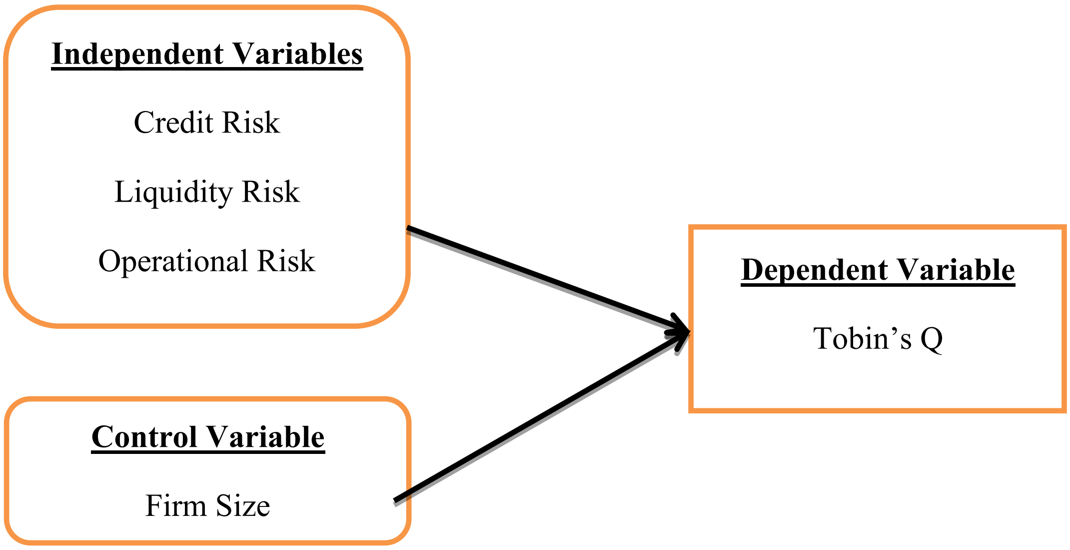
Operational risk refers to potential losses resulting from inadequate internal processes, system failures, human mistakes, or external disruptions. With increasing reliance on technology, banks face heightened exposure to cyber threats, fraud, and system failures (BCBS, 2006). In Nigeria, weak internal controls and governance failures have contributed to operational losses in the banking sector (Abiola &Olausi, 2014). Effective operational risk managementthrough improved internal controls, staff training, and technological resilienceis essential for safeguarding financial performance and maintaining investor confidence.

Capital Risk

Capital risk refers to the likelihood that a bank may lack sufficient capital buffers to absorb unforeseen losses. It is closely linked to solvency and regulatory compliance. The Basel II/III frameworks require banks to maintain minimum capital adequacy ratios to enhance resilience (BCBS, 2011). Inadequate capitalization reduces investor confidence and increases vulnerability to financial shocks. Conversely, well-capitalized banks are better positioned to absorb losses, sustain operations, and enhance firm value (Oino& Ukaegbu, 2015). In Nigeria, maintaining optimal capital levels remains essential for ensuring financial stability and supporting long-term growth.

Conceptual Framework

Figure 1



SOURCE: ***Researcher's Sketch (2026)***

The conceptual framework of this study illustrates the relationship between risk management and firm value within Nigerian banks. It specifies credit risk, liquidity risk, operational risk, and capital risk as the main explanatory variables, while firm value, proxied by Tobin's Q, represents the dependent variable. In addition, firm size is introduced as a control variable due to its potential influence on firm value through economies of scale, improved access to financing, and diversification of operational activities. Overall, the framework assumes that effective management of these risks enhances firm value by improving financial stability, reducing uncertainty, and strengthening investor confidence, while firm size helps shape how strongly these relationships are observed.

Theoretical Review

This study is grounded in relevant theoretical perspectives that explain the link between risk management and firm value in the banking sector.

Risk–Return Trade-Off Theory

Rooted in Modern Portfolio Theory (Markowitz, 1952), the Risk–Return Trade-Off Theory explains that higher potential returns are generally accompanied by increased risk exposure. In the banking context, this implies that profitability depends on the extent to which banks are willing to assume risk. However, excessive risk-taking, particularly in lending activities, may lead to increased non-performing loans and financial instability. Conversely, overly conservative strategies may limit profitability and growth. Thus, effective risk management is essential in balancing risk and return to optimize firm value. This is particularly relevant in Nigeria, where macroeconomic volatility requires banks to carefully manage their risk exposure to sustain market performance.

Agency Theory

Agency Theory, as developed by Jensen and Meckling (1976), explains the potential conflicts of interest between managers acting as agents and shareholders as principals. In banking institutions, managers may engage in excessive risk-taking or inefficient resource allocation for personal gain, thereby increasing agency costs and reducing firm value. Risk management mechanismssuch as internal controls, regulatory oversight, and corporate governance structuresserve as monitoring tools to align managerial actions with shareholders' interests. In the Nigerian banking sector, where governance challenges have historically contributed to financial distress, Agency Theory underscores the importance of effective risk management in safeguarding firm value.

Financial Intermediation Theory

Financial Intermediation Theory (Diamond, 1984) posits that banks exist to reduce information asymmetry between savers and borrowers, thereby facilitating efficient allocation of financial resources. In carrying out this function, banks are exposed to various forms of risk, including credit, liquidity, and operational risks. Consequently, effective risk management is essential for sustaining their intermediation role. Poor risk management can impair banks' ability to allocate funds efficiently, leading to financial instability and reduced firm value. In contrast, prudent risk management enhances stability, improves profitability, and strengthens market valuation.

Stakeholder Theory

Stakeholder Theory (Freeman, 1984) expands the objective of firms beyond shareholder wealth maximization to include the interests of other stakeholders such as depositors, regulators, and the broader economy. In the banking sector, risk management plays a critical role in protecting these stakeholders by ensuring financial stability, regulatory compliance, and operational integrity. Effective risk management enhances trust, reputation, and investor confidence, thereby contributing to improved firm value.

Theoretical Framework

This study is grounded in Agency Theory by Jensen and Meckling, 1976, which offers a relevant framework for analyzing the relationship between risk management practices and firm value in the Nigerian banking sector. Agency Theory explains how differences in interests between managers and shareholders can shape managerial risk-taking behaviour. In the absence of effective monitoring, managers may either undertake excessive risk for short-term gains or avoid necessary risk decisions, both of which can adversely affect firm value.Risk management mechanisms, including credit risk controls, liquidity management practices, capital adequacy requirements, and operational risk frameworks, function as governance tools that help reduce information asymmetry and align managerial decisions with shareholder interests. By minimizing agency costs and ensuring prudent risk-taking, these mechanisms enhance firm value, measured in this study by Tobin's Q. Thus, Agency Theory provides the theoretical foundation for understanding how effective risk management practices contribute to value creation in the Nigerian banking sector.

Empirical Review

Prior studies on risk management and firm value have continued to generate mixed and inconclusive results across countries, sectors, and methodologies. While some studies establish that effective risk management enhances firm value through improved financial stability and investor confidence, others report negative or insignificant relationships, largely due to differences in measurement approaches, institutional environments, and risk exposure levels. These inconsistencies necessitate further empirical investigation, particularly in developing economies such as Nigeria where the banking sector is highly sensitive to risk dynamics.

Early recent studies provide the foundation for the current discourse. In 2018Using multivariate regression techniques, Collins et al. (2018) examined how credit management influences the market value of Nigerian banks and found that credit risk management positively influences firm value, with credit control identified as a major driver of value creation. Similarly, Olabamiji and Michael (2018) reported that effective credit management practices significantly improve firm value in Nigeria by enhancing asset quality and profitability.

In contrast, Nwude and Okeke (2018) report that credit risk negatively and significantly affects firm value, largely due to the adverse effects of non-performing loans on profitability and shareholder wealth. Also, Olalekan (2018) examined liquidity risk in Nigerian insurance firms and found that liquidity-related variables have limited influence on firm value. Furthermore, Oluwaseyi et al. (2018) reported that capital risk negatively affects firm value in Nigerian banks, suggesting that inefficient capital structures reduce market valuation. On a broader scale, Bouveret (2018) demonstrated that operational risk, particularly cyber-related losses, significantly reduces firm value in financial institutions.

Subsequent studies in 2019 expanded the debate. Ntim et al. (2019) found that strong operational risk management enhances firm performance and resilience in South African firms. Similarly, Ramazan and Gulden (2019) reported that credit risk negatively affects firm value in Turkish banks, emphasizing the adverse effect of poor loan quality on market valuation. Bishnu (2019) demonstrates that credit risk measures such as capital adequacy and non-performing loans have a significant influence on firm value in Nepalese banks. Conversely, Gadzo et al. (2019) observe mixed empirical outcomes on the relationship between credit risk and firm value in Ghana, reflecting divergent evidence in the literature.

In 2020, further evidence continued to show divergent outcomes. Effiong and Enya (2020) found that liquidity risk management significantly affects firm value in Nigerian firms, suggesting that strong liquidity positions enhance operational stability and investor confidence. Similarly, Fadun and Oye (2020) reported that effective operational risk management improves firm performance in Nigerian banks. However, Muriithi and Waweru (2020) found that operational risk negatively affects firm performance in Kenyan banks, indicating that inefficiencies and fraud reduce profitability. Khan et al. (2020) find that liquidity risk does not significantly affect firm value in Pakistan, whereas Malika et al. (2020) demonstrate that sound capital risk management contributes positively to firm value in a global context.

Studies conducted in 2021 provide more comprehensive insights. In Nigeria, Chioma et al. (2021) find that credit risk has a negative effect on firm value, although capital risk was observed to have a positive effect, suggesting that adequate capitalization enhances investor confidence. Similarly, Afolabi et al. (2021) reported that credit risk management positively influences firm value. Outside Nigeria, Hacini et al. (2021) found that liquidity risk and operational risk negatively affect firm value in Saudi Arabian banks, while Wajid et al. (2021) find that liquidity risk is negatively associated with firm value in the Pakistani banking sector. Conversely, Ghazieh and Nadia (2021) found that effective capital risk management positively influences firm value in European banks, highlighting the role of governance and risk management systems. In addition, Abubakar et al. (2021) found that operational risk significantly reduces profitability in Nigerian banks. Also, Oladele et al. (2021) and Umukoro et al. (2021) both reported that firm size positively influences firm value, attributing this to economies of scale and improved access to finance.

In 2022, Bala et al. (2022) examined Nigerian banks and found that credit risk significantly influences firm value, confirming its importance in determining bank performance. Similarly, Alqemzi et al. (2022) found that liquidity management has a positive effect on firm value in UAE banks, implying that maintaining optimal liquidity levels improves financial stability and market performance. In contrast, Sharma (2022) reports no significant relationship between liquidity risk and firm value in Indian banks, highlighting that the impact may vary across different institutional contexts.

More recent studies continue to reinforce these patterns. Abubakar et al. (2023) reported that operational risk exerts a significant negative impact on the financial performance of Nigerian banks, indicating that operational inefficiencies diminish firm value. In a related study, Omiete (2023) finds that firm size has a significant effect on firm value in Nigerian insurance firms, underscoring the role of scale advantages and financial capacity in enhancing firm performance.

The most recent studies in 2024 further deepen the understanding of this relationship. Duniya et al. (2024) found that operational risk significantly reduces firm performance in Nigerian insurance firms, reinforcing the negative implications of operational inefficiencies. Meanwhile, Chidi (2024) reported that firm size significantly enhances firm value due to improved competitiveness and investor confidence. Similarly, Raimi et al. (2024) report that firm size has a positive effect on firm value in Nigerian deposit money banks, suggesting that larger banks tend to benefit from economies of scale and greater diversification opportunities.

3.0 Methodology

This study adopts an ex post facto research design to investigate the effect of risk management on firm value among listed Deposit Money Banks (DMBs) in Nigeria. The design is considered appropriate because it relies on historical data obtained from published financial statements, and the researcher does not have control over the independent variables.The population of the study consists of all thirteen (13) listed Deposit Money Banks in Nigeria. From this population, a purposive sampling technique was employed to select eight (8) banks based on the availability of complete and consistent financial data over the study period. The sampled banks include Zenith Bank Plc, Guaranty Trust Holding Company Plc, United Bank for

Africa Plc, Access Holdings Plc, First HoldCo Plc, Fidelity Bank Plc, Ecobank, and Unity Bank Plc. This approach ensures that only banks with reliable and uninterrupted data are included in the analysis.The study relies on secondary data sourced from the annual reports and audited financial statements of the selected banks covering the period 2013 to 2024. Data analysis is conducted using panel data regression techniques, which combine both cross-sectional and time-series dimensions. Both fixed effects and random effects models are estimated to control for unobserved bank-specific characteristics, while the Hausman test is applied to determine the most appropriate model. Furthermore, descriptive statistics are used to summarize the dataset, correlation analysis is employed to examine relationships among variables, and the Variance Inflation Factor (VIF) is utilized to test for multicollinearity among the explanatory variables.

In line with the model of Aruwa and Musa (2014), the functional relationship between the variables is expressed as:

TQ=f(OPR, CR, LR, CAPR, FSIZE) --- (1)

The econometric form of the model is specified as:

$TQ_{it} = \beta_0 + \beta_1 OPR_{it} + \beta_2 CR_{it} + \beta_3 LR_{it} + \beta_4 CAPR_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it}$ ---------- (2)

Where;
TQ -= Tobin's Q (Proxy for firm Value)
OPR = Operational risk
CR = Credit risk
LR = Liquidity risk
CAPR= Capital risk
FSIZE = Firm Size
ε_{it} = Error term or Disturbance term

Measurement of Variables

Table 1:

Variable Type	Variable Name	Symbol	Measurement / Description	Expected Sign
Dependent Variable	Tobin's Q	TQ	This is measured as the ratio of equity to total assets	
Independent Variables	Credit Risk	CR	This is measured as the ratio of loan to total assets	-
Independent Variables	Liquidity Risk	LR	This is measured as the ratio of total debt to total assets	-
Independent Variables	Operational Risk	OR	This is measured as the ratio of current liability to current assets	-
Independent Variables	Capital risk	CAPR	This is measured as a ratio of total expenses to total revenue	-
Control Variables	Firm Size	FSIZE	This is measured as natural Log of total assets	+

Source: Researchers' computation 2026

4.0 Discussion of Results

Table 2:Descriptive Statistics Results

Statistic	TQ	LR	CR	OPR	CAPR	FSIZE
Mean	0.105	0.630	0.386	0.187	0.372	17.494
Median	0.117	0.733	0.404	0.046	0.489	16.199
Std. Dev.	0.364	0.329	0.142	0.299	0.468	4.140
Skewness	–1.400	–0.555	–1.309	1.576	–1.823	1.323
Kurtosis	10.545	2.763	4.430	4.376	6.307	5.511
Jarque–Bera Prob.	0.000	0.078	0.000	0.000	0.000	0.000
Observations	95	95	95	95	95	95

Source: Researchers' Computation (2026)

The descriptive statistics indicate that the average value of Tobin's Q (TQ) is 0.105, indicating relatively low but stable firm value among Nigerian deposit money banks during the study period. Liquidity risk (LR) records a mean of 0.630, suggesting generally adequate liquidity positions, while credit risk (CR) averages 0.386, reflecting moderate exposure to non-performing loans. Operational risk (OPR) has a relatively low mean of 0.187, indicating limited operational disruptions, while capital risk (CAPR) averages 0.372, implying a moderate capital buffer. Firm size (FSIZE) has the highest mean value (17.494), reflecting variation in bank scale.Standard deviation values indicate moderate dispersion across variables, with firm size showing the highest variability (4.140), confirming substantial differences in bank sizes. Skewness results reveal that most variables are asymmetrically distributed, with TQ, CR, and CAPR negatively skewed, while OPR and FSIZE are positively skewed. Kurtosis values show that TQ is highly peaked (leptokurtic), suggesting the presence of extreme values, while other variables display relatively moderate distributions.Based on the Jarque–Bera statistics, the majority of the variables deviate from normality ($p < 0.05$), while liquidity risk is the only variable that satisfies the normality assumption, suggesting the presence of outliers typical in financial data. Overall, the results confirm reasonable variability and non-normal distribution, justifying the use of panel regression techniques.

Table 3:Correlation Matrix Result

	TQ	LR	CR	OPR	CAPR	FSIZE
TQ	1.000					
LR	-0.525	1.000				
CR	-0.289	-0.009	1.000			
OPR	0.285	-0.262	-0.115	1.000		
CAPR	0.363	-0.035	0.078	0.183	1.000	
FSIZE	-0.267	0.282	0.194	-0.338	-0.130	1.000

Source: Researchers' Computation (2026)

The correlation results show mixed relationships between risk variables and firm value (TQ). Liquidity risk is moderately negatively related to firm value (–0.525), indicating that higher liquidity risk reduces market valuation of banks. Credit risk also shows a weak negative relationship (–0.289), suggesting that higher non-performing loans slightly reduce firm value. In contrast, operational risk (0.285) and capital risk (0.363) are positively related to firm value, implying that banks with stronger capital buffers and higher operational activity tend to have better market valuation. Firm size shows a weak negative relationship (–0.267), suggesting that larger banks do not necessarily translate into higher firm value.Among the explanatory variables, correlations are generally low, indicating no serious multicollinearity concerns. Liquidity risk shows very weak association with credit risk (–0.009), while other inter-variable relationships remain weak to moderate, confirming that the variables are largely independent.

Table 4:Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Period Random	9.146867	5	0.1033

Source: Researchers' Computation (2026)

The Hausman test was conducted to select the appropriate panel estimation method between fixed and random effects models. The result produced a Chi-square value of 9.1469 with a corresponding probability of 0.1033. Since the p-value exceeds 0.05, the null hypothesis is not rejected, indicating no systematic difference between the fixed and random effects estimators. This suggests that the explanatory variables are not correlated with the unobserved individual effects. Therefore, the random effects model is deemed appropriate for the analysis, as it provides efficient and consistent estimates of the relationship between risk management variables and firm value in Nigerian banks.

Table 5:Panel Regression Result

Variable	Random Effect Coef.	Prob.	Sig
C	0.651	0.000	***
LR	-0.555	0.000	***
CR	-0.810	0.000	***
OPR	0.063	0.535	
CAPR	0.280	0.000	***
FSIZE	0.000036	0.996	
R-squared	0.500		
Adjusted R-squared	0.472		
F-statistic	17.802		
Prob(F-statistic)	0.000		
Mean (VIF)	1.111		

Source: Researchers' Computation (2026)

Based on the outcome of the Hausman test, the random effects model is considered suitable for the study. Consequently, the discussion and interpretation of findings are grounded on the estimates generated from this model. The model shows overall statistical significance, with an F-statistic of 17.802 ($p < 0.01$), confirming that the explanatory variables jointly influence firm value (Tobin's Q) among Nigerian banks. The coefficient of determination ($R^2 = 0.500$) suggests that the model explains about 50% of the variation in firm value through the selected risk management variables.The results show that liquidity risk (LR) exerts a significant negative influence on firm value ($\beta = –0.555$, $p < 0.01$), implying that higher liquidity risk is associated with lower Tobin's Q. This suggests that banks with weaker liquidity positions are lessvalued by the market due to concerns over their capability to fulfill short-term financial commitments when they become due. The result further shows that credit risk (CR) has a significant negative effect on firm value ($\beta = -0.810$, $p < 0.01$), implying that increased credit risk reduces firm valuation. This implies that an increase in non-performing loans or default risk significantly reduces market valuation, making credit risk a major determinant of firm value in Nigerian banks. The result shows that capital risk (CAPR) has a positive and significant impact ($\beta = 0.280$, $p < 0.01$), suggesting that improved capital strength enhances firm value. This suggests that well-capitalized banks are perceived as more stable and resilient, thereby attracting higher market valuation. In contrast, operational risk is positively related to firm value, but the relationship is not statistically significant ($\beta = 0.063$, $p > 0.05$), implying that it does not have a measurable impact on firm value during the study period. Firm size (FSIZE) is also positively associated with firm value ($\beta \approx 0.000036$, $p > 0.05$); however, the relationship is statistically insignificant, indicating limited influence in the model. With a mean Variance Inflation Factor (VIF) of 1.111, the results confirm that there is no evidence of multicollinearity among the explanatory variables. Since all individual VIF values are close to 1 and the mean VIF is far below the common threshold of 5 (or 10 in stricter cases), The result implies that liquidity risk (LR), credit risk (CR), operational risk (OPR), capital risk (CAPR), and firm size (FSIZE) are not highly correlated, confirming the absence of multicollinearity concerns in the model.

Conclusion and Recommendations

The study concludes that risk management is a key determinant of firm value Empirical findings from the Nigerian banking sector reveal that credit risk and liquidity risk significantly reduce firm value, while capital risk enhances it. Operational risk and firm size, however, do not exert significant influence on firm value within the period studied.Overall, the findings indicate that firm value in Nigerian banks is driven more by the effectiveness of risk management practices than by the size of the institution. Banks that maintain strong credit control, adequate liquidity, and sound capital structure tend to achieve higher market valuation and investor confidence. Thus, risk management is not only a regulatory requirement but also a strategic tool for value creation and financial stability.

Drawing on the empirical findings, this study makes the following recommendations;

1. Strengthen credit risk management practices through improved loan appraisal, monitoring, and recovery systems.
2. Maintain adequate liquidity buffers and diversify funding sources to enhance short-term financial stability.
3. Improve capital adequacy by optimizing capital structure and ensuring resilience against financial shocks.
4. Enhance operational risk controls through investment in technology, internal controls, and effective compliance systems.
5. Prioritize effective risk management practices over expansion in size when pursuing firm value growth.

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Green Management Practices and Employee Performance

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Abstract

The increasing global emphasis on sustainability has led organisations to adopt Green Human Resource Management (Green HRM) practices aimed at promoting environmentally responsible behaviour among employees. This study investigates the relationship and Green HRM practices and employee performance. Using a survey research design, data were collected from 313 employees of selected organisations in Benin City, Edo State, employing a census sampling method. A structured questionnaire served as the primary data collection instrument, and data were analysed using descriptive statistics and Pearson Product Moment Correlation (PPMC). The findings indicate that green training and development initiatives are widely recognised by employees and significantly enhance job satisfaction. The Pearson correlation coefficient ($r = 0.82$, $p = 0.000 < 0.05$) confirms a strong positive relationship between green training and development and employee job satisfaction. These results suggest that organisations that invest in environmental training not only promote sustainable behaviour but also improve employee motivation, engagement, and overall performance. The study concludes that integrating Green HRM practices into organisational human resource strategies can foster a satisfied, committed, and environmentally conscious workforce, ultimately contributing to long-term organisational sustainability and performance.

Keywords: Green HRM, Green Training and Development, Employee Performance, Job Satisfaction, Sustainability.

Introduction

In recent years, organisations across the world have increasingly embraced environmentally responsible practices as part of their corporate strategies, driven by climate change concerns, regulatory pressures, and the global push toward sustainability (Adewale, 2023; Alharbi & Drew, 2024). This shift has led to the emergence of Green Human Resource Management (Green HRM) a strategic HR orientation geared toward integrating environmental considerations into traditional HR functions. The emergence of Green HRM practices is rooted in the growing recognition that employees play a crucial role in helping organisations achieve environmental objectives, and that sustainability initiatives are more effective when aligned with human behaviour and workplace culture (Adebayo & Yusuf, 2023). As a result, HR departments now incorporate green principles into recruitment, training, performance management, and reward systems. Within this framework, Green Training and Development has become one of the most influential components of

Green HRM. Green training focuses on equipping employees with the environmental knowledge, eco-friendly skills, and behavioural competencies required to support organisational sustainability (Adeniran & Okoro, 2022). It enhances employees' capacity to understand ecological issues, adopt green work practices, and contribute to long-term environmental goals. Effective green training not only strengthens employees' environmental awareness but also improves their motivation and engagement, leading to positive workplace attitudes such as job satisfaction. Employee performance often measured through productivity, quality of work, commitment, and creativity remains a vital determinant of organisational success. Among the various indicators of performance, employee job satisfaction stands out as a key factor because satisfied employees demonstrate higher productivity, reduced turnover, and stronger organisational commitment (Afolabi & Iheanacho, 2022). As organisations integrate sustainability into their operations, understanding how green HRM practices influence job satisfaction has become increasingly important, particularly in emerging economies where green initiatives are still evolving. This study therefore examines the influence of Green HRM practices on employee performance, focusing specifically on the effect of green training and development on employee job satisfaction. Although organisations are increasingly implementing sustainability initiatives, many still struggle to understand how Green HRM practices translate into improved employee performance (Adewale, 2023; Chukwu & James, 2022). Specifically, the extent to which green training and development enhances workers' job satisfaction is not adequately documented in many developing economies, including Nigeria (Adebayo & Yusuf, 2023). In many organisations, environmental initiatives remain superficial, poorly communicated, or inadequately implemented, resulting in low employee involvement and minimal impact on performance (Aremu, Adeniran & Adesola, 2021; Alharbi & Drew, 2024). This research therefore investigates the relationship between green training and development and employee job satisfaction.

Research Question

Is there a relationship between green training and development and employee job satisfaction?

Research Hypothesis

H_1: Green training and development has no significant positive relationship with employee job satisfaction.

Literature Review

Conceptual Review

Green HRM Practices

Green Human Resource Management (Green HRM) practices refer to the systematic and strategic integration of environmental management principles into HR policies, processes, and organisational culture. It represents a shift from traditional HRM functions toward sustainability-oriented practices that promote environmentally responsible behaviour among employees (Adewale, 2023; Adebayo & Yusuf, 2023). Green HRM has gained prominence as organisations increasingly recognise the role of human capital in achieving environmental goals, reducing waste, conserving resources, and enhancing overall corporate sustainability (Alharbi & Drew, 2024).

Fundamentally, Green HRM involves designing HR functions such as recruitment, selection, training, performance management, and compensation to align with environmental objectives. For instance, green recruitment focuses on hiring individuals who possess environmental awareness and value sustainability. Organisations increasingly incorporate eco-friendly job descriptions, environmental criteria, and sustainability competencies into their selection processes (Ajayi, 2023). This ensures that new employees possess not only technical skills but also a mindset that supports environmental responsibility. Training and development serve as a central pillar of Green HRM. Through green training initiatives, employees are equipped with the knowledge, skills, and attitudes required to carry out environmentally sensitive tasks, manage waste efficiently, and adopt eco-friendly work practices (Adeniran & Okoro, 2022). These initiatives play a vital role in shaping a green organisational culture and enhancing employees' environmental commitment. Green HRM also incorporates environmentally conscious performance evaluations, where employees are assessed based on their adherence to environmental standards and contributions to sustainability goals. Reward systems further reinforce green behaviour by recognising employees who demonstrate environmental stewardship (Afolabi & Iheanacho, 2022). Overall, Green HRM practices aim to develop a workforce that is environmentally conscious, intrinsically motivated, and capable of supporting eco-friendly organisational strategies. As global sustainability pressures intensify, Green HRM continues to emerge as a critical driver of organisational performance, environmental compliance, and long-term competitiveness.

Green Training and Development

Green Training and Development refers to organisational efforts aimed at equipping employees with the environmental knowledge, skills, and behavioural competencies necessary to support sustainability initiatives and environmental protection. As organisations increasingly adopt sustainability-driven strategies, green training has become a critical HR function that ensures employees understand the environmental implications of their tasks and are capable of contributing to eco-friendly organisational goals (Adewale, 2023; Alharbi & Drew, 2024). Green training focuses on several key areas, including waste reduction, energy conservation, pollution prevention, recycling practices, and environmentally responsible operations. Through structured training programs, workshops, seminars, and continuous learning initiatives, employees are taught how to minimise resource consumption, adhere to environmental policies, and adopt green work habits that improve environmental performance (Adebayo & Yusuf, 2023). These initiatives help employees recognise the ecological impact of their daily activities and reinforce the importance of sustainability in organisational processes. Beyond technical skill-building, green development initiatives also emphasisebehavioural transformation. Employees are encouraged to develop eco-conscious attitudes and internalise sustainability values that align with the organisation's environmental objectives (Adeniran & Okoro, 2022). This behavioural shift is essential because environmental performance depends not only on systems and policies but also on employees' willingness to support them. Green training and development also contribute to fostering a green organisational culture. When employees are regularly trained on environmental issues, they become more aware, motivated, and involved in sustainability projects. This often results in increased job satisfaction, commitment, and improved job-related outcomes (Afolabi & Iheanacho, 2022). Studies show that employees who receive environmental training demonstrate higher performance levels, greater innovation in eco-friendly practices, and a stronger sense of responsibility toward environmental protection (Aremu, Adeniran & Adesola, 2021). Overall, green training and development serve as a strategic tool for improving both environmental performance and positive employee outcomes. By developing a knowledgeable and environmentally conscious workforce, organisations are better positioned to achieve long-term sustainability goals and competitive advantage.

Employee Performance

Employee performance refers to the degree to which employees effectively carry out their duties and responsibilities in line with organisational expectations. It encompasses various dimensions, including quality of work, efficiency, productivity, creativity, teamwork, punctuality, and adherence to organisational standards and procedures (Adewale, 2023). High levels of employee performance contribute significantly to organisational success, competitiveness, and overall effectiveness. In modern organisations, performance is no longer viewed solely as the completion of tasks, but rather as a multidimensional construct shaped by employees' competencies, behaviour, and work attitudes (Okoro, & Adegoke,2023). Performance improves when employees possess the necessary skills, motivation, tools, and supportive work environment required to perform their jobs effectively. Factors such as training, leadership style, reward systems, organisational culture, and job satisfaction have been identified as major determinants of employee performance (Alharbi & Drew, 2024). Employees who receive adequate training develop greater confidence, improved technical skills, and enhanced problem-solving abilities, all of which positively influence work outcomes. Similarly, motivation, both intrinsic and extrinsic play a central role in improving the willingness of employees to put forth extra effort in their assigned tasks. A supportive work environment also contributes to enhanced performance. When employees work in an environment characterised by open communication, supportive supervision, and opportunities for development, they tend to be more committed and productive (Adeniran & Okoro, 2022). Additionally, research has shown that employees who feel satisfied with their jobs demonstrate higher levels of performance, lower absenteeism, and stronger organisational commitment (Afolabi & Iheanacho, 2022). More recently, emerging studies indicate that sustainability-oriented HR practices, including green training and development, have a positive influence on employee performance by encouraging responsible behaviour and cultivating environmentally conscious work practices (Aremu, Adeniran & Adesola, 2021). Overall, employee performance remains a central construct in organisational management because it determines the extent to which employees contribute to organisational success, innovation, and long-term growth.

Employee Job Satisfaction

Employee job satisfaction refers to the degree of contentment and positive emotional state employees experience as a result of their job roles, work environment, and organisational conditions. It encompasses several key aspects including satisfaction with work conditions, compensation, recognition, supervision, career development opportunities, interpersonal relationships, and organisational policies

(Adewale, 2023). When employees feel that their needs and expectations are being met, they are more likely to display positive attitudes toward their jobs, leading to improved performance and commitment. Job satisfaction is widely regarded as a critical determinant of organisational effectiveness. Employees who experience high levels of satisfaction tend to be more productive, cooperative, and motivated to achieve organisational goals (Adebayo & Yusuf, 2023). They demonstrate lower turnover intentions, reduced absenteeism, and greater willingness to go beyond formal job requirements. Conversely, low job satisfaction often results in stress, reduced productivity, workplace conflict, and an increased desire to leave the organisation (Afolabi & Iheanacho, 2022). Several factors influence job satisfaction, including leadership quality, communication flow, work-life balance, reward systems, and opportunities for professional growth. A supportive and fair organisational climate enhances employees' sense of belonging and emotional well-being, which further contributes to higher satisfaction levels (Alharbi & Drew, 2024). Research also indicates that employees value meaningful work and opportunities to contribute to organisational sustainability and social responsibility initiatives. More recently, scholars have begun examining the link between green HRM practices and job satisfaction. Studies show that employees who participate in environmental training programs and sustainability initiatives tend to report higher job satisfaction because such practices foster a sense of purpose, involvement, and organisational pride (Adeniran & Okoro, 2022). Green training enhances employees' environmental awareness and aligns them with the organisation's sustainability values, which can improve both psychological well-being and job satisfaction (Aremu, Adeniran & Adesola, 2021). Overall, employee job satisfaction remains a key predictor of organisational performance, innovation, and long-term workforce stability.

Effect of Green HRM Practices on Employee Performance

Green Human Resource Management (Green HRM) practices play an increasingly strategic role in improving employee performance in modern organisations. As firms adopt sustainability-driven policies, Green HRM provides a framework for influencing employees' behaviour, motivation, and productivity through environmentally conscious HR practices (Adewale, 2023; Adebayo & Yusuf, 2023). By integrating sustainability into HR functions such as recruitment, training, performance appraisal, and reward systems, organisations create a workforce that is not only environmentally responsible but also more engaged and committed to achieving organisational objectives. One of the major ways Green HRM influences employee performance is through green training and development, which provides employees with the knowledge and skills required to adopt eco-friendly work practices. Employees who receive green training exhibit higher awareness, creativity, and problem-solving abilities in environmental tasks, which enhances their overall job performance (Adeniran & Okoro, 2022). Such training promotes behavioural change, fosters environmental consciousness, and enhances employees' ability to carry out their duties more efficiently, thereby improving productivity and task quality. Green HRM practices also influence performance by creating a positive and supportive work environment. When employees perceive that their organisation is committed to environmental sustainability and social responsibility, they tend to develop stronger organisational loyalty, motivation, and willingness to contribute to environmental goals (Alharbi & Drew, 2024). Furthermore, integrating environmental criteria into performance appraisal and reward systems encourages employees to actively participate in green initiatives and strive for higher performance standards. Research has shown that employees involved in sustainability programs report greater job satisfaction, reduced stress, and higher intrinsic motivation, all of which contribute to improved performance outcomes (Afolabi & Iheanacho, 2022; Okeke, & Emeka, 2023). Green HRM therefore serves as a strategic tool for enhancing both environmental and organisational performance by promoting responsible behaviour, strengthening workforce capabilities, and creating a culture of sustainability.

Theoretical Framework

This study is anchored on the Ability–Motivation–Opportunity (AMO) Theory proposed by Appelbaum et al. (2000). The AMO theory is widely applied in Human Resource Management to explain how HR practices influence employee behaviour and performance. The theory argues that employees perform effectively when three conditions are met: they possess the ability to do the work, the motivation to put forth effort, and the opportunity to participate meaningfully in organisational activities. These three components function synergistically to enhance overall employee performance. In the context of Green HRM, the AMO theory provides a strong foundation for understanding how green initiatives influence employee outcomes. The ability component is directly linked to green training and development, which equip employees with the environmental knowledge, technical skills, and behavioural competencies required to engage in eco-friendly work practices. When employees are trained in areas such as waste reduction, energy conservation, and sustainable processes, they become more capable of contributing to the organisation's environmental goals. The motivation aspect of the AMO framework is reflected in the way Green HRM practices, such as green recognition, rewards, and supportive environmental policies, encourage employees to adopt sustainable behaviour. Employees who feel valued and connected to environmental initiatives are more likely to experience job satisfaction, which enhances motivation and job performance. Finally, the opportunity dimension emphasises the importance of involving employees in environmental decision-making and sustainability programs. Providing employees with opportunities to participate in green initiatives fosters a sense of ownership and engagement, further improving performance outcomes. Thus, the AMO theory effectively explains how green training and development can enhance employees' ability, motivation, and opportunity, ultimately leading to higher job satisfaction and improved performance.

Empirical Review

Several studies have investigated the relationship between green HRM practices and employee performance. A substantial body of empirical research has examined the link between green human resource management (GHRM) practices and various employee-related outcomes. Adebayo and Yusuf (2023) investigated the role of green recruitment, green training, and green involvement in Lagos-based organisations and found that GHRM practices significantly enhanced employees' pro-environmental behaviour, thereby improving overall workplace environmental responsibility. Their findings suggest that employees are more likely to adopt environmentally conscious behaviours when organisations embed sustainability standards in their HR processes.

In a similar vein, Chukwu and James (2022) examined manufacturing firms and reported that green training and awareness programmes increased employee engagement, job satisfaction, and readiness to participate in eco-friendly initiatives. Their study emphasised that consistent environmental training not only improves employee knowledge but also strengthens their emotional commitment to green goals. Adewale (2023) also found a positive link between structured green training initiatives and employee productivity in Abuja. According to his findings, employees who participated in green skill-development programmes demonstrated higher levels of task performance, innovation, and environmental mindfulness.

International studies reinforce these findings Oluwaseun, & Ibrahim, (2022), using evidence from the service industry, revealed that sustainability-focused HR practices such as green performance appraisal and green rewards significantly increased job satisfaction and employee morale. Their research highlighted that employees tend to feel more valued when organisationsprioritise environmental responsibility as part of their HR framework. Similarly, Nwosu, & Eze, (2023) confirmed that green HRM initiatives including eco-centric leadership, environmental training, and green culture significantly predicted organisational performance in selected Nigerian firms. Their results further established that green HRM enhances both employee efficiency and firm-level sustainability outcomes. Collectively, the evidence from these empirical studies indicates that green HRM practices have a strong positive influence on employee behaviour, motivation, satisfaction, productivity, and overall performance. The consistent pattern across findings suggests that organisations adopting GHRM practices are more likely to cultivate an environmentally responsible workforce, improve operational efficiency, and achieve sustainability-driven competitive advantage.

Gap in Knowledge

Most previous studies have concentrated on general green HRM practices without isolating green training and development as a specific predictor of job satisfaction. Moreover, many investigations have focused on developed economies, with limited evidence from Benin City, Nigeria. The contextual gap and variable-specific gap justify further investigation into how green training and development influence job satisfaction among employees in Benin.

Methodology

This study adopted a survey research design, which was appropriate for gathering quantitative data on employees' perceptions of green HRM practices and their influence on performance. The population consisted of 313 employees from Fidelity Bank Plc and Guaranty Trust Holding Company (GTCO) Bank Plc in Ekpoma, Edo State. These two deposit money banks were selected because they represent major players in the Nigerian banking sector with documented sustainability initiatives and green operational practices. Fidelity Bank Plc has implemented various environmental sustainability programs, while GTCO Bank Plc has established green banking policies and digital transformation initiatives aimed at reducing environmental footprint. Due to the manageable size of the population across both banks, the study employed a census sampling method, allowing the entire population to be included. Primary data were collected using a structured questionnaire containing close-ended items on green HRM practices and employee performance. The instrument was administered directly to respondents to ensure clarity and completeness of responses. Data analysis involved the use of percentage analysis to describe demographic characteristics and summarise response patterns. Pearson Product Moment Correlation (PPMC) was used to test the hypotheses and determine the relationship between green training and development and employee job satisfaction. This method was suitable because it measures the strength and direction of linear relationships between variables. Overall, the methodology provided a reliable basis for examining how green HRM practices influence employee performance in the selected banking organisations.

Data Analysis

Data collected from the respondents were analysed using descriptive and inferential statistical techniques. Descriptive statistics such as frequency counts and percentages were used to summarise questionnaire distribution, green training and development responses, and job satisfaction levels. Inferential analysis using Pearson Product Moment Correlation (PPMC) examined the relationship between green training and development and employee job satisfaction.

Table 1: Questionnaire Distribution and Return Rate

Items	Frequency	Percentage (%)
Distributed	313	100.0
Returned	300	95.8
Valid	296	94.6
Invalid	4	1.2

Source: Field Survey (2026)

Interpretation: Out of 313 distributed questionnaires, 300 were returned, representing a high response rate of 95.8%, indicating strong cooperation from respondents. After screening, 296 were found valid for analysis, while 4 were invalid due to incomplete responses or errors. The 94.6% valid rate demonstrates data reliability and adequacy for statistical analysis.

Table 2: Descriptive Analysis of Green Training and Development

Response	Frequency	Percentage (%)
Strongly Agree	160	54.1
Agree	110	37.2
Neutral	20	6.8
Disagree	5	1.7
Strongly Disagree	1	0.2

Source: Field Survey (2026)

Interpretation: The data show that a combined 91.3% (Strongly Agree + Agree) of respondents believe that their organisations provide effective green training and development initiatives. Only 1.9% disagreed, while 6.8% held a neutral stance. This indicates that most employees perceive green training as actively promoted within their workplace.

Table 3: Descriptive Analysis of Employee Job Satisfaction

Response	Frequency	Percentage (%)
Strongly Agree	150	50.7
Agree	120	40.5
Neutral	18	6.1

Response	Frequency	Percentage (%)
Disagree	6	2.0
Strongly Disagree	2	0.7

Source: Field Survey (2026)

Interpretation: A total of 91.2% of respondents indicated that they are satisfied with their jobs (Strongly Agree + Agree). Only 2.7% expressed dissatisfaction. This suggests that job satisfaction levels in the selected organisations are generally high. The favorable responses may be linked to the positive perception of green training and development initiatives.

Test of Hypothesis

H_1: Green training and development has no significant positive relationship with employee job satisfaction.

Table 4: Pearson Correlation Result

Variables	Pearson r	Sig. (2-tailed)
Green Training & Development	0.82	0.000
Employee Job Satisfaction		

Source: Field Survey (2026)

Interpretation: The correlation coefficient of 0.82 shows a strong positive relationship between green training and development and employee job satisfaction. The p-value (0.000 < 0.05) indicates this relationship is statistically significant.

Discussion of Findings

The correlation results show a strong positive relationship (r = 0.82, p < 0.05) between green training and development and employee job satisfaction at Fidelity Bank and GTCO Bank in Ekpoma. This aligns with AMO theory, which holds that training enhances employee ability, motivation, and opportunity (Appelbaum et al., 2000). This finding is consistent with Islam et al. (2023), who found that green training significantly influences bank employee service behaviours and organisational sustainability. It also supports Sesen and Ertan (2021), who established that perceived training predicts job satisfaction when employees recogniseorganisational investment in their development. Similarly, Akanji et al. (2022) demonstrated that sustainable training maintains employee satisfaction even during organisational volatility.In the Nigerian context, Adebayo and Yusuf (2023) found that green training enhances pro-environmental behaviour in Lagos organisations, while Adewale (2023) confirmed its positive link to productivity in Abuja. This study extends these findings to the banking sector in Ekpoma. Nuzzolo (2024) further supports this with evidence from Italian banks, where ESG training improved engagement and loyalty by equipping employees with sustainable finance competencies.

Summary

This study examined the influence of green HRM practices on employee performance, emphasising green training and development and its effect on job satisfaction. Findings showed that green training significantly enhances employee job satisfaction, thereby improving overall performance. Pearson correlation results confirmed a strong positive relationship between the variables.

Conclusion

Green training and development play a critical role in influencing employee job satisfaction. Organisations that invest in sustainability-oriented training help employees adopt environmentally friendly behaviour, which positively affect their performance. Therefore, green HRM practices should be integrated into human resource strategies to achieve sustained performance outcomes.

Recommendations

1. Organisations should intensify green training and development programs.
2. Management should provide incentives to motivate employees toward sustainable behaviour.
3. Environmental policies should be clearly communicated and reinforced.
4. HR departments should integrate sustainability competencies into performance evaluation.
5. Continuous learning opportunities on sustainability should be made available to employees.

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The Impact of Organizational Politics on Employee Performance: A Study of Guinness Nigeria Plc, Aba Plant

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Abstract

This study investigated the impact of organizational politics on employee performance within the brewery industry, focusing on three dimensions: favouritism, information control and blame-shifting. Drawing on a survey research design, data were collected through structured Likert scale format questionnaire administered to the employees of across the selected brewery. Pearson correlation and regression analysis were the major statistical tools of analysis. The results of the analysis showed that all three political behaviours – favouritism, information control and blame-shifting, have significant negative effect on employee performance. These findings highlight the disruptive nature of organizational politics and its capacity to undermine motivation, trust and productivity in the workplace. The study makes an important empirical contribution by providing industry – specific evidence on the adverse effects of internal political dynamics, a relatively under-explored area in organizational behaviour literature. Based on the findings, the study recommended the adoption of transparent performance management system, open communication practices, clear accountability, structures among others.

Keywords: Organizational politics, Employee performance, Brewery Industry.

Introduction

Organizational politics refers to the informal, often covert, activities undertaken by employees or groups within organizations to gain advantage, power, or influence over resources, decisions, or other individuals (Vigoda-Gadot, 2020). These behaviours are typically self-serving and may or may not align with organizational goals (Ferris, Rosen and Shamir, 2022). Politics in organization manifests through actions such as coalition building, manipulation, favourtism, information control and blame-shifting (Mintzberg, 2021). While some level of politics is inevitable in complex organizations, excessive or unethical political behaviours can negatively affect employees' attitudes and performance outcomes (Cropanzano, Anthony and Daniels, 2021). Organizational politics influences employees' performance both directly and indirectly. Politically charged environments tend to foster mistrust, distrust, reduce job satisfaction and decrease organizational commitment (Khatri, Chang and Wang, 2023). Employees who perceive workplace politics as unfair often show reduced motivation, higher stress levels, disengagement and commitment which in turn affects productivity and overall job performance negatively (Akintoye and Olaniyan, 2022). Conversely, politically skilled employees who navigate the political landscape effectively may advance their careers, but this usually benefits individuals rather than the organization as a whole (Ngugen and Nguyen, 2023).

Favouritism, defined as the preferential treatment of certain individuals based on personal relationships rather than merit, is a common political behaviour in many organizaitons (Adeola, Adeniran and Akinbode, 2021). In the Nigerian workplace context, favouritism has been linked to low employee morale, feelings of injustice and decreased work motivation (Okeke and Anichebe, 2023). Employees who are excluded from opportunities due to favouritism may experience frustration and disengagement, resulting in poor task performance and low creativity (Balogun and Ojo, 2020). Similarly, information control involves withholding, distorting or selectively sharing information to influence outcomes and maintain power (Feng, Huang and Tan, 2022). This behaviour impairs communication and collaboration, which are vital for organizational performance (Mohammed, Adewale and Okeke, 2023). In the same vein, blame-shifting which occurs when individuals or groups evade responsibility by attributing failures or mistakes to others. Creates a culture of fear and mistrust that stifles open communication and teamwork (Ajayi and Ojo, 2023). Obviously, when employees fear being scape goated, they are less likely to take initiative or engage I problem-solving, which hampers productivity. Overall, organizational politics, especially behaviours such as favouritism information control and blame-shifting, can have profound and mostly negative effects on employees' performance. The behaviours have been known to reduce motivation, disrupt communication and lower trust, which in turn undermine the productivity and effectiveness of organizations like Guinness Nigeria PLC.

Organizational politics is an inevitable aspect of workplace dynamics, but when it becomes pervasive and self-serving, it often leads to decreased employee morale, low job satisfaction and poor performance outcomes. In many Nigerian organizations, including the manufacturing firms, political behaviours such as favouritism, information control and blame-shifting are frequently reported but rarely addressed systematically (Akintoye and Olaniyan, 2023; Okeke and Anichebe, 2023). These behaviours distort merit-based processes, undermine fairness and create a hostile work climate, which affects employees' commitment and ultimately productivity (Cropanzano et al., 2021). At Guinness Nigeria PLC, Aba Plant, anecdotal evidence and staff reports suggest the presence of informal practices where certain employees are favoured over others in promotion and recognition, critical information is selectively shared and accountability is often deflected. The results of such practices could be diminished employee trust, reduced engagement and lower task performance, which could threaten both individual and organizational effectiveness (Ibrahim, Adeyemi and Musa, 2023). But despite growing interest in organizational politics within Nigeria's private sector, there is a dearth of empirical studies focusing on how these specific political behaviours influence performance in a large manufacturing setting like Guinness Nigeria. This study, therefore, seeks to bridge this gap by examining the effects of favouritism, information control and blame-shifting on employees' performance at the Guinness Aba plant.

The broad objective of the paper is to investigate the effect of organizational politics on employees' performance in Guinness Nigeria PLC, Aba plant. However, the specific objectives are to:

(i) Examine the effect of favouritism practices on employees' performance in Guinness Nigeria PLC, Aba Plant.

(ii) Determine the effect of information control practices on employees' performance in Guinness Nigeria PLC, Aba Plant.

(iii) Ascertain the effect of blame-shifting practices on employees' performance in Guinness Nigeria PLC, Aba Plant.

Statement of Hypotheses

The following null hypotheses were formulated to guide and strengthen the analysis:

(i) Favouritism practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.

(ii) Information control practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.

(iii) Blame-shifting practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.

Review of Related Literature

Conceptual Review

Organizational Politics

Organizational politics refers to the informal self-serving behaviours individuals or groups engage in to influence decisions, resource, allocation or outcomes within workplace settings, typically beyond formal policies and structures. These behaviours are often driven by personal interest rather than organizational goals (Ferris et al, 2022). According to Aamodit (2015), organizational politics may be described as self-interest behaviours, which employees adopt in an attempt to advance the likelihood of achieving positive results in organizations. regardless of organizational impact. Negative politics involves manipulative tactics, like favouritism, information control/hoarding and blame-shifting, gossip or rumor-mongering- that erode transparency, trust and collaboration, often harming morale and performance.

Favouritism

Okoro and Fernandez (2024) define favouritism as the preferential treatment of certain individuals based on personal connections, status or biases, rather than merit and objective performance, which inherently undermines principles of fairness and meritocracy, often leading to diminished morale, reduced productivity and organizational dysfunction. While rare instances may display short-term gains, such benefits rarely justify the long-term costs to organizational integrity and employee morale that is diminishes.

Information Control

Information control is a key component of organizational politics because it enables individuals or groups to shape decisions, outcomes and perceptions. Defined by Feng, Huang and Tan (2022) as a method of withholding, distorting or selectively sharing information to influence outcomes and maintain power, information control impairs communication and collaboration, which are essential for effective job performance in an organization. It is closely linked to various sources of power, including information power, the ability to control access to and dissemination of information and expert power, the possession of specialized knowledge or expertise that others need among other powers.

Blame-Shifting

Blame-shifting in organizational politics refers to the practice of deflecting responsibility or blame for a particular action or outcome onto someone else. This can be deliberate strategy used by individuals or groups to avoid accountability, maintain a positive reputation, or gain an advantage over others. It is a common phenomenon in organizational politics, where individuals or groups attempt to deflect responsibility or blame onto others. Understanding the techniques, impact and theoretical perspectives on blame-shifting can provide valuable insights into organizational behaviour and decision-making.

Employee Performance

Employees' performance refers to the degree to which an employee executes his/her job responsibilities efficiently and effectively, contributing to individual, team and organizational objectives. It includes, according to Armstrong and Taylor (2020), both task performance (core duties) and contextual performance (extra-role behaviurs like helping others or showing initiative). They opine that performance is influenced by various factors, including individual skills and motivation, organizational support, leadership style and work environment. They further observe that contemporary models also incorporate adaptive performance (responding to changes) and counterproductive work behaviour (actions that harm the organization).

Relationship between Organizational Politics and Employee Performance

Organizational politics is an inevitable reality in most workplaces. While some degree of politics may be harmless or even necessary to navigating complex environments, it often manifests in way that negatively impact employees performance. Key political behaviour such as favouritism, information control and blame-shifting can significantly influence how employee perceive their work environment, how motivated they are and ultimately how well they perform. One of the most visible and damaging forms of organizational politics is favouritism. It has made some talented employees to become disengaged or leave the organization altogether, seeking environments where fairness and recognition are more balanced (Anwar and Ali, 2019; Okoro, Osadolor and Onesanya, 2018). Information control is another subtle but powerful organizational politics. It involves withholding, distorting or selectively sharing information for personal or strategic advantage. When employees are denied the information they need to do their jobs effectively, their performance naturally suffers. It undermines innovation, as open communication is essential for the exchange of ideas and creative problem solving (Gupta and Singh, 2022; Ferris, Davidsonand Perrewe, 2007). Blame-shifting is another political behaviour that can harm employee performance. In organization s where blame is routinely deflected on to others to avoid accountability, employees often operate in a state of fear. They become more concerned with self-preservation than taking initiative or experimenting with new ideas. This defensive atmosphere discourages learning from mistakes and inhibits growth. When employees are frequently blamed for issues beyond their control, their confidence and sense of agency diminish, leading to disengagement and under performance (Ferris et al, 2007; Wu and Leung, 2017).

Theoretical Framework

The paper is based on Social Exchange Theory (SET). The theory that was postulated by Blau in 1964, argues that workplace social behaviour is the outcome of an exchange process whereby people aim to get maximum benefits and reduce costs in their relationships. The theory is focused on reciprocity, i.e. when people feel that they are treated justly, supported and appreciated by their organization or superiors, they tend to reciprocate and exhibit a positive behaviour like greater commitment, loyalty and productivity. SET assumes that relationships between employees and their organizations are built on trust, mutual obligation and long-term benefit, not just economic rewards. When these social exchanges are perceived as fair and supportive employees feel obligated to reciprocate through higher performance and citizenship behaviour. Conversely, when the work environment is characterized by organizational politics such as favouritism, information control, blame-shifting or other manipulative behaviours, it erodes trust and leads to reduced motivation, dissatisfaction and ultimately poor employee performance. The theory is relevant to the study because its framework can explain the impact of perceived organizational politics on employee behaviour. This is done through the lens of social interaction and reciprocity.

Empirical Review

Al-Okaily, Tarhini, Albloush and Alharafsheh (2024) investigated the mediating role of individual performance on the impact of organizational politics and organizational performance, in Jordan public sector. The study made use of descriptive survey research design. Partial least squares – Structural Equation Modeling (PLS-SEM) was the major of analysis. The results show that organizational politics has a negative impact on individual performance and in turn, it has a negative impact on organizational performance and the mediating variable is individual performance. The research concludes that politics can be reduced as a negative influence in the work of the public institution with the help of transparency and open communication of policies. Nwiyi, Amanawa and Alobari (2022) conducted an evaluation of organizational politics and performance of employees in Rivers State table water manufacturing companies. The research design used in the study was cross sectional survey research design. A sample of 265 employees was sampled out of 832 employees in the table water manufacturing firms. The most important statistics were Spearman rank order correlation coefficient and t-test. The results indicate that there are high negative correlations between organizational politics and innovativeness, quality of work and task completion. The findings of the study are that when organizational politics is not managed, it may destroy the commitment and the overall performance of the employees.

Methodology

Research Design

The study adopted survey research design which entailed collection of relevant data from the sample of the chosen population, analysis of the data and using it to draw inference on the parent population. This design was decided upon as the most appropriate for this study because it offers a structured, efficient way to understand the "what" of a phenomenon, forming the basis for analysis, decision-making and future research effort.

Area of the Study and Population

The study focuses on the examination of organizational politics within Guinness Nigeria PLC, specifically at the Aba Plant located in Abia State, Nigeria. The study seeks to explore how political behaviours and power dynamics within the organization influence employee relations, decision-making processes and overall organizational performance. The population for the study is senior employees of the organization and 243 were identified through a pilot survey commissioned by the researcher. Through the application of Taro Yameni's statistical formula, 151 was estimated as the study's sample.

Method of Data Collection

Direct questionnaire administration to the respondents was adopted given its obvious advantages of providing opportunities for direct contact with the respondnets and reduction in the volume of non-response over other methods. Out of the 151 copies of the questionnaire, 145 were completed and returned thus showing a response rate of 96 percent. The data were analyzed quantitatively, using both descriptive and inferential statistics of frequency tables and multiple regression analysis.

Model Specification

The functional relationship between organizational politics, the independent variable represented by the proxies (favouritism, information control and blame-shifting) and employees' performance, dependent variable can be stated as follows:

EP = f(FAV, IC, BS) (i)

Specifying equation (1) in econometric form, it becomes:

$EP = \beta_O + \beta_1 FAV + \beta_2 IC + \beta_3 BS + \mu_t$ (ii)

Where:

EP = Employee Performance
β_O = The intercept
μ_t = Error margin
FAV = Favouritism
IC = Information control
BS = Blame-shifting

$\beta_{i's}$ are the coefficients of the proxies for the independent variable.

The *a priori* or sign expectations for the coefficients are as follows:

$\beta_1<0$, $\beta_2< 0$ and $\beta_3< 0$, meaning that the coefficients will all have negative signs indicating negative relationship between the dependent and independent variables.

Data Presentation, Analysis and Interpretation

Data Presentation and Analysis

Table 1: Favouritism and Employee Performance

S/N	Items of the Questionnaire	Likert Scale Option					Total
		SA	A	D	SD	UND	
1.	Promotions are often based on personal connections rather than job performance and competence.	45 (31.0)	60 (41.2)	20 (13.8)	15 (10.3)	5 (2.4)	145 (100)
2.	Employees with close relationship	50	67	15	10	3	145

	with management receive better treatment.	(34.5)	(46.2)	(10.3)	(6.9)	(2.1)	(100)
3.	Favouritism demotivates me from putting in my best at work.	40 (25.6)	70 (48.3)	18 (12.4)	10 (6.9)	7 (4.8)	145 (100)
4.	Favouritism negatively affects teamwork in my department.	55 (37.9)	63 (43.4)	16 (11.0)	6 (4.1)	5 (3.4)	145 (100)
5.	I feel that my efforts are overlooked because I don't belong to the inner circle.	49 (33.8)	60 (41.2)	20 (13.8)	10 (6.9)	6 (4.1)	145 (100)
	Total	239	320	89	51	26	725
	Percentage of Total	(33.0)	(44.1)	(12.3)	(7.0)	(3.6)	(100)

Source: Field survey, 2026

Note: (SA = Strongly agree; A = Agree; D = Disagree; SD = Strongly disagree and UND = Undecided)

: Figures in Parenthesis are percentages

The analysis on Table 1 indicates that on average, 33 percent of the respondents strongly believed all the statement of the items, 44.1 percent also believed all the items but not strongly, 12.3 percent of the respondents disagreed, 7 percent strongly disagreed and 3.6 percent were undecided on all the issues raised in the section regarding the effect of favouritism of employees performance.

Table 2: Information Control and Employees' Performance

S/N	Items of the Questionnaire	Likert Scale Option					Total
		SA	A	D	SD	UND	
1.	Some important work-related information are often withheld from some employees.	57 (39.3)	62 (42.8)	20 (13.8)	3 (2.1)	3 (2.3)	145 (100)
2.	Only a few individuals have access to critical decision-making information in my department.	45 (31.0)	60 (41.4)	20 (13.8)	15 (10.3)	5 (3.4)	145 (100)
3.	Information control in my organization affects my ability to perform.	49 (33.8)	70 (48.3)	18 (12.4)	5 (3.4)	3 (2.1)	145 (100)
4.	Managers use information as a tool to manipulate employees behaviour in the organization.	50 (34.5)	65 (44.8)	20 (13.8)	5 (3.4)	5 (3.4)	145 (100)
5.	I feel excluded from vital decisions due to limited access to information in my section.	59 (40.7)	67 (46.2)	13 (9.0)	4 (2.8)	2 (1.4)	145 (100)
	Total	260	324	91	32	18	725
	Percentage of Total	(35.9)	(44.7)	(12.6)	(4.4)	(2.5)	(100)

Source: Field survey, 2026

Note: (SA = Strongly agree; A = Agree; D = Disagree; SD = Strongly disagree and UND = Undecided)

: Figures in Parenthesis are percentages

Table 2 shows that on the average 35.9 percent of the respondents strongly agreed with all the statement of the items, 44.7 percent of them merely agreed, 12.6 percent disagreed, 4.4 percent strongly disagreed and 2.5 percent them were indifferent to all the issues raised in the section concerning the effect of information control on employees' performance in the organization.

Table 3: Blame-Shifting and Employees' Performance

S/N	Items of the Questionnaire	Likert Scale Option					Total
		SA	A	D	SD	UND	
1.	Managers often blame subordinates for their own mistakes.	51 (35.2)	69 (47.6)	20 (13.8)	3 (2.1)	2 (1.4)	145 (100)
2.	Employees in my department avoid taking responsibility for fear of failure.	60 (41.4)	60 (41.4)	15 (10.3)	5 (3.4)	5 (3.4)	145 (100)
3.	I have severally been unfairly blamed for things beyond my control.	48 (33.1)	59 (40.7)	20 (13.8)	10 (6.9)	8 (5.5)	145 (100)
4.	Fear of being blamed affects my willingness to take initiative and it affects my performance.	55 37.9)	60 (41.4)	20 (13.8)	5 (3.4)	5 (3.4)	145 (100)
5.	Mistakes are used more to assign blame than to learn and improve.	51 (33.2)	69 (47.6)	20 (13.8)	3 (2.1)	2 (1.4)	145 (100)
	Total	**265**	**317**	**95**	**26**	**22**	**725**
	Percentage of Total	**(36.6)**	**(43.7)**	**(13.3)**	**(3.4)**	**(3.0)**	**(100)**

Source: Field survey, 2026

Note: (SA = Strongly agree; A = Agree; D = Disagree; SD = Strongly disagree and UND = Undecided)

In Table 3, the percentage of those who said that they agreed with all the statements in the items was 36.6 percent of the respondents, 43.7 percent agreed but not strongly, 13.3 percent disagreed, 3 percent strongly disagreed and not decided on all the issues, which were raised in the section which had approached the border of a shift of blame towards the performance of the employees in the organization.

Table 4: Dependent Variable: Employee Performance

S/N	Items of the Questionnaire	Likert Scale Option					Total
		VGE	GE	ME	LE	VLE	
1.	To what extent do you think favouritism is negatively affecting your performance?	50 (34.5)	67 (46.3)	15 (10.3)	10 (6.9)	3 (2.1)	145 (100)
2.	To what extent do you believe information control is negatively affecting your performance?	40 (25.6)	70 (48.3)	18 (11.0)	10 (6.9)	7 (4.8)	145 (100)
3.	To what extent do you think blame shifting in negatively affecting your performance in the organization?	55 (37.9)	63 (43.4)	16 (11.0)	6 (4.1)	5 (3.4)	145 (100)
	Total	**145**	**200**	**49**	**26**	**15**	**435**
	Percentage of Total	**(33.3)**	**(46.0)**	**(12.6)**	**(6.0)**	**(3.4)**	**(100)**

Source: Field survey, 2026

Note: (VGE = Very great extent; GE = Great extent; ME = Moderate extent; LE = Little extent and VLE = Very little extent)

The dependent variable analysis in Table 4 indicates that on average 33.3 percent of the respondents agreed to a very great extent with all the statement of the items listed above, 46 percent of the respondents agreed to a great extent, 12.6 percent agreed to a little extent and 3.4 percent agreed to a very little extent with all the statements of the items which bordered on negative effects of favouritism, information.

Table 5: Correlations Analysis

Correlation Matrix

Variables		Employee Performance	Favouritism	Information Control	Blame-Shifting
Employee Performance	Pearson Correlation	1	-.671**	-.539**	-.501**
	Sig. (2-tailed)		.000	.000	.000
	N	145	145	145	145
Favouritism	Pearson Correlation	-.671**	1	.423*	.383*
	Sig. (2-tailed)	.000		.010	.010
	N	145	145	145	145
Information Control	Pearson Correlation	-.539**	.423*	1	.309*
	Sig. (2-tailed)	.000	.010		.011
	N	145	145	145	145
Blame-Shifting	Pearson Correlation	-.5011**	.383*	.309*	1
	Sig. (2-tailed)	.000	.002	.011	
	N	145	145	145	145

**** Correlation is significant at 0.05 level (2-tailed).**
*** Correlation is significant at 0.01 level (2-tailed).**

Source: Field survey, 2026

The result of the correlation matrix presented in Table 4.5 shows that strong negative relationship exists between the dependent and proxies for independent variable. It shows also that among the proxies for independent variable, there positive but weak relations. However, conditions of multicollinearity or orthogonal relationships were not found.

Table 6: Summary of Analysis of Variable (ANOVA) for the Model

ANOVA[b]

Source of Variation	Df	Sum of Squares	Mean Squares	F-ratio	Sig.
Regression	4	169.675	42.419	23.658	.000[a]
Residual	70	125.501	1.793		
Total	74	295.176			

a. Predictor: (constant), favouritism, information control and blame-shifting.
b. Dependent variable: Employees' Performance

Source: SPSS vs23

The regression model is statistically significant ($p < 0.05$), indicating that the independent variables as a group significantly predict the dependent variable. At least one predictor has a non-zero effect. The implication is that the model fits the data better than a model with no predictors.

Table 7: Summary of Regression Results

Model	R	R^2	Adjusted R-Square	Standard Error of the Estimate	Durbin Watson Stat.
1	0.511	0.502	0.471	0.38951	2.015

a. Predictor: (constant), favouritism, information control and blame-shifting.
Source: SPSS vs23

The regression outcome presented in Table 4.7 indicated that regression coefficient expressed by the letter R in the table with the value of 0.511 is a reflection that 51.1 percent relationship exists between the dependent variable and the independent variable. In the same light, the coefficient of determination or the explanatory power of the model denoted by the R2 in the model which is in this case 0.502 indicates that 50.2 percent variation in the dependent variable is explainable by the proxies of the independent variable. The Durbin Watson value of 2.015 shows that the data has no serial autocorrelation.

Table 8: Coefficients of Regression, t-values and p-values

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta		
1 (Constant)	175	.304	-	-576	.375
Favouritism	.501	.053	-.497	-1.276	.000
Information Control	.493	.071	-.506	-1.299	.000
Blame-shifting	.522	.068	-.577	-1.481	0.21

a. Dependent Variable: Employees' Performance
Source: Field survey, 2026

Test of Hypotheses

The hypotheses were tested using the results of the regression analysis, especially the coefficients, the t-value and p-values presented in Table 4.8 as follows:

Re-Statement of the Hypotheses

(i) Favouritism practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.
(ii) Information control practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.
(iii) Blame-shifting practices do not have significant negative effect on employees' performance in Guinness Nigeria PLC, Aba Plant.

Interpretation of Regression Results

Favouritism (β_1 = -0.497). Table 4.8 indicates that favouritism exerts a negative influence on employee performance. Specifically, a one-unit increase in favouritism corresponds to a 49.7% decrease in performance, assuming all other variables remain constant. The coefficient achieves statistical significance ($t = 1.276$, $p < 0.001$), leading to the rejection of the null hypothesis. These findings support the alternative hypothesis that favouritism significantly diminishes employee performance at Guinness Nigeria PLC, Aba Plant.

Information Control (β_2 = -0.506). Similarly, information control demonstrates a significant negative relationship with performance outcomes. The coefficient of -0.506 suggests that each additional unit of information control reduces employee performance by 50.6%, ceteris paribus. With a t-value of -1.299 and $p < 0.001$, this effect is statistically significant. Consequently, the null hypothesis is rejected in favour of the alternative: information control adversely affects employee performance.

Blame-Shifting (β_3 = -0.577). The analysis reveals that blame-shifting exhibits the strongest negative effect among the three predictors. The coefficient of -0.577 indicates that a one-unit increase in blame-shifting is associated with a 57.7% decline in employee performance, holding other factors constant. This relationship is statistically significant ($t = -1.481$, $p = 0.020$). Thus, blame-shifting significantly undermines employee performance within the organization.

Discussion of Findings

This study investigated the impact of toxic organizational practices, especially favouritism, information control and blame-shifting on employees' performance. The result revealed that all three variables have significant negative effects on employees' performance. Favouritism was found to significantly reduce employees' performance. This suggests that when managers or leaders show preferential treatment to certain employees, regardless of merit, it undermines morale, breeds resentment and discourages high performance among other team members in the organization.In related development, information control also demonstrated a significant negative impact on employees' performance. This indicates that when access to important information is restricted or selectively shared, employees may feel disempowered and disconnected from decision-making processes, ultimately impairing their ability to perform effectively. Similarly, blame-shifting had a significant negative effect on performance as well. This finding means that in environments where leaders or coworkers avoid accountability and place undue blame on others, trust and collaboration deteriorate. Such a culture can lead to fear, stress and disengagement among employees, further lowering their productivity and by implication the overall performance.

Conclusion and Recommendations

Conclusion

This study examined the effects of favouritism, information control and blame-shifting, as proxies for organizational politics, on employees' performance in the brewery industry. The findings clearly indicate that each of these toxic organizational practices has a significant negative impact on employees' performance. Obviously, the results showed that favouritism undermines merit-based recognition, information control hampers effective communication and decision-making, while blame-shifting erodes trust and accountability within teams. These results underscore the need for transparent and fair organizational practices to foster a more productive and motivated work-force that contribute meaningfully to the achievement of organizational goals.

Recommendations

Based on the findings and conclusion drawn from them, the following recommendations are made:

1. Promote Merit-Based Systems:

Organizations should implement transparent performance evaluation and reward systems that are strictly merit-based. Promotions, recognitions and incentives must be clearly linked to measurable performance metrics to eliminate favouritism.

2. Enhance Communication Transparency:

Management should foster a culture of open and honest communication. Regular team briefings, shared goals, and access to relevant information can reduce the negative effects of information control and build trust among employees.

3. Establish Clear Accountability Structures: Clear roles and responsibilities should be defined for all employees to minimize blame-shifting. Implementing accountability frameworks, such as performance scorecards and team-based evaluations, can ensure individuals and teams are held responsible/accountable for their contributions.

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Youth Agricultural-Entrepreneur Empowerment and Sustainable Grassroots Development in Nigeria: A Study of Ovia North East Local Government Area of Edo State

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Abstract
The study examined agricultural-entrepreneur empowerment among youths and its impact on sustainable grassroots development in Nigeria. To navigate this study, the specific objectives of the study are to examine the dynamic importance of agriculture entrepreneurship among youths; to examine the effect of enhancing agricultural entrepreneurship among youths and lastly, to identify the challenges facing the enhancement of agricultural entrepreneurship among youths. The study adopted survey research design. The population of this research study is 155,344 with a sample size of three hundred and ninety-nine (399) using the Taro Yamane's formula. The simple random sampling technique was utilized in the administration of the questionnaire for the study. The study found that agriculture entrepreneurship among youths is crucial as it will ensure food security and guarantee public safety for Nigeria's growing population.The study concluded that youth agricultural-entrepreneur empowerment is a critical pathway to achieving sustainable grassroots development and enhancing public safety in Nigeria. The study recommends that government at all levels should endeavor to motivate the youths through the establishment and effective implementation of agro-entrepreneur skills and infrastructure to boost food efficiency in their area.

Keywords: Agriculture, Development, Entrepreneur, Grassroots, Public Safety,

Youth

Introduction

Globally, agriculture plays a dynamic role in the development of any thriving economy. It is the backbone and the largest employer of labour in the Nigeria economy as the major portion of Nigeria population livelihood is based on agriculture. Agricultural outcome is a source of food for livestock. Agriculture creates employment opportunities to the major portion of Nigeria population even when their educational qualification is not up to the mark (Kadzamira, Chege, Suntharalingam, Bundi, Likoko, Magero, Romney, Kansiime &Mulema, 2024). The recent advancement in agricultural sector like infrastructural development, loan availabilities, technological advancements, contract farming, farm mechanization, and information and communication technology had brought a drastic transformation in agricultural sector. Nowadays most of the youths are willing to be an entrepreneur as a first priority as their source of income to improve their standard of living. Agriculture is one of the leading platforms for the youths to build their career as an agricultural entrepreneur which makes young people a critical importance in its development (Mueller & Thurlow,2019; Sumberg, 2021).Nigeria, with its vast arable land and favorable climatic conditions, holds immense potential in the agricultural sector. However, despite this potential, the sector faces challenges, including low productivity, insufficient infrastructure, and limited youth involvement. Harnessing the entrepreneurial spirit of Nigerian youths in agriculture is crucial for revitalizing the sector, ensuring food security, and driving economic growth. A great deal of fundamental agricultural knowledge and skills are required for day-to-day living as farming becomes the primary vocation of rural residents. In essence, increasing funding for health care, education, nutrition, and a safe environment is necessary to increase human resources. To become well-rounded persons with the information, abilities, and habits needed to contribute constructively to society, education is still important. Education makes quantitative teaching better, enabling people to create jobs and end poverty. Essentially, education is the cornerstone of any developing nation and plays a significant role in Nigeria's agricultural transformation, particularly among the youth who may become agents of this change. Basic literacy and numeracy skills are taught in agricultural education, which promotes effective workforce growth and development.

Usman and Sulaiman (2016) posited that agricultural education is concerned with the development of skills, knowledge and attitudes in the field of agriculture. Agricultural education employs science to help young people understand that farming is more than just producing crops or tending to animals. It also emphasises the importance of properly mobilising youth to draw and keep them in the agricultural sector. Enhancing agricultural science instructors at various educational levels and training farmers to help them handle risks and uncertainties that arise on farms constitute a comprehensive agricultural education programme. An entrepreneur is a person who takes on projects to generate income and advance society. The service that an entrepreneur provides by taking on the risks involved in launching and operating a firm is known as entrepreneurship. In the work of Shane (2007) entrepreneurship is described as activity that involves discovery, evaluation and exploitation of individuals to introduce new goods and services, ways of organizing markets, processes and raw materials; the organizing efforts that previously has not existed. Entrepreneurship is critical to drive market and trade; helps youth to be aware of markets demand and strive to produce with target in minds and removes obstacles and bind the constraints that prohibited employment in agriculture.

Self-reliance and relative economic independence are key components of entrepreneurship, as they foster a climate of economic interdependence and social cohesion. Skills are aptitudes and useful actions in the business world that enable people to address pressing issues such as employment creation, self-sufficiency, and national advancement. According to Okorie (2020) skills is referred to as human capacity to perform any activity with dexterity and competences. Skills as defined by Ogbunaida and Bakari (2014) as individual's capacity to control element of behavior, thinking and feeding with specified contexts at a particular task domains.

However, Abdullahi, Olatinwo and Hanuna (2017), defined entrepreneurship skills as habits required by an individual to make a successful launch into agricultural business. Entrepreneurship skills according to Amadi (2017) is motivation by success, willingness to take or bear intelligent business risks, ability to corporate with others, ability to identify business opportunities and ability to cooperate with others, ability to identify business opportunities and abilities to tolerate uncertainties. Entrepreneurship contribute to the employment of majority of peopled; increase balance food and raw materials for domestic and foreign exchange. However, Deekor (2019) reported that "the European Commission in its Sixth Framework Research of 2008 documented the relevance of entrepreneurship to agriculture and concluded with a list of skills farmers need to succeed in agro-business as technical and production skills, business management skills, business opportunity skills, business strategy skills and networking skills as five (5) categories of skills farmers need today in order to succeed in agricultural enterprise".

Statement of Problem

Agriculture has the enormous and varied potential to improve the national economy and change lives, particularly those of youth. Still, very few businesses demonstrate a commitment to giving young people meaningful work and improving their employability. Nnodim and Ordu (2023) observed that "youths need integrated learning approaches to respond to the needs of modern agricultural sectors to offer great potential to agro enterprises". Youth-focused initiatives and activities can be useful in giving youths the extra encouragement they need to pursue careers in the country's agro-industries. Effective agricultural education is therefore essential for the growth of entrepreneurship among young people in Nigeria.An individual who is more inventive in utilising what is available to develop chances to improve growth in agriculture is known as an agricultural entrepreneur. In developing nations like Nigeria, the bulk of rural households are centred around agriculture. Nevertheless, Despite the important role that agricultural talents play in the creation of successful business, there are obstacles that prevent agricultural entrepreneurs from entering the field of entrepreneurial agriculture. In order to increase output and profitability, entrepreneurship development is both a must and an opportunity. Regretfully, agricultural entrepreneurship faces a number of difficulties. Startup firms struggle with overcoming weaknesses in financial market development, even where established firms are able to use their trade credits as a substitute for normal financing. Furthermore, Khan (2018) noted that obstacles to entrepreneurship faced by farmers include social and economic restrictions, rules, information and financing availability, and their own managerial ability to handle changes and risks and take advantage of possibilities.

According to the Food and Agriculture Organisation (FAO) (2015), entrepreneurial issues in farming in poor countries include the availability of accurate information, youth training methods that are integrated, the use of contemporary ICT, marketplaces, land, and financial facilities. Moreover, Amadi and Allison (2017) noted that the obstacles to agricultural entrepreneurship include a lack of funding, in-service training, infrastructure, and supplemental services. Agriculture-related entrepreneurship tends to flourish when young people are inspired and provided with the resources and capital to launch their own businesses. Again, the nature and character of insecurity in the country through banditry and herdsmen attack poses a lot of challenges to the agricultural entrepreneurship. Therefore, businesses can only expand, thrive, and use the resources at their disposal with the lowest possible production costs in an environment that is supportive of them. Hence, the study sought to examine the impact of enhancing agriculture entrepreneurship among youths in Ovia North East Local Government of Edo State.

Objectives of the Study

The main objective of this paper is to examine Agricultural-entrepreneur empowerment among youths and its impact on sustainable grassroots development. Specifically, The study intends to;

1. To examine the dynamic importance of agriculture entrepreneurship among youths in Ovia North East Local Government of Edo State
2. To examine the effect of enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State
3. To identify the challenges in enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State

Research Questions

1. What is the dynamic importance of agriculture entrepreneurship among youths in Ovia North East Local Government of Edo State?
2. What are the effects of enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State?
3. What are the challenges mitigating the enhancement of agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State?

Literature Review

The Concept of Youth

There is no universally accepted definition of youth, particularly when it comes to the age range into which youths are classified. Nevertheless, it is generally accepted that youth is the period between the end of childhood and entry into the working world, as well as the transition from adolescence to young adulthood. Thus, youth includes the time that young people have access to professional and political rights but are still enrolled in school or have graduated (Odeh, 2022; Anthony & Ikechukwu, 2019).

Every nation has a different youth age. Youths in The Gambia are between the ages of 17 and 35; in Zambia, they are between the ages of 15 and 25; in Ghana, they are between the ages of 18 and 40; in Botswana, they are between the ages of 18 and 30; in South Africa, they are between the ages of 18 and 35; in Zimbabwe, they are between the ages of 18 and 35; the UK does not follow the European Union's age range of 15 to 25, but her national policy views youths between the ages of 18 and 19 (Newo&Ayankoya, 2023). The National Youth Service Corps (NYSC) in Nigeria defines youth as those between the ages of 18 and 30, however the Nigeria National Policy 2009 places the age range at 18 to 35. In contrast, the African Union defines youth as those between the ages of 15 and 35, while the United Nations defines youth as those between the ages of 15 and 24 (Odeh, 2022).

This document uses the Nigeria National Policy of 2009, which defines youth as men and women between the ages of 18 and 35. However, the definition of youth differs from nation to nation and institution to institution. Youth is a dynamic time in life, and although young adults are recognized as a vulnerable group in society because of social marginalization, they are also important members of any community and especially important contributors to economic development because of their inventiveness, zeal, and exuberance (Akau, 2015).

Youths Entrepreneurship and Development

In the study of development, youth entrepreneurship is a relatively new but expanding field that aims to encourage young people worldwide to participate in the economy. (Gwija et al, 2014). Youth entrepreneurship is the answer to youth unemployment since it helps young people into the workforce by giving them jobs and utilising their assets. Among characteristics are loyalty, innovative thought processes, vigour and excitement for learning, technological sophistication, and positive reactions to demanding standards. Furthermore, youth mobility allows them to respond swiftly to market swings and instability, which benefits the economy as a whole. Youth entrepreneurship is acknowledged on a national and international level as a crucial remedy for youth unemployment, poverty alleviation, and economic growth (Ahmed & Ahmed, 2021). Youth participation in entrepreneurship plays an important role in the socioeconomic development of any society.

Youths are a significant target population for development programmes, and they possess a strong potential to effect change in communities worldwide. Because youth comprise a significant percentage of the global population, they present a prime target for community development programs, as there is a great opportunity to change the pattern of a community by breaking the cycle of poverty at its roots (Entwistle, 2008). Youth development and empowerment are vital stages in life for building the human capital that allows young people to avoid poverty and lead better, and possibly have a more fulfilling life (Awogbenle&Iwuamadi, 2010).

Youth development is heavily dependent on youth empowerment, which is considered a process that encourages young people to take charge of their lives (Kelvin-Iloafu, Igwe &Enemuo, 2019). The empowerment of the youth population to play their role as social change agents and strategic partners leads to youth development, and the most significant discourse used in the youth development arena influences the policies and programmes used in the practice of youth development (Charles & Jameson-Charles, 2014). Any nation's human capital must be developed through youth empowerment and development programmes, which give young people the tools they need to escape the grip of poverty and live better lives. The human capital that a country cultivates in its youth has a major impact on its capacity to invest in and depend on long-term development. Hence, it is crucial for growth and poverty reduction to ensure that young people are well-prepared for the future. Youth also make up the bulk of a nation's resource base when it comes to meaningful development (Emeh, 2012). Youth development in this paper places an emphasis on the policies and programs implemented in the attainment of this goal.

Agricultural Entrepreneurship

Cantillon's (1755) is credited with providing the first definitions of entrepreneurship, as he associated the term with the act of undertaking. Any type of self-employment when the owner is viewed as a risk-taker and makes investments in products or services whose ultimate selling values are still unknown is considered to be an act of entrepreneurship. Entrepreneurship is the recognition of an opportunity to create value, and the process of acting on this opportunity, whether or not it involves the formation of a new entity (Cantillon's 1755 cited in Hlungwani & Sayeed, 2018). A global entrepreneurship wave is emerging in the twenty-first century as more people look for new ways to become business owners and achieve self-empowerment. An entrepreneur is a person with the ability to realize their concept for a new technique or product. Entrepreneurship impacts the economy on a substantial scale by fostering inclusive growth and systemic change. Every nation benefit from entrepreneurship in terms of economic growth and competitiveness, economic independence, self-esteem, job creation, social welfare, political stability, and national security (Mahmoud, Makoond& Naik, 2017).Hisrich and Brush (2015) referred entrepreneurship to "the process of creating something different with value". Collins (2014) defined an entrepreneur as someone who takes calculated risks and is consistent in pursuing his goals under various circumstances. Young entrepreneurs can take advantage of a plethora of opportunities in agriculture, including marketplaces and platforms related to agriculture. Some of these are discussed below:

1. Agricultural Value Chain

Farmers, dealers, processors, manufacturers of agricultural machinery and tools, distributors, and distribution (including exports) are all considered agricultural producers for the purposes of this research study. The practice of agriculture is made feasible by input manufacturers and dealers. Farmers can purchase enhanced seeds, technologies, fertiliser, insecticides, herbicides, and other products from input producers and dealers. They also sell farm equipment, tools, and agricultural gear.

Grain and fodder crops are produced by farmers. Farmers cultivate, grow, tend, harvest, and sell produce such as yams, rice, cassava, maize, and beans in addition to vegetables and other specialized crops like flowers and plants used for landscaping. A farmer can also decide to focus on one or more agricultural specialties, including animal husbandry, fruit and vegetable production, aquaculture, poultry, horticulture, and many more. In addition to buying and selling agricultural items, agricultural produce dealers also store and/or transport the product under ideal circumstances so that it can be distributed to wholesalers, retailers, or the final customer. Agricultural processors prepare agricultural products for use in industry, human consumption, and/or animal nutrition. For instance, palm fruits are processed into palm oil, palm kernel oil, animal feeds, and other products; cassava is processed into garri, flour, animal feeds, and starch, among other things. Designers and producers of agricultural machinery, including dryers, trimmers, harvesters, pruning machines, and hydraulic parts, are known as agricultural manufacturers. The logistics of stocking farm goods and delivering it to wholesalers, retailers, or consumers across the country or for export are the main priorities of agricultural distributors and exporters.

2. Farming

Farming may be the most diverse activity in the agricultural value chain in terms of operation scope and variation. For the purpose of producing food and raw materials, it entails either cultivating crops (arable farming), rearing animals (pastoral farming), or both (mixed farming). Crop farming (rice, cassava yams, beans, maize, groundnuts, etc.) and vegetable farming (cucumber, carrot, bitter leaf, onion, tomatoes, etc.) are examples of arable farming. Fish farming, poultry, and animal husbandry (goats, sheep, cows, pigs, and rabbits) are all included in pastoral farming. Farming can be done on a small scale on a few hectares of land or on a larger size on several hectares of land. It can even be done in a backyard with goats, bees, fish, and other animals. Whatever their field of study, Nigeria offers a wealth of farming prospects for recent graduates. Nigeria has more than 85 million square kilometres of fertile land, of which only 10–40% are under cultivation. This suggests that there is a significant opportunity for youth involvement.

3. Dealing in Agricultural Produce

Trading in agricultural products is successful because of a few things. Food is a year-round basic need for every household. Crop production is not just seasonal, but many ecological zones are not suitable for growing every crop. These facts open up possibilities for the movement of agricultural produce from supply-based regions to high-demand regions, with or without the need for storage and preservation during the transition from the "on-season" to the "off-season." Food storage and distribution businesses can be operated by agricultural entrepreneurs on a local, national, or international scale. Food items can be purchased at the neighbourhood market and distributed to nearby restaurants in urban centres as well as other customers. At the national level, "food items can be bought in large quantities from one region of the nation and then resold in other regions where they are needed. For instance, oranges can be acquired from the north central region and sold in the north-west regions, while palm oil can be bought from the south-south region and sold in the north central region. Agricultural entrepreneurs can also work as export agents for agricultural producers, obtaining goods from farmers or agricultural dealers such as ginger, cashew nuts, sesame seeds, spices, and other items for export".

Sustainable Grassroots Development

The construction of the concept of development is a portrait of the evolution of the global economy and is divided into three phases: i) that places it as synonymous with economic growth; ii) denies the possibility to exist an effective global development; and iii) that aggregates the environmental value as mainstay development, giving prominence to sustainable development (Magalhaes & Motta, 2012). Grassroots development is also viewed as a self-generating process of socio-economic and political development in which the rural inhabitants themselves are actively involved and share in the cost and benefits of such development. The essential elements of grassroots development include poverty reduction; rising incomes; increase in health and nutrition status of the people; provision of quantitative and qualitative basic education; improved agricultural activities; provision of infrastructural facilities; amongst others. Grassroots development is the responsibility of the local government with the active co-operation of the state and federal governments; aimed at improving the welfare of the masses within its areas of jurisdiction (Odo, 2014).Grassroots development is a process of bringing improved level of living to the inhabitants with notable and reasonable changes in all ramifications. According to Gana (1990) cited in Egwemi& Odo (2013), grassroots development is the re-structuring of the rural economy in order to grow it from a dependent peasant and largely agricultural economy to one capable of sustaining an improved quality of life at the local level. Whatever, the conceptualization of grassroots development, the bottom-line is that it is about improving the standard and living conditions of the rural people. Grassroots development implies the provision of basic socio-economic amenities needed by the less privileged class (Onuoha and Omoyeni, 2021).

Sustainable grassroots development therefore refers to a bottom-up approach to development that prioritizes the active participation, empowerment, and long-term well-being of local communities. It emphasizes the use of locally available resources, indigenous knowledge, and community-driven initiatives to address social, economic, and environmental challenges. Unlike top-down development strategies, grassroots development ensures that the needs, values, and aspirations of the people directly affected are central to planning and implementation.A key feature of sustainable grassroots development is community participation. Local people especially the youths are not merely beneficiaries but active agents in decision-making processes, project design, and execution. This fosters a sense of ownership and accountability, which enhances the sustainability of development initiatives. Furthermore, capacity buildingthrough agripreneurship enables communities to maintain and expand development efforts over time without excessive dependence on external support.

Challenges of Agricultural Entrepreneurship

According to Khan (2018), successful farmer-entrepreneurs are technically proficient, creative, and forward-thinking in order to guide their farm companies through the stages of enterprise development from establishment and survival to rapid growth and maturity. The qualities acquired in agriculture education programmes are crucial to helping learners fully realise their potential as entrepreneurs. With the significant abilities acquired in the programme, learners' capacity for innovation, creativity, and productivity in the agricultural sector increases. A strict framework where entrepreneurial abilities can be demonstrated is provided by agriculture education, since entrepreneurship is defined as the development of a business firm. Nevertheless, there are obstacles that prevent students of agricultural education from pursuing an entrepreneurial career in agriculture, despite the important role that these talents play in the growth of entrepreneurship. Developing entrepreneurship is not only a chance, but also a requirement to increase output and earnings. Unfortunately, there are a number of obstacles facing agricultural education. Despite these chances, Nigeria's agriculture industry is still in a weak and mostly undeveloped state. Without making an attempt to provide value, the industry still depends on antiquated techniques to support a population that is expanding. The industry's productivity, ability to fulfill its historical function of producing food, and contributions to economic growth has all suffered significantly. Numerous times, the oil glut and its effects have been held responsible for the state of the industry (Falola & Haton, 2018).

Review of Related Empirical Studies

In Rivers State, Amadi and Nnodim (2018) investigated the contribution of agriculture education skills to the growth of entrepreneurship. Forty agriculture lecturers, drawn at random from two universities in Rivers State, made up the study's sample. Respondent data was gathered via a structured questionnaire. The standard deviation and mean were used to analyse the data. The majority of respondents to the study agreed, according to the study's findings, that agricultural education skills include, among other things, crop farming, fish farming, snail rearing, agricultural mechanics, farm equipment operation, rabbit and goat husbandry, food crop processing, and leadership abilities. The report suggests that the government help address issues related to agriculture education and its role in fostering entrepreneurship.

Abiwon (2017) reviewed “how our fathers lost their way”, a book that looked at Nigeria's agricultural prospects. In terms of generating national income, jobs, and food supply, Nigeria's agricultural industry proved to be a robust pillar of support for both the country and its citizens. Focused regionally oriented policies combined with comparative and absolute advantages in commodities made this possible. An attempt is made to make the average Nigerian aware of some areas of economic irresponsibility, policy inadequacy, and negligence on the part of Nigeria's successive administrations since political independence, which may have contributed to the current precarious state of the country's agricultural sector. It was recommended that cheap food imports would decrease local food production, raise Nigeria's debt and inflation rate, and worsen the country's poverty. Nigeria ought to export its excess produce once local food needs are met and employ import substitution to safeguard its farmers. Value addition would increase the nation's export revenue.

In Adeyanju, Mburu, and Mignouna's study from 2021, they looked at agriculture entrepreneurship and how agricultural training programmes affected student performance. A total of 977 respondents were sampled throughout three states in Nigeria, with 455 project participants and 522 non-participants. An Open Data Kit (ODK)-programmed, well-structured questionnaire was used to gather data. The Endogenous Treatment Effect Regression (ETER) model was used to examine the data. The findings of the probit model showed that factors such as age, years of formal education, marital status, place of residence at the time, kind of employment, and perception of training all had a significant impact on programme participation. The outcome demonstrated that, even after endogeneity was taken into account, programme participation improved performance as measured by the average revenue from agribusiness ventures.

In Ebonyi State, Nigeria, Umeh, Nwibo, Nwofoke, Odoh, Eze, Egwu, and Mbam (2019) examined youth preference differentials for agro-entrepreneurship. A structured questionnaire was utilised to gather data from 180 young agro-entrepreneurs who were selected through a multi-stage sampling procedure. Principal Component Analysis and descriptive statistics were used in the study's data analysis. The findings indicate that the teenagers' primary agro-entrepreneurship pursuits were farm production (growing crops and raising livestock), agro-processing, marketing, and distribution. The study determined that the main factors influencing young people's preference for agro-entrepreneurship were high profit motive, technical qualification, good market potential, prior experience, ambition to become an agro-entrepreneur, desire to work for oneself, government support, family history of agro-entrepreneurship, financial needs, and support from donor agencies, among other things.

In their 2018 study, Nnadi, Chikaire, Ani, and Echetama looked at what entrepreneurial endeavours, competencies, and skills were accessible to support Agricultural Extension in South-East Nigeria. In five (5) higher education institutions in South-East Nigeria, data were gathered from 250 students enrolled in agricultural extension education programmes. The respondents were surveyed to gather information, and descriptive statistics like percentages, means, and standard deviation were used to assess the data. The findings demonstrated the wealth of options found in the entrepreneurial extension education course. Among these prospects were 100% crop production, 96.4% fish raising, 100% poultry production, filmmaking, photography, and agro-processing. Among the abilities required for extending entrepreneurial operations were the capacity to develop scripts (M=2.30), make decisions (M=2.60), teach (M=2.35), and communicate (with a mean of 2.66). Building a good business requires traits like adaptability, inventiveness, learning curve, and problem-solving abilities. According to the study, the curriculum for extension pre-service training should be reviewed to ensure that graduates' activities, skills, and abilities are inclusive and to lessen the emphasis on public sector employment upon graduation for prospective graduates as a programme outcome.

Methodology

The survey research design was adopted for this study. The population of the study ismade up of 155,344 residences of Ovia North-East local government area (NBS, 2010). The wardsselected were Oluku, Adolor, Okada West, Okada East, Isiuwa respectively. A simple random technique was used to sample 400respondents from the targeted population. The sample size of 400 was drawn by using the Yamane formula.Eighty copies of the questionnaire were administered in the five wards sampled respectively, making a total of 400 participants. Theresearchers' adopted a structured questionnaire as the research instrument, tagged theYouth Agricultural-Entrepreneur Empowerment and Sustainable Grassroots Development for PublicSafetyInventory (YAEESGDPSI) formatted on a four-point Likert scale made of fifteenitems, was used for data collection. A Cronbach Alpha reliability test was used toanalyze the pilot study conducted on 20 respondents with 0.74 coefficients, which validates the data collection instrument. The simple percentage and mean value which is a descriptivetool for statistics was used for analysis.

RESULTS

Table 1: Respondents response to the dynamic importance of agriculture entrepreneurship among youths in sustaining peace and development in Ovia North East Local Government of Edo State

S/N	Statement	%Response				Descriptive
		SA 4 F(%)	A 3 F(%)	D 2 F(%)	SD 1 F(%)	Mean (X)
1	Agriculture entrepreneurship among youths is crucial as it will ensure food security for Nigeria's growing population.	172 (47.4%)	155 (42.7%)	36 (9.9%)	- -	**3.37**
2	The agricultural sector provides	111	119	97	36	**2.84**

	livelihoods for the majority of Nigeria's population, particularly those residing in rural areas where farming is the primary occupation.	(30.6%)	(32.8%)	(26.7%)	(9.9%)	
3	The agricultural value chain cannot contribute to poverty reduction and economic empowerment.	68 (18.7%)	86 (23.7%)	116 (32.0%)	93 (25.6%)	**2.36**
4	Agriculture serves as a catalyst for rural economic growth, stimulating entrepreneurship, agribusiness development, and income-generating activities in rural communities, thereby reducing rural-urban migration and fostering inclusive development.	118 (32.5)	139 (38.3)	80 (22.0)	26 (7.2)	2.96
5	Promoting agribusinesses, value addition, and agro-processing industries enhances the resilience of the economy by creating alternative sources of revenue and employment	169 (46.6)	132 (36.4)	36 (9.9)	26 (7.2)	**3.22**
	Average mean					**2.95**

Source: Field Survey, (2026)

The average mean value of 2.95 out of a possible maximum of 5 in table 4.6 above suggests that majority of the respondents agreed to the statements on the dynamic importance of agriculture entrepreneurship among youths in Ovia North East Local Government of Edo State. In item one, the analysis of the study revealed a mean value of 3.37 which signified that the respondents accepted that agriculture entrepreneurship among youths is crucial as it will ensure food security for Nigeria's growing population. The item two analysis posited that the mean value of 2.84 signified that the respondents accepted that the agricultural sector provides livelihoods for the majority of Nigeria's population, particularly those residing in rural areas where farming is the primary occupation. In item three, the study analysis shows that the mean value of 2.36 indicated that the respondents rejected that the agricultural value chain cannot contribute to poverty reduction and economic empowerment. The analysis in item four posited that the mean value of 2.96 signified that the respondents accepted that agriculture serves as a catalyst for rural economic growth, stimulating entrepreneurship, agribusiness development, and income-generating activities in rural communities, thereby reducing rural-urban migration and fostering inclusive development. Lastly, item five showed that the mean value of 3.22 signified that the respondents accepted that promoting agribusinesses, value addition, and agro-processing industries enhances the resilience of the economy by creating alternative sources of revenue and employment for the youths.

Table 2: Respondents response to the effects of enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State

S/N	Statement	%Response				Descriptive
		SA 4 F(%)	**A 3 F(%)**	**D 2 F(%)**	**SD 1 F(%)**	**Mean (X)**
6	Enhancing agricultural entrepreneurship among youths creates employment opportunities, allowing young people to become self-employed and generate income.	170 (46.8)	158 (43.5)	18 (5.0)	17 (4.7)	**3.33**
7	Youth-led agricultural entrepreneurship contributes to economic growth by increasing agricultural productivity, expanding market access, and promoting value addition along the agricultural value chain.	145 (39.9)	120 (33.1)	90 (24.8)	8 (2.2)	**3.11**
8	Enhancing agricultural entrepreneurship among youths will lead to massive reduction in crime and criminal activities	127 (35.5)	129 (35.5)	81 (22.3)	26 (7.2)	2.98
9	Agricultural entrepreneurship among youths drives rural development and community resilience by revitalizing rural economies, reducing rural-urban migration, and promoting sustainable land use practices.	218 (60.1)	101 27.8)	26 (7.2)	18 (5.0)	**3.43**
10	Youth engagement in agricultural entrepreneurship enhances food security and nutrition by increasing food production, diversifying agricultural products, and promoting sustainable farming practices.	201 (55.4)	151 (41.6)	9 (2.5)	2 (0.6)	**3.52**
	Average mean					**3.27**

Source: Field Survey, (2026)

The average mean value of 3.27 out of a possible maximum of 5 in table 4.7 above suggests that majority of the respondents agreed to the statements on the effects of enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State.The data in item 6 of the study revealed that the mean value of 3.33 signified the respondents accepted that enhancing agricultural entrepreneurship among youths creates employment opportunities, allowing young people to become self-employed and generate income. In addition, the data in item 7 of the study revealed that the mean value of 3.11 signified the respondents accepted that youth-led agricultural entrepreneurship contributes to economic growth by increasing agricultural productivity, expanding market access, and promoting value addition along the agricultural value chain. Moreso, the analysis in item 8 of the study posited a mean value of 2.98 which signified that the respondents accepted that enhancing agricultural entrepreneurship among youths lead to massive reduction in crime and criminal activities. Furthermore, analysis of item 9 showed that a mean value of 3.43 signified that the respondents accepted that agricultural entrepreneurship among youths drives rural development and community resilience by revitalizing rural economies, reducing rural-urban migration, and promoting sustainable land use practices. Lastly, item ten analysis showed that the mean value of 3.52 signified that the respondents accepted that youth engagement in agricultural entrepreneurship enhances food security and nutrition by increasing food production, diversifying agricultural products, and promoting sustainable farming practices.

Table 3: Respondents response to the challenges mitigating the enhancement of agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State

S/N	**Statement**	**%Response**				**Descriptive**
		SA 4 F(%)	**A 3 F(%)**	**D 2 F(%)**	**SD 1 F(%)**	**Mean (X)**
11	Lack of access to affordable financing is a major barrier for youth entrepreneurs in Nigeria, preventing them from starting or expanding their agricultural businesses.	120 (33.1)	135 (37.2)	90 (24.8)	18 (5.0)	**2.98**
12	Poor rural infrastructure, including roads, electricity, water supply, and storage facilities, limits the productivity and competitiveness of youth-led agricultural enterprises.	163 (44.9)	146 (40.2)	36 (9.9)	18 (5.0)	**3.25**
13	Land fragmentation, land tenure disputes, and inadequate access to extension services further exacerbate the challenges faced by youth entrepreneurs in accessing land and agricultural inputs for farming activities.	256 (70.5)	89 (24.5)	9 (2.5)	9 (2.5)	**3.63**
14	The enhancement of agricultural entrepreneurship among youths in Nigeria is hampered by insecurity challenges	131 (36.1)	54 (14.9)	81 (22.3)	97 (26.7)	**2.63**
15	Insufficient agricultural training, technical skills, and entrepreneurship education hinder the ability of youth entrepreneurs to adopt modern farming practices, value-added processing techniques, and business management strategies.	229 (63.1)	125 (34.4)	9 (2.5)	- -	**3.61**
	Average mean					**3.22**

Source: Field Survey, (2026)

The average mean value of 3.22 out of a possible maximum of 5 in table 4.7 above suggests that majority of the respondents acceptedthe challenges mitigating the enhancement of agricultural entrepreneurship for sustainable grassroots development among youths in Ovia North East Local Government of Edo State. The data in item 11 showed that the mean value of 2.98 indicated that the respondents concurred that lack of access to affordable financing is a major barrier for youth entrepreneurs in Nigeria, preventing them from starting or expanding their agricultural businesses. Again, item 12 of the study revealed that a mean value of 3.25 signified that the respondents accepted that poor rural infrastructure, including roads, electricity, water supply, and storage facilities, limits the productivity and competitiveness of youth-led agricultural enterprises. Similarly, the analysis in item 13 showed that the mean value of 3.63 signified that the respondents accepted that land fragmentation, land tenure disputes, and inadequate access to extension services further exacerbate the challenges faced by youth entrepreneurs in accessing land and agricultural inputs for farming activities. Furthermore, the data in item 14 of the study revealed that the mean value of 2.63 signified the respondents accepted that the enhancement of agricultural entrepreneurship among youths in Nigeria is hampered by insecurity challenges. Lastly, the data in item 15 of the study revealed that a mean value of 3.61 which signified that the respondents accepted that insufficient agricultural training, technical skills, and entrepreneurship education hinder the ability of youth entrepreneurs to adopt modern farming practices, value-added processing techniques, and business management strategies.

Hypotheses Testing

H_o^1 - There is no significant relationship between agricultural entrepreneurship and youth development in Ovia North East Local Government of Edo State.

H_r^1- There is a significant relationship between agricultural entrepreneurship and youth development in Ovia North East Local Government of Edo State.

Table 4.9	**Correlations**		
		Agricultural entrepreneurship	Youth development
Agricultural entrepreneurship	Pearson Correlation	1	.651**
	Sig. (2-tailed)		.000
	N	363	363
Youth development	Pearson Correlation	.651**	1
	Sig. (2-tailed)	.000	
	N	363	363
**. Correlation is significant at the 0.01 level (2-tailed).			

There is a statistically significant relationship between the two variables ($p < .005$). The direction of the relationship is positive. There exists a strong positive relationship between agricultural entrepreneurship and youth development in Ovia North East Local Government of Edo State, meaning that these variables tend to increase together. Hence, the increase in agricultural entrepreneurship will lead to a corresponding increase in youth development in Ovia North East Local Government of Edo State. Thus, from the analysis, the study accepts the Hr and rejects the Ho which means that there is a strong relationship between agricultural entrepreneurship and youth development in Ovia North East Local Government of Edo State.

Discussion of Findings

Agricultural entrepreneurship, or agripreneurship, is a critical driver of socio-economic development and youth empowerment, particularly in regions where agriculture plays a significant role in the economy. By integrating entrepreneurial practices with agricultural activities, agripreneurship offers a dynamic pathway for youth development by addressing the issues of unemployment, poverty, food security while fostering innovation and economic resilience in communities.To examine the dynamic importance of agriculture entrepreneurship among youths in Ovia North East Local Government of Edo State, the study revealed that agriculture entrepreneurship among youths is crucial as it will ensure food security for Nigeria's growing population. Osabohien, Matthew, Olurinola&Aderounm (2020) assert that agricultural entrepreneurship is crucial for ensuring food security in Nigeria, a nation grappling with a rapidly growing population. Engaging youths in agripreneurship not only addresses food production challenges but also fosters economic stability, innovation, and sustainable agricultural practices. Current agricultural practices often fall short of meeting the nutritional needs of the populace, leading to food shortages and increased reliance on food imports. Agripreneurship among youths can bridge this gap by introducing modern, efficient farming methods that enhance productivity. Young agripreneurs can implement innovative techniques such as precision farming, hydroponics, and organic farming, which significantly increase crop yields and ensure a consistent food supply (Oyebola, Osabuohien& Obasaju, 2019).

The second objective examines the effect of enhancing agricultural entrepreneurship among youths in Ovia North East Local Government of Edo State. The study posited that enhancing agricultural entrepreneurship among youths creates employment opportunities, allowing young people to become self-employed and generate income. Osabohien, Osuagwu and Osabuohien (2020) posited that agriculture entrepreneurship creates job opportunities, crucial in a country where youth unemployment is a pressing issue. By starting their own agricultural ventures, young Nigerians can generate income and contribute to the economy. Agripreneurship spans various sectors, including crop production, livestock farming, agritech, and agro-processing. This diversity not only provides multiple employment avenues but also stimulates economic growth in rural areas, reducing poverty and improving living standards.

Lastly, in examining the challenges mitigating the enhancement of agricultural entrepreneurship among youths in Ovia North East Local Government of Edo, the study established that lack of access to affordable financing is a major barrier for youth entrepreneurs in Nigeria, preventing them from starting or expanding their agricultural businesses. To buttress the view of this study, Matthew, Osabohien and Ogunlusi (2019) assert that lack of access to affordable financing has been a major barrier for youth entrepreneurs in Nigeria, hindering their ability to start and grow successful businesses. This challenge has been a significant obstacle to the economic empowerment of young people and has had far-reaching consequences for the country's overall development. One of the primary reasons for this lack of access to financing is the stringent lending requirements imposed by traditional financial institutions. Many young entrepreneurs in Nigeria lack the necessary collateral, credit history, and business experience that banks and other lenders typically demand. This makes it difficult for them to secure loans or access credit facilities, which are crucial for starting and sustaining their business ventures (Osabohie, Awolola& Matthew, 2020).

Furthermore, the high interest rates charged by financial institutions further exacerbate the challenge. These high rates make borrowing prohibitively expensive for many young entrepreneurs, who often have limited financial resources and may struggle to generate sufficient cash flow to service the loans. This situation can lead to a vicious cycle, where the lack of access to financing limits their ability to invest in and expand their businesses, which in turn hinders their ability to generate the necessary revenue and collateral to qualify for loans (Fawole & Ozkan, 2019).

Conclusion

The study concluded that youth agricultural-entrepreneur empowerment is a critical pathway to achieving sustainable grassroots development and enhancing public safety in Nigeria. By equipping young people with skills, access to finance, and modern farming technologies, agriculture becomes a viable livelihood option that reduces unemployment and social vulnerability. This, in turn, addresses root causes of insecurity such as poverty, crime, and rural-urban migration. Strengthening youth participation in agricultural value chains fosters economic inclusion, community resilience and food security. Ultimately, investing in youth-driven agricultural entrepreneurship not only revitalizes local economies but also promotes stability, peace, and long-term national development at the grassroots level.

According to the study's findings, Nigerian youth development is positively impacted by agricultural enhancement. Over 60% of Nigeria's 200 million people are between the ages of 18 and 35, making it a predominantly young nation. However, given its persistently high rates over the past two to three decades, youth unemployment poses a severe economic burden and has highlighted the urgent need for programme and policy-level solutions.Agricultural entrepreneurship is a transformative approach to youth development, offering economic, social, and environmental benefits. By engaging young people in innovative and sustainable agricultural practices, agripreneurship not only addresses pressing issues like unemployment and food security but also fosters a new generation of skilled, empowered, and economically independent individuals. With the right support and resources, agripreneurship can become a cornerstone of sustainable development, driving progress and prosperity for communities worldwide.

Nigeria has failed because its leaders accepted a colonial regime that showed little regard for the majority of its people. Social service centres were located in urban regions as opposed to rural ones by government agencies. This is so because, in order to uphold law and order, colonial authorities focused primarily on reducing crime, drug addiction, prostitution, and poverty in urban areas, giving rehabilitation minimal consideration. The majority of young people living in rural areas do not picture themselves becoming wealthy in the agricultural industry, mostly due to the unprofitability of farming operations and the dearth of social and physical infrastructure in these places. These facilities are essential to halting youth migration from rural to urban regions, supporting youth interests in agriculture, and keeping young people in rural areas.

The study concluded that the main obstacles to the development of agro-entrepreneurship among young people were a lack of credit facilities, corruption, high interest rates, high capital demand, inadequate transport facilities, restricted access to improved technologies, inadequate information, difficulties with market accessibility, a poor enabling environment, inconsistent government policies, and multiple taxes. Information about current government and other small- and medium-sized company finance assistance platforms that are available to young agro-entrepreneurs should be disseminated by state and commercial information and communication organisations.
Agricultural entrepreneurship among youths is crucial for ensuring food security in Nigeria. It addresses the challenges of a growing population by boosting food production, creating jobs, promoting sustainable practices, and integrating technology. With the right support and resources, young agripreneurs can transform Nigeria's agricultural landscape, ensuring a stable and secure food supply for future generations.

Recommendations

The following recommendations are made from the findings of the study:

1. The government at all levels should endeavor to motivate the youths through the establishment and effective implementation of agro-entrepreneur skills and infrastructure to boost food efficiency.
2. The government should provide a conducive and safety environment for agricultural entrepreneurship to thrive among the youths
3. The government should establish microfinance banks in the rural areas to provide basic loans for youths to establish or venture into farming
4. Land to be made available by government for youths to practice agribusiness and farming.

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Internal Mobility and Employee Performance of Deposit Money Banks in Edo Central Senatorial District

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Abstract

This study investigates the relationship between internal mobility and employee performance, with particular emphasis on promotion and employee job satisfaction of deposit money banks in Edo Central Senatorial District, Edo State, Nigeria. Data were collected through a survey of 100 respondents across Zenith Bank Plc and Keystone Bank Plc. The issues regarding employees' perceptions of promotion practices and their levels of job satisfaction were examined. Descriptive analysis showed that 70 percent of the respondents agreed that promotions in their banks are based on merit and performance, and 68 percent agreed that timely promotion enhances their level of job satisfaction. Correlation analysis using Pearson's coefficient produced a strong positive relationship (r = 0.842) between promotion and employee job satisfaction, which was statistically significant (p = 0.000). The findings indicate that promotion is a critical internal mobility practice that significantly enhances employee job satisfaction in the banking sector. The study recommends that banks should establish fair, timely, and merit-based promotion systems, adopt clear performance appraisal criteria, and communicate promotion opportunities transparently to employees to sustain high levels of job satisfaction and organizational commitment.

Keywords: Internal Mobility, Promotion, Employee Performance, Job Satisfaction, Nigerian Banking Sector

JEL Codes: M12, M54, J28, J63, G21

Introduction

In contemporary organizational management, the concept of internal mobility has garnered significant attention as a strategic approach to talent management and organizational development. Internal mobility encompasses the movement of employees within an organization, allowing them to transition between roles, departments, or hierarchical levels. This phenomenon has gained prominence due to its potential to address various challenges faced by modern businesses, such as talent retention, skill development, and succession planning (De Vos, Vanderstraeten, &Vernimmen, 2020). With the rapid pace of technological advancement and evolving market demands, organizations are increasingly recognizing the need for a flexible and adaptable workforce. Internal mobility operates through three major dimensions: job rotation, lateral transfer, and promotion. Among these, promotion represents vertical mobility involving upward movement accompanied by greater responsibility, authority, and rewards (Feldman & Ng, 2017; Greenberg, 2019). Promotion is often perceived as the strongest indicator of career advancement and organizational recognition. In the Nigerian banking sector, where competition for talent is intense and employee retention is critical, promotion practices serve as powerful tools for motivating staff and enhancing their satisfaction with their jobs. Employee job satisfaction refers to the positive emotional state that arises when employees perceive that their job experiences, roles, and conditions align with their personal needs, expectations, and values. It is a key dimension of employee performance and organizational effectiveness, as satisfied employees are generally more engaged, motivated, and committed to their organizations (Spector, 2022). Within the banking sector, where employees often face heavy workloads, high customer demands, and competitive performance targets, job satisfaction becomes an essential driver of retention, productivity, and overall organizational success. In selected money deposit banks in Edo Central Senatorial District, such as Zenith Bank Plc. and Keystone Bank Plc., the relationship between promotion as an internal mobility practice and employee job satisfaction deserves careful examination. While these banks have implemented various human resource strategies to retain and motivate employees, the extent to which promotion practices influence job satisfaction remains an area requiring empirical investigation. Understanding this relationship is crucial for bank management and human resource practitioners seeking to design effective career development systems that enhance workforce stability and organizational performance. The effects of promotion practices on employee attitudes are substantial. When promotions are perceived as fair, timely, and merit-based, employees experience higher levels of motivation, organizational commitment, and job satisfaction (Adebayo & Adebisi, 2019). Conversely, when promotion decisions are perceived as biased, politically motivated, or delayed, employees may experience frustration, reduced morale, and increased turnover intention (Greenberg, 2019). In the Nigerian banking context, where career progression is highly valued, promotion serves not only as a reward for past performance but also as a signal of future career opportunities within the organization.

The banking sector in Nigeria has been characterized by intense competition, frequent restructuring, and high employee mobility across institutions. Internal mobility practices, particularly promotion, have been promoted in banks like Zenith Bank and Keystone Bank as mechanisms for retaining talented staff and maintaining competitive advantage (Akinola & Adeyeye, 2020). Employees generally enter the banking sector with expectations of steady career progression, and delays in promotion have been identified as major drivers of dissatisfaction and turnover in Nigerian financial institutions (Oyewale, 2017). Although such expectations can encourage high performance, they also place pressure on organizations to maintain transparent and equitable promotion systems.Although Nigerian banks would like to be more productive and retain their best employees, little focus has been given to the specific relationship between promotion practices and employee job satisfaction in semi-urban banking environments such as Edo Central Senatorial District. This paper therefore examines exactly how promotion as an internal mobility practice influences employee job satisfaction among staff members of Zenith Bank Plc. and Keystone Bank Plc. in Edo Central.The broad objective of this paper is to examine the relationship between internal mobility and employee performance of deposit money deposit banks in Edo Central Senatorial District. Specifically, the study seeks to:

1. Examine the relationship between promotion and employee job satisfaction of Zenith Bank Plc and Keystone Bank Plc Edo Central Senatorial District.

Literature Review (Conceptual Review)

Internal Mobility

Internal mobility, a fundamental aspect of contemporary human resource management, refers to the movement of employees within an organization to different roles, departments, or hierarchical levels (Cappelli & Keller, 2013). It encompasses various forms of transitions, including job rotation, lateral transfers, promotions, and diagonal moves. Internal mobility plays a pivotal role in facilitating career development, enhancing organizational agility, and addressing skill gaps within the workforce (Oyewale, 2017). Internal mobility is rooted in the principles of talent management and organizational development, aimed at optimizing the utilization of human capital and fostering employee engagement and satisfaction (Adebayo & Adebisi, 2019). By providing employees with opportunities for career growth and advancement within the organization, internal mobility practices contribute to talent retention and succession planning efforts (Olabisi, 2019). Moreover, internal mobility fosters a culture of continuous learning and innovation, as employees acquire diverse skills and perspectives through exposure to different roles and responsibilities (Olowe, 2016). Research suggests that organizations that actively promote internal mobility tend to experience higher levels of employee engagement, productivity, and organizational performance (Akinola & Adeyeye, 2020). In recent years, the concept of internal mobility has gained prominence as organizations seek to adapt to changing market dynamics and workforce preferences (Spector, 2022). Internal mobility has emerged as a strategic imperative for organizations seeking to attract, retain, and develop top talent in an increasingly competitive landscape.

Promotion

Promotion is one of the most recognized and valued forms of internal mobility, representing the upward movement of employees within the organizational hierarchy. It typically involves advancement to a higher rank or position accompanied by increased responsibilities, decision-making authority, and improved compensation (Feldman & Ng, 2017). Unlike lateral transfers, which involve horizontal movements, or job rotation, which is often temporary and developmental, promotions are vertical in nature and signify career progression. The central rationale for promotions is the recognition and reward of employee contributions. Organizations use promotions to acknowledge employees' performance, loyalty, and potential, thereby reinforcing desired behaviors and motivating continued excellence (Cappelli & Keller, 2013). For employees, promotions serve as tangible evidence of career growth and professional achievement, fulfilling both extrinsic needs such as higher pay and intrinsic needs such as recognition and status. From a human resource management perspective, promotions are instrumental in talent retention and succession planning. By promoting from within, organizations reduce turnover intentions, as employees perceive the possibility of career advancement without leaving the firm (Arthur, 2019).In the Nigerian banking sector, promotion practices are particularly sensitive because of the competitive and performance-driven nature of the industry. Banks often employ structured performance appraisal systems to identify candidates for promotion, considering both merit and tenure. Employees who achieve promotions not only enjoy better remuneration but also enhanced social recognition, which in turn boosts their job satisfaction and engagement (Akinola & Adeyeye, 2020). Conversely, delays in promotion or a perceived lack of fairness in the process have been identified as major drivers of turnover intention in Nigerian financial institutions (Oyewale, 2017).However, the process of promotion is not without challenges. A major issue is fairness and transparency. Employees may perceive favoritism, bias, or discrimination if promotion criteria are unclear or inconsistently applied (Greenberg, 2019). Such perceptions of injustice can erode morale, reduce trust in leadership, and even increase turnover intention, undermining the very purpose of promotion policies. Furthermore, rapid promotions without adequate preparation can result in the "Peter Principle," where employees are elevated to positions beyond their competence, thereby diminishing organizational effectiveness (Pulakos, 2020).

Employee Performance

Employee performance is a critical aspect of organizational success, encompassing the extent to which employees achieve their job responsibilities and contribute to the achievement of organizational goals (Campbell, 2019). It is a multifaceted construct that includes various dimensions such as task performance, contextual performance, and adaptive performance. Recent research emphasizes the importance of employee performance as a driver of organizational effectiveness and competitive advantage (Olabisi, 2019). Effective performance management practices are essential for maximizing employee performance and driving organizational success (Armstrong & Taylor, 2014). Performance management involves setting clear performance expectations, providing regular feedback and coaching, evaluating performance against established goals and standards, and recognizing and rewarding high performers. Organizations with robust performance management systems tend to have higher levels of employee engagement, motivation, and satisfaction.

Employee Job Satisfaction

Employee job satisfaction refers to the positive emotional state that arises when employees perceive that their job experiences, roles, and conditions align with their personal needs, expectations, and values. It is a key dimension of employee performance and organizational effectiveness, as satisfied employees are generally more engaged, motivated, and committed to their organizations (Spector, 2022). Job satisfaction is multidimensional, encompassing aspects such as compensation, working conditions, interpersonal relationships, opportunities for growth, and recognition. Several factors influence job satisfaction. Compensation and benefits are often considered primary determinants, as fair pay signals recognition of employees' efforts and secures financial stability (Armstrong & Taylor, 2014). Opportunities for career advancement, such as promotions, lateral transfers, and skill development, also play a critical role in shaping satisfaction levels. When employees perceive that their organization supports their career growth, they are more likely to feel valued and satisfied with their roles (Olabisi, 2019). Non-monetary factors, such as leadership style, organizational culture, teamwork, and communication, equally contribute to job satisfaction. The relationship between job satisfaction and employee performance is well-documented in organizational behavior literature. Satisfied employees tend to exhibit higher levels of organizational citizenship behavior, lower absenteeism, and stronger commitment to organizational goals (Podsakoff, MacKenzie, & Podsakoff, 2017). Conversely, job dissatisfaction often leads to reduced productivity, lack of engagement, and turnover intention. In the Nigerian context, studies have revealed that dissatisfaction stemming from poor career advancement opportunities, limited recognition, and job insecurity are among the major reasons why employees leave organizations, particularly in the financial services sector (Akinola & Adeyeye, 2020).

Internal Mobility and Employee Performance

Internal mobility, encompassing job rotation, lateral moves, promotions, and diagonal moves within an organization, plays a significant role in shaping employee performance and organizational effectiveness (Bidwell & Mollick, 2015). Job rotation exposes employees to different roles and responsibilities, providing them with opportunities for skill development, knowledge acquisition, and career advancement. Lateral moves provide employees with opportunities to expand their networks, collaborate with colleagues from different backgrounds, and gain exposure to new ideas and perspectives. Promotions recognize and reward employees' contributions, motivate employees to perform at their best, and provide employees with opportunities for career advancement and personal growth. Organizations that prioritize internal mobility tend to experience higher levels of productivity, profitability, and customer loyalty, as well as lower levels of absenteeism, turnover, and quality defects (Olowe, 2016). Moreover, employee performance plays a crucial role in shaping organizational culture and reputation, influencing stakeholders' perceptions of the organization's competence and credibility (Oyeleke, 2018).

Promotion and Employee Job Satisfaction

Promotion, as a core dimension of internal mobility, is one of the most significant factors influencing employee job satisfaction. The link between promotion and job satisfaction is anchored in both psychological and organizational perspectives. Psychologically, promotions fulfill intrinsic needs for recognition, achievement, and status. Employees perceive promotions as affirmations of their competence and effort, which increases their sense of accomplishment and pride (Cappelli & Keller, 2013). From an organizational standpoint, promotions are motivational tools that reinforce desirable behaviors, incentivize high performance, and demonstrate that career advancement is possible within the institution (Arthur, 2019). Promotions also have a strong impact on employees' perceptions of fairness and equity. According to equity theory, employees compare their contributions and rewards with those of their peers. When promotions are distributed transparently and based on merit, employees are more likely to experience satisfaction and loyalty (Greenberg, 2019). Conversely, when promotion decisions are perceived as biased or politically motivated, they can undermine satisfaction and create frustration, even among those who remain with the organization (Pulakos, 2020). In the Nigerian banking sector, promotion opportunities are central to employee motivation and satisfaction. Employees often enter the sector with the expectation of steady career progression, and delays in promotion are a common source of dissatisfaction (Olabisi, 2019). Research shows that banks that fail to promote deserving employees experience higher turnover rates, as employees seek opportunities in rival institutions where career growth appears more attainable (Akinola & Adeyeye, 2020). On the other hand, timely and fair promotions not only increase job satisfaction but also strengthen employees' emotional attachment to the organization.Promotion also enhances job satisfaction by increasing employees' access to new challenges, responsibilities, and learning opportunities. Employees who advance into supervisory or managerial roles often derive satisfaction from influencing organizational outcomes, mentoring junior staff, and exercising greater autonomy in decision-making. These experiences provide intrinsic rewards that reinforce their sense of fulfillment at work (Oyewale, 2017). In theory, the association is supported by Equity Theory. Adams (1963) states that individuals compare their input-to-outcome ratios with those of others, and if perceived inequity exists, they will be motivated to restore balance. The obsession with fair promotion turns into an imperative in Nigerian banks that outstrips available capacity, including clear performance criteria, transparent communication, and managerial support. In turn, as a result of this fairness, there is obvious satisfaction in the form of enhanced morale, stronger commitment, and improved performance.

In practice, promotion fetishism leaves employees with less ability to develop trust in management when promotion decisions are perceived as arbitrary or biased. Moreover, extended dissatisfaction due to poor promotion practices can foster superficial performance and discourage real intellectual output. Long term, this trend poses threat to the quality of service in banks, although dissatisfied employees could be tempted to use short cuts instead of committing to rigorous work practices. The body of evidence tends to indicate that fair and transparent promotion requirements are a direct contributor to job satisfaction on the parts of employees in Nigerian banks. The balancing of expectations with adequate institutional support systems (namely, clear appraisal criteria, transparent communication, and merit-based decisions) is key to maintaining both performance and the well-being of the employee.

Theoretical Framework

This paper rests on Equity Theory, which was developed by John Stacy Adams in 1963. Equity Theory posits that individuals compare their input-to-outcome ratios (effort to rewards) with those of others, and if perceived inequity exists, they will be motivated to restore balance (Adams, 1963). In the context of internal mobility and employee job satisfaction, Equity Theory provides insights into how employees perceive the fairness of promotion practices and how these perceptions influence their satisfaction and organizational outcomes. According to Equity Theory, employees evaluate the fairness of promotion practices based on the perceived balance between their contributions (effort, skills, time, performance) and the rewards they receive (career opportunities, recognition, compensation, status) (Adams, 1963). Employees compare their own input-to-outcome ratios with those of their peers or with their expectations of what constitutes fair treatment within the organization. If employees perceive that their contributions are not adequately rewarded compared to others, they may experience feelings of inequity, leading to decreased motivation, job dissatisfaction, and reduced performance (Greenberg, 2019).Research guided by Equity Theory has shown that perceptions of fairness in promotion practices are crucial for maintaining employee morale, commitment, and engagement (Folger &Cropanzano, 2018). When employees perceive that promotion opportunities are distributed fairly and transparently, they are more likely to feel motivated to participate in organizational initiatives and to invest their efforts in contributing to organizational goals (Colquitt et al., 2001). Conversely, perceptions of inequity in promotion practices can lead to negative outcomes such as increased turnover intentions, decreased organizational citizenship behaviors, and reduced trust in leadership (Konovsky&Cropanzano, 2017).Equity Theory is very applicable to the Nigerian banking setting, where competition for talent, pressure on the part of managers, and expectations of career growth increase the disparity between employee contributions and perceived rewards. It gives an interesting perspective in learning how promotion practices and internal mobility mania lead to employee satisfaction and performance. Using this framework, the study highlights the fact that researchers need to implement fairness-based interventions to mitigate the adverse outcomes that come with inequitable promotion systems.

Empirical Review

Adebayo and Adebisi (2019) examined promotion practices and job satisfaction in three Nigerian commercial banks located in Ibadan. The study adopted cross-sectional survey design and sampled 300 employees across operational, supervisory, and managerial levels. Data were collected using standardized job satisfaction and promotion fairness scales. Reliability tests produced Cronbach's alpha values ranging from 0.78 to 0.84. Data analysis involved Pearson correlation and multiple regression techniques. Findings showed a strong positive relationship between promotion fairness and job satisfaction ($r = 0.72$, $p < 0.01$). Promotion practices accounted for 54% of variations in job satisfaction ($R^2 = 0.54$). Employees who perceived promotion procedures as transparent reported higher morale and stronger organizational commitment. Conversely, delayed promotions were linked to frustration and absenteeism. The study concluded that merit-based promotion systems are critical for sustaining employee satisfaction and retention. It recommended periodic review of appraisal and promotion policies.

Akinola and Adeyeye (2020) examined promotion and employee retention in First Bank of Nigeria using a survey research design. Data were collected from 280 employees across four branches in Lagos State. The questionnaire measured promotion opportunity, job satisfaction, organizational commitment, and retention intention. Data analysis employed structural equation modeling (SEM) and regression analysis. Results showed that promotion opportunities significantly predicted retention ($\beta = 0.58$, $p < 0.01$). Job satisfaction mediated the relationship between promotion and retention, accounting for 62% of the total effect. Employees who had experienced recent promotions reported higher loyalty and reduced intention to leave.

Interviews revealed that delayed promotions contributed to stress and reduced morale. The study concluded that transparent promotion systems are essential for workforce stability in Nigerian banks.

Olabisi (2019) examined the challenges and benefits of internal mobility practices in Nigerian banks using a quantitative research design. The study surveyed 220 employees across multiple departments. Data were analyzed using multiple regression and factor analysis. Findings showed that poorly managed transfers and promotions increased turnover intention ($\beta = 0.39$, $p < 0.05$), while structured mobility practices improved retention ($\beta = 0.51$, $p < 0.01$). Internal mobility variables jointly explained 56% of variations in employee performance. Employees expressed dissatisfaction with forced transfers and unclear promotion criteria. However, voluntary mobility enhanced motivation and learning. The study concluded that internal mobility has dual effects depending on management approach. It emphasized the need for policy clarity and employee involvement.

Greenberg (2019) conducted a comparative study on equity perceptions and promotion practices in financial institutions across Europe. The study adopted a mixed-methods approach, combining survey research with in-depth interviews. A total of 200 employees and 40 HR managers participated in the study. Quantitative data were collected using organizational justice and job satisfaction scales, while qualitative data were obtained through semi-structured interviews. Data were analyzed using factor analysis, regression analysis, and thematic analysis. Findings showed that procedural justice and transparency in promotion decisions significantly predicted job satisfaction ($\beta = 0.49$, $p < 0.01$) and organizational commitment ($\beta = 0.44$, $p < 0.05$). Promotion fairness accounted for 52% of variations in employee morale ($R^2 = 0.52$). Employees who perceived promotions as fair reported stronger trust in management and reduced turnover intentions. Interview findings revealed that unclear promotion criteria created resentment and disengagement. The study concluded that fairness in promotion systems is central to sustaining employee motivation and performance. It recommended standardized appraisal procedures and regular communication on promotion policies.

Feldman and Ng (2017) investigated the relationship between career mobility and employee attitudes in U.S. service organizations, with particular emphasis on job satisfaction, organizational commitment, and performance behavior. The study adopted a cross-sectional survey design and collected data from 540 employees working in healthcare, hospitality, and financial service firms. Standardized questionnaires were used to assess promotion opportunities, lateral transfers, career growth, job satisfaction, and organizational commitment. Data were analyzed using multiple regression and mediation analysis techniques. The findings revealed that promotion opportunities had a strong positive effect on job satisfaction ($\beta = 0.48$, $p < 0.01$), while lateral transfers significantly improved organizational commitment ($\beta = 0.36$, $p < 0.05$). Career growth was found to mediate the relationship between internal mobility and employee performance outcomes. The study also revealed that employees who perceived clear career progression pathways were more motivated and emotionally attached to their organizations.

Gap in Knowledge

Although several authors mention in the empirical section have discussed internal mobility and employee performance in Nigerian banks, not many have done the same concerning the specific relationship between promotion (a sub-variable of internal mobility) and employee job satisfaction (a sub-variable of employee performance) in the semi-urban banking environments of Edo Central Senatorial District. Such a gap is bridged in the present study by focusing on the selected money deposit banks in this region, namely Zenith Bank Plc. and Keystone Bank Plc.

Methodology

The research design used in the study is the survey research design as it aims to identify the relationship between promotion and employee job satisfaction among the staff of Zenith Bank Plc. and Keystone Bank Plc. The 100 staff members comprise the study population and are in both institutions. Census sampling was used by the researchers. The research was based on primary data that was gathered using questionnaire. The analysis of the data follows a methodology of percentage for demographic data analysis and correlation analysis to establish association between variables.

Data Analysis

Table 1: Distribution of Respondents by Bank

Bank	Frequency	Percentage (%)
Zenith Bank Plc.	54	54%
Keystone Bank Plc.	46	46%
Total	**100**	**100%**

Source: Field Survey (2026)

Distribution of Respondents by Bank shows the breakdown of respondents among the two banks under the study. Among the 100 respondents, 54 participants (54%) were from Zenith Bank Plc., whereas 46 (46%) of the respondents were from Keystone Bank Plc. The distribution was reasonably balanced with Zenith Bank having slightly more respondents than Keystone Bank presumably because of its larger staff population. This equity of participation promotes the fact that both banks' staff perspectives have been well represented in the research. This balance is important because it would help in generalizing the results on different money deposit banks in the Nigerian banking sector.

Table 2: Responses on Promotion Practices

Response Category	Zenith Bank (n=54)	Keystone Bank (n=46)	Total (n=100)	Percentage (%)
Strongly Agree	22	18	40	40%
Agree	16	14	30	30%
Neutral	3	2	5	5%
Disagree	8	2	10	10%
Strongly Disagree	5	5	10	10%
Total	**54**	**46**	**100**	**100%**

Source: Field Survey (2026)

Responses on Promotion Practices indicates the perception of the employees in both Zenith Bank Plc. and Keystone Bank Plc. regarding whether promotions in their banks are based on merit and performance. Among the total 100 respondents, a significant number strongly agreed (40%) and agreed (30%), that promotions are based on merit and performance in their institutions. This implies that majority (70%) of the respondents noticed that promotion practices are fair and merit-based in their banks. A smaller proportion was neutral (5%), which means that some of the employees are undecided or indifferent about the issue. In the meantime, 10% disagreed, and 10% strongly disagreed, meaning that less than a fifth of the respondents failed to regard promotion practices as fair. As evident in the findings, the promotion practices present in both Zenith Bank and Keystone Bank are mostly focused on merit and performance; employees in these institutions perceive that promotions are administered fairly. Even though such practices can bring about motivation, they can also lead to dissatisfaction where proper management is not exercised. This conforms to the literature that associates fair promotion practices with positive effects like enhanced job satisfaction and organizational commitment among employees.

Table 3: Responses on Job Satisfaction

Response Category	**Zenith Bank (n=54)**	**Keystone Bank (n=46)**	**Total (n=100)**	**Percentage (%)**
Strongly Agree	28	25	53	53%
Agree	15	13	28	28%
Neutral	1	1	2	2%
Disagree	4	3	7	7%
Strongly Disagree	6	4	10	10%
Total	**54**	**46**	**100**	**100%**

Source: Field Survey (2026)

Table 3 above indicates the breakdown of the opinions of the respondents regarding whether timely promotion enhances their level of job satisfaction in Zenith Bank Plc. and Keystone Bank Plc. Among the total 100 interviewees, 53 interviewees (53%) strongly agreed that timely promotion enhances their job satisfaction and a further 28 interviewees (28%) agreed. All this implies that 81 percent of the respondents admitted that timely promotion significantly enhances their job satisfaction. At the institutional level, there is a slight variation, where 28 respondents (51.9%) in Zenith Bank strongly agreed and 25 respondents (54.3%) in Keystone Bank. This implies that employees in both banks had similar tendencies to report elevated levels of satisfaction associated with timely promotion. In the meantime, 2 respondents (2%) were neutral as they are uncertain and indifferent to the effect of promotion on satisfaction, and fewer opposed the idea. In particular, 7 respondents (7%) disagreed and 10 respondents (10%) strongly disagreed, which means that a total of less than one-fifth of the sample did not correlate timely promotion with job satisfaction. Altogether, these findings indicate that the positive effect of promotion on job satisfaction is common, especially in an environment where promotion practices are perceived as fair and transparent. Such requests reveal the dire necessity to establish ways to manage promotion systems and to put an emphasis on the well-being of employees at the institutional level.

Hypothesis Testing

Table 4: Correlation Analysis between Promotion and Employee Job Satisfaction among Employees

Variables	N	Pearson Correlation (r)	Sig. (2-tailed)	Decision
Promotion & Employee Job Satisfaction	100	0.842	0.000	Significant

Source: SPSS v25

Interpretation and Discussion

The Pearson correlation coefficient (r = 0.842) shows that there is a strong positive relationship that exists between promotion and employee job satisfaction among employees in Zenith Bank Plc and Keystone Bank Plc. Furthermore, it has a significant relationship because p-value (0.000) is less than 0.05. This implies that promotion plays a very significant role in enhancing employee job satisfaction as shown by the respondents. What can be assumed is that employees who perceive promotion practices as fair, timely, and merit-based are more likely to experience higher levels of job satisfaction, and that other aspects of promotion systems like transparency, communication, and managerial support can also be significant influences on job satisfaction.

Summary

This study examined the relationship between promotion and employee job satisfaction among 100 staff members of Zenith Bank Plc. (54%) and Keystone Bank Plc. (46%) in Edo Central Senatorial District. Promotion Practices. Descriptive analysis showed that 70% of respondents agreed that promotions are merit-based (40% strongly agreed, 30% agreed), while only 20% disagreed. This supports Adebayo and Adebisi (2019), who found promotion fairness strongly predicts job satisfaction ($r = 0.72$, $p < 0.01$), and Greenberg (2019), who established that procedural justice in promotion sustains employee motivation.Job Satisfaction. A significant 81% affirmed that timely promotion enhances their job satisfaction (53% strongly agreed, 28% agreed), corroborating Akinola and Adeyeye (2020) who found job satisfaction mediates 62% of the promotion-retention relationship and Feldman and Ng (2017), who reported $\beta = 0.48$ ($p < 0.01$) for promotion's effect on satisfaction.Hypothesis Testing. Pearson correlation yielded $r = 0.842$, $p = 0.000$, indicating a strong positive and statistically significant relationship. The null hypothesis was rejected. This aligns with Adebayo and Adebisi (2019) ($R^2 = 0.54$) and Greenberg (2019) ($R^2 = 0.52$), though the present correlation is stronger, likely reflecting the high career progression expectations in semi-urban Nigerian banking contexts noted by Oyewale (2017).Theoretical Grounding. These findings confirm Equity Theory (Adams, 1963): employees who perceive equitable input-to-outcome ratios in promotion report higher satisfaction, supporting Folger and Cropanzano (2018). Conversely, the minority expressing dissatisfaction reflects Pulakos (2020) and Greenberg (2019) on the demotivating effects of perceived bias. Fair, timely, and merit-based promotion significantly enhances employee job satisfaction in the Nigerian banking sector, bridging the literature gap on semi-urban contexts and affirming Olabisi (2019) and Spector (2022) on internal mobility and organizational effectiveness.

Conclusion

The internal mobility practice of promotion is a contributing force to employee job satisfaction in the Nigerian banking sector. Under fair and transparent promotion systems, employees develop higher levels of job satisfaction, and this enhances their well-being as well as the effectiveness of the institution.

Recommendations

1. The studied bank should establish fair, timely, and merit-based promotion systems to enhance employee job satisfaction and organizational commitment.
2. Promotion and appraisal schemes used by the studied banks ought to reward on the basis of quality as well as quantity of work, dispelling the emphasis on favoritism and political influence.
3. Management of the studied should ensure that promoted employees are adequately prepared for their new responsibilities through training and orientation programs.

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Activity-Based Costing (ABC) and Patient Episode Cost Efficiency of Government Teaching Hospitals in Edo State, Nigeria

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Abstract

This study examines the relationship between activity-based costing (ABC) implementation and patient episode cost efficiency of government teaching hospitals in Edo State, Nigeria. Anchored on the Contingency Theory, the study adopted a survey research design to collect primary data from 165 staff members of the University of Benin Teaching Hospital (UBTH) and Irrua Specialist Teaching Hospital, selected from a population of 287 using the Krejcie and Morgan (1970) sample size determination formular. Data were collected through structured questionnaires and analyzed using descriptive statistics (mean and standard deviation), Pearson Product Moment Correlation, and Simple Linear Regression at a 0.05 level of significance. The findings revealed a strong positive relationship between ABC implementation and patient episode cost efficiency ($r = 0.742$, $p < 0.05$); Regression results further show that cost driver identification has a significant positive effect on cost per surgical episode ($\beta = 0.681$, $t = 8.214$, $p < 0.05$, $R^2 = 0.464$), and activity pool creation significantly influences cost per diagnostic episode ($\beta = 0.657$, $t = 7.836$, $p < 0.05$, $R^2 = 0.432$). The study concludes that activity-based costing is a critical driver of patient episode cost efficiency of government teaching hospitals. The findings support the Contingency Theory, which posits that complex organizations require sophisticated information systems aligned with operational demands. The study recommends the institutionalization of ABC methodologies, participative cost management training, and regular activity-based cost audits to sustain cost efficiency and improve healthcare service delivery.

Keywords: *Activity-Based Costing, Patient Episode Cost Efficiency, Cost Drivers, Overhead Allocation, Teaching Hospitals*

JEL CODES: I11, M41, M11, H51

Introduction

Activity-based costing has emerged as a critical factor in healthcare financial sustainability and service delivery efficiency, particularly in government teaching hospitals characterized by complex service portfolios, diverse patient categories, and resource-intensive clinical activities. Accurate cost information is defined by the precise tracing of resource consumption to specific patient episodes, clinical activities, and service departments, which collectively foster informed decision-making and optimal resource allocation (Cooper & Kaplan, 2023). In such environments, hospital administrators are more likely to identify true cost drivers, eliminate wasteful practices, and align departmental budgets with actual service demands. However, cost distortion remains an inevitable feature of hospital accounting due to the traditional reliance on line-item budgeting, historical cost allocation, and volume-based overhead distribution (Drury, 2020). The critical issue is not the presence of overhead costs themselves but how they are allocated. When overheads are poorly allocated, they can escalate into cross-subsidization, service mispricing, and reduced cost efficiency, thereby undermining patient episode cost efficiency. Conversely, activity-based costing enables hospitals to trace costs to specific activities, transform distorted cost information into accurate patient-level data, and strengthen financial management (Horngren, *et al.*, 2022). As such, activity-based costing is widely recognized as a key mechanism for achieving and sustaining patient episode cost efficiency in healthcare institutions.

Patient episode cost efficiency refers to the extent to which a hospital minimizes the cost of delivering care per patient episode while maintaining quality standards. Contemporary healthcare management research increasingly emphasizes non-financial indicators of performance, particularly patient-related outcomes such as length of stay, readmission rates, and service accessibility (Gapenski & Reiter, 2023). Among these indicators, cost efficiency per patient episode is regarded as a crucial determinant of hospital sustainability because efficient cost management tends to improve resource availability, service expansion, and clinical quality (Finkler, *et al.*, 2021). This study therefore examines the relationship between activity-based costing implementation and patient episode cost efficiency, using cost driver identification and activity pool creation as the sub-variables of ABC implementation and cost per surgical episode and cost per diagnostic episode as the sub-variables of patient episode cost efficiency.

Government teaching hospitals in Nigeria continue to grapple with cost escalation arising from inaccurate overhead allocation, departmental budget rigidities, competition for scarce resources, and the complexity of teaching-research-service integration (Adeleke &Olowookere, 2020; Ojeka&Mukoro, 2021). In many cases, these cost management challenges are poorly addressed, leading to distorted cost information, service mispricing, and persistent inefficiency in patient care delivery (Ibrahim &Ajape, 2023). Such dysfunctional cost environments often result in budget overruns, reduced service accessibility, increased patient waiting times, and declining levels of cost efficiency among hospital departments (Bello & Nwachukwu, 2021; Akinbode & Ojo, 2023). In tertiary healthcare institutions, particularly government teaching hospitals, conflicts between clinical and administrative departments, medical and non-medical staff, as well as among cost centers have become recurrent (Eze & Okafor, 2023). These challenges are evident in both federal teaching hospitals such as the University of Benin Teaching Hospital (UBTH) and state specialist hospitals such as Irrua Specialist Teaching Hospital, where complex departmental structures and diverse service portfolios frequently generate cost allocation disputes. When cost management mechanisms are weak or based on traditional line-item budgeting, cost efficiency deteriorates, thereby undermining inter-departmental cooperation and reducing the accuracy of patient-level cost information (Mensah, 2022). This situation ultimately affects overall institutional performance, including service delivery, budget sustainability, and healthcare goal attainment (Adeyemi, 2024). Despite the growing relevance of activity-based costing and patient episode cost efficiency in healthcare institutions, empirical evidence linking ABC implementation, cost driver accuracy, and cost per patient episode within teaching hospitals in Edo State remains limited. This study therefore seeks to address this gap by examining these relationships in the University of Benin Teaching Hospital and Irrua Specialist Teaching Hospital.

The overall aim of this study is to examine the relationship between activity-based costing implementation and patient episode cost efficiency; however, the specific objectives of the study are to:

Examine the relationship between activity-based costing implementation and cost efficiency per patient episode.

Assess the effect of cost driver identification on cost per surgical episode in government teaching hospitals.

Evaluate the influence of activity pool creation on cost per diagnostic episode in government teaching hospitals.

Literature Review (Conceptual Review)

Activity-Based Costing

Activity-based costing refers to a methodology that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. It is characterized by the identification of cost drivers, creation of activity cost pools, and the assignment of overhead costs to cost objects based on activity usage rather than volume measures (Cooper & Kaplan, 2023). In healthcare settings, ABC traces costs from resource consumption through activities to specific patient episodes, departments, or service lines, thereby providing more accurate cost information than traditional costing systems. Such environments encourage precise cost allocation, reduce cost distortion, and foster a sense of financial accountability among department heads (Chukwu & Nwankwo, 2022). Activity-based costing does not imply the complete elimination of traditional budgeting, as historical financial data and departmental appropriations remain relevant for macro-level planning. Rather, it reflects a system in which overheads are allocated based on the actual activities that generate costs, such as surgical procedures, diagnostic tests, nursing hours, and laboratory processing (Salau, Osibanjo& Adeniji, 2023). When costs are allocated effectively, they can serve as opportunities for efficiency improvement, service line optimization, and strategic pricing. In contrast, poorly allocated costs often escalate into cross-subsidization, where high-volume, low-complexity services subsidize low-volume, high-complexity services, undermining cost transparency and departmental cooperation (Abubakar & Yusuf, 2021). Hospitals with activity-based costing systems are associated with several positive organizational outcomes. Studies have shown that ABC implementation enhances cost accuracy, reduces work-related financial stress, and promotes operational efficiency among healthcare managers (Ibrahim & Alade, 2022). Administrators working in ABC-enabled environments are more likely to exhibit positive financial attitudes, including commitment to cost control, willingness to eliminate non-value-adding activities, and alignment of departmental budgets with service demands. Furthermore, activity-based costing contributes to institutional effectiveness by improving coordination between clinical and financial departments, reducing disruptions caused by budgetary disputes, and creating a stable financial environment conducive to high-quality patient care (Ojo & Afolayan, 2024). Consequently, activity-based costing is increasingly recognized as a vital component of sustainable healthcare financial management.

Cost Driver Identification

Cost driver identification refers to the systematic process of determining the factors that cause the consumption of resources in an organization and assigning costs to activities based on these causal factors. Cost drivers in healthcare often arise from the complexity of clinical procedures, the intensity of nursing care, the frequency of diagnostic testing, and the duration of patient episodes (Oladipo & Akinwale, 2021). Effective cost driver identification does not seek to eliminate overhead costs entirely but focuses on tracing them accurately to prevent cost distortion and service mispricing. Cost driver identification encompasses a range of activities, including time-motion studies, resource consumption analysis, clinical pathway mapping, and patient-level data collection. Among these approaches, time-driven activity-based costing is widely regarded as the most beneficial because it encourages the use of time equations, capacity cost rates, and patient-specific activity durations to assign costs (Adekunle & Bello, 2022). Through accurate driver identification, hospital administrators are given the opportunity to understand the true cost of each patient episode, clarify the sources of cost variation, and jointly develop cost reduction strategies that are acceptable to all stakeholders. This process not only improves cost accuracy but also strengthens inter-departmental relationships and trust within the hospital (Salami & Aremu, 2023). When cost drivers are identified effectively, they can yield positive organizational outcomes. Research indicates that accurate cost driver identification enhances pricing accuracy, improves decision-making, and promotes resource optimization by allowing diverse clinical perspectives to be expressed and evaluated (Lawal & Ogunleye, 2024). Moreover, effective cost driver identification reduces financial tension, minimizes budgetary conflicts, and fosters a climate of transparency and cooperation. This supportive environment contributes significantly to patient episode cost efficiency by enabling departments to work together toward shared financial goals despite their different resource needs. Consequently, cost driver identification is widely recognized as a central mechanism for sustaining cost efficiency and enhancing overall hospital financial performance.

Patient Episode Cost Efficiency

Patient episode cost efficiency refers to the extent to which a hospital successfully minimizes the cost of delivering care per patient episode in terms of clinical quality, resource utilization, and long-term sustainability. Traditionally, hospital financial performance has been measured using indicators such as total revenue, bed occupancy rate, and average length of stay. However, contemporary healthcare management research has expanded this perspective to include patient-level cost indicators that capture the true resource consumption of specific clinical activities (Ogunleye & Adebola, 2021). This shift reflects the growing recognition that aggregate financial outcomes alone do not adequately represent hospital cost efficiency, particularly in teaching hospitals where service complexity and patient heterogeneity are high. Beyond aggregate financial outcomes, patient episode cost efficiency increasingly encompasses department-level indicators such as cost per surgical procedure, cost per diagnostic test, cost per inpatient day, and cost per outpatient visit. These indicators are especially relevant in hospitals where clinical activities play a central role in value creation (Adewunmi & Falola, 2022). In such settings, the accuracy of cost information, the behavior of department heads, and the efficiency of resource utilization significantly influence organizational outcomes. High levels of cost efficiency often translate into improved service accessibility, better clinical quality, and enhanced institutional reputation (Sadiq & Musa, 2023). In knowledge-driven healthcare institutions such as teaching hospitals, patient episode cost efficiency is heavily dependent on the attitudes and behaviors of clinical and administrative staff. The effectiveness of surgical services, diagnostic accuracy, nursing care quality, and administrative efficiency are largely shaped by employees' level of engagement with cost management systems (Olatunji & Adebisi, 2024). When staff perceive their cost management environment as supportive and transparent, they are more likely to demonstrate discretionary effort in resource conservation and contribute positively to institutional financial goals. Conversely, poor cost information and unresolved budgetary conflicts can negatively affect staff morale and cost consciousness, ultimately undermining institutional cost efficiency. Therefore, patient episode cost efficiency in contemporary teaching hospitals is best understood as a multidimensional construct that integrates both financial and operational outcomes.

Cost Per Surgical Episode

Cost per surgical episode refers to the total cost incurred by a hospital in delivering a complete surgical procedure to a patient, from pre-operative assessment through post-operative care. It represents how well the hospital's resource consumption aligns with the clinical and financial requirements of surgical services (Ogunbiyi & Hassan, 2021). Cost per surgical episode is a multidimensional concept that reflects the hospital's management of various cost elements, including operating room time, surgical supplies, anesthesia, nursing care, diagnostic tests, and overhead allocation (Adebisi & Oladimeji, 2022). Low cost per surgical episode is associated with several favorable organizational outcomes. Efficient surgical departments tend to display higher levels of resource optimization, scheduling effectiveness, and supply chain management, which positively influence individual and departmental performance (Lawrence & Okon, 2023). Cost per surgical episode has also been linked to increased surgical throughput, improved patient turnover, and a stronger willingness to adopt minimally invasive techniques that reduce length of stay. In contrast, departments with high cost per surgical episode are more likely to exhibit wasteful behaviors such as excessive supply usage, poor scheduling, extended operating room time, and turnover intentions among surgical staff (Usman & Abdullahi, 2021). In hospital settings, cost per surgical episode is shaped by both intrinsic and extrinsic factors. Intrinsic factors include the complexity of the procedure, surgeon skill, team coordination, and opportunities for process improvement, while extrinsic factors relate to overhead allocation methods, supply pricing, equipment availability, and organizational policies (Falola & Akinwale, 2024). In teaching hospitals where surgical services are central to revenue generation and clinical training, cost per surgical episode is particularly important because surgical procedures require high levels of resource coordination, cost consciousness, and collaboration. Staff who are engaged with accurate cost information are more likely to contribute positively to surgical efficiency, training quality, and financial sustainability (Ojo & Balogun, 2023). Consequently, cost per surgical episode is widely recognized as a critical indicator of patient episode cost efficiency and hospital financial performance.

Nexus between Activity-Based Costing and Patient Episode Cost Efficiency

Activity-based costing and patient episode cost efficiency are closely interconnected, as the quality of cost information and allocation practices within a hospital significantly influence departmental attitudes and organizational outcomes. Hospitals with accurate cost information characterized by precise driver identification, activity pool creation, and transparent overhead allocation create a supportive climate in which departments are able to manage their resources effectively (Ogunlaja& Kareem, 2022). Such environments reduce inter-departmental financial tension and create psychological safety, enabling staff to focus their energy on clinical activities rather than managing budgetary conflicts. Cost driver identification plays a critical role in establishing and sustaining patient episode cost efficiency. When costs are allocated based on actual activity consumption through time-driven equations, resource tracing, and patient-level data collection, departments are more likely to perceive the cost management system as fair and accurate (Adebayo & Lawal, 2023). These perceptions positively influence departments' attitudes toward their budgets, particularly their level of cost consciousness and cooperation. Departments that work in ABC-enabled environments are more likely to experience positive financial outcomes, reduced cost distortion, and a stronger sense of accountability within the hospital (Suleiman & Musa, 2021). Departmental cooperation serves as a key mechanism through which activity-based costing influences patient episode cost efficiency. Cooperative departments tend to exhibit higher levels of information sharing, resource pooling, and discretionary effort in cost reduction, all of which contribute to improved cost per patient episode and service quality (Oyetunde & Salami, 2024). In contrast, hospitals characterized by persistent cost distortion and departmental budgetary conflicts often experience low morale, reduced cooperation, and declining cost efficiency outcomes. In knowledge-driven healthcare institutions such as teaching hospitals, where cost efficiency is largely dependent on accurate information, the indirect effect of ABC implementation on patient episode cost efficiency through departmental cooperation becomes particularly significant (Abiola & Olanrewaju, 2023). Consequently, activity-based costing can be understood as a strategic resource that enhances patient episode cost efficiency by fostering departmental cooperation and positive cost management behaviors.

Theoretical Framework

This study is anchored on the Contingency Theory propounded by Lawrence and Lorsch (1967). The Contingency Theory emerged from organizational studies and emphasizes the importance of aligning organizational structure, management practices, and information systems with the specific demands of the external environment and internal tasks. The theory argues that there is no single best way to organize or manage; rather, the optimal approach depends on the nature of the work, the environment, and the technology employed. According to the Contingency Theory, the design of cost management systems should match the complexity and diversity of organizational activities. When organizations operate in complex environments with diverse products, services, and resource consumption patterns, they require sophisticated information systems that can capture this complexity accurately (Ogunyemi & Adebola, 2021). Conversely, simple environments with homogeneous activities may function adequately with traditional, less complex systems. This perspective highlights the centrality of activity-based costing in complex healthcare environments where patient episodes vary significantly in resource consumption, clinical intensity, and overhead demands. Activity-based costing aligns closely with the assumptions of the Contingency Theory. By identifying specific activities, tracing costs to cost drivers, and creating activity cost pools, ABC provides the sophisticated information system required by complex teaching hospitals (Salau &Osibanjo, 2023). These improved cost management practices contribute to accurate patient-level cost information where departments can understand their true resource consumption and align their budgets with actual service demands. In such environments, departments are more likely to experience higher levels of cost efficiency, which has been identified as a critical driver of hospital sustainability (Adebisi & Lawal, 2024). In the context of this study, the Contingency Theory provides a suitable framework for explaining how activity-based costing promotes accurate cost information, which in turn enhances departmental cooperation and ultimately improves patient episode cost efficiency. The theory therefore offers a logical basis for examining the interrelationships among ABC implementation, cost driver identification, activity pool creation, and patient episode cost efficiency in government teaching hospitals.

Empirical Review

Adeleke (2020) examined activity-based costing and cost efficiency in public hospitals in South-West Nigeria. The study adopted a survey research design and collected data from 380 clinical and administrative staff using structured questionnaires. Data were analyzed using descriptive statistics and multiple regression analysis. The findings revealed that ABC implementation significantly improved cost accuracy and patient episode cost efficiency. The study concluded that activity-based costing is essential for improving institutional financial performance in healthcare.

Okeke and Nwachukwu (2021) investigated cost management systems and organizational performance in healthcare institutions in Anambra State, Nigeria. Using a cross-sectional survey design, the researchers sampled 320 employees through stratified sampling. Correlation and regression analyses showed a strong positive relationship between ABC adoption and cost per patient episode, which significantly influenced hospital sustainability.

Ojo (2021) studied cost driver identification and cost efficiency among hospital staff in Kwara State, Nigeria. A descriptive survey design was employed with 260 respondents. Mean scores and ANOVA were used for data analysis. The findings indicated that accurate cost driver identification enhanced cost transparency and efficiency, while traditional volume-based allocation reduced cost accuracy.

Mensah (2022) examined the role of activity-based costing in departmental performance in public hospitals in Ghana. The study used a mixed-methods approach involving questionnaires and interviews. Results showed that ABC implementation improved inter-departmental cooperation, increased cost consciousness, and enhanced organizational cost efficiency.

Aliyu and Sadiq (2022) assessed cost management practices and patient outcomes in federal teaching hospitals in Northern Nigeria using survey data analyzed with structural equation modeling. The findings revealed that ABC implementation had a significant indirect effect on cost efficiency per patient episode through departmental cooperation.

Eze and Okafor (2023) analyzed cost allocation mechanisms and organizational effectiveness in Nigerian tertiary healthcare institutions. Data collected from 360 staff were analyzed using descriptive statistics and regression analysis. The study found that institutions with activity-based cost allocation systems recorded higher levels of cost accuracy and patient episode efficiency.

Barney (2023) investigated cost per surgical episode as a predictor of hospital performance in service organizations in Kenya. Using a survey research design and regression analysis, the study found that accurate cost tracing significantly influenced surgical throughput and financial sustainability.

Adeyemi (2024) conducted a comparative study on activity-based costing and cost efficiency in Nigerian teaching hospitals. Data from 390 respondents were analyzed using mean scores and regression analysis. Findings confirmed that ABC implementation enhances cost per diagnostic episode and improves overall hospital cost efficiency.

Gap in Knowledge

Although several studies have examined activity-based costing, cost management, and hospital performance, limited research has focused specifically on government teaching hospitals in Edo State using cost driver identification and activity pool creation as core sub-variables of ABC implementation, and cost per surgical episode and cost per diagnostic episode as measures of patient episode cost efficiency. This study fills this gap by providing empirical evidence from the University of Benin Teaching Hospital (UBTH) and Irrua Specialist Teaching Hospital.

Methodology

This study adopts a survey research design, which is appropriate for collecting quantitative data from a defined population in order to describe and examine relationships among variables. The survey design enables the researcher to obtain firsthand information from respondents regarding activity-based costing implementation, cost driver identification, activity pool creation, and patient episode cost efficiency in the selected institutions. The study is conducted in the University of Benin Teaching Hospital (UBTH) and Irrua Specialist Teaching Hospital, both located in Edo State, Nigeria. These hospitals were selected because of their large workforce, diverse service portfolios, and the complex cost allocation challenges that characterize government teaching hospitals. The population of the study comprises staff of the two hospitals. Specifically, the population consists of 142 staff of the University of Benin Teaching Hospital and 145 staff of Irrua Specialist Teaching

Hospital, giving a total population of 287 respondents. The sample size for the study is determined using the Krejcie and Morgan (1970) sample size determination table, which provides a scientifically acceptable sample size for a given population. Based on this method, a representative sample is selected from the population. A simple random sampling technique is employed to ensure that every member of the population has an equal chance of being selected, thereby reducing sampling bias and enhancing the representativeness of the sample. The study relies on primary data, which are collected through the use of structured questionnaires designed to capture respondents' perceptions of activity-based costing implementation, cost driver identification, activity pool creation, cost per surgical episode, and cost per diagnostic episode. The collected data are analyzed using descriptive statistical tools, specifically mean and standard deviation, to summarize responses and determine the general pattern of opinions among respondents, to complement the descriptive statistics, inferential statistical analysis was conducted using Pearson Product Moment Correlation and Simple Linear Regression analysis. The analyses were carried out at a 0.05 level of significance.

Data Analysis

The analysis focuses on activity-based costing implementation as a dimension of cost management and patient episode cost efficiency as a measure of hospital performance. A mean score of 3.00 and above is considered an indication of agreement with the statement, while values below 3.00 indicate disagreement.

Table 1: Mean and Standard Deviation of Activity-Based Costing Implementation

Variables	Mean	Std. Dev
Cost driver identification practices	3.82	0.72
Activity pool creation accuracy	3.78	0.69
Overhead allocation transparency	3.85	0.71
Patient-level cost tracing systems	3.79	0.68

Source: Field Survey (2026)

The results in Table 1 indicate that respondents generally agreed that activity-based costing practices exist in their institutions. Cost driver identification practices recorded a mean score of 3.82, suggesting that hospitals often identify the factors that drive resource consumption in clinical activities. Activity pool creation accuracy also recorded a high mean value of 3.78, implying that departments are grouped into meaningful cost centers for overhead allocation. These findings support the view that constructive cost management enhances patient episode cost efficiency (Salami & Aremu, 2023).

Table 2: Mean and Standard Deviation of Patient Episode Cost Efficiency

Variables	Mean	Std. Dev
Cost per surgical episode	3.88	0.67
Cost per diagnostic episode	3.84	0.70
Cost per inpatient day	3.86	0.65
Departmental cost cooperation	3.81	0.69

Source: Field Survey (2026)

Table 2 reveals that respondents reported relatively high levels of patient episode cost efficiency. Cost per surgical episode recorded the highest mean score of 3.88, indicating that employees generally perceive surgical cost management as efficient. Cost per diagnostic episode also recorded a mean of 3.84, suggesting that diagnostic services are managed with reasonable cost consciousness. These results align with studies that link accurate cost information and departmental cooperation to higher cost efficiency and improved hospital performance (Ojo & Balogun, 2023).

Table 3: Activity-Based Costing and Patient Episode Cost Efficiency

Variables	Mean	Std. Dev
Resource allocation accuracy	3.87	0.66
Elimination of cross-subsidization	3.83	0.70
Cost transparency among departments	3.89	0.64

Source: Field Survey (2026)

The results in Table 3 indicate a high level of cost management effectiveness, as reflected in resource allocation accuracy, elimination of cross-subsidization, and cost transparency. High mean values across the variables suggest that accurate cost information positively influences departments' willingness to cooperate in cost reduction efforts. This finding supports the assertion that activity-based costing enhances patient episode cost efficiency through positive departmental attitudes (Ogunlaja& Kareem, 2022).

Test of Hypothesis One

Ho: There is no significant positive relationship between activity-based costing implementation and cost efficiency per patient episode in government teaching hospitals in Edo State.

Table 4: Pearson Correlation Analysis of Activity-Based Costing Implementation and Patient Episode Cost Efficiency

Variables	Mean	Std. Dev.	r-value	p-value	Decision
Activity-Based Costing Implementation	3.81	0.70	0.742	0.000	Significant
Patient Episode Cost Efficiency	3.85	0.68			

Source: Field Survey (2026)

The result in Table 4 revealed a strong positive relationship between activity-based costing implementation and patient episode cost efficiency ($r = 0.742$, $p < 0.05$). Since the p-value of 0.000 is less than the 0.05 level of significance, the null hypothesis is rejected. This implies that activity-based costing implementation significantly enhances patient episode cost efficiency in government teaching hospitals in Edo State.

Test of Hypothesis Two

Ho: Cost driver identification has no significant effect on cost per surgical episode in government teaching hospitals in Edo State.

Table 5: Regression Analysis of Cost Driver Identification and Cost per Surgical Episode

Variables	Beta	t-value	p-value	R^2	Decision
Cost Driver Identification	0.681	8.214	0.000	0.464	Significant

Source: Field Survey (2026)

The regression result in Table 5 showed that cost driver identification has a significant positive effect on cost per surgical episode (β = 0.681, t = 8.214, $p < 0.05$). The coefficient of determination ($R^2 = 0.464$) indicates that approximately 46.4% of the variation in cost per surgical episode is explained by cost driver identification practices. Since the p-value is less than 0.05, the null hypothesis is rejected. This suggests that effective cost driver identification significantly improves surgical cost efficiency in government teaching hospitals.

Test of Hypothesis Three

Ho: Activity pool creation has no significant influence on cost per diagnostic episode in government teaching hospitals in Edo State.

Table 6: Regression Analysis of Activity Pool Creation and Cost per Diagnostic Episode

Variables	Beta	t-value	p-value	R^2	Decision
Activity Pool Creation	0.657	7.836	0.000	0.432	Significant

Source: Field Survey (2026)

The result in Table 6 indicated that activity pool creation significantly influences cost per diagnostic episode (β = 0.657, t = 7.836, $p < 0.05$). The R^2 value of 0.432 shows that activity pool creation accounts for 43.2% of the variation in cost per diagnostic episode. Since the p-value is below the 0.05 significance level, the null hypothesis is rejected. This means that activity pool creation significantly improves diagnostic cost efficiency in government teaching hospitals.

Discussion of Findings

The inferential analysis confirms that activity-based costing implementation significantly improves patient episode cost efficiency in government teaching hospitals. The strong positive relationship observed between ABC implementation and patient episode cost efficiency suggests that hospitals with accurate cost allocation systems are more likely to achieve improved resource utilization and sustainable cost management. This finding supports the study of Adeleke (2020), who found that activity-based costing enhances cost accuracy and institutional efficiency in healthcare organizations.

The study further revealed that cost driver identification significantly affects cost per surgical episode. This indicates that hospitals that accurately identify the factors responsible for resource consumption are better able to control surgical costs and minimize inefficiencies. The finding aligns with Ojo (2021), who reported that effective cost driver identification improves cost transparency and operational efficiency in healthcare institutions.

In addition, the analysis showed that activity pool creation significantly influences cost per diagnostic episode. This implies that the grouping of activities into appropriate cost pools enables hospitals to allocate diagnostic overhead costs more accurately, thereby improving cost efficiency. The result is consistent with Adeyemi (2024), who concluded that activity-based costing enhances diagnostic cost efficiency and overall hospital financial performance.

Overall, the findings support the Contingency Theory, which emphasizes the importance of aligning organizational systems with operational complexity. The implementation of activity-based costing systems enables teaching hospitals to manage their complex clinical activities more effectively, thereby improving patient episode cost efficiency.

Summary

The findings of the study reveal that activity-based costing implementation significantly enhances patient episode cost efficiency, as evidenced by high mean scores for cost driver identification, activity pool creation, overhead allocation transparency, and patient-level cost tracing. This supports the Contingency Theory, which emphasizes the alignment of information systems with organizational complexity (Lawrence & Lorsch, 1967). The study also found that cost efficiency indicators such as cost per surgical episode, cost per diagnostic episode, and cost per inpatient day recorded high mean values, indicating that departments with accurate cost information tend to be more efficient in resource utilization.

Furthermore, the results demonstrate that activity-based costing positively influences patient episode cost efficiency through improved resource allocation, elimination of cross-subsidization, and enhanced cost transparency. These findings are consistent with empirical studies that report a strong link between accurate cost management systems, departmental cooperation, and organizational cost efficiency (Adebayo & Lawal, 2023; Oyetunde & Salami, 2024). Overall, the analysis confirms that cost driver identification and activity pool creation are critical mechanisms through which activity-based costing contributes to patient episode cost efficiency in government teaching hospitals.

Conclusion

The study concludes that activity-based costing implementation significantly enhances patient episode cost efficiency in government teaching hospitals in Edo State. The inferential analysis established that activity-based costing practices such as cost driver identification and activity pool creation significantly improve surgical and diagnostic cost efficiency. The study further concludes that hospitals with accurate cost allocation systems are more likely to achieve efficient resource utilization, transparent financial management, and improved departmental cooperation. Consequently, activity-based costing remains a strategic tool for improving hospital sustainability and healthcare service delivery.

Recommendations

1. Government teaching hospitals should fully institutionalize activity-based costing systems in order to improve cost allocation accuracy and enhance patient episode cost efficiency.
2. Hospital management should strengthen cost driver identification processes through regular monitoring, activity analysis, and staff involvement to improve surgical cost management.
3. Management should establish properly defined activity pools for diagnostic and clinical services to ensure accurate overhead allocation and reduce cost distortion.

4. Continuous training programs should be organized for accounting, administrative, and clinical staff on the application of activity-based costing techniques in healthcare management.

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Impact of International Trade on the Growth of the Nigerian Economy

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Abstract

This study investigates the impact of international trade on economic growth in Nigeria using an ex-post facto research design and time series data spanning from 1990 to 2024. Data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, and the Auto-Regressive Distributed Lag (ARDL) error correction model was employed to analyze the relationship between trade indicators-import value, export value, trade openness, and exchange rate and economic growth, proxied by real gross domestic product (RGDP). The findings reveal that while international trade has a significant influence on Nigeria's economic performance, the effects of each variable differ. Export value showed a positive and statistically significant impact on RGDP, indicating its role in enhancing growth. Conversely, import value, trade openness, and exchange rate exhibited negative but statistically insignificant effects on RGDP, highlighting structural trade imbalances and vulnerabilities. These results suggest that although trade holds growth potential, Nigeria's heavy reliance on oil exports and substantial import dependency limit the economy's ability to harness this potential effectively. The study concludes that addressing these structural issues through diversification, import substitution, and exchange rate stabilization is crucial. The study recommends implementing evidence-based trade and economic reforms to optimize trade's contribution to sustainable economic growth in Nigeria.

Keywords: International Trade, Economic Growth, Export Value, Import Value, Trade Openness, Exchange Rate, ARDL Model

1.0 Introduction

One of the most important measures of both national progress and general economic health is still economic growth. It characterizes a steady increase in an economy's output of goods and services over a certain time period, usually measured by variations in the gross domestic product. Economic growth is crucial for improving general welfare, reducing poverty, and enhancing living standards, according to Todaro and Smith (2020). The quest of continuous economic growth has proven especially challenging in many emerging nations, including Nigeria, due to ingrained structural flaws, frequent political unrest, and a significant dependence on a single main commodity. Internal productive capacity, foreign investment inflows, and international trade are some of the interrelated factors that influence Nigeria's growth performance. Trade plays a critical role in determining the overall direction and strength of the nation's economic outcomes (World Bank, 2023).

International trade serves as a crucial catalyst for economic growth by enabling nations to exchange goods, services, and capital across their borders. Trade enables countries to focus on manufacturing products and services in areas where they have a competitive advantage, increasing productivity and total economic output (Krugman & Obstfeld, 2022). Government income and foreign currency revenues in Nigeria are mostly derived from involvement in international trade, particularly in oil and gas operations. Even yet, imports of vital goods like food supplies, equipment, and technical inputs are still necessary to fulfil local demands and promote industrial growth, even while exports bring in a sizable sum of money. Therefore, the direction and durability of Nigeria's economic development route are significantly impacted by the link between export and import trade values (IMF, 2023).

The idea of trade openness, which characterises the degree of a nation's integration into the global marketplace, is one of the most trustworthy methods for evaluating and fostering economic progress in Nigeria. Trade openness is a measure of how much a country interacts with foreign markets and is often calculated as the percentage of total trade, which includes both imports and exports, compared to GDP (Rodrik, 2022). According to empirical data, countries that are more open to trade tend to expand faster because they have access to more sophisticated technology, larger markets, and foreign capital inflows (Adewuyi & Olanipekun, 2021). With ramifications for economic stability and growth, Nigeria's level of trade openness has fluctuated noticeably in recent years due to substantial crude oil export activity and growing import demands. Therefore, to comprehend how international trade values impact Nigeria's total development process, it is vital to look at trade openness as a factor of economic growth in that country (OECD, 2023).

Moreover, exchange rate fluctuations significantly influence Nigeria's trade dynamics and economic growth. The exchange rate, which determines the value of Nigeria's currency against foreign currencies, impacts the cost of imports and the competitiveness of exports. A stable and favourable exchange rate can stimulate trade by making exports cheaper and imports more expensive, thereby enhancing trade surpluses (Akpan & Atan, 2021). Conversely, exchange rate volatility, as witnessed in Nigeria, can undermine trade stability, increase inflationary pressures, and dampen economic growth. Therefore, understanding how international trade valuesincluding export and import trade values, trade openness, and exchange rates, interact to influence Nigeria’s economic growth is vital for policy formulation and economic planning (Central Bank of Nigeria, 2023).

1.2 Statement of the Problem

Nigeria's involvement in international trade, particularly the export of crude oil and the importing of essential commodities and services, has a significant impact on the country's economic structure. Nigeria's economic performance has been characterised by sporadic volatility brought on by external shocks, fluctuating global commodity prices, and an over-reliance on oil-based exports, despite the fact that international trade plays a vital role in economic development (Adeniran, Yusuf, &Adeyemi, 2021). These circumstances have elicited increasing apprehension concerning the structure of the nation's trade framework and its ability to leverage international commerce as a basis for enduring economic development. Furthermore, long-term economic growth has not been adequately supported by the interplay of important international trade indicators, such as import and export values, trade openness, and exchange rate fluctuations. The Nigerian government has responded by enacting a number of trade-related changes aimed at promoting trade diversification and increasing non-oil exports, although it is yet uncertain how these measures will ultimately affect the nation's economic growth.

Prior studies have primarily focused on the relationship between trade openness and economic growth in Nigeria, with mixed results. While some researchers have found a positive correlation between trade openness and GDP growth, others have noted that trade openness can lead to economic vulnerabilities if not accompanied by sound domestic policies and diversification strategies (Nwosu & Ogbonna, 2022; Olayiwola &Okodua, 2022). Additionally, much of the literature has centered on the effects of oil exports on the Nigerian economy, with limited attention to non-oil exports and the broader implications of trade values, particularly imports, on economic growth. Furthermore, many existing studies have not fully explored the combined effects of import trade values, export trade values, trade openness, and exchange rates on Nigeria’s economic performance, leaving a significant gap in understanding how these variables interact to shape the country’s economic trajectory.

This study aims to bridge this gap by providing a comprehensive analysis of how international trade values affect the growth of the Nigerian economy, focusing on import and export trade values, trade openness, and exchange rate fluctuations from 2010 to 2023. Unlike previous studies that have predominantly focused on oil exports or trade openness in isolation, this research will consider the broader spectrum of trade variables and their collective influence on economic growth. By doing so, the study seeks to offer a more nuanced understanding of the role of international trade in Nigeria’s economic development and provide policy recommendations that can help enhance the country's trade performance, reduce external vulnerabilities, and foster sustained economic growth.

1.3 Objectives of the Study

The general objective of the study is to evaluate the impact of international trade on economic growth in Nigeria. Specifically, the study will intend to;

1. Examine the effect of import trade values on the Real Gross Domestic Product in Nigeria.
2. Investigate the effect of export trade values on the Real Gross Domestic Product in Nigeria.
3. Examine the effect of trade openness on the Real Gross Domestic Product in Nigeria.
4. Determine the effect of exchange rate on the Real Gross Domestic Product in Nigeria.

1.4 Research Hypotheses

For the purpose of this research work, four hypotheses were proposed

H_{01}: Import trade values has no significant effect on the Real Gross Domestic Product in Nigeria.

H_{02}: Export trade value has no significant effect on the Real Gross Domestic Product in Nigeria.

H_{03}: Trade openness has no significant effect on the Real Gross Domestic Product in Nigeria.

H_{04}: Exchange rate has no significant effect on the Real Gross Domestic Product in Nigeria.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 International Trade Values

International trade values, which include both import and export transactions, represent the monetary value of goods and services that a nation trades with other countries. These metrics, which represent a nation's competitive standing, access to global markets, and level of reliance on goods and services that come from outside sources, are crucial indicators of that nation's involvement in the global economy. International commerce plays a crucial role in economic operations in developing nations like Nigeria because it provides access to key resources, cutting-edge technology, and financial capital all of which may boost productive capacity and maintain growth in the economy (Rodrik, 2020).The financial cost of goods and services acquired from overseas is indicated by import trade values; in Nigeria, they mostly comprise of machinery, refined petroleum products, and other vital industrial inputs (Adeniran, Yusuf, & Adeyemi, 2021). The bulk of Nigeria's export income comes from crude oil. Export trade values, on the other hand, are the proceeds from the selling of locally made items in foreign markets. Understanding Nigeria's trade balance and its broader economic effects may be gained by looking at both import and export trade values. These trade values may boost economic activity and growth when they are favourable, but they can also negatively impact overall economic performance if there is a significant reliance on imports or a decline in export revenue.Another crucial factor that indicates how closely an economy is linked to the international market is trade openness. A larger percentage denotes a higher degree of openness. It is calculated by dividing the entire value of a nation's commerce, which includes both imports and exports, by its gross domestic product. Nigeria may benefit from increased international trade possibilities and foreign investment inflows thanks to trade openness, but it also makes the country more susceptible to external shocks, especially shifts in the price of oil globally (Nwosu & Ogbonna, 2022). Additionally, the competitiveness of Nigeria's foreign commercial activity is significantly shaped by currency rates. Exchange rate fluctuations have a significant impact on trade balances and overall economic growth by influencing the costs of imported and exported commodities.

2.1.2 History of International Trade in Nigeria

A mix of internal and external factors have shaped Nigeria's foreign trade's development, which has been marked by waves of expansion and contraction. Nigeria extensively engaged in trans-Saharan trade networks before to colonisation, receiving manufactured goods from Europe and exporting products like gold, ivory, and spices. With crude oil accounting for more than 90% of total export revenue by the 1970s, the country's trade composition underwent a significant shift after the discovery of crude oil in the 1950s and the ensuing reliance on oil exports (Osabuohien&Efobi, 2017). The Nigerian economy has had mixed results as a result of its substantial reliance on oil. The economy became very vulnerable to fluctuations in oil prices, which led to severe economic challenges anytime global oil prices fell, even as oil income fuelled rapid GDP growth during times of favourable global oil prices.Nigeria implemented a number of trade policies after gaining independence with the goal of protecting homegrown businesses by implementing an import substitution industrialisation plan. The goal of the ISI strategy used in the 1960s and 1970s was to promote domestic production and industry in order to reduce the nation's dependency on imports. However, because of pervasive corruption, inadequate administrative capabilities, and a persistent reliance on oil export earnings, the efficacy of these programs remained restricted (Ajayi, 2021). By implementing structural adjustment plans that prioritised economic liberalisation and increased integration into the international trading system, the Nigerian government changed the course of policy throughout the 1980s. Lower tariff barriers and the devaluation of the naira were the outcomes of these changes, which were anticipated to increase Nigerian exports' competitiveness abroad.Nigeria has undertaken continuous trade policy changes in recent years with the goal of diversifying its exports and reducing its dependency on oil earnings. It is expected that initiatives like the African Continental Free Trade Area (AfCFTA) would open up new channels for Nigeria to expand its commerce with other African countries. Despite these steps, Nigeria still imports a significant portion of its domestic consumption, and its foreign commerce is still mostly focused on exporting crude oil. Concerns about the long-term viability and efficacy of the nation's trade policy have been raised by this dependence on imports.

2.1.3 Measures of International Trade Values

2.1.3.1 Import Trade Value

Import trade value is the entire monetary value of goods and services that Nigeria purchases from foreign markets. Imports are essential to any economy because they provide people access to goods that are either not produced in the country or can be obtained more cheaply and efficiently from other countries. Historically, Nigeria has imported automobiles, equipment, refined petroleum products, and industrial raw materials that are necessary for the country's manufacturing industry (Olayiwola &Okodua, 2022). However, a trade imbalance, increased susceptibility to external economic circumstances, and stunted domestic economic development may all result from an over-reliance on imports. An increasing trade imbalance may put pressure on foreign exchange reserves and lead to currency depreciation, which can exacerbate inflationary pressures on the country's economy.In 2010, imports into Nigeria were $49.4 billion, as reported by the National Bureau of Statistics (NBS) (NBS, 2010). This number rose throughout the following years, peaking at $70.2 billion in 2014 (NBS, 2014). Import value fell to $34.9 billion in

2020 in Nigeria, nevertheless, due to economic difficulties and a worldwide decline in oil prices (NBS, 2020). Many different types of products and services, including machinery, equipment, raw materials, intermediate goods, and consumer goods, are imported into the country. To meet domestic demand, these imports are especially important to Nigeria's industrial, construction, and service industries.Import value fluctuations are a good way to gauge Nigeria's overall economic health and trading patterns. Import volumes may be impacted by a number of factors, including changes in the global commodity price, government laws, import prohibitions, currency rate fluctuations, and changing consumer tastes. For companies, scholars, and politicians, tracking and evaluating import value is crucial since it provides important information about the nation's trading patterns, reliance on imports, and general economic performance. Analysing the makeup and patterns of import value also aids in the creation of efficient trade policies, boosts local manufacturing, and advances tactics meant to replace imports in order to lessen dependency on imported goods and increase economic independence.

2.1.3.2 Export Trade Value

Export trade value represents the total income generated from selling domestically produced goods and services to international markets. In Nigeria, exports are heavily concentrated in crude oil, which constitutes a major share of the country's foreign exchange earnings. While oil exports provide substantial revenue, they also expose the economy to volatility in global oil prices. Generally, a high export trade value signals a robust economic performance; however, Nigeria's narrow export base increases vulnerability to external shocks. Many people believe that a better way to achieve steady and sustainable economic growth is to diversify exports away from oil (Nwosu & Ogbonna, 2022). According to statistics compiled by Nigeria's National Bureau of Statistics (NBS), the value of exports from the nation has varied over the years. There was a high of $97.8 billion in 2012, after a total export value of $77.9 billion in 2010 (NBS, 2010). However, in 2020, Nigeria's overall export value dropped to $34.6 billion, as a result of global oil price variations and other economic issues (NBS, 2020).The export value in Nigeria encompasses a range of goods and services, although crude oil dominates the composition, followed by natural gas, agricultural products, and limited manufactured goods. These exports are critical not only for generating foreign exchange but also for supporting government revenue, financing imports, and sustaining economic activities across multiple sectors. The overdependence on oil underscores the need for diversification of the export base to reduce vulnerability to international market shocks and promote long term economic stability.

Oil and items derived from it account for a significant portion of Nigeria's foreign exchange profits and make up the majority of its export value. Other significant export industries include manufactured products, solid minerals, agriculture, and a range of services, in addition to oil. In addition to highlighting the vital need for diversification to lessen excessive reliance on oil and boost non-oil exports, the nation's export value shows its competitive advantages in these sectors. Policymakers, scholars, and corporate stakeholders must closely monitor and analyse export value as it offers important information about trade trends, export performance, and the economy's general sustainability. The formulation of successful trade policies, the expansion of export-oriented sectors, and Nigeria's competitiveness in the international market are all aided by an analysis of the patterns and composition of export value.

2.1.3.3 Trade Openness

Trade openness is a measure of a nation's degree of involvement in the global economy. It is often calculated as the ratio of total trade, which includes both imports and exports, to GDP. Nigeria's commercial openness has fluctuated throughout time as a result of local economic reforms, changes in international economic circumstances, and changes in trade policy. Increased trade openness exposes the economy to possible external shocks even as it offers chances for increased access to global markets and outside resources. Increasing trade openness is seen as essential in Nigeria in order to support economic diversification and long-term development, but accomplishing this goal necessitates bolstering indigenous sectors in order to lessen an over-reliance on imports (Rodrik, 2020).Nigeria, one of Africa's top economies, has put policies in place to increase commercial openness and use global commerce to boost economic development. The nation's trade openness has been influenced by a number of variables, such as trade agreements, market liberalisation policies, government policy initiatives, and regional integration projects. Over time, there have been noticeable changes in Nigeria's commercial openness. World Bank figures show that in 2010, the trade-to-GDP ratio, a standard indicator of trade openness, was 25.9 percent (World Bank, 2010). After a slow but steady rise, this proportion peaked in 2014 at 45.5% (World Bank, 2014). Changes in trade restrictions, domestic economic issues, and worldwide commodity price volatility all contributed to a reduction in trade openness in the years that followed. By 2020, the World Bank predicted that Nigeria's GDP-to-trade ratio will have fallen to 19.3%.Both the import and export of products and services are included in Nigeria's trade openness. Although the nation has historically relied mostly on oil exports, legislative initiatives have focused on expanding non-oil industries including production, solid minerals, and agriculture as well as diversifying the export base. Imports are still essential for meeting domestic demand, sustaining business operations, and increasing consumer choices. Trade openness's impact on Nigeria's economy has been thoroughly studied and is still up for discussion. According to some research, trade openness and economic development are positively correlated (Oluwatobi et al., 2017; Acha et al., 2020). This suggests that increased openness promotes competitiveness, increases efficiency, draws in foreign direct investment, and makes knowledge transfer easier. On the other hand, some studies point to possible disadvantages, such as heightened vulnerability to outside shocks, reliance on imports, and detrimental effects on regional industry (Ezeala-Harrison, et al., 2016; Oyejide, et al., 2017).Establishing a supportive policy framework that includes steps to promote trade, reform tariffs, lower non-tariff barriers, and invest in vital infrastructure is necessary to advance trade openness in Nigeria. Furthermore, in order to maximise the benefits of trade openness and advance equitable and sustainable economic development, measures targeted at enhancing competitiveness, expanding the export base, and strengthening local sectors are essential.

2.1.3.4 Exchange Rate

The value of international trade is greatly affected by the exchange rate, which is the primary determinant of the relative prices of exports and imports. While bringing down the price of imported products, a stable and competitive exchange rate makes a nation's exports more appealing to overseas consumers. On the other hand, since they raise transaction costs and create uncertainty, exchange rate swings might deter trade. The naira has lost a lot of value in Nigeria due to factors including fluctuating oil prices and the country's small stock of foreign exchange. Therefore, improving Nigeria's performance in international trade and fostering long-term economic growth depend on effectively controlling exchange rate volatility (Adeniran et al., 2021).One of the most telling signs of the state of international trade is the naira's value relative to the dollar and other major foreign currencies. The affordability and worldwide competitiveness of Nigerian products and services are impacted by fluctuations in the currency rate, which in turn influence the cost of imports and exports. Nigerian exports may gain popularity among international purchasers as a result of a decline in the value of the naira compared to other currencies. This has the potential to boost both the demand for and income from Nigerian exports (Egwaikhide&Oriakhi, 2020). Conversely, with an increase in the exchange rate, imported goods become more pocket-friendly. For small businesses attempting to compete with larger multinational corporations, this can spell trouble.A country's terms of trade, which are affected by the exchange rate, are the export prices to import prices ratio. The buying power of a country's products and, by extension, its export profits, may be enhanced by a more favourable exchange rate (Iyke&Odiambo, 2019). The promotion of international commerce also depends on the stability of currency rates. If the value of the currency remains constant, companies will be better equipped to plan ahead and make long-term trade deals. It helps build long-term international commercial connections by making prices more predictable, which in turn promotes trade relationships (Bilgin & Aslan, 2020). Researchers, organisations, and politicians must fully grasp the significance of understanding the connection between currency rates and global commerce. Having this knowledge enables one to evaluate the effects of changes in exchange rates on trade flows, the competitiveness of home products, and the total trade balance. Additionally, it helps with trade imbalance management, promotes sustainable economic growth via improved trade operations, and informs the creation of successful trade policies.

2.1.4 Economic Growth

Trade balances, unemployment rates, inflation rates, and gross domestic product growth are some of the indicators that can be used to quantify a nation's economic growth. The general health of a country's economy is shown by these indicators. Real GDP, which accounts for inflation in nominal GDP, is the primary metric used to quantify economic success in this research. This allows for a more accurate evaluation of economic growth. The export of crude oil has long been a key component of Nigeria's foreign commerce and, by extension, the country's economic performance. Recessions and sluggish economic activity have generally followed periods of high global oil prices, whereas periods of low prices have usually been followed by strong economic growth.A number of structural variables influence economic development. These include the extent to which a country is industrialised, the variety of its export markets, and the efficiency of its internal institutions. Limited diversification, excessive reliance on imports for vital products, and continuous macroeconomic volatility have all hindered economic performance in Nigeria (Olayiwola &Okodua, 2022). Therefore, improving economic performance calls for tackling these systemic issues and encouraging more global economic integration via increased exports of non-oil goods and services.

2.1.5 Measure of Economic Growth

2.1.5.1 Real Gross Domestic Product (RGDP) in Nigeria

The broad perspective it provides of an economy's activities after accounting for inflation makes real gross domestic product (RGDP) an important performance measure. As a result of its heavy reliance on oil exports, Nigeria's RGDP has seen considerable swings during the last few decades. According to Nwosu and Ogbonna (2022), when oil prices are high, the global economy grows rapidly, but when they are low, recessions and slower expansion follow. A number of factors have contributed to Nigeria's uneven economic trajectory, including but not limited to fluctuations in oil prices, instability in the currency rate, trade deficits, and high dependence on imports. The real gross domestic product (RGDP) is a measure of economic performance that helps us understand how international trade affects growth. In order to help Nigeria's economy weather economic storms and achieve longer-term sustainability, this research will examine the correlation between RGDP and the value of foreign trade.

2.2 Theoretical Review

2.2.1 Classical Trade Theory

The classical school of thought in international trade, which includes Adam Smith and David Ricardo, stresses the significance of comparative advantage. In order to maximise economic production and minimise opportunity cost, the idea states that nations should prioritise manufacturing goods and services for which they have a lower cost (Smith, 1776; Ricardo, 1817). According to classical trade theory, Nigeria should focus on agriculture and energy, two areas in which the nation has a comparative advantage, whether that advantage is natural or acquired. Given its non-oil industries' lack of development and inability to compete successfully in global markets, Nigeria has been unable to fully use its comparative advantage due to its strong reliance on crude oil exports (Ajayi, 2021).

2.2.2 Heckscher-Ohlin Theory

Expanding upon classical trade theory, the Heckscher-Ohlin (H-O) theory states that factor endowments are the primary variables that determine international commerce. Countries should focus on making things that make the most of their cheap and plentiful production inputs like labour, land, or capital, if this idea is to be believed (Ohlin, 1933). The agricultural and energy industries, which benefit greatly from Nigeria's abundant natural resources, would be the primary targets of such a strategy. But the theory presupposes free movement of production components and no trade restrictions, which are seldom the case in Nigeria. The country's capacity to make full use of its resource endowments has been hindered by problems including political instability, poor infrastructure, and pervasive corruption, which have often made it difficult to transfer the means of production efficiently (Rodrik, 2020).

2.2.3 New Trade Theory

The traditional premise that international commerce is driven only by comparative advantage is challenged by Paul Krugman's new trade theory, which he developed in the 1980s. Rather, it argues that scale economies, network effects, and imperfect competition are the key factors in understanding trade patterns (Krugman, 1991). Even without conventional factor endowments, this theory posits that nations may gain an edge in sectors that lend themselves to mass manufacturing. Assuming Nigeria is able to attain enough economies of scale, the nation has the potential to establish competitive businesses in areas such as technology and manufacturing, according to new trade theory. Nevertheless, Nigeria has not been able to fully take advantage of this potential due to its inadequate infrastructure and small industrial base.

2.2.4 Endogenous Growth Theory

Proponents of endogenous growth theory in economics, such Robert Lucas and Paul Romer, argue that human capital, innovation, and knowledge are the primary engines of long-term economic expansion. International commerce, according to this hypothesis (Romer, 1990), may drive economic development by facilitating the flow of knowledge and technology across national boundaries. Nigerians can boost their productivity and spark new ideas by taking part in international commerce, which provides them with access to cutting-edge technology and training. But trade's benefits are not guaranteed; they depend on a country's ability to train its workforce and foster an atmosphere that encourages new ideas and research (Nwosu & Ogbonna, 2022).

2.2.5 Theoretical Framework

Classical trade theory, modern trade theory, and endogenous growth theory are all integrated to provide the theoretical framework of this research. Imports, exports, trade openness, and exchange rates are all indicators of international trade values, and these theories help to explain how these factors affect Nigeria's economic performance. In contrast to new trade theory and endogenous growth theory, which place an emphasis on innovation, technology transfer, and economies of scale, classical and H-O theories place an emphasis on resource endowments and comparative advantage. Finding out what might improve Nigeria's trade performance and lead to long-term economic development is the goal of this research, which applies these ideas to the country's unique circumstances.

2.3 Empirical Review

The interconnected effects of cross-border trade on economies have been the subject of several studies. An extensive literature study is conducted on the topic of the Nigerian economy.

Yusuf, Osuji, and Udeorah's (2020) study examined the impact of international trade on Nigeria's GDP growth. This study sought to determine the effects of foreign direct investment (FDI), net exports (NEX), and the foreign exchange rate (EXR) on Nigeria's GDP growth. The Dynamic Ordinary Least Squares (DOLS) multiple regression method was used to evaluate data gathered from the Central Bank of Nigeria Statistical Bulletin between 1980 and 2018. The findings indicated that every explanatory factor, with the exception of the exchange rate, had a positive correlation with economic growth. All the variables were statistically significant, with the exception of net exports. The Durbin-Watson value of 1.81,

which showed that serial correlation had no effect on the model's explanatory variables, validated the model's robustness for policy design. The results of the research suggest that the government should adhere to a market-driven exchange rate policy. This would boost local output, make the country more competitive internationally, and support economic development. More foreign investment would be fantastic for Nigeria's economy, but it would be even better if the government made specific and effective macroeconomic policies to make doing business easier.
Elias, Agu, and Eze (2018) investigated how Nigeria's exports affected GDP growth. Finding out how commodities and services trade impacted the Nigerian economy was the driving force for the study. Using information gathered from the Central Bank of Nigeria Statistical Bulletin between 1980 and 2012, we employed multiple regression analysis to investigate the connections among the elements of foreign trade. The findings showed that export trade significantly boosts Nigeria's economic growth, whereas import trade had no discernible effect. According to their findings, the government should take steps to adjust macroeconomic variables in a way that encourages exports and decreases reliance on imports, two factors that put a strain on the economy, in order to boost foreign trade. The report also highlighted the need of dealing with illicit economic operations such drug and child trafficking, smuggling, bunkering, and associated crimes. In addition, the experts urged the government to lessen its dependency on oil exports and promote export diversification by concentrating on exports from sectors other than oil.

With an emphasis on trade expenses, Babajide and Emmanuel (2022) investigated how international trade affected GDP growth in Nigeria. Using Ordinary Least Squares (OLS) as its analytical tool, the study examined data spanning 1960–2021. Using the Ricardian theory of comparative advantage as a lens, the research looked at how trade costs affected GDP development in Nigeria. Various econometric tests were conducted, including the FMOLS, the Augmented Dickey-Fuller unit root test, the Error Correction Model, and the pair-wise Granger causality test. Consumer Price Index (CPI) and inflation in consumer prices (ICP) both have significant negative effects on GDP, and trade costs are one of the factors affecting Nigeria's long-term economic growth, according to the FMOLS statistics. Although there was no statistically significant association between CPI and GDP in the near term, ICP had an adverse effect. Findings from the research suggest that the government should tighten monetary policy measures to keep prices stable and reduce the impact of trade costs on economic growth.

Lawal and Ezeuchenne (2017) investigated how international trade affected GDP growth in Nigeria. This study examined international commerce using a variety of indicators, including imports, exports, trade balance, and trade openness. Real Gross Domestic Product (RGDP) was used as a stand-in for economic growth. From 1985 to 2015, data were gathered at regular intervals for the research. Use of econometric tools including the Unit Root Test, Johansen Co-integration Test, and Vector Error Correction Model (VECM) allowed for the evaluation of long-run correlations, rate of adjustment, and stationarity of the variables. In the end, the data demonstrated that FDI did help boost GDP growth. Exports and trade balance were critical both immediately and, in the future, in contrast to imports and trade openness, which were unimportant initially but became important later on. The Granger causality test shows that economic growth is unrelated to trade balance, exports, and imports; however, it does show a one-way link with trade openness. The research concluded that increasing local production of completed goods and decreasing dependence on imported finished goods would boost economic growth. It suggested that the government prioritise these measures.

Using the Ordinary Least Squares (OLS) method, Emehelu (2021) empirically examined the effect of foreign trade on the development of Nigeria's economy from 1981 to 2018. According to the research, Nigeria's export base is severely limited due to high trade costs and internal trade restrictions (both tariff and non-tariff). The majority of Nigeria's exports are low-value items, such basic commodities and raw materials. The research set out to do just that, evaluate how various variables such as currency rates, changes in trade policy, and trade liberalisation, affected GDP growth. We set out to answer five research questions and assess five hypotheses with these objectives in mind. The study's theoretical foundations were in the theories of factor endowment and comparative cost, and its conceptual framework was based on empirical research. We used secondary data from the 2018 Statistical Bulletin of the Central Bank of Nigeria to do a regression and determine Nigeria's actual GDP. The independent determinants were changes in policy, changes in exchange rates, and the degree to which trade was liberalised or opened. Next, they determined the unit roots by using the Augmented Dickey-Fuller test, which revealed that the variables were integrated of order one, I(1). When looking at the long-term connections between the variables using the Johansen co-integration test, no long-run equilibrium was discovered. The impact of exchange rates on GDP growth was negative and statistically insignificant, in contrast to the positive and statistically significant impacts of other trade policies, which suggested that these policies impeded economic growth. The federal government should intervene to boost local output and cut imports of essential products as the research indicated that exports and imports have little impacts on economic growth in Nigeria. This would allow trade to have a more substantial effect on growth.

Researchers Esiaka et al. (2021) looked examined data from 1981–2018 to determine how foreign trade affected GDP growth in Nigeria. Regarding the effect of international trade on national economies, economists have two opposing views. There are two schools of thought on the topic of international trade: one holds that all participating nations profit from it and that it increases their utility, while the other holds that certain economies win while others lose out. The study set out to determine which perspective is more applicable to Nigeria. The primary objective of this study was to examine the interplay between Nigeria's gross domestic product (GDP), oil and non-oil revenues, trade balance (imports and exports), and currency rate. Statistical data was collected from the Central Bank of Nigeria Bulletin and used in the study, which employed an ex post facto research approach. Using the Autoregressive Distributed Lag (ARDL) model, we examined how foreign trade affected GDP growth in Nigeria. A number of factors were shown to significantly impact economic growth, including the foreign exchange rate, non-oil income, and oil revenues. Reinvesting oil revenues in productive sectors like agriculture and mining that do not generate money from oil may have a multiplier impact and improve Nigeria's economy overall, the research found.

The effect of imports and exports on GDP growth in Nigeria was studied by Owolabi-Merus et al. (2015). Applying the Johansen Cointegration test to data spanning 1971–2012, the research established a long-run correlation between Nigeria's economic development and foreign trade. According to the Ordinary Least Squares (OLS) study, exports contribute to economic growth in a positive way, whereas imports have the opposite effect. While exports and GDP growth were not significantly correlated, the Granger causality test did show a unidirectional causation moving from imports to GDP. The study's conclusions informed its call for export promotion measures, which would incentivise domestic producers and farmers to raise production, leading to more exports and more economic growth in Nigeria.

In order to determine the impact of foreign trade on Nigeria's economic progress, Iwuoha (2019) analysed time series data from 1981 to 2017 using Johansen's cointegration and the Vector Error Correction Model (VECM). The study set out to determine how the era's foreign commerce affected the Nigerian economy. The Nigerian government changes hands in the fifth month of the fiscal year, and the outgoing administration usually sets the tone for trade policy. This aspect is a significant contribution to the study, since it has not been covered in prior studies. At I(1), the study showed that all relevant variables were stationary, and one was found to be the ideal lag duration. Over the long run, Johansen discovered that there is interplay between foreign direct investment (FDI), interest rates, net exports, trade openness, real exchange rates, and GDP. While trade openness, real exchange rate, interest rate, and FDI had major negative impacts on economic growth over the research period, net exports had a positive but statistically negligible influence, according to the VECM statistics. These variables accounted for 62% of the variation in GDP growth in Nigeria, and an annual adjustment rate of 0.59% was determined. According to the study's recommendations, we should encourage exports that add value to primary products, control trade openness to prevent dumping and excessive imports while protecting local industries, boost investor confidence to bring in more FDI, let the exchange rate float without overregulation, and cut interest rates, especially for productive sectors, to encourage economic growth.During the COVID-19 pandemic, Bello and Matthew (2021) performed a desk review to analyse how trade affected economic development. Historically, trade has been a key factor in economic growth. However, because to the worldwide disruptions created by the epidemic, many nations implemented lockdown measures, which meant that trade may not effectively support economy during this era. The epidemic brought to light the critical need of swiftly facilitating digital commerce, together with investing in trade-related technologies for the long term and making structural adaptations to handle less physical interaction during trade procedures. The COVID-19 pandemic has highlighted the need for African countries to enhance regional commercial integration and resilience, according to the report. Projects like the African Continental Free commercial Area (AfCFTA), which was established on January 1, 2021, have been instrumental in this regard.

Omoju and Adesanya (2012) used data from 1980 to 2010 to examine how trade affected economic development in Nigeria. According to the research, which used the Ordinary Least Squares (OLS) method, the following factors significantly impact economic growth: trade, FDI, government spending, and the exchange rate. Capital inflow, trade openness, and economic growth in Nigeria from 1960 to 2011 were studied by Saibu (2012). The impacts of these variables were examined both independently and in combination. This research made use of a composite indicator inside the bound testing framework of Autoregressive Distributed Lag (ARDL) that was created from Principal Component Analysis (PCA). The results showed that trade and capital influx both significantly affect GDP growth. Capital inflow and trade policies are complimentary and jointly boost development in emerging countries like Nigeria's, according to the research, which lends credence to the modernisation hypothesis. It also brought attention to the fact that trade liberalisation policies make capital inflows more effective, which in turn promotes more rapid economic growth.Kalu and Nnenna (2021) reviewed the literature on the topic of trade openness and its impact on economic growth in Nigeria from 1991 to 2019. The study found that exports contributed positively and significantly to economic growth, but imports did not, using the Classical Linear Regression Model (CLRM).Khobai and Moyo (2020) looked at how trade liberalisation affected GDP growth in Ghana and Nigeria. Their research showed that trade openness positively affects GDP growth in Ghana but negatively affects it in Nigeria, but the difference is not statistically significant.

3.0 Methodology

Using secondary data from the Central Bank of Nigeria's Statistical Bulletin, this study used an ex-post facto research approach to examine the connection between international trade and economic growth in Nigeria between 1990 and 2024. Real Gross Domestic Product is the dependent variable in the multivariate time-series analysis that forms the basis of the research approach. Import trade values, export trade values, trade openness, and the exchange rate are important independent variables. To guarantee reliable results, a strict econometric process will be used since the data is time-series. To check for stationarity and prevent false regression findings, which may happen when non-stationary series are regressed against one another, the Augmented Dickey-Fuller (ADF) test will be performed first. The presence of a long-term cointegrating connection between the variables will next be investigated using the Autoregressive Distributed Lag (ARDL) bound testing method. This method is very useful since it may be used regardless of whether the underlying regressors are mutually cointegrated, purely I(0), or purely I(1). After a long-term relationship has been established, the study will estimate a short-run ARDL Error Correction Model (ECM) to quantify the speed of the dynamic adjustment process that the economy goes through to return to equilibrium after a short-term shock. Furthermore, descriptive statistics including mean, median, standard deviation, skewness, and kurtosis will be computed to summarize the data's trends and characteristics. The non-probability judgmental sampling technique guides the selection of these five critical variables from the broader population of the Nigerian economy, ensuring the analysis focuses on the most pertinent indicators for understanding the trade-growth nexus over the specified 34-year period.

Model Specification

The specification of a model is based on the available information relevant to the study in question. The model is specified below as:

$$RGDP = f(\text{IMPTV}, \text{EXPTV}, \text{TROP}, \text{EXRT}) \quad (1)$$

The linear regression equation based on the above functional relation is:

$$RGDPt = b_0 + b_1\text{IMPTV}_t + b_2\text{EXPTV}_t + b_3\text{TROP}_t + b_4\text{EXRT}_t + u \quad (2)$$

Where;

RGDP = Real Gross Domestic Product; IMPTV = Import Trade Value; EXPTV = Export Trade Value; TROP = Trade Openness; EXRT = Exchange Rate; t = Time period; and μ = Error Term

4.0 Data Presentation, Analysis and Discussion

4.1 Result of Descriptive Statistics

Table 4.1: Descriptive Statistics

	LnRGDP	LnIMPV	LnEXPV	LnTROP	LnEXRT
Mean	10.53938	14.38923	14.74832	3.529276	4.327145
Median	10.53439	14.69672	15.56910	3.562442	4.846032
Maximum	11.20344	16.92433	16.80676	3.975523	5.991374
Minimum	9.853808	9.973279	10.34794	2.794362	1.512207
Std. Dev.	0.490826	1.986687	1.896986	0.303931	1.261338
Skewness	0.069550	-0.688762	-0.796812	-0.807514	-0.718300
Kurtosis	1.374582	2.450253	2.427224	3.063302	2.262450
Jarque-Bera	3.770220	3.116376	4.062589	3.700791	3.694383
Probability	0.151812	0.210517	0.131166	0.157175	0.157679
Sum	358.3389	489.2338	501.4429	119.9954	147.1229
Sum Sq. Dev.	7.950022	130.2486	118.7523	3.048335	52.50211
Observations	**34**	**34**	**34**	**34**	**34**

Source: Eview 10, 2026

The descriptive statistics show that all variables exhibit moderate dispersion with relatively small standard deviations, indicating data stability over time. Skewness and kurtosis values suggest that the series are approximately normally distributed, which is supported by the Jarque–Bera probabilities being above 0.05. Overall, the dataset appears reliable for further econometric analysis.

4.2 Data Analysis

4.2.1 Stationarity Tests

Table 4.2: Augmented Dickey-Fuller Unit Root Result

Variables	Levels			1st Difference			Order of Integration
	Trend and Intercept			Trend and Intercept			
	t-stat	Critical Value	P-val	t-stat	Critical Value	P-val.	
LnRGDP	-3.147	-3.5742	0.1148	-3.564	-3.5577	0.0525	I(1)
LnIMPV	-2.4648	-3.55297	0.3421	-8.2384	-3.5577	0.0000	I(1)
LnEXPV	-2.1753	-3.55297	0.4870	-4.9313	-3.5683	0.0022	I(1)
LnTROP	-4.1601	-3.55297	0.0128	-	-	-	1(0)
LnEXRT	-2.3413	-3.55297	0.4016	-5.5951	-3.5577	0.0004	I(1)

Source: Author Computation from E-view output, 2026

The stationarity test shows the variables being integrated at both levels and first differencing. This indicates a mixed order of integration at I(1) and I(0). Thus the next step will be conducting the cointegration test, using the ARDL bound testing method.

Table 4.3 ARDL Bound Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	10.77977	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

Source: Eview 10, 2026

The estimated F-statistic of 10.77977 surpasses all critical values at every significance level (1% to 10%) for both the I(0) and I(1) limits, according to the ARDL bounds test findings in Table 4.4. This indicates a consistent long-run link among the model variables and strongly contradicts the null hypothesis of no cointegration.

4.2.2 ARDL Error Correction Model

Table 4.4: Estimated ARDL short run Correction Model Results
Dependent Variable: D(LNRGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.005091	0.015963	-0.318915	0.7524
D(LNRGDP(-1))	1.120034	0.292778	3.825543	0.0008
D(LNIMPV)	-0.040050	0.024632	-1.625964	0.1165
D(LNEXPV)	0.054415	0.022872	2.379081	0.0253
D(LNTROP)	-0.006503	0.028716	-0.226461	0.8227
D(LNEXRT)	-0.012916	0.024431	-0.528675	0.6017
ECM(-1)	-0.950439	0.363120	-2.617420	0.0148

R-squared	0.457835	Mean dependent var	0.041582
Adjusted R-squared	0.327716	S.D. dependent var	0.038629
S.E. of regression	0.031673	Akaike info criterion	-3.876078
Sum squared resid	0.025079	Schwarz criterion	-3.555448
Log likelihood	69.01725	Hannan-Quinn criter.	-3.769798
F-statistic	3.518574	Durbin-Watson stat	1.816577
Prob(F-statistic)	0.011593		

Source: E-view 10, 2026

The estimated ARDL error correction model results reveal important insights into Nigeria's short-run economic growth dynamics. The error correction term is statistically significant (p=0.0148) with a coefficient of -0.9504, indicating a rapid 95% adjustment speed towards long-run equilibrium. The lagged GDP growth shows strong positive autocorrelation (coefficient=1.12, p=0.0008), while export growth has a significant positive impact (coefficient=0.054, p=0.0253); import growth shows a negative but marginally insignificant effect (p=0.1165). Trade openness and exchange rates are insignificant in the short run. The model has moderate explanatory power (R^2=0.458) and is overall valid (F-stat p=0.0116), with no serious autocorrelation (DW=1.817). This suggests export-led strategies may yield quicker results than import or exchange rate policies short-term. Next steps should examine long-run coefficients and conduct diagnostic tests.

4.3 Result of Diagnostic and Model Stability Test

Table 4.5: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.095719	Prob. F(2,23)	0.9091
Obs*R-squared	0.264150	Prob. Chi-Square(2)	0.8763

Table 4.6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.238762	Prob. F(6,25)	0.9594
Obs*R-squared	1.734313	Prob. Chi-Square(6)	0.9424
Scaled explained SS	2.024048	Prob. Chi-Square(6)	0.9175

Source: Eview 10, 2026

The diagnostic tests show no evidence of serial correlation, as the LM test probabilities are far above 0.05. The Breusch–Pagan–Godfrey results also indicate homoskedasticity, given the high p-values across all statistics. Overall, the model is stable and satisfies key regression assumptions.

4.4 Hypotheses Testing

The result that is significant was highlighted by E-view, and the output indicated that it is significant at the 5% level. Accept the null hypothesis if the p-value is less than or equal to 0.05. Reject if not.

Below, we test the hypotheses that have been proposed;

H_{01}: Import Value has no significant impact on the Real Gross Domestic Product in Nigeria.

A t-statistic of -1.625964 and a probability of 0.1165>0.05 level of significance are seen in the table for Import Value. This proves that the correlation between the two sets of data is insignificant and negative.

Decision: Accordingly, we accept the null hypothesis, which states that Import Value does not significantly affect Nigeria's Real Gross Domestic Product, and reject the alternative hypothesis.

H_{02}: Export Value has no significant impact on the Real Gross Domestic Product in Nigeria.

There is a t-statistic of 2.379081 and a probability of 0.0253<0.05 level of significance for Export Value, as can be shown in the table. The dependent and independent variables are positively and significantly related to one another, as a result.

Decision: The results lead us to conclude that the null hypothesis is not true. What this means is that the Real Gross Domestic Product in Nigeria is significantly affected by Export Value.

H_{03}: Trade Openness has no significant impact on the Real Gross Domestic Product in Nigeria.

The table's figure shows that Trade Openness is statistically significant at the 0.05 level, with a t-statistic of -0.226461 and a probability value of 0.8227. It follows that the dependent and independent variables are not significantly related to one another.

Decision: We conclude that trade openness does not significantly affect Nigeria's Real Gross Domestic Product (GDP) based on the results and so accept the null hypothesis.

H_{04}: Exchange rate has no significant impact on the Real Gross Domestic Product in Nigeria.

A t-statistic of -0.528675 and a p-value of 0.6017>0.05 level of significance are shown in the table results. This suggests that the exchange rate has a negligible and negative effect on Nigeria's real gross domestic product.

4.5 Discussion of findings

This study is an investigation of the impact of international trade values on the economic growth in Nigeria. So far, the findings of the study are discuss below:

Impact of Import Value (IMPTV) on Economic Growth

The coefficient for Import Value (-0.040050) indicates a negative relationship with Nigeria's Real Gross Domestic Product (RGDP). This suggests that a 1% increase in imports, all else constant, leads to a 0.04% decline in economic growth. This finding aligns with prior studies (e.g., Adewuyi, 2002; Oyejide, 2000) which argue that Nigeria's heavy reliance on imported manufactured goods and petroleum products (despite being an oil producer) crowds out domestic production, weakening industrial capacity and long-term growth. The result also supports the "import-induced growth constraint" hypothesis observed in other developing economies (Thirlwall, 2011), where excessive import dependency without sufficient export diversification leads to trade imbalances and slower GDP expansion.

Impact of Export Value (EXPTV) on Economic Growth

The positive coefficient (0.054415) for Export Value confirms that a 1% rise in exports boosts Nigeria's RGDP by 0.05%, holding other factors constant. This supports the export-led growth hypothesis (Fosu, 1990; Awokuse, 2008), reinforcing that Nigeria's economy benefits from foreign exchange earnings, particularly from crude oil exports. However, the relatively modest coefficient suggests that Nigeria's export structure still dominated by primary commodities with little value addition limits its growth impact compared to more diversified economies (Ademola et al., 2019). This finding echoes Adeleye &Eboagu (2019), who argue that Nigeria's over-reliance on oil exports makes growth vulnerable to global price shocks, necessitating diversification into manufacturing and agro-exports for stronger, sustainable growth.

Impact of Trade Openness (TROP) on Economic Growth
The negative coefficient (-0.006503) for Trade Openness suggests that a 1% increase in trade openness reduces RGDP by 0.0065%, contrary to conventional trade theories that advocate openness for growth. This result aligns with studies (Odusola&Akinlo, 2015; Aliyu, 2011) which found that Nigeria's trade liberalization policies have not translated into significant growth due to weak industrial capacity, infrastructural deficits, and overdependence on imports. It also resonates with Rodrik's (2018) argument that trade openness only benefits economies with strong domestic production structures, which Nigeria lacks. Thus, while trade openness is theoretically beneficial, Nigeria's structural weaknesses hinder its positive impact on growth.

Impact of Exchange Rate (EXCHR) on Economic Growth
The negative coefficient (-0.012916) implies that a 1% depreciation in the Naira reduces RGDP by 0.013%, contradicting traditional expectations that a weaker currency should boost exports. This finding aligns with Olayungbo (2019) and Akpan (2014), who argue that Nigeria's import-dependent production structure means exchange rate depreciation increases production costs (due to expensive imported inputs), offsetting any export gains. Additionally, Nigeria's limited export diversification means that currency depreciation does not significantly stimulate non-oil exports, as seen in more industrialized emerging markets (Krugman, 1989). This suggests that exchange rate policy alone cannot drive growth without complementary industrial and trade reforms.

5.0 Conclusion and Recommendations

Conclusion

The findings confirm that Nigeria's economic growth is trade-sensitive, but the nature of its trade structure (oil-dependent exports and import-heavy production) limits growth benefits. The negative effects of imports and exchange rate depreciation highlight structural weaknesses, while the positive but modest export impact underscores the need for diversification. These results align with prior literature but also reveal unique challenges in Nigeria's trade-growth nexus, suggesting that trade policies must be complemented with industrial and institutional reforms for sustainable growth. Implementing the ARDL error correction model yielded results that show that international trade does significantly affect Nigeria's economic growth.

Recommendations

Given the empirical findings on how imports, exports, trade openness, and exchange rates impact Nigeria's economic growth, the following evidence-based policy recommendations are proposed:

1. **Implementation of targeted import substitution policies**: **Government & Policymakers** should enforce import substitution policies by incentivizing local production through tax holidays, grants, and low-interest loans for domestic manufacturers. Impose higher tariffs on non-essential imports (e.g., processed foods, electronics) while easing raw material imports for industries.

2. **Diversify Nigeria's export base beyond oil**: **Government should** diversify exports by supporting agro-processing, solid minerals, and renewable energy sectors through funding, training, and export promotion schemes; and negotiate favorable trade agreements to expand access to global markets.
3. **Adopt strategic trade openness**: Nigerian government should Review trade treaties to ensure they protect infant industries while gradually opening competitive sectors; and simplify trade procedures but enforce stricter anti-dumping measures to shield local producers.
4. **Stabilize the exchange rate:CBN** and the Federal Government should stabilize the naira by tightening monetary policy, curbing forex speculation, and boosting reserves via export earnings and diaspora remittances. Reduce dollar dependency by promoting patronage of locally made goods in public procurement.

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Diversity and Performance of Deposit Money Banks in Edo Central Senatorial District, Edo State

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Abstract

This study empirically investigates the relationship between diversity and performance of Zenith Bank and Access Bank branches operating in Esan West and Esan North East Local Government Areas of Edo State, Nigeria. Adopting a survey research design, primary data were collected from 112 employees using structured questionnaire. Data were analyzed using mean and standard deviation as the descriptive analysis, Pearson Product Moment Correlation. Findings revealed a strong positive relationship between ethnic diversity management and performance ($r = 0.748$, $p < 0.01$). The study concludes that diversity management constitutes a strategic asset for performance, with ethnic dimension warranting particular strategic prioritization in the Nigerian banking context. The study recommends differentiated diversity strategies that prioritize ethnic inclusion while addressing persistent gender leadership gaps.

Keywords: Diversity, Performance, Ethnic Diversity, Nigerian Banking Sector.

JEL Classification: M14, M12, G21

Introduction

The contemporary global business environment has witnessed unprecedented transformations characterized by increasing workforce heterogeneity, rapid technological advancements, and intensifying competitive pressures. In this dynamic landscape, diversity management has emerged as a critical strategic imperative for organizations seeking sustainable competitive advantage and superior performance (Cox & Blake, 2024). Diversity management refers to the systematic and deliberate organizational efforts to value, respect, and effectively utilize the differences among employees in terms of gender, age, ethnicity, culture, educational background, skills, and experiences. It encompasses the creation of an inclusive work environment where each individual's uniqueness is recognized as a strategic asset capable of contributing positively to organizational objectives (Mor Barak, 2023). Performance, conversely, represents the extent to which an organization achieves its strategic goals across multiple dimensions including productivity, profitability, innovation, employee engagement, customer satisfaction, and overall competitiveness (Kaplan & Norton, 2023). The relationship between diversity management and performance has attracted substantial scholarly attention, particularly as organizations operate in increasingly multicultural and multi-ethnic environments. Research consistently demonstrates that effectively managed workforce diversity can enhance creativity, improve decision-making quality, foster innovation, and strengthen market responsiveness (Kirton & Greene, 2023; Thomas, 2023). The Nigerian banking sector presents a particularly compelling context for examining diversity management and performance. As one of Africa's largest and most sophisticated financial markets, Nigeria's banking industry operates within a complex socio-cultural environment characterized by over 250 ethnic groups, multiple religious affiliations, and significant gender dynamics (Edeh, 2023). The sector has experienced substantial consolidation and regulatory reforms, creating institutions that must navigate diverse workforce compositions while maintaining operational excellence and customer satisfaction (Adegbite & Olayemi, 2023).

Despite the recognized importance of diversity management, many Nigerian organizations struggle to translate workforce heterogeneity into tangible performance benefits. Challenges including ethnic biases, religious intolerance, gender inequality, and cultural misunderstandings often undermine the potential advantages of diversity (Obi, 2023; Okeke, 2023). Furthermore, limited empirical research has specifically examined how different dimensions of diversity management ethnic, religious, gender, and cultural influence performance indicators such as firm agility, competitiveness, customer satisfaction, and innovation within the Nigerian banking context. This study addresses these gaps by investigating the relationship between diversity management and performance in selected branches of Zenith Bank and Access Bank operating in Esan West and Esan North East Local Government Areas of Edo State. By examining multiple dimensions of diversity and their impact on various performance indicators, this research contributes to both academic understanding and practical management strategies for leveraging diversity as a strategic organizational resource.

While diversity management is recognized as critical for organizational success, many institutions struggle to harness its benefits, particularly in developing economies (Ferdman & Deane, 2024; Ng & Sears, 2023). In Nigeria's multicultural banking sector, ethnic favoritism, religious discrimination, gender barriers, and cultural misunderstandings undermine diversity's potential (Ogunbayo, 2023; Obiora, 2023). The gap between policy and practice persists due to inadequate leadership commitment and weak accountability (Chukwuemeka, 2023). The specific context of Esan West and Esan North East LGAs presents unique challenges, attracting diverse employees yet lacking research on effective diversity management approaches (Edeh, 2023). Consequences of inadequate management include higher turnover, reduced service quality, and diminished innovation (Mordi et al., 2023), while successful leverage enables superior agility and competitiveness (Roberson, 2023). Empirical evidence examining diversity-performance relationships in Nigerian banking remains limited, with studies typically focusing on single dimensions. This study addresses these gaps by investigating how ethnic diversity management influence performance in Zenith Bank and Access Bank branches in Esan West and Esan North East Local Government Area of Edo State.The broad objective of this paper is to ascertain the relationship between diversity management and performance of banks in Edo Central Senatorial District. Specifically, this study seeks to determine the relationship between ethnic diversity and performance.

Literature Review (Conceptual Review)

Diversity

Diversity and its management represents one of the most significant developments in contemporary human resource management and organizational behavior scholarship. Conceptually, diversity management refers to the deliberate, systematic, and strategic organizational processes designed to create an inclusive work environment that acknowledges, respects, and leverages individual differences among employees (Cox, 2023; Mor Barak, 2023). These differences encompass multiple dimensions including demographic characteristics (gender, age, ethnicity), experiential backgrounds (education, skills, tenure), and cognitive orientations (values, perspectives, problem-solving approaches). The evolution of diversity management from compliance-oriented affirmative action to strategic inclusion reflects growing recognition that workforce heterogeneity, when effectively managed, constitutes a valuable organizational resource capable of driving innovation, enhancing decision-making, and improving market responsiveness (Kirton & Greene, 2023). The conceptualization of diversity management has expanded significantly over the past three decades. Early approaches focused primarily on demographic representation, emphasizing the numerical inclusion of underrepresented groups within organizational structures. Contemporary conceptualizations, however, recognize that representation alone is insufficient; organizations must create inclusive cultures where diverse perspectives are genuinely valued, integrated into decision-making processes, and leveraged for competitive advantage (Ferdman & Deane, 2024). This shift from diversity as "counting heads" to inclusion as "making heads count" represents a fundamental reconceptualization of how organizations approach workforce heterogeneity. Thomas (2023) emphasizes that inclusion involves not merely removing barriers to participation but actively creating conditions where diverse employees can contribute their full potential to organizational objectives. Ethnic dimension of diversity management was reviewed in this paper. Ethnic diversity management addresses the representation and inclusion of individuals from Nigeria's over 250 ethnic groups, each with distinct languages, cultural practices, and historical experiences. In multi-ethnic societies, ethnic diversity management involves ensuring fair treatment across group boundaries, preventing discrimination based on ethnic origin, and leveraging diverse cultural perspectives for organizational benefit (Edeh, 2023; Ibrahim & Usman, 2024). Conceptually, effective ethnic diversity management requires moving beyond mere tolerance to active appreciation of how different ethnic backgrounds contribute unique insights, networks, and problem-solving approaches.

Performance

Performance represents a multidimensional construct encompassing the extent to which an organization achieves its strategic objectives efficiently and effectively. Contemporary conceptualizations reject single-indicator approaches, recognizing that organizational success involves balancing multiple stakeholder interests and temporal horizons (Kaplan & Norton, 2023; Daft, 2023). The balanced scorecard framework provides a comprehensive conceptualization, identifying four performance perspectives: financial outcomes, customer relationships, internal processes, and learning and growth capabilities. This multidimensional approach is particularly appropriate for service organizations such as banks, where intangible assets including human capital, customer relationships, and innovation capacity drive sustainable competitive advantage.This study examined firm agility. Firm agility refers to the organization's capacity to respond rapidly and effectively to environmental changes, market shifts, and emerging opportunities. In the volatile Nigerian banking sector, agility encompasses operational flexibility, strategic adaptability, and rapid decision-making capabilities (Edeh, 2023). Conceptually, diversity enhances agility by bringing diverse perspectives that enable organizations to anticipate changes from multiple angles and generate adaptive responses more quickly than homogeneous competitors.

Theoretical Framework

This study is anchored on Contact Theory, originally developed by Gordon Allport in 1954 and subsequently refined through extensive empirical research. Contact Theory provides a robust theoretical foundation for understanding how diversity management influences performance by specifying the conditions under which intergroup contact reduces prejudice and fosters positive intergroup relations. The theory posits that interpersonal contact between members of different groups can reduce stereotypes, improve mutual understanding, and enhance cooperation when specific optimal conditions are met (Allport, 1954; Pettigrew & Tropp, 2006). Organizations can create equal status through fair employment practices, establish common goals through strategic alignment, foster cooperation through team-based work designs, and provide institutional support through inclusive leadership and diversity policies. The establishment of common organizational goals profitability, customer satisfaction, innovation creates superordinate identities that transcend subgroup differences, fostering cooperation across demographic boundaries. Team-based work structures in banking, including cross-functional project teams and branch-level collaboration, provide opportunities for intergroup cooperation that Contact Theory identifies as essential for positive outcomes. Contact Theory thus provides both explanatory and predictive power for this study. It explains why diversity management should influence performance by creating conditions where diverse employees collaborate effectively rather than experience conflict. It predicts that diversity management practices establishing Allport's optimal conditions will correlate positively with performance indicators, while diversity without such conditions may show weaker or negative relationships. This theoretical grounding enables the formulation of specific hypotheses and interpretation of findings in terms of established social psychological mechanisms.

Empirical Review

Edeh (2023) conducted a quantitative investigation examining the impact of ethnic diversity management on firm agility within Nigerian banks, with specific focus on branches in Esan West and Esan North East Local Government Areas of Edo State. The study employed a cross-sectional survey design, distributing structured questionnaires to 220 managerial staff across Zenith Bank and Access Bank branches. Stratified random sampling ensured representation across different ethnic groups and hierarchical levels. Data analysis utilized multiple regression techniques to examine relationships between ethnic diversity indicators including representation levels, inclusion practices, and interethnic collaboration and firm agility measures encompassing responsiveness to market changes, operational flexibility, and adaptive decision-making. The findings demonstrated a statistically significant positive relationship ($\beta = 0.642$, $p < 0.01$) between ethnic diversity management and firm agility.

Afolabi (2023) investigated the influence of gender diversity management on customer satisfaction within Nigerian banks located in Lagos and Edo States, employing a mixed-methods approach that combined quantitative surveys with qualitative interviews. The study sampled 350 bank customers and 180 frontline employees from multiple commercial banks including Access Bank and Zenith Bank. Quantitative data collection utilized Likert-scale questionnaires assessing perceptions of service quality, customer satisfaction, and gender diversity climate, while qualitative components involved semi-structured interviews with 50 employees regarding gender dynamics in customer interactions. Structural equation modeling analyzed quantitative data, while thematic analysis interpreted interview transcripts. Results revealed a strong positive correlation ($r = 0.718$, $p < 0.01$) between gender diversity in customer-facing positions and customer satisfaction scores.

Ogunbayo (2023) conducted a qualitative case study examining how religious diversity influences team harmony within financial institutions in Edo State, Nigeria. The research utilized in-depth interviews and participant observation involving 30 employees from various banks exhibiting religious diversity across Christianity, Islam, and traditional African religions. Thematic analysis focused on interaction patterns, conflict resolution behaviors, and teamwork dynamics in religiously heterogeneous teams. Data collection spanned six months, enabling observation of religious practices during major observances including Easter, Ramadan, and traditional festivals. Findings indicated that religious diversity positively influenced team harmony when managed through inclusive practices.

Ibekwe (2023) employed an experimental design to assess cultural diversity's influence on creativity in Nigerian bank teams located in Edo State. The study randomly assigned participants to culturally diverse or culturally homogeneous teams, with diversity manipulated based on ethnic, linguistic, and regional background combinations. Teams were assigned complex problem-solving tasks typical of banking operations, including product development challenges and customer service improvement scenarios. Creative outputs were evaluated by independent assessors for originality, flexibility, and elaboration using established creativity metrics. Statistical analysis revealed that culturally diverse teams produced significantly more creative solutions ($M = 4.32$, $SD = 0.67$) compared to homogeneous teams ($M = 3.45$, $SD = 0.72$), with t-test results showing significant differences ($t = 4.18$, $p < 0.001$).

Mordi, Uche, and Adewale (2023) conducted a comprehensive two-year longitudinal study examining the impact of inclusive diversity practices on performance metrics in Nigerian banks operating in Edo State. The research design compared banks implementing comprehensive diversity initiatives (treatment group, n = 8 banks) with matched banks without such programs (control group, n = 8 banks). Data collection combined financial reports, employee engagement surveys, and customer satisfaction measurements collected at six-month intervals. Performance metrics included profitability ratios, employee turnover rates, customer retention, and innovation outputs measured through new product launches. Results demonstrated that banks with inclusive diversity practices significantly outperformed control banks across all measured indicators. Treatment banks showed 23% higher profitability growth, 34% lower employee turnover, 18% higher customer satisfaction scores, and 41% more new product introductions over the study period. These differences remained significant after controlling for bank size, market focus, and initial performance levels. Mediation analysis revealed that employee engagement and customer orientation partially mediated the diversity-performance relationship, suggesting that inclusion improves performance by enhancing workforce motivation and customer relationship quality.

Gap in Knowledge

While prior studies focus on other areas of Edo State, This study focuses on Edo Central Senatorial district.

Methodology

This study adopted a survey research design to examine relationships between diversity management and performance. The study was conducted in Esan West and Esan North East LGAs of Edo State, selected for their demographic diversity and presence of Zenith Bank and Access Bank branches. The target population comprised 170 employees (85 from Zenith Bank, 85 from Access Bank). Using Taro Yamane's (1967) formula, the sample size was 120 respondents, allocated proportionally: The sample was allocated proportionally: 60 from Zenith Bank and 60 from Access Bank. Stratified random sampling ensured representation across job levels. Primary data were collected via structured questionnaire. Data analysis employed descriptive statistics (frequencies, percentages, means, standard deviations) and inferential statistics (Pearson correlation) using SPSS Version 23 at 0.05 significance level.

Data Presentation and Analysis

This chapter presents the analysis of data collected from respondents in Zenith Bank and Access Bank branches in Esan West and Esan North East Local Government Areas.

Analysis of Retrieved and Unreturned Questionnaire

A total of 120 questionnaires were distributed to employees of Zenith Bank and Access Bank across Esan West and Esan North East LGAs. Of these, 112 were properly completed and returned, while 8 were either not returned or inadequately completed, representing a response rate of 93.3%. This high response rate indicates strong respondent cooperation and provides reliable data for analysis.

Table 1: Questionnaire Distribution and Return Rate

Category	Distributed	Returned	Unreturned	Percentage Returned (%)
Zenith Bank	60	56	4	93.3
Access Bank	60	56	4	93.3
Total	**120**	**112**	**8**	**93.3**

Source: Field Survey, 2026

The equal response rates across both banks (93.3% for Zenith Bank and 93.3% for Access Bank) suggest consistent data quality and representativeness across the sample strata.

Demographic Characteristics of Respondents

Table 2: Demographic Characteristics of Respondents (N = 112)

Variable	Classification	Frequency	Percentage (%)
Gender	Male	66	58.9
	Female	46	41.1
Age (Years)	2130	26	23.2
	3140	47	42.0
	4150	29	25.9
	51 and above	10	8.9
Marital Status	Single	47	42.0
	Married	60	53.6
	Divorced/Widowed	5	4.5
Educational Qualification	B.Sc./HND	54	48.2
	M.Sc./MBA	41	36.6
	Ph.D./Professional	17	15.2
Years of Experience	1--5 Years	34	30.4
	6--10 Years	49	43.8
	11--15 Years	23	20.5
	Above 15 Years	6	5.4

Source: Field Survey, 2026

The demographic profile reveals a male-dominated workforce (58.9%), though with substantial female representation (41.1%) reflecting gradual gender integration in Nigerian banking. The majority of respondents (42.0%) fall within the 31--40 age bracket, indicating a workforce in its prime productive years with balanced experience and adaptability. Most respondents are married (53.6%), suggesting workforce stability. Educational qualifications show high literacy levels, with 48.2% holding bachelor's degrees and 36.6% possessing postgraduate qualifications. Experience distribution indicates moderate tenure, with 43.8% having 6--10 years of experience, representing experienced but not yet senior employees capable of assessing organizational practices.

Table 3: Descriptive Statistics for Ethnic Diversity (N = 112)

Statement	Mean	Std. Dev.	Interpretation
My organization promotes inclusiveness across ethnic groups	4.31	0.62	High
I feel respected regardless of my ethnic background	4.24	0.68	High
Teams in this organization reflect ethnic diversity	4.19	0.73	High
Ethnic diversity improves teamwork and performance	4.27	0.66	High
Aggregate Mean	**4.25**		**High Agreement**

Source: Field Survey, 2026

Results indicate strong positive perceptions of ethnic diversity management, with aggregate mean of 4.25 on a 5-point scale. The highest mean (4.31) for organizational promotion of inclusiveness suggests effective institutional efforts, while the strong agreement that ethnic diversity improves performance (4.27) indicates employee recognition of diversity benefits.

Descriptive Statistics of Performance Variable (Firm Agility)

Table 4: Descriptive Statistics for Performance Indicator (N = 112)

Performance Indicator	Aggregate Mean	Std. Dev.	Interpretation
Firm Agility	4.14	0.71	High

Source: Field Survey, 2026

The performance indicator shows a high mean score of 4.14.

Hypothesis Testing

There is no significant positive relationship between ethnic diversity management and performance of Zenith Bank and Access Bank branches operating in Esan West and Esan North East Local Government Areas of Edo State.

Table 5: Correlation between Ethnic Diversity Management and Performance

Variables	Pearson Correlation (r)	Sig. (2-tailed)	Decision
Ethnic Diversity Management & Performance (Firm Agility)	0.748**	0.000	Reject H_{01}

Note: ** Correlation is significant at the 0.01 level (2-tailed)

Source: SPSS Output, Version 23

Interpretation: The results show a strong positive correlation ($r = 0.748$, $p < 0.01$) between ethnic diversity management and performance. This significant relationship indicates that banks with ethnic diversity management practices could achieve superior performance.

Summary of Findings

This study investigated the relationship between diversity and performance of Zenith Bank and Access Bank branches operating in Esan West and Esan North East Local Government Areas of Edo State. The findings reveal several important patterns that contribute to understanding diversity-performance relationships in Nigerian banking contexts.The study establishes that ethnic diversity management significantly and positively influences agility in the studied banks. The strong positive correlation ($r = 0.748$, $p < 0.01$) between ethnic diversity management and performance (firm agility) confirms that banks effectively managing workforce diversity across multiple dimensions achieve superior outcomes This finding aligns with Contact Theory's proposition that intergroup contact under optimal conditions enhances cooperation and collective performance, and supports the resource-based view that effectively managed ethnic diversity constitutes a valuable organizational resource capable of generating sustainable competitive advantage (Allport, 1954; Barney, 1991; Pettigrew & Tropp, 2006).

Conclusion

This study has examined the relationship between diversity and performance in selected branches of Zenith Bank and Access Bank operating in Esan West and Esan North East Local Government Areas of Edo State, Nigeria. Based on the empirical findings, several conclusions emerge that have implications for theory, practice, and policy. Overall, this study concludes that ethnic diversity management should be repositioned from a compliance-oriented function to a core strategic capability within Nigerian banking sector.

Recommendations

Based on the findings and conclusions of this study, the following recommendations are proposed for the stated firms (Banking Institutions):

1. The focused banks should align diversity objectives with performance targets across agility, competitiveness, customer satisfaction, and innovation.

2. The studied banks should establish clear targets for female leadership representation, implement transparent promotion criteria, provide mentorship and sponsorship programs for women, and address work-life balance barriers that impede female career progression.

3. The studied banks should conduct ethnic diversity audits ensuring fair representation across Nigeria's major ethnic groups.

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Separation of Ownership and Control in Nigerian Joint-Stock Companies: Implicationsfor Accountability and Financial Reporting

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Abstract

This paper conceptually examines the separation of ownership and control in Nigerian joint-stock companies and its implications for accountability and financial reporting. Motivated by persistent concerns regarding agency conflicts, weak monitoring mechanisms, and declining stakeholder confidence within Nigeria's corporate sector, the study employs a doctrinal and analytical methodology. It relies on an extensive review of relevant theoretical literature, statutory frameworks such as the Companies and Allied Matters Act (CAMA) 2020, corporate governance codes, and recent empirical studies on Nigerian listed firms. The analysis reveals that while the separation of ownership and management has facilitated capital formation and corporate growth, it has also intensified agency problems manifesting in information asymmetry, earnings management, weak board oversight, and compromised financial reporting quality. Evidence from recent Nigerian studies indicates that effective governance mechanisms significantly influence financial reporting quality and accountability obligations. The paper concludes that strengthening institutional enforcement, enhancing board independence, promoting transparent financial disclosures, and encouraging active shareholder monitoring are critical to mitigating agency conflicts and improving accountability in Nigerian joint-stock companies. It recommends stricter regulatory enforcement and improved governance practices to enhance investor confidence and sustain Nigeria's corporate reporting integrity.

Keywords: Ownership–Control Separation; Corporate Governance; Agency Theory; Financial Reporting Quality; Accountability in Nigerian Firms

Introduction

The emergence of the modern joint-stock company fundamentally altered business organization structures by separating ownership from managerial control. In this arrangement, shareholders provide capital and retain residual claims on profits, while professional managers are entrusted with day-to-day corporate administration. Although this institutional arrangement enables capital mobilization, risk diversification, and managerial specialization, it also generates structural tension between principals (shareholders) and agents (managers), often recognized as the agency problem (Jensen & Meckling, 1976).In Nigeria, the separation of ownership and control has become increasingly prominent with the growth of publicly quoted companies listed on the Nigerian Exchange Group (NGX). As shareholding becomes more dispersed, direct owner monitoring weakens, and managerial discretion expands, heightening information asymmetry and opportunistic behavior. Consequently, financial reporting assumes a central accountability role, serving as the primary mechanism through which management renders stewardship accounts to shareholders and stakeholders.The Nigerian corporate environment has experienced governance failures and financial reporting irregularities, undermining investor confidence and public trust. These challenges reflect weaknesses in oversight structures, enforcement mechanisms, and ethical compliance within some joint-stock companies. Empirical evidence suggests that deficiencies in board independence, audit committee effectiveness, and regulatory supervision continue to affect financial reporting quality in Nigeria (Abdulmalik & Ahmad, 2023; Okoye &Akenbor, 2022). These realities underscore the need to examine how ownership–control separation shapes accountability outcomes in Nigeria.To address these governance challenges, Nigeria has strengthened its legal and regulatory architecture. The enactment of CAMA 2020 represents a significant reform aimed at enhancing corporate transparency, shareholder protection, and directors' accountability. Complementing CAMA are the Nigerian Code of Corporate Governance issued by the Financial Reporting Council of Nigeria (FRCN) and the oversight functions of the Securities and Exchange Commission (SEC). These frameworks impose statutory reporting obligations, require audited financial statements, strengthen board responsibilities, and promote improved disclosure practices.

Despite these reforms, concerns persist regarding the effectiveness of enforcement and the realization of accountability objectives. Studies indicate that while IFRS adoption and governance reforms have improved formal compliance, substantive transparency and reporting integrity still vary across firms (Iyoha&Oyerinde, 2023; Nwoye, 2024). The separation of ownership and control therefore remains a critical issue, not merely as a structural characteristic of the joint-stock company, but as a determinant of financial reporting quality and corporate accountability in Nigeria.This paper situates the discussion within the Nigerian institutional environment, examining how ownership dispersion, managerial authority, governance mechanisms, and regulatory oversight interact to influence accountability and financial reporting practices. By interrogating these dynamics, the study contributes to the broader discourse on strengthening corporate governance and enhancing investor confidence in Nigeria's capital market.

Literature Review

The Rationale for Separation

The historical roots of ownership-separation lie in the evolution of joint-stock companies as vehicles for mobilizing large pools of capital from dispersed investors. As corporations expanded in size, it became impractical for shareholders to engage directly in day-to-day management, leading to the delegation of managerial authority to professional executives (Berle & Means, 1932; Jensen & Meckling, 1976). This structural transformation enabled industrial growth and diversification.However, this delegation creates an agency relationship where managers (agents) control resources on behalf of shareholders (principals). Agency theory posits that managers may pursue personal objectives diverging from shareholder wealth maximization (Jensen & Meckling, 1976). In emerging markets like Nigeria, where monitoring mechanisms may be weaker, agency conflicts may manifest in expropriation of minority shareholders and opaque reporting practices (Adegbite, 2023; Nmehielle&Nwauche, 2022).In this context, financial reporting becomes a central accountability mechanism. Audited financial statements serve a stewardship function by providing shareholders with credible information regarding managerial performance and resource utilization. Corporate governance structures, including independent boards and audit committees, operate alongside financial reporting to mitigate agency costs and enhance transparency (Iyoha&Oyerinde, 2023; Uwuigbe et al., 2022).

Advantages of Separation of Power

Despite inherent agency risks, the separation of ownership and control offers significant economic advantages:

Managerial Specialization: Professional managers possess technical expertise that enhances operational efficiency.

Capital Formation and Risk Diversification: Separation encourages broader participation in equity markets, supporting firm growth on the Nigerian Exchange.

Long-term Strategic Investments: Managerial autonomy permits firms to pursue innovation and restructuring, often leading to improved performance outcomes (Ehikioya& Umoren, 2023; Uwuigbe et al., 2022).

Modern Trends Affecting Separation

Recent developments in Nigeria’s corporate governance landscape have reshaped ownership–control dynamics. The adoption of International Financial Reporting Standards (IFRS) aims to enhance comparability and investor confidence, although enforcement challenges persist (Iyoha&Oyerinde, 2023). The Nigerian Code of Corporate Governance emphasizes board independence and effective audit committees, aiming to reduce managerial dominance.Digital transformation has also expanded internet financial reporting practices, enhancing transparency between managers and shareholders (Adegbite, 2023). However, research reveals variations in the effectiveness of governance mechanisms influenced by ownership concentration and regulatory enforcement (Ehikioya& Umoren, 2023).

Case of Separation of Power in Modern-Day Business

Empirical evidence from Nigerian quoted companies illustrates the practical implications of ownership–control separation. Research shows that ownership structure, particularly managerial ownership and institutional shareholding, significantly influences financial reporting quality and agency costs (Uwuigbe et al., 2022). Concentrated ownership may reduce managerial opportunism but can also lead to majority shareholder expropriation if protections for minority shareholders are weak.Board characteristics play a critical role; studies show that board independence and audit committee expertise positively correlate with improved reporting quality (Ehikioya& Umoren, 2023; Iyoha&Oyerinde, 2023). These findings suggest that governance mechanisms moderate the negative effects of ownership–control separation.Moreover, reforms introduced under CAMA 2020 have reinforced directors' fiduciary duties, but effective enforcement remains essential to translate legal provisions into accountability outcomes (Nmehielle&Nwauche, 2022). Overall, while ownership and control separation is crucial for corporate growth, its benefits depend on robust financial reporting systems and effective regulatory oversight.

Theoretical Review

This study is principally anchored on Agency Theory, which provides the dominant analytical framework for understanding the separation of ownership and control. Agency theory conceptualizes the firm as a nexus of contracts between principals (shareholders) and agents (managers), where decision-making authority is delegated to managers who are expected to act in the best interests of owners (Jensen & Meckling, 1976). The theory assumes rational self-interest; thus, when ownership is separated from control, managers may pursue personal objectives that diverge from shareholder wealth maximization.A central concern of agency theory is information asymmetry. Managers typically possess superior, firm-specific information compared to dispersed shareholders, creating opportunities for moral hazard and adverse selection (Fama & Jensen, 1983; Jensen & Meckling, 1976). Agency costs arise from monitoring expenditures by principals, bonding expenditures by agents, and residual losses.In Nigeria, agency problems are particularly salient due to variations in ownership structures, enforcement intensity, and governance effectiveness. While some firms exhibit concentrated ownership that may reduce classical owner-manager conflicts, such structures can introduce principal–principal conflicts (Adegbite, 2023; Nmehielle&Nwauche, 2022). Financial reporting plays a pivotal role in mitigating agency conflicts by providing transparent, reliable information about managerial performance. Empirical studies in Nigeria indicate that stronger governance mechanisms are associated with improved financial reporting quality and reduced earnings management (Ehikioya& Umoren, 2023; Iyoha&Oyerinde, 2023).Complementary perspectives, such as Stewardship and Stakeholder theories, enrich the understanding of ownership–control separation. Stewardship theory suggests that managers may act as responsible stewards aligned with organizational success (Davis, Schoorman, & Donaldson, 1997), while Stakeholder theory broadens accountability beyond shareholders to include employees, creditors, regulators, and society (Freeman, 1984). Thus, financial reporting quality addresses shareholder agency concerns and fulfills wider stakeholder accountability obligations.Overall, agency theory remains the foundational framework for analyzing ownership and control separation, particularly in explaining the need for robust governance structures and credible financial reporting systems.

Empirical Review

Empirical investigations within the Nigerian corporate environment reveal substantial evidence on the implications of ownership–control separation for accountability and financial reporting quality. Given Nigeria's evolving regulatory framework and mixed ownership patterns, research findings indicate nuanced relationships between governance mechanisms and reporting outcomes.Corporate Governance Structures Influence Reporting Quality: Studies demonstrate that board composition, independence, and oversight capacity significantly determine transparency and earnings quality. A higher proportion of independent non-executive directors correlates with reduced earnings management (Ehikioya& Umoren, 2023; Uwuigbe, Erin, & Jafaru, 2022). Audit Committee Characteristics are Critical: Audit committees with financial expertise and greater independence are better positioned to detect irregularities and enhance reporting quality (Iyoha&Oyerinde, 2023; Okoye &Akenbor, 2022). In Nigeria, where regulatory enforcement varies, audit committee diligence is crucial for constraining discretionary accounting practices.

Ownership Structure Shapes Agency Dynamics: Research indicates that managerial ownership can align interests between managers and shareholders, but excessive control may entrench management (Uwuigbe et al., 2022). Concentrated ownership may enhance monitoring efficiency but also lead to principal–principal conflicts (Adegbite, 2023).

Institutional Ownership Improves Reporting Quality: Empirical findings suggest that institutional ownership enhances financial reporting quality by increasing external monitoring pressure (Ehikioya& Umoren, 2023). The activism and independence of institutional shareholders are critical for effective oversight.

Overall, while ownership and control separation introduces agency risks, effective governance mechanisms can significantly moderate these risks. The Nigerian evidence highlights contextual variations influenced by regulatory enforcement, corporate culture, and institutional development, emphasizing the need for improved governance quality to enhance accountability and financial reporting integrity.

Methodology

This study employs a conceptual and analytical research design, relying on an extensive review and synthesis of existing literature to examine the separation of ownership and control in Nigerian joint-stock companies and its implications for accountability and financial reporting. The literature reviewed consists of peer-reviewed journal articles, textbooks, conference proceedings, regulatory publications, and policy documents published between 2012 and 2024. The review process followed a structured selection criterion emphasizing relevance, recency, methodological rigor, and contextual applicability to Nigeria (Ehikioya& Umoren, 2023; Uwuigbe, Erin, & Jafaru, 2022).

In addition to academic sources, insights from secondary institutional materials, including audited annual reports of companies listed on the Nigerian Exchange Group (NGX), were consulted to understand prevailing disclosure practices

and ownership patterns. Regulatory frameworks such as CAMA 2020 and the Nigerian Code of Corporate Governance were also examined.
The analytical procedure involved thematic categorization of literature under key constructs: ownership structure, agency conflict, governance mechanisms, financial reporting quality, and accountability outcomes. Through comparative analysis, the study identifies patterns and divergences in findings across Nigerian studies, integrating theoretical arguments with empirical evidence to interpret how ownership–control separation shapes reporting behavior and governance effectiveness.

Findings

The synthesis of theoretical arguments and empirical evidence reveals several important findings regarding the separation of ownership and control in Nigerian joint-stock companies and its implications for accountability and financial reporting.Agency Conflict Remains Prevalent in Nigeria: Ownership–control separation in Nigerian firms continues to generate significant agency conflicts. Empirical studies demonstrate that agency costs are influenced by ownership structure and managerial incentives (Uwuigbe, Erin, & Jafaru, 2022). Weak monitoring mechanisms and limited shareholder activism contribute to managerial discretion, compromising accountability.Governance Structures Significantly Influence Reporting Quality: Evidence underscores the critical role of corporate governance mechanisms in moderating agency conflicts. Companies with a higher proportion of independent non-executive directors exhibit reduced earnings manipulation (Ehikioya& Umoren, 2023). Audit committees with financial expertise and regular meetings enhance financial disclosures (Okoye &Akenbor, 2022).Regulatory and Enforcement Weaknesses Undermine Accountability: Despite statutory frameworks like CAMA 2020, enforcement deficiencies remain a major concern. Studies suggest that while IFRS adoption has improved reporting standards, substantive integrity depends on effective enforcement (Iyoha&Oyerinde, 2023).Overall, while structural separation of ownership and control is inevitable, its accountability implications in Nigeria are shaped by the strength of governance institutions and enforcement mechanisms. Agency conflicts are prevalent, but robust governance frameworks significantly improve financial reporting quality and corporate accountability.

Recommendations

Based on the analysis and empirical evidence, several recommendations emerge to enhance accountability and financial reporting quality in Nigerian joint-stock companies:

1. Strengthen Regulatory Enforcement: Regulatory bodies, especially SEC and FRCN, should intensify enforcement of corporate governance codes and financial reporting standards. Inconsistent enforcement leads to managerial discretion and weak accountability.
2. Promote Board Independence and Effectiveness: Firms should increase the proportion of independent directors to mitigate managerial dominance. Boards should also be appropriately sized to facilitate specialized oversight.

3. Enhance Financial and Non-Financial Disclosure Practices: Companies should adopt comprehensive financial and non-financial reporting practices to reduce information asymmetry and increase investor confidence.
4. Foster Active Institutional Investor Engagement: Institutional investors should be encouraged to actively monitor management behavior, as their involvement enhances governance outcomes.
5. Capacity Building and Corporate Governance Education: Continuous training on governance best practices for corporate managers, directors, and shareholders will enhance understanding of fiduciary responsibilities.
6. These recommendations aim to reduce agency conflicts and improve financial reporting quality in Nigerian joint-stock companies, fostering investor confidence and sustainable corporate growth.

Conclusion

The separation of ownership and management in Nigerian joint-stock companies represents a structural necessity for the growth of modern enterprises but introduces significant challenges related to accountability and financial reporting. Delegating managerial authority facilitates capital formation and operational efficiency, yet also gives rise to agency conflicts where managers may pursue self-interest at the expense of shareholder objectives.

Empirical evidence from Nigerian firms underscores the importance of governance mechanisms, such as board independence and audit committee competence in mitigating these risks and enhancing accountability. Strengthening corporate governance frameworks, improving transparency, and ensuring consistent regulatory enforcement are critical to bridging the accountability gap.

In conclusion, while the separation of ownership and control is indispensable for modern corporate operations, its benefits can only be realized when complemented by robust governance practices, active monitoring, and strong regulatory oversight. These measures will collectively foster a culture of accountability, enhance financial reporting quality, and promote sustainable corporate growth in Nigeria.

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Electronic Banking and Profitability of Deposit Money Banks in Nigeria

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Abstract

This study examined the effect of electronic banking on the profitability of Deposit Money Banks in Nigeria using ex post facto research design with quarterly time series data sourced from the Central Bank of Nigeria Statistical Bulletin and the Banking Supervision Reports covering the period from 2010 to 2024. Profitability was measured using Return on Assets while electronic banking channels were represented by Automated Teller Machine transactions, Point of Sales transactions, Mobile Payment transactions, and Internet Banking transactions. The study employed the Ordinary Least Squares estimation technique to determine the extent to which these electronic banking variables influence bank profitability within the Nigerian financial system. The empirical findings revealed that electronic banking channels significantly contribute to the financial performance of Deposit Money Banks, although the effects differ across platforms. Automated Teller Machine transactions showed a negative and significant effect, suggesting high operational costs reduce profitability. Point of Sales and Mobile Payment transactions had positive but insignificant effects, while Internet Banking transactions demonstrated a positive and significant contribution, highlighting its profitability potential. Based on these findings, the study concludes that electronic banking has both supportive and adverse effects on the profitability of Nigerian deposit money banks. The study therefore recommends that banks optimise ATM operations to reduce costs, strengthen POS and mobile banking services to enhance revenue generation, and continue investing in Internet Banking platforms to expand digital transactions. Regulatory authorities should also support improved digital infrastructure to ensure stability, efficiency, and profitability in the Nigerian banking sector.

Keywords: Electronic Banking, Deposit Money Banks, Profitability, Return on Assets, ATM Transactions, POS Transactions, Internet Banking

1.0 Introduction

1.1 Background to the Study

Profitability represents the ability of a business organisation to generate adequate earnings relative to its expenses, assets and equity, and it is widely regarded as the primary indicator of financial sustainability and long-term viability. In the banking industry, profitability reflects the extent to which a bank is able to achieve optimal earnings from its core intermediation activities, investment functions and fee-based operations. Indicators such as return on assets and return on equity are commonly used to show how efficiently banks utilise their resources to generate income for shareholders (Ngwu, 2021). Profitability therefore determines a bank's capacity to expand its operations, attract investment, withstand economic shocks and maintain competitive strength within the financial system. As a result, understanding the drivers of profitability has become a central concern in modern banking and finance literature. In Nigeria, issues surrounding the profitability of deposit money banks have continued to attract scholarly and regulatory attention. Despite banking reforms, recapitalisation efforts and continuous technological investment, many banks still grapple with rising operational costs, high non-performing loan ratios, fluctuating macroeconomic conditions and increasing competition from fintech firms, all of which constrain their ability to sustain high levels of profitability (Adekunle & Oke, 2020). Additional challenges include regulatory compliance costs, security expenses and market volatility, which weaken profit margins and raise questions about the long-term stability of the sector. Consequently, bank managers increasingly seek strategic approaches that can minimise cost inefficiencies, enhance revenue streams and strengthen financial performance in a highly dynamic operating environment.

Scholars have identified several factors that can enhance the profitability of banks when effectively managed. These factors include efficient cost management, strong credit risk practices, robust capital adequacy, quality asset management and effective diversification of revenue sources through non-interest income (Oluwafemi & Adebayo, 2022). The adoption of innovative technologies that improve service delivery, reduce processing time and enhance customer experience has also been linked with improved profitability outcomes. Similarly, improvements in financial literacy, customer retention, market expansion and improved operational efficiency increase a bank's ability to generate sustainable earnings. These drivers suggest that profitability is influenced not only by internal managerial decisions but also by the extent to which banks adopt modern tools and processes to keep pace with global trends in financial intermediation. In recent years, electronic banking has emerged as one of the most transformative developments in the Nigerian banking sector, offering diverse channels such as mobile banking, online banking, automated teller machines and point of sale terminals to facilitate seamless transactions. Electronic banking has the potential to enhance profitability by reducing transaction costs, increasing transaction volumes, improving operational efficiency and enabling banks to reach a wider customer base beyond physical branches (Okoye & Eze, 2021). However, it may also introduce challenges such as high technological investment costs, cybersecurity risks and system downtimes, which can weaken financial performance if not well managed. The mixed empirical findings on whether electronic banking positively or negatively influences profitability create a compelling need for further investigation within the Nigerian context. This study therefore seeks to examine the relationship between electronic banking and the profitability of deposit money banks in Nigeria, with a view to providing evidence-based insights that can guide managerial and policy decisions.

1.2 Statement of the Problem

Profitability remains a major concern for deposit money banks in Nigeria, even though the industry has increasingly adopted electronic banking platforms over the past decade. Banks have invested heavily in automated teller machines, point of sale terminals, mobile banking applications and internet banking services with the expectation that these technologies would improve efficiency and earnings. However, empirical evidence has remained inconsistent regarding whether electronic banking significantly enhances profitability. Some studies report that electronic banking reduces operating costs and increases transaction volumes, thereby supporting profitability growth (Adewoye, 2022; Ibidapo & Ogunleye, 2023). In contrast, other studies argue that profits may not improve due to high installation and maintenance costs, recurring network failures, cybersecurity risks and customer dissatisfaction associated with service interruptions (Okike& Eze, 2021; Nwaolisa&Obidike, 2023). The profitability challenge is further deepened by competition from rapidly expanding fintech firms, which have disrupted traditional banking revenue structures and reduced fee-based income for banks (Olowe & Taiwo, 2022). Additionally, banks continue to operate under volatile macroeconomic conditions and stringent regulatory requirements that increase compliance costs and weaken profit margins (CBN, 2023). These contradictions create a clear knowledge gap on the actual influence of electronic banking on profitability, particularly within the Nigerian banking environment. It is this gap that necessitates an empirical investigation into the extent to which electronic banking channels contribute to or constrain the profitability of deposit money banks in Nigeria.

1.3 Objectives of the Study

The main objective of this study is to examine the effect of electronic banking on the profitability of deposit money banks in Nigeria. The specific objectives are to:

i. Ascertain the effect of Automated Teller Machine (ATM) transaction on Return on Assets of Deposit Money Banks in Nigeria.
ii. Determine the effect of Point of Sales (POS) transactions on Return on Assets of Deposit Money Banks in Nigeria.
iii. Examine the effect of Mobile Payment on Return on Assets of Deposit Money Banks in Nigeria.
iv. Ascertain the effect of Internet banking transactions on Return on Assets of Deposit Money Banks in Nigeria.

1.4 Research Hypotheses

The hypotheses for this study are stated in a null form below:

H_{01}: Automated Teller Machine (ATM) transactions has no significant effect on the Return on Assets (ROA) of Deposit Money Banks in Nigeria.

H_{02}: Point of Sales (POS) transactions has no significant effect on the Return on Assets (ROA) of Deposit Money Banks in Nigeria.

H_{03}: Mobile Payment transactions has no significant effect on the Return on Assets (ROA) of Deposit Money Banks in Nigeria.

H_{04}: Internet Banking transactions has no significant effect on the Return on Assets (ROA) of Deposit Money Banks in Nigeria.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Electronic Banking

Electronic banking refers to the use of digital channels that allow customers to access financial services without visiting a physical banking hall, and it includes systems such as ATMs, POS terminals, internet banking and mobile payment platforms. According to Okoro and Nwosu (2021), electronic banking is defined as the delivery of banking products and services through electronic means, enabling customers to initiate transactions, check balances and manage accounts remotely. This evolution in the banking sector has been driven by advances in communication technology, which have created new ways for banks to optimise service delivery. Osakwe (2022) explains that electronic banking forms an important part of modern banking because it integrates digital processes with traditional financial services, making transactions faster and more convenient for users. The adoption of electronic banking therefore reflects a shift from manual operations to automated systems designed to enhance customer accessibility.In Nigeria, electronic banking has become a central component of financial operations because of increased internet penetration, mobile device usage and regulatory support for cash-less transactions. Eze and Ojo (2023) note that Nigerian banks have invested heavily in electronic banking infrastructure to improve efficiency and reduce dependence on physical branches. These investments include digital platforms that allow users to make payments, transfer funds, deposit and withdraw cash and gain access to a range of services through digital interfaces. The rapid expansion of electronic banking has also been associated with the Central Bank of Nigeria's policies promoting digital payments, which have encouraged banks to prioritise technology-driven transactions.Electronic banking is also regarded as an important strategy for strengthening financial performance because it reduces operational costs, improves transaction speed and expands the customer base through digital outreach. Adebiyi and Fapohunda (2022) emphasise that electronic banking creates new revenue streams for banks through service fees and higher transaction volumes, while also supporting the broader financial system by encouraging transparency and accountability. As customers increasingly prefer digital channels for convenience and safety, banks that embrace electronic banking are better positioned to remain competitive and enhance profitability. This highlights the ongoing relevance of electronic banking as a key driver of innovation in the Nigerian financial industry.

2.1.1.1 Automated Teller Machine (ATM) Transactions

A customer may do basic financial operations via an ATM, which is a computer-controlled device, without having to speak with a bank employee directly. An automated teller machine (ATM) is a unit of technology that enables users to autonomously perform monetary transactions such as withdrawing cash, checking account balances, and so on (Abiola and Ajayi, 2021). As most ATMs are open around the clock, providing services outside of regular banking hours, this approach ensures that customers have constant access to their money. The ATM has become one of the earliest and most widely used forms of electronic banking, serving as a bridge between traditional and modern digital transactions. Omotayo (2022) adds that ATM usage has grown steadily in developing countries because it offers convenience and immediate access to cash.

As electronic banking and cashless policies have gained traction in Nigeria, the number of transactions processed by ATMs has grown substantially. When it comes to customer service, banks are turning to ATMs more and more as a means to alleviate crowding at branch locations and save costs. Withdrawals, transfers, bill payments, and card-based verification for a range of financial services are now all part of the ATM transactions in Nigeria, as pointed out by Ekanem and Nwachukwu (2023). In light of ATMs' transformation from basic cash dispensers to multipurpose digital service hubs, this growth is not surprising. Nigerian banks have been deploying more ATMs in key areas to make sure they are accessible to more clients, who are becoming used to self-service choices.In addition to the obvious benefits to operational efficiency and customer experience, the impact of ATM transactions on banking performance has also garnered a lot of attention. By decreasing staffing costs, boosting transaction volumes, and shortening lineups, banks gain from ATM use (Daniel and Afolabi, 2023) according to their reasoning. Furthermore, automated teller machines (ATMs) help expand access to banking services by bringing services to communities that may not have full-service branches. So, automated teller machine (ATM) transactions are fundamental to electronic banking and have an ongoing impact on the efficiency and structure of Nigerian banking. Their importance in deposit money banks' profitability has made them a game-changer in research on the correlation between online banking and bottom-line results.

2.1.1.2 Point of Sales (POS) Transactions

Electronic payments processed by a Point of Sale (POS) terminal allow customers to bypass carrying about large amounts of cash and instead use their debit or credit cards to make purchases. A point-of-sale (POS) system is an electronic platform that enables businesses to take credit card payments via the transmission of data between the banks of the buyer and the seller (Bello and Yusuf, 2021). Faster payment processing and less need for real currency have led to point-of-sale terminals' widespread use in the service, hotel, and retail industries. Retail point-of-sale (POS) transactions, which are a component of electronic banking, facilitate online shopping by providing convenient and safe payment methods.With the proliferation of card services and POS devices that can be accessed via mobile devices, the utilisation of point-of-sale systems has skyrocketed in Nigeria over the last decade. According to Adeoye and Ibrahim (2022), point-of-sale (POS) transactions are rapidly expanding as a form of electronic payment. This is mostly because POS terminals are affordable and allow for speedy transactions, which attract many small firms. Installing point-of-sale terminals has been on the rise in Nigeria, in part because of the Central Bank of Nigeria's push for a cashless economy. Nowadays, these terminals are used for more than just making payments; they also facilitate cash transfers, withdrawals, and informal banking in communities.

In today's banking system, point-of-sale (POS) transactions are crucial since they encourage the use of bank-issued cards, boost consumer involvement, and provide transaction fees. Oyewole and Ezenwa (2023) stress that point-of-sale payments help banks increase their income while decreasing the risks and expenses associated with managing cash. Banks anticipate increased transaction volumes and expanded adoption of electronic payment cards as POS terminals are adopted by more customers and businesses. Thus, point-of-sale transactions are a crucial component of electronic banking, impacting the financial success of Nigerian deposit money banks and adding to the ease of their services.

2.1.1.3 Mobile Payment Transactions

Customers may use their debit or credit cards to make purchases instead of lugging around significant quantities of cash thanks to electronic payments handled by a Point of Sale (POS) terminal. Businesses may accept credit card payments using a point-of-sale (POS) system, which is an electronic platform that transmits data between the buyer's and seller's banks (Bello and Yusuf, 2021). The usage of point-of-sale terminals has been extensively seen in the service, hotel, and retail sectors because to the expedited processing of payments and the reduced need for physical cash. Online buying is made easier with the use of secure and easy retail point-of-sale (POS) transactions, which are a part of electronic banking. In the last ten years, point-of-sale system use has surged in Nigeria, thanks to the widespread availability of card services and POS devices available via mobile devices. One kind of electronic payment that is quickly growing is point-of-sale (POS) transactions, which are reported by Adeoye and Ibrahim (2022). Reason being, many small businesses are drawn to POS terminals due to their affordability and ability to process transactions quickly. throughout response to the Central Bank of Nigeria's initiatives to promote a cashless economy, the installation of point-of-sale terminals has been increasing throughout Nigeria. In addition to accepting payments, these machines now offer allow for withdrawals, cash transfers, and community-based informal banking. Given that they generate fees, increase customer engagement, and promote the usage of bank-issued cards, point-of-sale (POS) transactions play an essential role in modern banking systems. According to Oyewole and Ezenwa (2023), banks may boost their revenue and reduce the risks and expenditures of handling cash using point-of-sale payments. More and more companies and consumers are using point-of-sale terminals, which means more transactions and more people using electronic payment cards, which is good news for banks. Electronic banking relies heavily on point-of-sale transactions, which both improve the convenience and profitability of deposit money banks in Nigeria.

2.1.1.4 Internet Banking Transactions

Financial services obtained via online banking platforms using computers or other internet-enabled devices are referred to as internet banking transactions. The term "internet banking" was used by Adeniran and Oladipo (2021) to describe the practice of facilitating monetary transactions (such as transfers of funds, payments of bills, and account queries) using online portals. Online banking was one of the first types of electronic banking on a worldwide scale since it allowed users to conduct financial transactions from any place with an internet connection. Due to its widespread use and ease of use, it has become an integral part of online banking. Improved internet access and customers' increasing confidence with digital financial transactions have led to a rise in online banking usage in Nigeria. In order to increase safety, enhance user experiences, and broaden the range of services offered, Nigerian banks have recently changed their online platforms, as pointed out by Adebanjo and Udeh (2022). These systems now provide a plethora of features, such the ability to monitor accounts, make investments online, and manage cards. In order to stay competitive and satisfy client expectations in the digital world, banks are constantly improving their online banking platforms. The expansion of interaction with customers and the reduction of expenses connected with branch-based operations are two ways in which internet banking considerably helps to banking success. Internet banking, according to Njoku and Awoyemi (2023), boosts profitability via facilitating more electronic payments, cutting down on administrative costs, and opening up new avenues for fee-based revenue. Customers are more satisfied, loyal, and the banks' bottom lines are better off when they can shop online safely and efficiently. To this day, online banking transactions continue to play a pivotal role in the success or failure of Nigeria's deposit money banks.

2.1.2 Deposit Money Banks and Profitability

The capacity of deposit money banks to make a profit after deducting all operational expenditures is known as profitability. The capacity of a bank to generate a profit from its operations is reflected in its profitability, as stated by Ali and Hassan (2021). The ability of a bank to maintain stability, grow its business, and attract investors is directly proportional to its profitability. The longevity and capacity to compete of financial institutions are decided by their profitability rates, making it a critical performance indicator in the banking industry.The rapid evolution of the banking industry and the widespread use of digital technology have focused more and more emphasis on the profitability of Nigerian deposit money institutions.According to Ebeh and Omodero (2022), there are a number of elements, both internal and external, that affect profitability. These include things like operational efficiency, asset quality, and management structure. In light of the ever-changing nature of the banking industry, stakeholders may learn a lot about the banks' responsiveness to customer needs and technology advances by tracking their profitability. In the face of changing consumer expectations and rapid digital developments, Nigerian banks are constantly adjusting their operations to maintain profitability. The level of trust that depositors, investors, and regulators have in the financial system is directly correlated to its profitability. According to Ugwueleka and Afolayan (2023), financially stable banks are better equipped to sustain growth in credit, expand their capital reserves, and aid in the expansion of the economy as a whole. Banks' capacity to generate profits for their stakeholders and the efficacy of their financial services are both shown by the profitability of deposit money banks. To evaluate the viability of Nigerian banks in the long run, it is crucial to comprehend how profitability reacts to developments in electronic banking, especially as digital banking grows in prominence.

2.1.2.1 Return on Assets (ROA)

The financial ratio known as return on assets (ROA) indicates the efficiency with which a bank turns its total assets into profit. Samuel and Nduka (2021) state that return on assets (ROA) is a measure of a bank's efficiency in turning its assets into profits. As it shows how well assets are being utilised and how successful management is, return on assets (ROA) is often employed in banking research. Analysts and regulators use return on assets (ROA) as a performance metric to determine the efficiency with which a bank's assets contribute to profitability. Considering ROA reflects the entire influence of operational choices on profits, it is often used to analyse the financial performance of deposit money institutions in Nigeria. Since ROA takes into account the whole asset base instead than only shareholder funds, it paints a more accurate image of profitability than other metrics, as pointed out by Omeje and Okeke (2022). A greater return on assets (ROA) indicates that a Nigerian bank is more efficient and can weather economic storms better. Consequently, return on assets (ROA) has become a common instrument in empirical research that look at how technology breakthroughs or operational strategies affect banks' financial performance. Return on assets (ROA) is significant because it shows how well banks employ digital channels and control the costs that come with them. Banks' cost structures, transaction volumes, and income streams are all impacted by electronic banking systems, which in turn affect ROA (Edeh and Ifionu, 2023). Banks' return on assets (ROA) may improve after implementing effective electronic platforms because of the increase in transaction volume and fall in overhead expenses. Determining the effect of electronic banking on profitability in Nigerian deposit money banks can be done by looking at ROA.

2.2 Theoretical Review

2.2.1 Technology Acceptance Model (TAM)

Davis proposed the Technology Acceptance Model (TAM) in 1989, and since then, it has been extensively used to describe how users embrace technology in different settings. According to the theory, people are more likely to embrace technology if they believe it will be easy to use and valuable. The Theory of Acceptance Model (TAM) offers a framework for studying the relationship between customer propensity to use online banking, the amount of transactions processed, and banks' profitability. Electronic banking has the potential to improve a bank's bottom line if customers appreciate using it and find it beneficial (Venkatesh and Davis, 2000). The use of TAM to this research is crucial because it clarifies how customers interact with various kinds of electronic banking, including automated teller machines, point-of-sale terminals, mobile payments, and online banking. More and more people using these services means more money for the bank in the form of operational efficiency, less money spent on conventional banking techniques, and better use of assets. By increasing returns from the same asset base, this has an immediate effect on Return on Assets (ROA). The model further emphasises that in order to effectively deploy electronic banking services, user education and technological infrastructure are crucial (Chuttur, 2009).

In addition, TAM highlights how perceived utility influences customer engagement and loyalty. Customers are more likely to regularly utilise electronic services when they believe these services will save them time, lower transaction costs, and make the services more accessible. Profitability for Nigerian deposit money institutions is favourably affected by this pattern of conduct since it leads to greater deposits, larger transaction volumes, and higher interest revenue. So, to comprehend the connection between the use of electronic banking and the success of banks, the Technology Acceptance Model offers a solid theoretical perspective.

2.2.2 Diffusion of Innovations Theory

For the purpose of explaining the gradual spread of novel ideas and technological advancements throughout social systems, Everett Rogers developed the Diffusion of Innovations Theory in 1962. Reasons including relative benefit, compatibility, complexity, trialability, and observability are what, according to Rogers, drive innovation acceptance. This hypothesis sheds light on the adoption of technical advancements such as automated teller machines (ATMs), point-of-sale systems (POS), mobile payments, and internet banking platforms by customers and financial institutions (Rogers, 2003).

The theory sheds light on the trends and rates of electronic banking service adoption in Nigeria's banking industry, broken down by client category. Accelerated adoption and increased transaction volumes are possible for banks that actively seek out new platforms and work to make them compatible with their customers' demands. Banks' Return on Assets is boosted when more consumers use these services, which increase operational efficiency, speed service delivery, and generate cost savings. One of the main reasons why electronic banking is becoming more popular is because it offers several benefits over conventional methods, such being accessible at all times and being convenient (Oladele, 2019).

Furthermore, the importance of social impact and communication channels in promoting adoption is emphasised by the Diffusion of Innovations Theory. In the banking industry, technology adoption is driven by word of mouth, marketing efforts, and customer experiences. Nigerian deposit money banks might benefit from a better grasp of these elements when formulating plans to boost client participation in online banking. Therefore, this hypothesis gives a workable explanation for the connection between the spread of advancements in electronic banking and the improvement of banks' profitability.

2.2.3 Resource-Based View Theory (RBV)

Barney first proposed the Resource-Based View (RBV) theory in 1991. According to this theory, a company may maintain a competitive edge over the long term by capitalising on its precious, scarce, inimitable, and non-substitutable resources and talents. Technical infrastructure, trained employees, and proprietary systems that enable online banking are all considered resources in the banking industry. Because it establishes a connection between banks' technical investments in electronic banking and their financial performance, namely the Return on Assets (RBV) theory is especially applicable to this research (Barney, 1991).

Strategic resources that improve operational efficiency and market competitiveness include electronic banking platforms, which include ATMs, point-of-sale terminals, mobile apps, and online banking systems. Reduced transaction costs, expanded customer reach, new services, increased asset utilisation, and higher profitability may result for banks that make good use of these technology resources. Consequently, the RBV theory explains, theoretically speaking (Wernerfelt, 1984), how the performance results in the Nigerian banking industry are supported by internal skills and resources.

In addition, RBV stresses the need of integrating technical resources with human qualities and organisational procedures; otherwise, these alone will not be enough. Superior value creation and sustained competitive advantage are possible for

Nigerian banks with a combination of a modern electronic banking infrastructure, competent staff, and strong management processes. Investments in electronic banking are a key strategic asset that deposit money institutions may use to fuel their long-term development and increase profits, according to the RBV theory.

2.2.4 Theory of Financial Intermediation

Gurley and Shaw's 1960 Theory of Financial Intermediation examines the function of banks and other financial institutions in attracting deposits, distributing funds effectively, and easing business transactions. This theory states that the profitability of banks is dependent on how well they execute the job of intermediary between depositors and borrowers. According to Gurley and Shaw (1960), computerised banking services improve the intermediation function by making transactions faster, cheaper, and more accessible. Consequently, this theory is applicable to our research.

By eliminating the need for physical branches, cutting down on manual processing, and reaching a wider audience, banks are able to perform financial intermediation more effectively using electronic banking systems. More deposits and more loans may be made possible by to services like online banking, mobile payments, point-of-sale transactions, and ATMs. Since banks are able to extract more value from their current assets as a result of this enhanced efficiency, their Return on Assets is greater. Further bolstering profitability, electronic banking increases openness and decreases operational hazards connected with cash handling.

Also, incorporating technology into banking processes is something that the Theory of Financial Intermediation stresses. Deposit money banks in Nigeria may improve financial inclusion, expand their client base, and play an even more important role as intermediaries if they switch to online banking. Theoretically, this theory lays the groundwork for comprehending the role that technological advancements have in the profitability and efficiency of banks.

2.3 Empirical Review

Using quarterly data from 2009 to 2019, Demaki, Eromafuru, and Imasuen (2021) studied the correlation between electronic banking and the profitability of deposit money banks in Nigeria. Using an error-correction model and co-integration approaches, they discover that ROA is positively affected by mobile banking, ATM transactions, and POS transactions. On the other hand, their model does not include online banking as a key factor in explaining ROA. The authors conclude that mobile banking significantly boosts banks' bottom lines and advise financial institutions to increase their mobile banking penetration and persistently push mobile banking to their customers. The impact of electronic banking on the performance of Nigerian deposit money banks from 2009 Q1 to 2023 Q1 was investigated by Obumneke, Irimiya, and Joshua (2023) using a Dynamic Ordinary Least Squares (DOLS) technique. With point-of-sale and cheque transactions serving as independent variables, return on assets (ROA) is the dependent variable in their model. The results reveal that ROA is favourably and considerably impacted by POS transactions over the long term, and, rather unexpectedly, ROA is also positively impacted by check transactions. Although electronic channels are the primary drivers of performance, the authors maintain that more conventional approaches, such as the use of cheques, are still useful. The effect of financial technology adoption on the financial performance of Nigerian deposit money banks was investigated by Alagbe and Yinus (2025) using survey data obtained from six banks' employees. Their use of multiple regression reveals a robust positive correlation between ROA and the use of digital banking services (such as the amount of ATM withdrawals and online banking). They find that fintech use explains a large percentage of the variance in ROA ($R^2 = 0.743$), which means that banks' profitability is affected by fintech usage to a large extent. So, to keep growth going, they say we need put more money into digital infrastructure (particularly ATMs) and cybersecurity.

To determine the impact of e-banking channels on bank profitability, Aduaka and Awolusi (2018) used secondary financial data from 2010 to 2017 in conjunction with primary customer and employee data. Their results from the multiple regression analysis suggest that ATMs and card-based goods (such as debit and credit cards) are the two most critical factors influencing their profitability. Additionally, the research concludes that e-banking use is significantly impacted by service quality, security, and dependability, which in turn indirectly affect profitability via customer loyalty and retention. They suggest that in order to diversify their revenue streams, Nigerian banks should put an emphasis on card and ATM channels while simultaneously enhancing other channels (mobile, POS, internet).

In their 2019 study, Frank and Binaebi looked at how commercial banks in Nigeria's asset base changed once they started accepting electronic payments (via ATMs, the internet, mobile banking, and point-of-sale systems). They show a positive and statistically significant relationship between the banks' asset base and transactions processed via ATMs, online banking, and mobile banking using ordinary least squares regression on secondary data spanning 2009– 2019. But point-of-sale transactions have a negative correlation with total assets, so they may not be contributing as much to asset growth as they might be. While e-channels do improve performance on the whole, the authors argue that banks should be wary when investing in point-of-sale systems.

By interviewing bank relationship officers, Oladipo, Oyeyemi, Dairo, Omotola, and Saduwa (2025) investigated how commercial banks in Nigeria were impacted by electronic payment channels (ATM, POS, Mobile, Internet). Bank efficiency (a measure of performance) is favourably affected by ATM, POS, and mobile payment systems, according to regression and chi-square tests. In contrast, online payments (internet banking) exhibit inconsistent or mixed impacts. Their research shows that mobile platforms and physical e-channels (such as ATMs and point-of-sale systems) are still important for banks' bottom lines, and that better digital infrastructure and government backing are necessary to make online banking as efficient as possible.

3.0 Methodology

The study adopts an ex post facto research design to examine the effect of electronic banking channels, specifically ATM transactions, POS transactions, mobile payments, and internet banking, on the profitability of Nigerian deposit money banks as measured by Return on Assets, since this design relies on historical data without manipulating variables and is well suited for analysing natural relationships over time, consistent with its established relevance in finance and banking research (Sekaran & Bougie, 2016). The population comprises aggregate quarterly time series data covering all licensed deposit money banks in Nigeria from the first quarter of 2010 to the fourth quarter of 2024, obtained from the Central Bank of Nigeria Statistical Bulletin and the Banking Supervision Report, which offer audited and comprehensive information on electronic banking activity and financial performance. Using the complete quarterly dataset for this fifteen-year period results in sixty observations per variable, forming the entire sample and ensuring that all relevant data are captured to enhance the robustness of the analysis. A purposive sampling technique guides the selection of variables and observations by focusing exclusively on electronic banking indicators and profitability measures that align with the study's objectives. Data collection relies solely on secondary sources from the Central Bank of Nigeria, whose audited and regulated reports provide consistent and reliable information for the period under review. The study employs multiple regression analysis to determine the extent to which electronic banking usage influences the profitability of deposit money banks in Nigeria.

Model Specification

The study uses multiple regression analysis to examine the effect of electronic banking channels on the profitability of deposit money banks. The model is specified as follows:

$$ROA = f(ATM + \beta_2 POS + \beta_3 MB, INTB) \quad (1)$$
$$ROA = \beta_0 + \beta_1 ATM + \beta_2 POS + \beta_3 MP + \beta_4 IB + \varepsilon \quad (2)$$

Where:

ROA = Return on Assets (dependent variable)
ATM = Automated Teller Machine transactions (independent variable)
POS = Point of Sale transactions (independent variable)
MB = Mobile Banking transactions (independent variable)
INTB = Internet Banking transactions (independent variable)
$\beta 0$ = Intercept
$\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$ = Coefficients of the independent variables
ε = Error term

Data were analysed using **Eviews version 10**. Descriptive statistics, correlation analysis, and regression analysis will be employed to determine the strength, direction, and significance of the relationships between electronic banking channels and ROA. The coefficients were interpreted to assess how variations in electronic banking transactions affect profitability, with significance tested at the 5% level.

4.0 Results and Interpretation of Results

4.1 Descriptive Statistics

Table 4.1: Output of Descriptive Statistics

	ROA	ATM	POS	MB	INTB
Mean	0.720333	2763270.	6617473.	12440422	1.48E+08
Median	0.720000	1541748.	344340.7	277912.7	49914.81
Maximum	0.980000	10336556	60927263	89009808	2.00E+09
Minimum	0.340000	25330.00	910.0000	380.0000	4260.000
Std. Dev.	0.152415	2872260.	14314913	24549486	3.73E+08
Skewness	-0.500970	0.997200	2.497281	2.068373	3.598816
Kurtosis	3.659656	2.679748	8.291821	6.008195	15.94205
Jarque-Bera	3.597579	10.20048	132.3726	65.40474	548.2567
Probability	0.165499	0.006095	0.000000	0.000000	0.000000
Sum	43.22000	1.66E+08	3.97E+08	7.46E+08	8.91E+09
Sum Sq. Dev.	1.370593	4.87E+14	1.21E+16	3.56E+16	8.21E+18
Observations	**60**	**60**	**60**	**60**	**60**

Source: Eviews 10, 2026

The descriptive statistics provide a simple summary of the behaviour of all the variables used in the study over the 60 quarterly observations. The results show that Return on Assets (ROA) has a mean value of 0.72 percent, indicating that banks earned less than 1 percent on their assets on average during the period. The electronic banking variablesATM, POS, mobile banking, and internet bankingshow very large differences between their minimum and maximum values, which reflects the steady expansion of electronic payment adoption over the years. The standard deviations for these variables are also large, showing high fluctuations in transaction volumes, especially for POS, mobile banking, and internet banking. The skewness and kurtosis values indicate that the distributions of POS, mobile banking, and internet banking transactions are not normally shaped, which is confirmed by their Jarque-Bera probabilities that are statistically significant at 1 percent. This means these variables are highly skewed and have many extreme values, mostly because electronic banking usage increased rapidly during the study period. Overall, the descriptive statistics show a consistent rise in electronic banking activities over time, while ROA remained relatively stable.

4.2 Correlation Analysis

Table 4.2 Correlation Matrix (Multicollinearity Test)

	ROA	ATM	POS	MB	INTB
ROA	1.000000				
ATM	0.478358	1.000000			
POS	0.521221	0.719712	1.000000		
MB	0.554360	0.784899	0.785146	1.000000	
INTB	0.459541	0.627278	0.742235	0.687998	1.000000

Source: Eviews 10, 2026

The correlation analysis in Table 4.2 presents the degree and direction of the linear relationships between Return on Assets (ROA) and the explanatory variables: Automated Teller Machines (ATM), Point of Sale terminals (POS), Mobile Banking

(MB), and Internet Banking (INTB). The results show that all the digital banking channels have positive associations with ROA, indicating that increases in the usage or adoption of these channels correspond to improvements in bank profitability. The correlation coefficient between ROA and ATM usage is 0.478, suggesting a moderate positive relationship. This means that greater deployment and utilisation of ATMs tend to align with improved profitability levels, likely because ATMs enhance customer convenience and reduce the internal cost structure associated with physical banking operations. These moderate values indicate the presence of a relationship, but they are not excessively strong, which is desirable for regression analysis since they reduce the risk of multicollinearity.

Furthermore, the correlation between ROA and POS transactions is 0.521, reflecting another moderate positive relationship. This implies that as POS transactions expand, banks experience improved returns on assets. The increasing reliance on POS terminals for payments in Nigeria allows banks to generate fee-based income, which contributes favourably to profitability. The correlation between ROA and MB (Mobile Banking) stands at 0.554, the highest among the variables directly linked to ROA. This indicates that mobile banking contributes more strongly to profitability compared with ATM and POS channels. The reason may be linked to the convenience, low operational cost, and widespread customer adoption of mobile banking platforms, which tend to improve financial performance without requiring heavy infrastructural investment.

The relationship between ROA and INTB (Internet Banking) shows a moderate correlation of 0.460, indicating that Internet Banking also supports profitability, though to a slightly lesser extent than MB and POS. Again, this aligns with the importance of digital channels in enhancing customer service delivery and generating non-interest income. The correlation coefficients among the independent variables ATM, POS, MB, and INTB range from 0.627 to 0.785, which are high but still below the commonly accepted multicollinearity threshold of 0.80 or 0.90. This indicates that although the variables are related (as expected in digital banking activities), their interrelationships are not strong enough to distort the reliability of the regression model. Therefore, the matrix confirms the absence of harmful multicollinearity, showing that the independent variables can be included together in the model without compromising statistical validity.

4.3 Regression Analysis

Table 4.3 Ordinary Least Square (OLS) Result

Dependent Variable: LNROA
Method: Least Squares
Date: 11/25/25 Time: 21:58
Sample: 2010Q1 2024Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.426404	0.623855	2.286434	0.0261
LNATM	-0.219497	0.065861	-3.332737	0.0015
LNPOS	0.017121	0.081852	0.209170	0.8351
LNMB	0.025828	0.088981	0.290266	0.7727
LNINTB	0.056490	0.013565	4.164334	0.0001

R-squared	0.529495	Mean dependent var	-0.354271
Adjusted R-squared	0.495276	S.D. dependent var	0.243968
F-statistic	15.47392	Durbin-Watson stat	1.702334
Prob(F-statistic)	0.000000		

Source: Eviews 10, 2026

The regression results in Table 4.3 show how digital banking channels jointly and individually influence bank profitability, measured by the log of Return on Assets (LNROA). The model is statistically significant, as indicated by the F-statistic probability value of 0.0000, meaning the independent variables collectively explain changes in profitability. The R-squared value of 0.5295 shows that about 53 per cent of the variations in LNROA are explained by ATM, POS, Mobile Banking, and Internet Banking, while the adjusted R-squared of 0.4953 confirms a strong model fit after adjusting for sample size. Among the variables, LNATM has a negative and significant coefficient of –0.2195 ($p = 0.0015$), indicating that higher ATM usage is associated with a decline in profitability, which may relate to high maintenance costs and operational expenses linked to ATMs. LNPOS has a positive but insignificant coefficient of 0.0171 ($p = 0.8351$), suggesting that POS activities do not make a meaningful contribution to bank profitability within the study period. Similarly, LNMB has a positive but insignificant coefficient of 0.0258 ($p = 0.7727$), showing that mobile banking does not significantly influence profitability despite its increasing adoption. However, LNINTB has a positive and highly significant coefficient of 0.0565 ($p = 0.0001$), indicating that Internet Banking strongly enhances profitability, likely due to low operational costs and increased customer reliance on online transactions. The Durbin–Watson statistic of 1.70 suggests no serious autocorrelation problem, while the overall model fit shows that digital banking channels remain important determinants of profitability, with Internet Banking emerging as the most influential driver.

4.4 Post Estimation Test:

1. Residual & Stability Diagnostic Test

Table 4.4 Heteroskedasticity and Ramsey RESET Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.611802	Prob. F(4,55)	0.1843
Obs*R-squared	6.295362	Prob. Chi-Square(4)	0.1781
Scaled explained SS	18.15340	Prob. Chi-Square(4)	0.1012

Ramsey RESET Test
Equation: UNTITLED
Specification: LNROA C LNATMLNPOSLNMBLNINTB
Omitted Variables: Squares of fitted values

	Value	Df	Probability
t-statistic	0.439001	54	0.6624
F-statistic	0.192722	(1, 54)	0.6624
Likelihood ratio	0.213754	1	0.6438

Source: Eviews 10, 2026

The model is reliable and statistically valid according to the post-estimation diagnostics findings in Table 4.4. All of the probability values (0.1843, 0.1771, and 0.1012) are more than the 5% significance threshold, according to the Breusch-Pagan-Godfrey test, which means that the residual variance is constant, ruling out the possibility of heteroskedasticity. The Ramsey RESET test also verifies the right specification of the model; with probability values of 0.6624 and 0.6438, respectively, it is confirmed that no critical variables are left out and that the functional form is suitable. The results of the diagnostic tests show that the regression model is suitable for reliable interpretation since it is stable and well-specified.

4.5 Interpretation of Tested Hypotheses

Above was the test of Hypotheses discussed @5% Level of Significance from the OLS Result in Table 4.3.

H_{01}: ATM transactions have no significant effect on ROA of Deposit Money Banks in Nigeria.

The result for LNATM shows a negative coefficient with a t-statistic of -3.3327 and a p-value of 0.0015, which is lower than the 0.05 significance level. This means ATM transactions have a significant negative effect on ROA, leading to the rejection of the null hypothesis. The implication is that increases in ATM usage are associated with a reduction in bank profitability, possibly due to high operational and maintenance costs linked to ATM infrastructure.

H_{02}: POS transactions have no significant effect on ROA of Deposit Money Banks in Nigeria.

For LNPOS, the t-statistic is 0.2092 and the p-value is 0.8351, which is far above the 0.05 threshold. This indicates that POS transactions have no significant effect on

ROA, and therefore the null hypothesis cannot be rejected. The result suggests that POS activities do not contribute meaningfully to profitability within the study period, likely because related costs and competition offset revenue streams.

H_{03}: Mobile Banking transactions have no significant effect on ROA of Deposit Money Banks in Nigeria.
The coefficient for LNMB has a t-statistic of 0.2903 and a p-value of 0.7727, which is well above 0.05, showing that mobile banking transactions have no significant effect on ROA. Thus, the null hypothesis is accepted. This indicates that although mobile banking is widely used, its financial benefits to banks were not strong enough during the period to significantly influence profitability.

H_{04}: Internet Banking transactions have no significant effect on ROA of Deposit Money Banks in Nigeria.
The result for LNINTB shows a positive coefficient with a t-statistic of 4.1643 and a p-value of 0.0001, which is below 0.05. This confirms that Internet banking has a significant positive effecton ROA, leading to the rejection of the null hypothesis. This means that increases in internet-based transactions enhance bank profitability, likely due to lower operating costs and higher efficiency associated with digital platforms.

4.6 Discussion of Findings

The results of the regression analysis provide important evidence on how electronic banking channels influence the profitability of deposit money banks in Nigeria.

Automated Teller Machine (ATM) transactions and Return of Assets of Deposit Money Banks

The coefficient of Automated Teller Machine (ATM) transactions is negative and statistically significant at the 5% level (t = –3.33; p = 0.0015), indicating that an increase in ATM transactions leads to a decline in Return on Assets (ROA). This suggests that ATM operations may impose substantial costs on banks, including installation, frequent maintenance, security, cash management and network servicing, which can outweigh the income generated through transaction charges. This finding aligns with studies such as Frank and Binaebi (2019), who observed that ATM expansion may lower bank performance due to high operational expenses. However, it contradicts empirical results from Demaki et al. (2021) and Alagbe and Yinus (2025), who found positive profitability effects. The negative effect observed in this study therefore highlights that the cost burden of ATMs in Nigeria may still be high relative to revenue generated, especially under rising inflation and operational inefficiencies.

POS transactions and Return of Assets of Deposit Money Banks

The coefficient of POS transactions is positive but statistically insignificant (t = 0.21; p = 0.8351), showing that POS usage does not significantly influence ROA during the study period. Although POS transactions generate fee income, their insignificant effect suggests that profitability gains may be dampened by network failures, settlement delays and growing competition from mobile payment platforms. This is consistent with the findings of Ibrahim and Mohammed (2024), who also reported that POS transactions have a positive but insignificant effect on bank profitability.

The result differs from the work of Obumneke et al. (2023) and Olatunji and Aregbesola (2023), who documented a significant positive long-run relationship between POS and ROA. Therefore, the finding indicates that while POS volumes are increasing, their profit contribution may still be modest or inconsistent across banks.

Mobile banking (MB) transactions Return of Assets of Deposit Money Banks

The coefficient of mobile banking (MB) transactions is positive but statistically insignificant ($t = 0.29$; $p = 0.7727$), showing that mobile banking does not significantly affect ROA within the study period. This implies that although mobile banking is widely used, its direct impact on profitability remains weak, possibly due to high initial investment in mobile platforms, cybersecurity costs and stiff competition from fintech payment services. This result contradicts studies by Demaki et al. (2021) and Okoye and Ugochukwu (2022), who found a strong positive effect of mobile banking on profitability. However, it aligns with Ezeani and Nwogu (2021), who reported that mobile banking has not matured sufficiently to drive bank profitability consistently. The implication is that the Nigerian banking sector may not yet be fully leveraging mobile banking as a strong revenue channel, despite increasing customer adoption.

Internet banking (INTB) Return of Assets of Deposit Money Banks

The coefficient of internet banking (INTB) is positive and statistically significant at the 1% level ($t = 4.16$; $p = 0.0001$), meaning that an increase in internet banking transactions significantly improves ROA. This demonstrates that internet banking is becoming a key profitability driver for Nigerian deposit money banks, possibly due to lower operational costs, reduced staff overhead, faster transaction processing and higher service efficiency. Unlike mobile and POS channels, internet banking may attract more corporate clients and high-value transactions, which translate into better returns. This finding supports Frank and Binaebi (2019), who also observed a positive and significant effect of internet banking on bank asset growth, and aligns with Alagbe and Yinus (2025), who found strong profitability gains from increased digital banking usage. However, it contrasts with earlier studies such as Demaki et al. (2021) and Abdullahi et al. (2025), who reported that internet banking had no significant effect on profitability. The significant positive impact observed here suggests that internet banking platforms have improved considerably over time and are now contributing meaningfully to bank performance.

Overall, the findings show a mixed relationship between electronic banking channels and profitability. Internet banking emerges as the strongest and most significant driver of ROA, while ATM exerts a negative, significant impact, and both POS and mobile banking show positive but insignificant effects. These variations reflect differences in operational costs, customer adoption, infrastructural quality and the competitive pressure from fintech innovations across the Nigerian banking industry.

5.0 Conclusion and Recommendations

5.1 Conclusion

Based on the findings, the study concludes that electronic banking has both supportive and adverse effects on the profitability of Nigerian deposit money banks. ATM transactions significantly reduce profitability, suggesting that the operational costs and recurring expenses associated with ATM infrastructure outweigh the financial benefits generated from ATM transaction fees. POS and mobile banking transactions do not significantly influence ROA, implying that although they are widely adopted, their earnings contribution remains weak or inconsistent during the study period. Internet banking, on the other hand, has a strong positive and significant impact on profitability, meaning that digital platforms that support online transactions, corporate banking services, and remote payments are increasingly becoming essential profit-enhancing tools for Nigerian banks. These results show that while electronic banking is important for modern financial intermediation, not all channels contribute equally to profitability. The effectiveness of each channel depends on cost structures, transaction volumes, operational efficiency and the evolving digital preferences of customers.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

1. **Banks should review and optimise ATM operations.** Since ATM transactions significantly reduce profitability, banks need to adopt strategies that reduce the high cost of ATM maintenance, cash handling, network servicing and security. Outsourcing ATM services or switching to shared ATM networks could lower operational costs and improve cost efficiency.
2. **POS services should be re-strategised to improve their profitability contribution.** Although POS transactions have a positive effect, the influence is not significant. Banks should strengthen POS network reliability, improve uptime, reduce settlement delays and introduce innovative merchant-based incentives to increase transaction volumes and revenue from POS channels.
3. **Mobile banking platforms should be enhanced to unlock stronger profitability gains.** Mobile banking showed a positive but insignificant effect on ROA. Banks should invest more in mobile app security, user experience, and system reliability to attract heavier usage from customers. Enhancing partnerships with fintech firms may also boost the revenue potential of mobile banking.
4. **Banks should continue to expand and upgrade internet banking services.** As internet banking significantly improves profitability, banks should intensify efforts to promote online banking usage, especially for high-value transactions and corporate clients. Strengthening cybersecurity and improving digital infrastructure will ensure sustained growth in internet banking revenues.

5.3 Contribution to Knowledge

This study contributes to existing knowledge by providing updated empirical evidence on how different electronic banking channels affect the profitability of Nigerian deposit money banks using recent data up to 2024. Unlike earlier studies that focused mainly on specific channels or shorter time periods, this study adopts a comprehensive approach by analysing ATM, POS, mobile and internet banking simultaneously. The study also provides new insights showing that ATM transactions now have a significant negative impact on profitability, which contrasts with several earlier studies that found positive effects. Furthermore, it establishes that internet banking has become the most profitable digital channel for banks, reflecting evolving customer behaviour and improved digital infrastructure. The study therefore expands the understanding of how digital channels influence bank performance in a rapidly changing technological environment.

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