IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 24, Issue 11. Ser. VIII (November. 2022), PP 52-63
www.iosrjournals.org

Business Ethics and Financial Performance in the Nigerian Banking Industry

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Abstract:
Background:*In the Nigerian banking industry, growth and profitability have not necessarily translated to meeting the banking and non-banking needs of the public as would be expected from such a sector. Over the years, the sources of revenues for the Banks have significantly shifted from core commercial banking activities like interests and deposits to other less risky, guaranteed income schemes like derivatives and trading in bonds and treasury bills. At the core of the shift from consumer/commercial lending to trading in derivatives and fixed income earnings by Banks is the quest for profitability and business sustainability. Banks are unwilling to take risks on people or the communities. The fear appears to be that implementation of ethical banking practices will lead to reduction in financial performance and profitability. This led us to this review of ethics in the Nigerian Banking Industry and how it affects financial performance in the sector. The aim of this research study was to identify the relationship between ethical business practices and financial performance in the Nigerian banking industry. Specifically to determine the implication of ethical business operations on profitability of Nigerian banks.*
Materials and Methods: *The research method was both quantitative and qualitative. Primary and secondary data were collected using desktop research, survey questionnaires and Key Informant Interviews. The sampling was stratified purposive because all the banks in Nigeria that have been in existence for more than 5 years were reviewed and these banks were also sub-divided into commercial banks, development banks and other finance institutions. This research did not include microfinance banks. The survey instrument was validated by experts in the Management Faculty of Nnamdi Azikiwe University. Pilot testing of the instrument was done with the Bank of Industry. The data collated was analyzed using descriptive statistics, ANOVA, standards deviation and multiple regression analysis was conducted to determine correlation of ethics to financial performance in the Nigerian Banking Industry. Hypothesis was tested at 5% significance level.*
Results: *The results showed that there is very low adoption of ethical banking guidelines by Nigerian banks (less than 30% of banks). The results also showed that adoption and implementation of ethical banking standards is positively correlated to higher financial performance in the Nigerian banking industry (R – 0.715; R2 – 0.512; p-value 0.032).*
Conclusion:_The study finds a high correlation between ethical business practices and financial performance in the Nigerian banking industry. We recommend that Banks in Nigeria should adopt ethical business practices as this not only helps the internal and external stakeholders, but also boosts profitability._
Key Word: *Business Ethics, standards, sustainability, financial performance, Codes of Conduct, Profit Margin, Return on Assets.*

Date of Submission: 18-11-2022 Date of Acceptance: 02-12-2022

I.Introduction

Nigeria's Banking Industry is one of the largest employers of formal labour in Nigeria employing over 100,000 people[i]. Revenues have continued to grow exponentially over the years and the sector currently contributes about 3% to Nigeria's GDP. In 2021 alone, despite the COVID 19 pandemic, the sector grew by over 23%[ii]. Over the years, the sources of revenues for the Commercial Banks have significantly shifted from core commercial banking activities like interests and deposits to other less risky, guaranteed income schemes like derivatives and trading in bonds and treasury bills. As at 2009, core banking revenues accounted for 85% of businesses done by the commercial banks, this has dropped to about 60% in 2020. Earnings from fixed income securities and derivatives on the other hand have grown to over 35%[iii]. At the core of the shift from consumer/commercial lending to trading in derivatives and fixed income earnings by Banks is the quest for profitability and business sustainability. Banks are unwilling to take risks on people or the communities.

The conduct of business in Nigeria is inundated with an enormous level of unethical practices in many organizations[iv]. Particularly, the subsector of the Nigerian economy most affected by corporate corruption and scandal is the banking industry[v]. This is reflected in the actions taken by the regulatory authority the Central Bank of Nigeria (CBN) on salvaging the sector from collapse. For instance, in 1997, the CBN liquidated 26 deposit money banks due to financial and accounting scandals indicting top bank management staff. Also in 2006, the CBN declared 10 deposit money banks insolvent, and in 2009 it placed another 8 under its management after removing their executive management teams.To forestall re-occurrence, the Bankers Committee in July 2012, approved the adoption of the Nigerian Sustainable Banking Principles to ensure that the banks remain environmentally and socially responsible[vi]. Despite a decade of implementation, many banks have not adopted these principles nor started reporting on them.

This research study was carried out to determine the impact of adopting ethical business practices within the business operations of banks in Nigeria on their growth and performance. The key objectives were to; identify the relationship between ethical business standards and financial performance of banks in Nigeria; and determine the implication of ethical business operations on profitability of Nigerian banks.

II.Material And Methods

This research studied the effects of ethical business operations on the financial performance of Banks in Nigeria between 2015 and 2020. The methodology for this study mirrored those used by Ameer and Othman[vii]for measuring sustainability practices and corporate performance in a group of global corporations.
This involved three stages of analysis;

1. Descriptive statistical analysis; this helped identify, group and score the banks based on ethical and unethical banks from the information collated from the research and surveys (the independent variables).
2. Performance Analysis: we analysed the performance indicators for the research using the Return on Assets and Profit Margins (Dependent variables). These two indicators ROA and PM have been selected instead of Revenues and Profits because we identify that the sizes of the banks differ, and so will their absolute performances in terms of revenues and profitability. However, ROA and PM compares performance in terms of inputs that were used to generate the performance
3. Linear Regression Analysis: We performed linear and multiple regression analysis on the performance variables in order to determine their relationship with the CSR indicators. Size and Age for the banks were used to test for moderation to determine if they affect the regression results.

Study Design: Cross Sectional Study – Primary and Secondary Data. Qualitative and Quantitative Study
Study Location: The Location was Lagos Nigeria. **Study Duration:**May 2021 to April 2022.
Sample size: 38 (All the licensed banks in Nigeria belonging to the Banker's Committee).

Table 1: *Sample Population*

S/N	Commercial Banks	Development Banks	Other Finance Institutions
1	Access Bank	Bank of Agriculture	Coronation Merchant Bank
2	Citibank	Bank of Industry	FBN Merchant Bank
3	Eco bank	Development Bank of Nigeria	FSDH Merchant Bank
4	Fidelity Bank	Federal Mortgage Bank of Nigeria	Jaiz Bank
5	First Bank	The Infrastructure Bank	Lotus Bank
6	First City Monument Bank Plc	Nigeria Export Import Bank	NOVA Merchant Bank
7	Guaranty Trust Bank	Urban Development Bank of Nigeria	Page Finance
8	Heritage Bank		Rand Merchant Bank
9	Keystone Bank		Taj Bank
10	Polaris/Skye Bank		Renmoney
11	Providus Bank		
12	Stanbic IBTC		

S/N	Commercial Banks	Development Banks	Other Finance Institutions
13	Standard Chartered		
14	Sterling Bank		
15	SunTrust Bank		
16	Union Bank		
17	United Bank for Africa		
18	Unity Bank		
19	Wema Bank		
20	Zenith Bank		

Sample size calculation: The sampling for this study was stratified purposive. All the banks in Nigeria in operation between 2015 and 2020 belonging to the bankers committee and having audited reports were surveyed.
Subjects & selection method: All the banks belonging to the bankers committee were selected. These banks were further stratified into:

- Commercial Banks
- Development Finance Institutions
- Other Finance Institutions

Inclusion criteria:

1. Banks belonging to the Bankers Committee
2. Banks in existence between 2015 and 2020
3. Banks with audited accounts for the years under review.

Exclusion criteria:

1. Microfinance banks
2. Banks without audited accounts
3. Banks not in existence as at 2015
4. Banks not licensed or regulated by the CBN

20 Banks met the inclusion criteria above and were then used for this study.

Procedure methodology

Ethical business standardswere clustered into four groups for testing; Community Standards, Environmental Standards, Diversity Standards and Ethical Standards. These indices will be described in more details in the proceeding sections. Questions to test each of the four indices were created (Appendix 1). This questionnaire was validated by the finance and business administration department of Nnamdi Azikiwe University Awka, and pilot testing of the research tool was carried out at Bank of Industry Limited.
Each item on the questionnaire was evaluated using a likert scale of 0-4 for each of the questions where:

0 – Represents no data or information available or provided
1 – Little or insignificant contribution by the Bank on CSR
2 – Relatively small contribution from the Bank on CSR
3 – Moderate Tangible Contribution from the Bank
4 – Significant Positive Tangible Contribution on CSR Activity.

There were seven (7) questions on the Community Index, Eight (8) questions on the Environmental Index, and Nine (9) questions each for the Diversity and Ethical Indices. Based on the scores obtained from each item, we were then able to calculate the Total Ethics Index (TEI) for each of the companies and compare this with the maximum possible scoring to get the ratings for the company.

Because the banking industry is a highly regulated industry in Nigeria, we assume that all the key players will be at least adhering to the basic requirements for ethics as required by CBN. By implication, we expect all the banks to score above average (50%) for the Total Ethical Index. Because of this fact, we have chosen the pass mark for ethical vs non-ethical banking rating to be 70% instead for the purposes of this study.

Statistical analysis

Data was analyzed using SPSS. The data collated was analysed using descriptive statistics and regression analysis was done to ascertain correlation.
Three groups of variables were studied during this research:

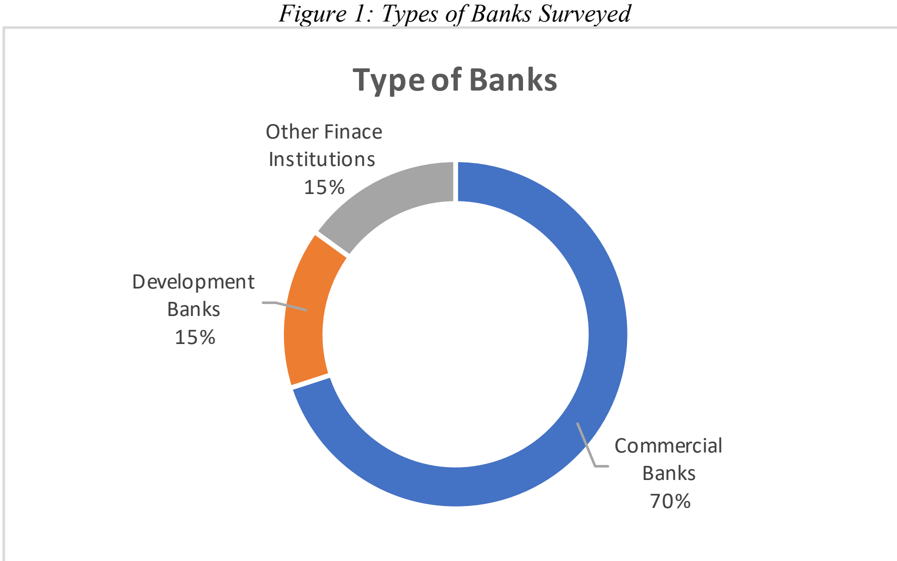
1. The independent Variables (Ethical Indices) to measure business ethics;
2. The dependent variables (Return on Assets and Profit Margin) to measure financial performance; 3.The moderating variables (Size and No. of Years of operation)

III.Results

Descriptive Analysis

20 banks were reviewed during this study (Appendix 2). The banks were selected from the various strata of CBN licensed financial institutions who are members of the Bankers Committee. Of these banks, 70% were Deposit Money Banks (Commercial Banks), 15% were Development Finance Banks while the other 15% represented all the other Finance Institutions.

Figure 1: Types of Banks Surveyed



Data Analysis

After collating the results, each of the banks was scored along the four ethical indices as well as well as their various performance ratings. The summarised scores for all the banks is listed below. The full scores for all the banks in Appendix 3.

Table 2: Summary scores for the Ethical Indices

Ethical Index	No. of Questions	Max Possible Score	Maximum Scored	Minimum Scored	Mean	Standard Deviation
Community Index	7	28 (100%)	93%	0%	58.9%	8.36
Diversity Index	8	32 (100%)	94%	25%	67.8%	5.35
Environment Index	9	36 (100%)	100%	0%	59.7%	10.08
Ethical Index	9	36 (100%)	55.6%	33.3%	48.6%	2.30
Total Ethical Index Score	33	132 (100%)	75%	18.18%	57.6%	22.8

The index with the highest average score was the Diversity Index with average of 67.8%. The lowest was ethical index with an average of 48.6% scored. The average score for the Total Ethical Index is 57.6%.

We evaluated 20 banks in the Nigerian financial services industry for their level of adoption of voluntary codes of conducts in their operations and practices. The final scores for each of the banks is given below:

Table 3: Ranking on Total Ethical Index for all the Banks

Rank	Bank	Total Ethical Index (TEI)
1	Standard chartered	75%
2	Access Bank PLC	71%
3	Guaranty Trust Bank	71%
4	Zenith Bank Plc	71%
5	Fidelity Bank Plc	70%
6	Sterling Bank Plc	70%
7	Stanbic IBTC	68%
8	Providus Bank	67%
9	United bank for Africa	67%
10	FSDH	66%
11	Bank of Industry	65%
12	Nigeria Mortgage Refinance Company	60%
13	Union bank of Nigeria plc	58%
14	Eco Bank	55%
15	First bank	55%
16	Wema Bank	55%
17	Polaris Bank	41%
18	Nigerian Export Import Bank	27%
19	Page Financials	21%
20	Renmoney	18%

Only 6 out of the 20 Banks (30%) reviewed had scores at or exceeding the pass mark of 70%. In fact the median score (66) and the mean score (58%) both lie a fair distance from the required pass mark of 70%. For the six (6) banks with scores of atleast 70%, five (5) of them were within 1 percentage point of the 70% pass mark.

The data above shows that most of the banks in Nigeria generally are not implementing ethical banking standards as envisaged,

Return on Assets as well as Profit Margins were selected as the measurement for performance for the banks that we reviewed. As indicated earlier in our methodology, for the purposes of this study, the banks that have TEI of 70% and above will be referred to as ethical banks while those below 70% will be referred to as unethical banks. The results for the ethical and unethical banks with their respective performances are highlighted below;

Table 4: Ethical Banks and Financial Performance

Bank	TEI	ROA	PM
Standard chartered	75%	3.20%	35.50%
Access Bank PLC	71%	1.60%	15.60%
Guaranty Trust Bank	71%	5.30%	45.20%
Zenith Bank Plc	71%	3%	28.90%

Fidelity Bank Plc	70%	1.10%	21.40%
Sterling Bank Plc	70%	0.80%	6.40%
Average	**71%**	**3%**	**26%**

Ethical Banks have on the average, 3% Return on Assets and 26% Profit Margins.

Table 5: Unethical banks and Performance

Bank	**TEI**	**ROA**	**PM**
Stanbic IBTC	68%	3.60%	28.40%
Providus bank	67%	1.10%	16.10%
United bank for Africa	67%	1.90%	21.30%
FSDH	66%	2.50%	18.90%
Bank of Industry	65%	2.80%	44.10%
Nigeria Mortgage Refinance Company	60%	3.80%	30.80%
Union bank of Nigeria plc	58%	1.30%	13%
Eco bank	55%	1.10%	8.30%
First bank	55%	0.90%	9.30%
Wema Bank	55%	0.60%	4.90%
Polaris Bank	41%	2.30%	22.80%
Nigerian Export Import Bank	27%	0.90%	14%
Page Financials	21%	4.70%	5.20%
Renmoney	18%	3.30%	7.80%
Average	**52%**	**2%**	**17%**

Unethical Banks have on the average, 2% on Return on Average and 17% Profit Margin.
From the data above, ethical banks on the average have Return on Assets of 3% and Profit Margins of 26%, while unethical banks have on the average, Return on Assets of 2% and Profit Margins of 17%.
Ethical banks have at least 1 percentage point more Return on Assets and 9% points more profit margin than unethical banks.

Table 6: Unethical banks and Performance

	Average Return on Assets	**Average Profit Margin**
Ethical Banks	3%	26%
Unethical Banks	2%	17%
Difference	1%	9%

From the results above, it is quite clear that ethical banks have better financial performance than unethical banks.

Haven seen that ethical banks actually have better financial performance than unethical banks, we also analysed if the correlation of profitability to ethical practices was actually being driven by the phenomenon, or if it is just random. We had to conduct series of regression analysis in order to test this; that adoption of ethical standards are associated with higher profitability in the Nigerian Banking Industry.

The table presenting all the scores for all the reviewed banks in each of the various ethical indices as well as the TEI is detailed in Appendix 3. The table also contains the financial performance in terms of Return on Assets and Profitability for these banks as well as the number of years they have been in existence and their staff strength. The years of existence and staff strength (size) were used as moderator variables in the regression analysis.

Profit Margin and the Various Ethical Indices (CI, DI, EnI and EtI)

Our dependent variable is the Profit Margin and the Independent Variable is the Ethical Index. However, the Total Ethical Index is a combination of four different indices; community index, diversity index, environmental index and ethical index. So we regressed the profit margin across these four variables. The results are presented below.

Table 7: Model Summary for Profit Margin Regressed on Ethical Indices

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.715[a]	.512	.382	.09693	2.360
a. Predictors: (Constant), Et_I, DI, En_I, CI	b. Dependent Variable: PM				

The table above shows the correlation and explanatory power of the variables in the model. The R results tests the level of correlation between variables in the model. The result shows an R value of 0.715 which represents a high degree of correlation. This shows that there is indeed a high level of correlation between the Profit Margin of the banks and their level of ethical standards.

The R-square on the other hand shows how much of the dependent variable (PM) that can be explained by the independent variables (DI, CI, EnI, EtI). The result shows an R-square of 0.512 showing a moderate explanatory power of the independent variables. This indicates that just about half or 50% of the Profit Margins made by the banks can be explained by their level of involvement in ethical business operations and practices. This is not a particularly bad outcome, however, we need to review our Analysis of Varience to determine how reliable the data points are.

Table 8: ANOVA for PM on Ethical Indices

ANOVA[a]						
Model	Sum of Squares	df	Mean Square	F	P-Value	
1	Regression	.148	4	5.037	0.032	.022[b]
	Residual	.141	0.79	.009		
	Total	.289	4.79			
a. Dependent Variable: PM	b. Predictors: (Constant), Et_I, DI, En_I, CI					

The Anova table above shows the overall statistical significance of the model. It tells us if we can make any useful inferences from the results in the model summary and the co-efficient summary below. The results are significant and the overall model reliable if the P-value of the F-statistics is less than 0.05. From the results above the P-value is 0.032 which shows the model is statistically significant and can be relied on.

We can now go ahead to interpret the magnitude and direction of the coefficients we have chosen to explain the PM of banks as shown in the table below.

Table 9: Correlation Coefficients for Ethical Indices on Profit Margin

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	P-Value	Tolerance	VIF
(Constant)	-0.309	0.261		0.255	0.247	
CI	-0.26	0.155	-0.63	-0.591	0.23	4.355
DI	0.533	0.192	0.724	0.124	0.479	2.087
En_I	0.146	0.114	0.332	-0.097	0.484	2.065
Et_I	0.445	0.643	0.232	-0.925	0.29	3.444

The results in table above shows that even though independently, CI, DI, EN_I and EtI have impacts on the performance of these banks, their results are not statistically significant with P-values for all variables >0.005. The result shows that PM is not statistically correlated with each of the variables independently, but only collectively. This means that PM cannot be explained by any of the regressors identified individually.

To resolve this problem, we go ahead to regress PM against the Total Ethical Index, which sums all the independent variables to find out if the results are significantly significant when regressed collectively as a unit and if it helps produce a statistically useful result. The results are then shown in the sub-section below.

Profit Margin and Total Ethical Index (TEI)

This time, we analyse the results based on the Total Ethical Index (TEI) instead of looking at each variable independently and assessing how they individually correlate with PM.

Table 10: Model Summary for Profit Margin Regressed on Total Ethical Indices

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.503[a]	.253	.211	.10946	1.571
a. Predictors: (Constant), TEI	b. Dependent Variable: PM				

The R score for this model is 0.503 which shows a moderate level of correlation between the Profit Margin and the ethical standards of the banks. The R-square however is 0.253 showing that TEI alone has a low explanatory power on the performance of banks (Just above 25%). This therefore suggests more variables may be introduced to act as either moderating factors (control variables) to determine if their introduction enhances the correlation effect of these variables. The moderating variables for this study are the size of the banks and their number of years in existence.

Before we introduce the effects of the control variables, we go ahead to analyse the results from regressing TEI against PM of banks as shown below.

Table 11: ANOVA for PM on Total Ethical Index

ANOVA[a]						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	.073	1	6.073	0.044	.024[b]
	Residual	.216	0.16	.012		
	Total	.289	1.16			
a. Dependent Variable: PM	TEI					

The ANOVA result tests the overall significance of the model and with a high F-statistics and a P-value of less than 0.05, we can conclude that the new model regressed has a good fit and is statistically significant. The results from regressing TEI against PM shows a F statistics of 6.073 and a P-value of 0.044 showing that the model has an overall good fit and can be relied on.

Table 12: Correlation Coefficients for Total Ethical Indexs on Profit Margin

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	T-stat	P-Value	Tolerance	VIF
(Constant)	-0.008	0.087		-0.09	0.93		
TEI	0.359	0.145	**0.503**	2.469	0.024	1	1

The standardized coefficient shows that a one percent increase in the total ethics index results in a 0.5 percent increase in performance of the identified banks. The results are positive showing that firms that take ethics seriously yield positive dividends from the implementing good ethical systems. Despite the result not being proportional, it is however useful to note that ethics contributes positively to the performance of banks all things being equal.

The constant which measures the results of other variables not captured in the model is not statistically significant as the P-values of the T-stat is 0.93 which is greater than 0.05 and therefore not useful for inference. The P-Value of the TEI on the other hand is 0.024 which is less than 0.05 and therefore statistically significant.

However, as discussed earlier, the R-square which shows the explanatory power of the variables is not significant with a value of 0.253. To resolve this, the study then introduces control and moderating variables to improve the explanatory power of the variables. The result is shown below.

Effect of Moderators on Total Ethical Index (TEI)

As discussed from the results above, even though the regression results on TEI vs PM is good for inference, the Regression Summary R-square which measures the variables explanatory capacity is small so we have to add mediators to find out if adding additional variables will make our results better. Once we add new variables and the R-square improves, we can then go ahead to conclude that our chosen variables are useful for

Table 13: Model Summary for Profit Margin Regressed on TEI, Years and Size of Banks

Model Summary										
					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.662[a]	.588	.516	.01109	.588	9.464	3	16	.001	1.828
a. Predictors: (Constant), Yrs, TEI, Size	b. Dependent Variable: PM									

interpretation as additional variables will make the model better. The study then introduces to control variables; size and years of existence of the financial institution to determine the impact of TEI on PM.

Table 14: Model Summary for Profit Margin Regressed on TEI and Years of Banks

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.553[a]	.305	.224	.10860	.305	3.739	2	17	.045
a. Predictors: (Constant), Years, TEI									
b. Dependent Variable: PM									

Years alone do appear to have a moderating effect on the TEI but however not as much as the effect of the

We include size and years to test if they exert moderating effects on the relationships between our dependent variable PM and our independent variable TEI. The results are shown in the table above. Under the

Table 15: Model Summary for Profit Margin Regressed on TEI and Size of Banks

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.534[a]	.286	.202	.11014	.286	3.399	2	17	.057
a. Predictors: (Constant), Size, TEI									
b. Dependent Variable: PM									

The size of the banks appear to also have a moderating effect on the TEI, however, at a much lower rate than the change statistics, we see that the R square change is 0.588 implying that when the control variables (size and number of years) are included in the model. The change is significant with a F-Statistics F(3,16)=9.464, p=0.001. The significant interaction tells us that the moderator (Size and years) does indeed moderate the effects of the predictor (TEI) on the outcome i.e. PM. This suggests that the impact of TEI on PM (i.e. 0.503) as shown in table x above would depend largely on the size and years of the bank being considered.

For banks with larger size and longer operation years, the impact of TEI may be different than for those with smaller sizes or newer banks. However, the results conclude that all things being equal, a 1 percent increase in TEI in banks will improve banks PM by 0.5 percent on the average.

Having concluded the moderating effect of Years of Operation and Size on the Total Ethical Index for the study, we decide to narrow it down specifically to check if independently, years of operation or size are to be credited for the moderating effect. Below is the regression analysis model using Years alone and Size alone as the moderating variables.

combination of years and size. The R-Square Change for years alone is only .305 compared to .588 when size is added as well. The model is also statistically significant as the P-Value of the change at 0.045 is under the 0.05 threshold.

number of years, or indeed when both size and the number of years are used. The R-Square change is only .286 as against that of 0.305 for the years alone and 0.588 for both years and size.

In summary, Size and number of years of existence have a moderating effect on the Total Ethical Index, however, this effect is much more pronounced when both factors are in consideration as against when they are taken individually.

Every 1% increase in the Ethical Scores of Banks leads to above 0.5% increase in profitability.

IV.Conclusion

Based on the research carried out, we have determined that:

1. There is generally a low adoption of ethical business standards in the Nigerian Banking Industry. Only about 30% of banks currently operational and evaluated on this study achieved the benchmark limit to be referred to as ethical banks;
2. The average Return on Assets of the ethical banks exceeds the average Return on Assets for the unethical banks by 1% point, and the average Profit Margin of the ethical banks exceeds the average Profit Margin of the unethical banks by 9% points. This confirms that ethical banks have better financial performances than unethical banks in Nigeria;
3. In the regression analysis carried out to determine the correlation between ethical business practices and profitability, R value of 0.715 shows a strong correlation between the Ethical Indices of the banks to their Profit Margins. The strong R square value of 0.512 also shows that more than half of the changes in the Profit Margin can be attributed to the changes in the Ethical Indices. The ANOVA p-value of 0.032 is also below 0.05 and shows that the data generated is quite significant and acceptable. It is therefore obvious that adoption of ethical standards is associated with higher profitability in the Nigerian banking industry.

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Appendix

Appendix 1: Survey Questions

Community Index	
Q1	Does your bank have a charitable foundation and if so, how much was given during the most recent fiscal year?
Q2	Is there evidence of new initiatives implemented by or awards given to your bank with respect to its performance in CSR?
Q3	What community programs does your bank have in place?
Q4	Does your bank participate in public/private partnerships related to education, job training, or urban revitalization and if so, what is the nature of your bank's commitment to them?
Q5	Does your bank have partnerships with local schools or community-based groups?
Q6	Does your bank have a corporate giving program and if so, how much was given during the most recent fiscal year?
Q7	Is your bank committed to donating a given percentage of its pre-tax profits to charitable organizations and if so, what percentage is the target goal?

Diversity I ndex	
Q8	Has your bank demonstrated its commitment to diversity through strong representation of women, minorities, and the disabled on boards of directors, in top management, and/or among your bank's highest paid employees?
Q9	Has your bank demonstrated its commitment to diversity through implementation of innovative work/life programs (e.g., flextime, job sharing, child care, elder care)?
Q10	Does your bank have programs to train woman for advancement?
Q11	Does your bank conduct diversity training for its employees?
Q12	Does your bank have affirmative action programs pertaining to recruitment and promotion?
Q13	Does your bank have a board or staff task force or committee set up to address diversity-related issues?
Q14	Does your bank have women and minorities serving in positions with substantial profit and loss responsibilities?
Q15	Does your bank have gender equity in wages?
Environm ental Index	
Q16	Is your bank dedicated to the conservation of energy and natural resources, with emphasis on the impact of operations on the local community?
Q17	Is your bank proactive in its environmental efforts?
Q18	Has your bank adopted new technologies and/or redesigned products to conserve the use of energy, water, materials, and/or land?
Q19	Is your bank involved with the new development or use of clean energy, sustainable renewable energy, or natural foods?
Q20	Does your bank have environmental policies in effect with measurable goals, companywide responsibility, and quantitative accountability?
Q21	Does your bank have voluntary programs in place, including recycling
Q22	Does your bank have specific environmental policies and if so, what are they?
Q23	Does your bank have an environmental report, including quantitative data on emissions/pollution?
Q24	Are all company operations in compliance with environmental statutes?
Ethical In dex	
Q25	Does your bank have a written Code of Business Conduct used as a guide to help employees live up to your bank's ethical standards?
Q26	Does the code include corporate policies dealing with business conduct specifically related to Equal Employment Opportunity?
Q27	Does the code include corporate policies dealing with business conduct specifically related to commercial bribery?
Q28	Does the code include corporate policies dealing with business conduct specifically related to use and public disclosure of inside info, and the use of confidential and proprietary information?
Q29	Does the code include corporate policies dealing with business conduct specifically related to political contributions?
Q30	Does the code include corporate policies dealing with business conduct specifically related to antitrust and competition laws?
Q31	Does the code include corporate policies dealing with business conduct specifically related to health, safety, and environment?
Q32	Does the code include corporate policies dealing with business conduct specifically related to harassment?
Q33	Has your bank, its executives, managers, and employees consistently operated within the framework provided by the Code of Business Conduct in the past 3 years?

Appendix 2: List of Surveyed Banks

S/N	Commercial Banks	Development Banks	Other Finance Institutions
1	Access Bank	Bank of Industry	FSDH Merchant Bank
2	Eco bank	Development Bank of Nigeria	Page Finance
3	Fidelity Bank	Nigeria Export Import Bank	Renmoney
4	First Bank		
5	Guaranty Trust Bank		
6	Polaris/Skye Bank		

7	Providus Bank		
8	Stanbic IBTC		
9	Standard Chartered		
10	Sterling Bank		
11	Union Bank		
12	United Bank for Africa		
13	Wema Bank		
14	Zenith Bank		

Appendix 3: Survey Results

Bank	TEI		CI	DI	En I	Et I		ROA	PM		Size	Years
Access Bank PLC	71%		93%	84%	58%	56%		1.6%	15.6%		28,000	31
Bank of Industry	65%		54%	81%	72%	53%		2.8%	44.1%		600	61
Eco Bank	55%		79%	53%	47%	47%		1.1%	8.3%		336	35
Fidelity Bank Plc	70%		68%	72%	89%	50%		1.1%	21.4%		2,869	32
First bank	55%		61%	50%	61%	50%		0.9%	9.3%		16,000	126
FSDH	66%		61%	78%	75%	50%		2.5%	18.9%		500	28
Guaranty Trust Bank	71%		79%	88%	72%	50%		5.3%	45.2%		10,000	30
Nigeria Mortgage Refinance Company	60%		61%	69%	61%	50%		3.8%	30.8%		24	5
Nigerian Export Import Bank	27%		0%	63%	11%	33%		0.9%	14.0%		155	29
Page Financials	21%		0%	50%	0%	33%		4.7%	5.2%		400	6
Polaris Bank	41%		21%	50%	56%	33%		2.3%	22.8%		2,500	2
Providus Bank	67%		71%	75%	75%	50%		1.1%	16.1%		336	4
Renmoney	18%		0%	25%	0%	44%		3.3%	7.8%		400	8
Stanbic IBTC	68%		86%	94%	50%	50%		3.6%	28.4%		4,200	31
Standard chartered	75%		71%	78%	100%	50%		3.2%	35.5%		541	21
Sterling Bank Plc	70%		86%	75%	72%	50%		0.8%	6.4%		3,000	60
Union bank of Nigeria plc	58%		79%	56%	53%	50%		1.3%	13.0%		4,923	103
United bank for Africa	67%		86%	81%	56%	88		1.9%	21.3%		20,000	71
Wema Bank	55%		43%	59%	67%	47%		0.6%	4.9%		3,500	19
Zenith Bank Plc	71%		57%	75%	100%	50%		3.0%	28.9%		7,544	30
Mean	**58%**		**58%**	**68%**	**59%**	**47%**		**2%**	**20%**		**5,291**	**37**