BOARD FINANCIAL LITERACY AND CORPORATE PROFITABILITY IN NIGERIAN BANKING SECTOR

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BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, SCHOOL OF BUSINESS STUDIES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN ACCOUNTANCY, SCHOOL OF BUSINESS STUDIES, FEDERAL POLYTECHNIC AUCHI, EDO STATE

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CERTIFICATION

We, the undersigned hereby certify that this project titled “Board Financial Literacy and Corporate Profitability in Nigeria Banking Sector was carried out by KADIRI ABDULSALAM with Matriculation Number: SBS/2012070100 under our supervision in the Department of Accountancy, Federal Polytechnic Auchi, Edo State.

We therefore certify that the project is adequate both in scope and quality for the partial fulfillment of the required of the award of Higher National Diploma (HND) in Accountancy.

DEDICATION

This project is dedicated to God Almighty, for His grace and mercies over me for given me His wisdom and knowledge to compose the project work.

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I will I appreciate God Almighty for his mercies, grace and protection upon my life throughout my stay in acquiring my Higher National Diploma (HND) in Auchi Polytechnic Auchi.

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ABSTRACT

This paper seeks to examine board financial literacy and corporate profitability in Nigerian banking sector. Adequate knowledge of finance is needed for individuals to function properly in the area of bank decision making. Financial knowledge is neither a luxury nor a matter of convenience. Rather it has become an integral tool for survival in today's banking sector. This is due to the fact that the lack or low levels of financial knowledge could lead to the choice and implementation of poor financial decisions which could be injurious to individuals and the entire society. It is against this background that this paper argues that the promotion of financial literacy by financial institutions affects users of financial products and services in a positive manner. The paper concludes that financial literacy encourages financial access and savings which invariably increases economic growth, reduces poverty levels, enhance livelihoods and leads to overall economic development.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Banking Institutions are the main driving forces of economic growth and job creation that have a special importance, not only in developed countries but also in developing and emerging economies (Lockea, 2012).Banking Institutions in most countries have barriers to access to finance, difficulties in exploiting the technology, insufficient managerial capabilities, low productivity and regulatory burdens in their business environment.

According to Capital Market Authority (2010) Banking Institutions play an important role in the Nigerian Economy such as creating jobs, but face serious challenges such as finance setbacks, problems associated with government regulation, tax and low cash flow among the regions of Nigeria, and aiming to achieve an average Gross Domestic Product (GDP) growth rate of 10% perineum beginning in 2010. It focuses on moving the economy up the value chain, addresses tourism, Agriculture, wholesale and retail trade, manufacturing, others. The economic pillar of vision 2030initiative aims to improve the prosperity of all Nigerians through an economic development program, covering all business process literacy therefore is regarded as one of the strategies used by board to provide knowledge and skills needed to change operations and attract more potential users of banking. outsourcing (BPO),and financial services. Banking Institutions in Nigeria face challenges that hinder them from attaining economies of scale. Financial Despite all these challenges Banking Institutions have ability to fuel is continuous supply of ideas, finance, and innovations from banks. According to economic growth because they create new jobs, expands the tax base, and are drivers of innovation.

According to Wanjohi (2011) Banking Institutions enhance competition and entrepreneurship hence has external benefits on economy wide efficiency, innovation and aggregate productivity. They are the primary vehicles by which entrepreneurs ride on Normah (2007) the concentration of Banking Institutions has a close relationship with the dominant economic activities. Banking Institutions dominate the world economies in terms of fuelling companies through credit, yet their full potential remains shaken with an nonstandard board (Atsede et al, 2008).

The growth and development of every economy depends on the country's financial system. In Nigeria, the banking industry practically commands the financial sector. The industry has undergone series of restructuring all geared towards protecting deposit funds, maintaining and ensuring soundness of banking and improving the welfare of employees and stakeholders. The banking sector has been bedeviled with internal (workers and investors) and external (public and depositors) dissatisfaction culminating to image problem. As a result, most banks have sort for improved techniques like information and communication technology (ICT), total quality management strategies, corporate governance strategies, repackaging and rebranding, to compete more effectively to solve these problems and as well to enhance their financial and corporate performance (Akintoye, 2010; Adekunle, 2013).

Corporate governance has been an issue of global concern long before now. However, it came to limelight in the 1980s as a result of the fallout of the Cadbury report in the United Kingdom, which concentrated on the financial aspects of corporate governance. Immediately followed suits, the issue of corporate governance transmitted across all developed and developing countries (Akpan & Rima, 2012). Proper governance of companies is now as crucial to the world economy as the proper governance of countries and will converge in associated issues of competitiveness, corporate citizenship, social and environmental responsibility. The governance of banks becomes even more prominent considering their role in financial intermediation in developing economies. Commercial banks are the main providers of funds to enterprise and where there is thin or absence of good capital market, their failure becomes the failure of system. Simpson (2009) notes that the impact of the failure of the banking system can have immense cost, as it has been repeatedly been seen that bank failure cost developing countries up to 15% of their GDP and losses that outweighs aids received. The major challenge of world's economy today is not in the area of manufacturing modern equipment that will help fight government rebellions or any such crises that may occur in the economy. However, solving the problem of governance can help to totally strengthen an economy and improve the living standards of its citizenry. This is evident in the fact that many companies all over the world suffer from the impact of bad governance and which in effects results to costly impact on the performance of organizations in the economy (Bebeji, et al, 2015).

Commercial banks play crucial roles in propelling the entire economy of any nation by channeling surplus funds to the deficit units, of which there is dire need for repositioning to achieve efficient financial performance through a reform process geared towards forestalling bank collapse. In Nigeria, the reform process of the banking sector is part and parcel of government strategic agenda aimed at restructuring and integrating the Nigerian banking sector into continental and global financial system. To make the banking sector sound according to Akpan and Rima (2012), the sector has undergone remarkable changes over the years in terms of number of institutions, structure of ownership, as well as breadth and depth of operations. These changes have been influenced mostly by the constraints posed by deregulation of the financial system, globalization of operations, technology advancement and implementation of supervisory and prudential requirements that conform to international regulations and standards, which corporate governance is inclusive. Corporate governance is generally the systems of rules, practices and processes by which a company is directed and controlled. According to Akintoye (2010) corporate governance involves the balancing the interest of a company's many stakeholders such as shareholders, management, customers, suppliers, financier, government and the community.

Corporate governance also provides the platform for attaining company's objectives and it covers practically every sphere of management from actions plans and internal controls to performance measurement and corporate disclosure. Good corporate governance wields more profits for the firms, raises their valuation and sales growth and it has the possibility of reducing their capital expenditure. It has been reported by Love (2006) that good corporate governance increases the confidence of stakeholders and stimulates the goodwill of the organization. Corporate governance is a tool to ensure the existence of equity, fairness, accountability and transparency in corporate reporting. Mayer (2011) notes that corporate governance is not only about improving corporate efficiency, it also encompasses two major issues namely the company's strategy and life cycle development. It therefore, ensures that management of organizations pursues those strategies that will safeguard the interest of the shareholders. Good corporate governance is generally identified as those governance mechanisms that are based on a higher level of corporate responsibility that an organization exude in relation to transparency, accountability and ethical issues (Bebeji, etal, 2015). Corporate governance is usually targeted to enhance competition, while allowing customers the option of making a choice. However, corporate governance arrangement and institutions vary from place to place but the focus is to promote corporate unbiasedness, accountability and probity (Akpan & Rima, 2012). Thus, good corporate governance represents a central issue for the operation of modern banking industry in the world today as it has the capacity of affecting their profitability, solvency and liquidity levels.

1.2 STATEMENT OF THE PROBLEM

While boards are the main tool of internal governance mechanism, their literacy may vary depending on their diversities. With the relationship between financial literacy in boardroom and firm performance, or lack thereof firms will be encouraged to make appropriate choices about board appointments to create and improve one major improve firm value as constructing a quality boardroom is all about the caliber and perspective of individual directors chosen. For example, one major noteworthy aspect of Enron’s board as pointed out by Masulis, Wang and Xie (2010) about foreign directors was that its audit committee included two foreign independent directors; the 5Chairman of the Hang Lung Group in financial reporting. In Nigeria, the poor performance of boards in 2009 which almost led to the near in Hong Kong and a senior executive of Group Bozano in Brazil. This incidence, at a minimum, raises questions about the effectiveness of foreign directors ‘financial literacy and Ujunwa et.al (2012) and Omoye and Eriki (2013) that have both examined literacy of randomly selected, collapse of nine banks in the country has eroded investors “confidence in banks leading them into divesting their investments and has also painted a poor image on the financial sector. It is a matter of concern as there are very few empirical analyses on this aspect of board financial literacy in Nigeria (Ogbechie, 2012; Ogbechie & Koufopoulos, 2010).but there result remain inconclusive as some variables failed to test at any significant level. This study focus on the banking sector because of their complex agency conflicts when compared with other industries.

Aremu (2014) observed that corporate governance is still at infancy in the Nigerian banking industry as only 40% of quoted commercial banks seem to have recognized corporate governance codes. The weakness inherent in the application of corporate governance ethics is perhaps the most vital factor responsible for corporate failures and financial distress among banks. The recent overtime is high profile of corporate fraud which tends to lead to failures in the

Nigerian banking industry. Poor application of corporate governance mechanism is identified as one of the major possible factor in virtually all known instance of banks' failure in the country due to their non-compliance to corporate government ethics. Aremu (2014) lamented that the past distresses experienced by Nigerian banks is as a result of lack of proper oversight, regulatory, supervisory and corporate governance functions by the board of directors, in which some them run their organizations for their own personal interest.

1.3 OBJECTIVE OF THE STUDY

The study seeks to examine the relationship between board financial literacy and profitability.

1.4 RESEARCH QUESTION

What is the relationship between board financial literacy and profitability?

1.5 RESEARCH HYPOTHESIS

Ho: There is no significant relationship between board financial literacy and corporate profitability in Nigerian banking sector

1.6 SIGNIFICANCE OF THE STUDY

The study adds to the existing literature and provide background information to research organizations and scholars who need to carry out further study. The study provides a picture of where banks stand in relation to the codes and principles on corporate governance introduced by the Central Bank of Nigeria. It further provides an insight into understanding the degree to which the banks that are reporting on corporate governance have been compliant with different section of the codes of the best practice and where they are experiencing difficulties.

Financial institutions, non-financial institutions, private sectors, stakeholders in banking sector would find the results of this study as an invaluable asset which spelt out ways of improving an organization's financial performance via corporate governance.

The research study is beneficial to future researchers (e.g undergraduate and post graduate students) wishing to carry out similar study in their future research undertakings.

1.7 SCOPE OF THE STUDY

The study focused on board financial literacy and corporate profitability in Nigeria banking sector. The study covers only deposit money banks in Nigeria.

1.8 LIMITATIONS OF THE STUDY

This study was limited by some respondents not willing to disclose their financial information in terms of revenue. Many firms especially those that have a no or decreasing revenue growth were unwilling to declare.

The response rate of the study was low due to reluctance of the targeted Banking Institutions to participate in the study. Further, some respondents were of the opinion that some of the information sought was confidential and hence they did not fill the questionnaire. Some Board were so busy serving clients hence delegating the marking of questionnaires to their employees.

The time period covered by the study and the resources available to the researcher were also limited. There sources available were not enough to over the entire part of Abia State. Also, there are many challenges affecting the ability of Banking Institutions operating within Abia State in acquiring Board financial literacy training programs. A detailed review of all the issues is beyond the scope of this constraint of time.

Finally, the sample studied was restricted to the population of Banking Institutions alone. Perhaps a broader pool of Board financial literacy providers would have given more insights into the Board financial literacy programs they provide to Banking Institutions.

1.9 OPERATIONAL DEFINITION OF TERMS

Financial Literacy

Is the possession of set of skills and knowledge that allow an individual to make informed and effective decisions with all of their financial resources.

Corporate Governance: This refer to the set of rules, controls, policies and resolutions put in place to dictate corporate behavior to the stakeholders of a firm.

Financial Performance: This is a measure of how well a firm can use assets from its primary mode of business and generates revenue. This term is also used as a general measure of firm's over all financial health over a given period of time.

Returns on Asset: This measure of a company's profitability equals to a fiscal year's earnings divided by its total asset, expressed as a percentage.

Returns on Equity: This measures how well a company used re-invested earning to generate additional earnings, equal to fiscal year after-tax income (after preferred stock dividends but before common stock dividends) divided by book value expressed as a percentage.

Total Assets: This refers to the final amount of all gross investments, cash and equivalents, receivables and other assets presented on a firm's Statement of Financial Position. Total assets are the aggregation of fixed assets and current assets.

Net Profit Margin: This refers to how much of a company's revenue are kept as net income. The net profit margin is generally expressed as a percentage.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL REVIEW

Houston (2010) defined financial literacy as the necessary skills and understanding of basic economic concepts which are required for making savings and borrowing decisions. Its aim is not to make individuals financial experts. Rather, it is to equip people with adequate knowledge and skills needed to make appropriate and effective financial decisions. It entails the application of the acquired financial knowledge without which an individual cannot be said to be financially literate.

Financial literacy is all about the empowerment and the enlightenment of consumers, the impartation of knowledge about finance which aids in the evaluation of financial products and services and helps them to make informed financial decisions thereby adding relevance to their lives. These decisions include when and how to spend and save, how to manage a budget effectively and how to choose the right financial products. Financial literacy enables people to understand the financial options available to them and make most of the opportunities they present. Financial literacy has become an important tool of survival and no longer a tool of convenience. It is highly relevant to developing countries because increase in financial literacy will give rise to sound economic decisions which in turn improves the financial capacities of the individuals in a country and generates higher economic growth rates. Financial literacy also involves the understanding of basic financial concepts, the discipline and ability to use that knowledge or information to make wise, personal and financial decisions. It also encompasses a set of skills through which individual and the general society is developed on all sides and participates in the process of development through the acquisition of knowledge, skills and attitudes (Kefela, 2010).

2.1.1 Economic Activities and Economic Growth

Economic activities are actions that involve producing, distributing, or consuming products or services. They also involve the activities of making, providing, purchasing, or selling goods or services. Economic activities exist at all levels within a society and they involve money or the exchange of products or services. On the other hand, economic growth can be regarded as an increase in the production of goods and services over a specific period of time. Goodwin et al (2009) defined it as increases in the aggregate levels of production and income. Economic growth enhances profit for business firms and organizations. As stock prices appreciate as a result of better profit, it increases the capital available to firms. As a result, more jobs are created which in turn increases income levels for individuals and households. With more income at their disposal, consumers spend more on products and services, further stimulating economic growth through increased spending. The most popular measurement of economic growth is the Gross Domestic Product (GDP). GDP takes into account the final production of goods and services produced in a country within a specific period of time. This measurement of growth is adjusted for inflation. In other words, for the measurement of economic growth to be accurate, it must incorporate real GDP i.e. GDP minus the effects of inflation.

2.1.2 Components of Financial Literacy

For the purpose of this study, the components of financial literacy can be divided into Core competency, Proficiency and Opportunity.

Core Competency

A financially literate individual should be competent in the following core areas:

(i) **Numerical ability** – this refers to the knowledge acquired for constant calculations regarding finance, example: basic calculations related to cost of goods purchase, bill payment, interest calculations, etc. It also involves the ability to understand financial statements, other accounting information, time value of money, etc.

(ii) **Budgeting** – This refers to tracking of expenses and reduction of unnecessary spending. For budgeting to be effective, one must cultivate the ability to live within his means. Budgeting is very essential where there is limited level of income.

(iii) Savings – This refers to the act of keeping a certain amount of money aside to be used in future. Savings could either be short term or long term.

(iv) **Borrowing** – Debt literacy ensures proficient borrowing. Borrowing is common for most individuals, households or firms. Proficient borrowing requires that the amount borrowed should be relative to one's earnings. A financially literate person should be competent enough to understand debt and what to do to avoid it, reduce and repay it.

(v) **Investing** – The ability to choose a suitable portfolio for investment is a core feature of financial literacy which may be physical assets or financial assets. According to Hiroshi (2002), three criteria to consider before choosing an investment include: safety, liquidity and profitability.

Proficiency: All core competencies of financial literacy listed above require a great deal of proficiency. Proficiency in the level of financial knowledge is very important to establishment of financial wellbeing.

Opportunity: According to a report by UK treasury, financially literate consumers make adequate plans ahead of time, inquire and make use of relevant information, seek advice and know when to implement the advice. This leads to a higher level of participation in the market for financial services.

2.1.3 Benefits of Financial Literacy

Evidence increasingly abounds with regards to the benefits of financial literacy. Financial literacy enables individuals to plan well for retirement. Studies have shown that appreciable number of workers does not make adequate plans for retirement. Financial literacy can aid an individual who anticipates a drop in income after retirement, to calculate how much he needs to save in order to maintain a constant stream of consumption over his lifetime. This entails making projections regarding future variables such as inflation, income growth, pension benefits, etc. (Lusardi, 2010).

According to Pierre-Carl (2017), financial literacy is associated with better financial outcomes such as efficient savings and better debt management. It also serves as a deterrent to wealth inequality by equipping individuals with the needed skills and knowledge to make good use of financial products available to them. Financial literacy has also been shown to positively promote good financial behaviour in schools.

Furthermore, financial literacy is needed in the labour market by employees to (i) prevent financial distress in workers which might occur when workers lack basic financial literacy skills. Financial distress may eventually give rise to poor productivity, lack of motivation and absenteeism. (ii) Financially literate employees might understand a firm’s position better during periods of financial challenge than financially illiterate employees. Better understanding on the part of employees should lead to better outcomes in collective bargaining.

Again, financial literacy also leads to higher returns earned on savings made by the consumer in addition to lower interest generating debt securities. According to Edirisinghi et. al (2017), financial literacy has important consequences for debt related decisions. There is evidence that less financially literate consumers transact in high cost manner and incur higher fees using higher cost borrowing. This could lead to excessive debt and a high probability of credit default.

Edirisinghi et al (2017) goes further to suggest that based on evidence, financial literacy exerts much influence on planning behaviour which increases wealth. Financial literacy also increases the probability of investing in stocks and other diversified portfolio which also leads to increased wealth.

Other benefits of financial literacy as stipulated by CBN (2015) include:

(i) It enables an individual to make optimal choices in the use of financial products.

(ii) Financial literacy helps in multiple decisions making concerning financial products for individuals, corporate firms and government. There are great diversities of financial products and services and households, firms and government make many financial decisions including budgeting decisions, how much to spend and how much to save. They need to make investment decisions and know how to manage their financial risks. These decisions range in different level of complexity and require a sufficient level of financial literacy to be able to make appropriate decisions.

(iii) It assists in constituting a market for sustainable financial services and products.

(iv) Financial literacy promotes awareness about various financial products/financial instruments such fixed deposits, mutual funds, life assurance, various insurance products, bonds, stocks, forex markets, real estates, debentures , recurring deposits, etc. creating awareness for these financial products through financial literacy creates a robust market for them.

(v) It encourages lower credit and default risk With the increased diversity and benefits of financial products and services including debt products, which involve complex risks of various types, with some not being apparent to unwary individuals. Different uncertainties and risk taking capacities require a good level of financial literacy to make adequate financial decisions which will reduce financial risks. Financial literacy bestows adequate knowledge of various debt instruments with their prevailing rates example: personal loans, housing loans, auto loans, etc.

(vi) Good knowledge of financial market performance financial literacy enables one to gain adequate knowledge of the highs and lows of the financial markets. It aids the understanding of changes and movements of the market, the reasons why they occur and the consequences of such changes on individuals and the entire economy. Having a good knowledge of trends in the global market, prediction of movement in the market and their significance i.e. gains or losses, helps individuals and organizations to make good investment decisions.

(vii) It promotes financial system stability by increasing the demand and responsible use of financial services.

2.2 THEORETICAL REVIEW

2.2.1 The Transactions Demand for Money

The transactional demand for money was one of the Keynesian Theory which arises from the medium of exchange function of money in making regular payments for goods and services. According to Keynes, it relates to “the need of cash for the current transactions of personal and business exchange”. It is further divided into income and business motives. The income motive is meant to bridge the interval between the receipt of income and its disbursement. Similarly, the business motive is meant to bridge the interval between the time of incurring business costs and that of the receipt of the sale proceeds. If the time between the incurring of expenditure and receipt of income is small, less cash will be held by people for current transactions and vice versa. There will, however, be changes in the transactions demand for money depending upon the expectations of income recipients and businessmen. They depend upon the level of income, the interest rate, the business turnover, the normal period between the receipt and disbursement of income, etc

Given these factors, the transactions demand for money is a direct proportional and positive function of the level of income and is expressed as LT=KY. Where LT is the transactions demand for money, K is the proportion of income which is kept for transactions purposes, and Y is the income.

Thus we conclude that the chief determinant of changes in the actual amount of the transactions balances held is changes in income. Changes in the transactions balances are the result of movements along a line like KY rather than changes in the slope of the line. In the equation, changes in transactions balances are the result of changes in Y rather than changes in K.

This theory is fulfilled by this study's contention for cashless system in Nigeria. The theory supports the full utilization of income for transactionary purposes rather than the proportion of income set aside for same purposes. If this is so, this study's contention is in line with the theory's tenet, which is the full utilization of income for transactionary purposes. With the cashless system en vogue, the individual can easily access all the income he or she accrues or possesses during the process of transaction. Hence, if an individual is illiterate as regards the operations and opportunities availed by cashless system, he or she would not get the most of his or her transaction demands.

2.3 EMPIRICAL REVIEW

A growing body of literature has focused on ways to measure financial literacy using survey, hence our study follow suit.

Alao and Sorinola (2015) conducted a study in a bid to investigate the customers' satisfaction of the recently introduced cashless policy in Ogun State, Nigeria with a survey of bank customers in Abeokuta. Data were collected with a well-structured questionnaire and analyzed with descriptive statistics, while hypotheses formulated for the study were tested with correlation co-efficient. The findings of the study reveal that cashless policy contributed significantly to customers' satisfaction in Ogun State. Also, the study revealed that cashless policy contributed significantly to customers' satisfaction through electronic channels. Finally, the study concluded that the cashless policy is customer friendly and progressive. Hence, it was therefore recommended, among others, that infrastructures should be improved upon to ensure easy operation of the policy in Ogun state.

Meiseigha and Ogbodo (2013) in their study tried to expose the merits of the cashless economy to Nigeria populace, and as well the pains of a cash-based economy. Accidental sampling method was used in the selection of a sample size of 520 persons, out of which 468 persons representing 90 percent of the sampled persons completed and returned the questionnaires administered to them. Collected data were analyzed using the simple percentages method and the hypotheses were tested with the Chi-square and Analysis of variance (ANOVA) tests. The Chi-square test on the first hypothesis reveals a positive and significant relationship between cashless economy and transparency, accountability and reduction cash-related fraud with F-ratio of 70.175> F-critical of 9.488 at 0.05 level of significance with a 4 degree of freedom, while the ANOVA test on the second hypothesis finds that cashless economy has a positive impact on economy development with F-ratio of 51.37> F-critical of 5.32 at 0.05 level of significance with 1 to 8 degree of freedom. The study recommended adherence to minimum security standards and deployment of more ATMs for smooth implementation of the cashless policy in Nigeria.

Akhalumeh and Ohiokha (2012) carried out a research on the impact of cashless system. They observed that the cashless economy is a system in which transactions are not done predominantly in exchange for actual cash. It is essentially a mobile money payment system which allows users to make payment through GSM phones with internet facilities. Hence the system increases convenience, create more service options, reduces risk of cash related crimes and provide cheaper access to banking services and access to credit.

In examining the cost implications of cashless banking instruments, Gresvik and Owre (2002) studied how much it costs Norwegian banks to process various payment instruments. They found out that payment cards used for cash withdrawals at ATMs cost considerably more since the transactions involve cash replenishment, maintenance and security costs. In addition, the cost of using cheques for cash withdrawals was found to be three times more expensive than cash withdrawals at ATMs.

Humphrey and Berger (2016) (in Alao & Sorinola, 2015) analyzed patterns in the use of cash and other e-payment instruments in 14 developed countries, including the US. Whilst treating payment instruments as if they were traditional goods, the authors construct measures of the cost (analogous to prices) of various payment methods in order to study whether differences in cashless instrument usage across countries can be explained by differences in the relative prices of such instruments. The result showed that such price differences failed to determine the usage of e-banking instruments.

Cobb (2005) (in Meiseigha & Ogbodo, 2013) asserted that efficient, safe and convenient electronic payments carry with them significant range of macroeconomic benefits, the impact of electronic payment is a kin to kick the economy into higher gear.

Omotunde, Sunday and John-Dewole (2013) in their study on the impact of cashless economy in Nigeria found that 51% of withdrawals done in Nigeria was through the Automated Teller Machine (ATM), while 33.6% were through the counter cash withdrawals and 13.6% were with cheques. The conclusion was that the introduction of ATM in Nigeria cash withdrawal system reduces over the counter withdrawal, it implies that the cashless policy supported by the application of information technology will reduce further the over dependent on cash payment in Nigeria.

In a study conducted by Echekoba and Ezu (2012), it was observed that 68.2% of the respondents were not satisfied with long queues in banks, 28.9 % complained of tellers' attitude while 2.89% were not pleased with the proximity from their home to banks. This further confirmed the benefits of cashless system to individuals and the economy at large.

2.4 SUMMARY OF THE CHAPTER

The study examined board financial literacy and corporate profitability in Nigerian banking sector. The importance of financial education and financial literacy at all levels of the nation's socio-economic strata cannot be overemphasized in view of its enormous benefits. The successful implementation of the financial literacy program would guarantee the future economic and social well-being of Nigeria banking system by reducing poverty, improving income and facilitating development. It would also enable Nigeria to take advantage of global financial dynamics, enhance efficiency in managing personal finances, promote entrepreneurship, banking culture and ultimately ensure financial stability. This work has explained the board financial literacy and corporate profitability in Nigerian banking sector as a vehicle to economic development in Nigeria. Adequate knowledge of finance is needed for individuals to function properly in the area of economic decision making.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

3.2 RESEARCH DESIGN

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. Survey research design was employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled.

According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

3.3 POPULATION OF THE STUDY

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

This study was carried out to examine financial intermediaries and the development of non-financial firms in Nigeria. Selected staff of Money Deposit Banks, form the population of the study

3.4 SAMPLE SIZE DETERMINATION

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population.

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of all the entire population of staff of Access Bank, Gwarinpaa, the researcher conveniently selected 36 out of the overall population of 360 as the sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

3.6 RESEARCH INSTRUMENT AND ADMINISTRATION

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section enquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

3.7 METHOD OF DATA COLLECTION

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

3.8 METHOD OF DATA ANALYSIS

Data analytics (DA) is the process of examining data sets in order to find trends and draw conclusions about the information they contain.

The responses were analyzed using the frequency tables, which provided answers to the research questions. The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of thirty-six (36) questionnaires were administered to respondents of which only thirty (30) were returned and validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 30 were validated for the analysis.

4.1 DATA PRESENTATION

Table 4.2: Demographic profile of the respondents

Demographic information	Frequency	percent
Gender		
Male	17	56.7%
Female	13	43.3%
Age		
20-25	9	30%
25-30	8	26.7%
31-35	6	20%
36+	7	23.3%
Marital Status		
Single	19	63.3%

Married	11	36.7%
Separated	0	0%
Widowed	0	0%
Education Level		
WAEC	0	0%
BS.c	25	83.3%
MS.c	5	16.7%
MBA	0	0%

Source: Field Survey, 2022

4.2 DESCRIPTIVE ANALYSIS

To what extent is board financial literacy leads to corporate profitability in the Nigeria banking sector?

Table 4.2: Respondents on the extent board financial literacy leads to corporate profitability in the Nigeria banking sector.

Options	**Frequency**	**Percentage**
Very high extent	16	53.3
High extent	4	13.3
Low extent	6	20
Very low extent	4	13.3
Total	**30**	**100**

Source: Field Survey, 2022

From the responses obtained as expressed in the table above on the extent board financial literacy leads to corporate profitability in the Nigeria banking sector, 53.3% of the respondents said very high extent, 13.3% of the respondents said high extent, 20% of the respondents of the respondents said low extent while the remaining 13.3% of the respondents said very low extent.

From the responds gotten from respondents it shows that board financial literacy leads to corporate profitability in the Nigeria banking sector.

What are the core areas a financially literate individual should be competent?

Table 4.3: Respondents on the core areas a financially literate individual should be competent

Options	Yes	No	Total %
Numerical ability	30 (100%)	00	30 (100%)
Budgeting	30 (100%)	00	30 (100%)
Savings	30 (100%)	00	30 (100%)
Borrowing	30 (100%)		30 (100%)
Investing	30 (100%)		30 (100%)
Proficiency	30 (100%)		30 (100%)
Opportunity	30 (100%)		30 (100%)

Source: Field Survey, 2022

From the responses obtained as expressed in the table above on the **c**ore areas a financially literate individual should be competent, all the respondents constituting 100% said yes in all the options provided. None of the respondents disagreed with the options provided. This shows that knowledge of all the core areas listed above are very necessary to a financially literate individual.

Does board financial literacy help to achieve financial objective in Nigeria banking sector?

Table 4.4: Respondents on whether board financial literacy help to achieve financial objective in Nigeria banking sector

Options	Frequency	Percentage
Yes	15	50.0%
No	4	13.3%
Undecided	11	36.7%
Total	**30**	**100**

Source: Field Survey, 2022

From the responses obtained as expressed in the table above on whether board financial literacy help to achieve financial objective in Nigeria banking sector, 50.0% of the respondents said yes, 13.3% of the respondents said no, while the remaining 36.7% of the respondents were undecided. This shows that board financial literacy help to achieve financial objective in Nigeria banking sector.

Can board financial literacy provide financial deliverance in Nigeria banking sector.

Table 4.5: Respondents on whether board financial literacy provide financial deliverance in Nigeria banking sector

Options	Frequency	Percentage
Yes	25	83.3
No	1	3.3
Undecided	4	13.3
Total	**30**	**100**

Source: Field Survey, 2022

From the responses obtained as expressed in the table above on whether board financial literacy provide financial deliverance to Nigeria banking sector, 83.3% of the respondents said yes, 3.3% of the respondents said no, while the remaining 13.3% of the respondents were undecided. This shows that board financial literacy provide financial deliverance in Nigeria banking sector

Does board financial literacy enhance worker's productivity and output in the Nigeria banking sector?

Table 4.6: Respondents on board financial literacy enhance worker's productivity and output in the Nigeria banking sector

Options	**Frequency**	**Percentage**
Yes	20	66.7
No	4	13.3
Undecided	6	20
Total	**30**	**100**

Source: Field Survey, 2022

From the responses obtained as expressed in the table above on whether board financial literacy enhance worker's productivity and output in the Nigeria banking sector, 66.7% of the respondents said yes, 13.3% of the respondents said no, while 20% of the respondents of the respondents were undecided. This results show that board financial literacy enhance worker's productivity and output in the Nigeria banking sector.

4.3 TEST OF HYPOTHESIS

H0: There is no significant relationship between board financial literacy and corporate profitability in Nigerian banking sector

H1: There is a significant relationship between board financial literacy and corporate profitability in Nigerian banking sector

Table 1: There is no significant relationship between board financial literacy and corporate profitability in Nigerian banking sector.

Options	Fo	Fe	Fo - Fe	(Fo - Fe)2	$\frac{(Fo--Fe)^2}{Fe}$
Yes	15	10	5	25	2.5
No	4	10	-6	36	3.6
Undecided	11	10	1	1	0.1
Total	**30**	**30**			**6.2**

Source: Extract from Contingency Table

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

Findings

The calculated X^2 = 6.2 and is greater than the table value of X^2 at 0.05 significant level which is 5.991.

Decision

Since the X^2 calculated value is greater than the critical table value that is 6.2 is greater than 5.991, the Null hypothesis is rejected and the alternative hypothesis which states that there is a significant relationship between board financial literacy and corporate profitability in Nigerian banking sector is accepted.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

The broad objective of the study was to examine the board financial literacy and corporate profitability in Nigeria banking sector. Based on the study, the following findings were ascertained:

- There is significant relationship between board financial literacy and corporate profitability in Nigerian banking sector
- Board financial literacy leads to corporate profitability in the Nigeria banking sector.

5.2 CONCLUSION

The study examined board financial literacy and corporate profitability in Nigerian banking sector. Financial knowledge is neither a luxury nor a matter of convenience. Rather it has become an integral tool of survival. This is due to the fact that the lack or low levels of financial knowledge could lead to the choice and implementation of poor financial decisions which could be injurious to individuals and the entire society. It is against this background that this paper argues that the promotion of financial literacy by financial institutions affect users of financial products and services in a positive manner. The paper concludes that financial literacy encourages financial access and savings which invariably increases economic growth, reduces poverty levels, enhance livelihoods and leads to overall economic development.

5.3 RECOMMENDATIONS

The following suggestions were made base on the findings from the study:

(i) Policy maker as well as financial institutions should aid banks to improve their performance by setting up structures for corporate governance disclosure. Companies should re-examine the queries of the frequency of meetings of the Board. Attention should be focused and focused on the efficiency and not the frequency of meetings of the Board. Proper corporate risk management practices should be encouraged with financial regulations carrying out frequent quality control checks to ensure compliance.

(ii) Government should put in place measures to enhance the availability of finance to Money Deposit Banks, particularly in the area of institutional credit that would provide affordable medium and long-term loans for expansion and working capital needs.

(iii) Government should establish credit guarantee and insurance schemes to address the problem of non-financial institutions providing collaterals to banks before loans are administered to the sub-sector.

(iv) Various credit schemes targeted at non-financial institutions in Nigeria should be re-energized, coordinated and monitored so that they can effectively impact on the growth and development of the economy.

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QUESTIONNAIRE

PLEASE TICK [√] YOUR MOST PREFERRED CHOICE AND AVOID TICKING TWICE ON A QUESTION

SECTION A

PERSONAL INFORMATION

1. Gender
Male [ ]

Female [ ]

2. Age Category
20-24 [ ]

25-30 [ ]

31-35 [ ]

Above 36 [ ]

3. Educational qualifications
SSCE [ ]

BSC/HND [ ]

MASTERS [ ]

SECTION B

4. To what extent is board financial literacy leads to corporate profitability in the Nigeria banking sector?

Options	Frequency	Percentage
Very high extent		
High extent		
Low extent		
Very low extent		
Total		

5. What are the core areas a financially literate individual should be competent?

\Options	Yes	No	Total %
Numerical ability			
Budgeting			
Savings			
Borrowing			
Investing			
Proficiency			
Opportunity			

6. Does board financial literacy help to achieve financial objective in Nigeria banking sector?

Options	Frequency	Percentage
Yes		
No		
Undecided		
Total		

7. Can board financial literacy provide financial deliverance in Nigeria banking sector.

Options	Frequency	Percentage
Yes		
No		
Undecided		
Total		

8. Does board financial literacy enhance worker's productivity and output in the Nigeria banking sector?

Options	Frequency	Percentage
Yes		
No		
Undecided		
Total		

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