

ETHICAL CHALLENGES AND FINANCIAL PERFORMANCE IN THE NIGERIA BANKING SECTOR

¹OBAKA James Eyoma and ²DANJUMA Joseph

Department of Business Administration
Faculty of Management Sciences
University of Abuja

Email Address: jobaka4u@yahoo.com; babajoe60@gmail.com

<https://doi.org/10.70118/ajbam-02-2025-115>

ABSTRACT

This study explored the ethical challenges that confronted deposit money banks in Nigeria and their impact on financial performance. Despite the adoption of corporate governance practices intended to promote ethical conduct, customers continued to express dissatisfaction with banking services, particularly regarding unauthorized deductions from their accounts without clear justification. Additionally, concerns were raised over insider credit approvals and inadequate disclosure of vital information, highlighting the need for a thorough investigation into certain industry practices. The research adopted an ex-post facto research design and focused on all 31 listed deposit money banks in Nigeria from 2003 to 2021. Secondary data served as the primary source of information, and a purposive sampling technique was employed to select relevant data points. Various statistical techniques, including descriptive analysis, correlation tests, regression analysis, and the autoregressive distributed lag (ARDL) model, were used for data interpretation with the aid of E-View 22.00 software. The findings revealed that insider credit practices had a significant and positive effect on banks' Return on Assets (ROA) in Nigeria. Similarly, the second hypothesis established that the non-disclosure of critical financial information also had a significant and positive influence on banks' ROA. Based on these findings, the study concluded that ethical challenges, including insider credit approvals and inadequate financial disclosures, played a substantial role in shaping the financial performance of Nigeria's banking sector. To address these concerns, it was recommended that the Central Bank of Nigeria (CBN) strictly enforce the revised 2018 corporate governance code to curb excessive insider credit approvals by bank executives and board members, thereby reducing the risk of non-performing loans. Additionally, banks that deliberately withheld crucial financial information from investors and shareholders, thereby preventing informed decision-making, were advised to face regulatory sanctions, including delisting from the stock exchange.

Keywords: Ethical challenges, financial performance

INTRODUCTION

Nigeria's banking industry stands among the nation's largest formal employers, with over 100,000 individuals working within the sector. In recent years, the industry has witnessed notable revenue expansion, contributing nearly 3% to the country's Gross Domestic Product (GDP). Despite the economic downturn caused by the 2019 pandemic, the sector demonstrated

resilience, recording a growth rate of approximately 23% in 2021. Over time, commercial banks have shifted their primary revenue sources, moving away from conventional banking activities—such as earnings from loans and deposits—to alternative, lower-risk financial instruments like bonds, treasury bills, and derivatives. In 2009, core banking activities generated 85% of commercial banks' total income; however, by

2020, this figure had declined to around 60%, while revenues from fixed-income investments and derivatives increased to over 35%.

The pursuit of financial sustainability and higher profitability has influenced banks to rely more on revenue from fixed-income trading and derivatives rather than issuing loans to businesses and individuals. Due to this shift, financial institutions have increasingly avoided high-risk lending, prioritizing safer income-generating avenues. Ethical concerns persist in various industries across Nigeria, but corporate misconduct is particularly prevalent within the banking sector. Instances of corruption and unethical financial practices have led regulators to intervene to prevent systemic collapse. The Central Bank of Nigeria (CBN) has historically taken measures to address these issues, such as liquidating 26 deposit money banks in 1997 due to financial mismanagement by executives, declaring 10 banks insolvent in 2006, and removing the leadership of 8 more banks in 2009 due to corporate governance failures. In response to these ongoing ethical concerns, the Bankers Committee introduced the Nigerian Sustainable Banking Principles in July 2012 to encourage responsible banking practices that consider social and environmental factors. However, despite being in place for over a decade, many financial institutions have neither fully implemented these guidelines nor reported on their compliance.

Additionally, numerous banks have failed to acknowledge key stakeholders in their corporate social responsibility (CSR) disclosures, which could negatively impact their financial performance. Public trust plays a crucial role in the banking sector's operational effectiveness, as confidence in financial institutions directly influences customer engagement and investment activity (Al-Faki, 2006). A decline in trust can trigger panic, leading to financial instability and economic crises. Poor management decisions are often responsible for eroding this trust, ultimately affecting financial performance. In the modern business landscape, ethical considerations have become more complex due to globalization and corporate diversification. Furthermore, regulatory frameworks, economic uncertainties, geopolitical issues, and environmental concerns have intensified the

ethical challenges that businesses must navigate.

To address these challenges, organizations must establish comprehensive ethical frameworks that guide decision-making at all levels, from executives to frontline employees. This ensures alignment between business objectives and stakeholder interests while promoting transparency and accountability. The motivation for this research stems from recent financial scandals, corporate failures, and the evolving regulatory landscape, all of which have emphasized the need to explore the relationship between ethical challenges and financial performance within Nigeria's banking sector.

Significant transformations have taken place in Nigeria's banking sector over time, affecting ownership structures, governance practices, and operational activities. Financial deregulation has played a major role in reshaping the industry, alongside advancements in technology, increased globalization, and the adoption of international regulatory standards. Inam (2006) highlighted that corporate governance has become a global concern due to the widespread effects of business globalization. Despite these developments, corporate governance deficiencies remain a key factor contributing to the banking sector's underperformance (Onakoya et al., 2014).

Strong corporate governance is essential for maintaining financial stability, as demonstrated by the frequent challenges faced by Nigerian banks, including liquidity constraints, unethical lending practices, and non-performing loans (Afrinvest, 2010). A well-regulated system minimizes managerial discretion in circumventing financial controls, fosters trust between financial institutions and stakeholders, and enhances investment efficiency by encouraging projects with positive returns (Shleifer & Vishny, 1997). Since corporate reputation is just as important as financial performance, ethical conduct should be a priority in the financial sector. Empirical evidence from the 2002 World Development Report suggests that a strong financial system fosters trust, mitigates risks, boosts savings, and facilitates investment (Dogarawa, 2004).

Despite its challenges, the Nigerian banking sector remains a dynamic contributor to economic growth and national development. However, recent corporate governance failures—such as undisclosed financial dealings, insider lending that resulted in the dismissal and prosecution of five bank executives, and the subsequent liquidity crisis—highlight the urgency of investigating ethical dilemmas and their impact on financial performance. Given the critical role that ethical practices play in banking operations, further studies in this area are necessary to understand and address these persistent challenges. The specific objectives are to:

- i. Determine how insider credit affect financial performance in the banking sector in Nigeria.
- ii. Evaluate how non-disclosure of information affect financial performance in the Nigerian banking sector.

LITERATURE REVIEW

Concept of Ethics

The exploration of moral values is regarded as the main concentration of the philosophical branch known as ethics. Mihelič, Lipičnik, and Tekavčič (2010) indicate that the term ethics stems from the Greek word *ethos*, which means custom or, more specifically, character. Okoh, Amah, and Olori (2018) assert that Socrates is seen as the foremost advocate for appropriate conduct and effective ethical critical reasoning. He also endorsed the theory of ethics based on knowledge and philosophy. Due to its sensitive nature, defining ethics can sometimes be difficult, yet its core emphasis remains on human behavior and character (Okoh, et al., 2018). Scholars such as Ogbo, Okechukwu, and Ukpere (2013) increasingly regard ethics as the criteria by which individuals determine whether to "act rightly" in business practices. For any organization aiming to succeed in today's global marketplace, it has become an essential element. The Longman Business Dictionary (2017) describes ethics as "moral guidelines or behavior principles that should steer members of a profession or organization to interact honestly and fairly with each other and their customers." A company should consistently

maintain ethical conduct, particularly in its dealings with investors, stakeholders, suppliers, and employees (Cleveland, 2002). Eluka, Agu, & Nwonu (2015) characterize ethics as a pursuit of moral excellence and principles regarding what can be considered good, bad, or terrible.

Business Ethics

Business ethics comprises the values that guide management's actions toward its stakeholders, which include the public, local communities, shareholders, employees, and creditors. Shahrul, Mohd-Nur, Siti, and (2016) interpret ethics as a standard that encourages accountability and responsibility for the nature of work individuals perform within an organization, based on the intrinsic value of work for every person involved. According to Ibrahim and Mohammed (2020), ethical organizations should adhere to a code of ethics. Thus, an organization's code of ethics serves as a declaration of its values, ethical principles, and guidelines governing behavior and practices related to its responsibilities to members, employees, shareholders, customers, and various other stakeholders.

Unethical Business Practices and Performance of Nigerian Banks

Unethical conduct occurs when an individual's or an organizational member's actions diverge from the norms and behaviors typically upheld by the majority within the group (Kish-Gephart, Harrison, & Trevino, 2010). Unethical business practices are characterized by being exploitative, dishonest, and significantly harmful to human life (Ayuba & Aliyu, 2018). These behaviors do not conform to appropriate standards in business transactions and fail to fulfill what is intended to be right in all instances. In other words, unethical business practices represent blatant violations of the marketing principles of justice and fairness. Various social criticisms categorize these practices as detrimental to other businesses, society as a whole, and individual consumers (Kotler, 2003). The entire community expects financial institutions, especially the banking sector, to operate with absolute transparency and adherence to international best practices (Adeyanju, 2014). Given that banking currently involves global national operations and offshore banking activities, prior studies have

shown that corporate ethics, accountability, and transparency pose significant challenges within the banking industry (Adegbite & Arasomwan, 2016).

Non-Disclosure

A significant ethical concern in sales involves withholding essential information or misleading clients with incomplete details, practices commonly referred to as non-disclosure (Masciandro, Nieto & Prast, 2007). This can also encompass providing false information or neglecting to clarify misunderstandings (Carson, 2002). As stated by Michael and Acha (2017), non-disclosure represents an unethical practice in banking. When identified, non-disclosure can alter consumers' perceptions and negatively impact the financial standing of the company (Boush, Friestad & Wright, 2009). Deliberately lying or providing customers with false information is illegal and subject to legal repercussions (Carson, 2002). Nonetheless, salespeople often evade the responsibility of not sharing information with clients in the short term (Akenbor & Imade, 2011). In marketing materials, bank sales representatives might present statements that are technically true yet misleading due to the omission of one or more significant facts (Ozbek, Alniacik & Koc, 2012). In this context, such omissions can take the form of half-truths or outright omissions, with half-truths offering incomplete information that steers the customer toward a skewed conclusion.

Insider Credit

Insider lending occurs when a bank provides loans to its own officers or directors (Brownbridge, 1998). Many countries, including the United States, require that the conditions of these loans are comparable to those offered to other bank customers. This regulation aims to restrict insiders' access to bank resources and promote fairness. Insiders who may receive credit from the bank include major shareholders, subsidiaries, affiliated companies, directors, executive officers, and board members. There is a risk of misuse if insiders receive loans with advantageous terms. If these favorable terms arise from greater access to information and consequently less uncertainty for the borrower, then such loans do not pose a significant concern.

Performance (Return on Asset)

Return on assets (ROA) is used as a proxy for performance, which serves as the dependent variable in this research. Performance can be described as a measure of how effectively a company utilizes its resources from its core business model to generate income. It reflects how well an organization's management optimizes its resources to achieve profitability. Various indicators may be employed to assess a company's performance. Abaenewe, Ogbulu, and Ndugbu (2002) utilized return on equity (ROE) and return on assets (ROA) as performance measures. It is essential to note that an organization's profitability is not the only performance criterion, as highlighted by Ibukunle and James (2012), Olorunsegun (2010), and other researchers who have evaluated performance from perspectives such as productivity, sales growth, cost reduction, competitiveness, efficiency, and effectiveness. Consequently, in agreement with Abaenewe et al. (2013), this research employs return on assets (ROA) to assess the performance of banks. According to Emekekwe (2008), ROA is a metric designed to gauge the profit generated from a company's total assets, expressed as Profit before tax divided by Total Assets. Ekwe and Duru (2012) assert that ROA was chosen as a dependent variable because it signifies managerial effectiveness. ROA is calculated as profit after tax divided by total assets. Researchers such as Lazaridis and Trynidis (2006), Falope and Ajilore (2009), Singh and Pandey (2008), and Karaduman et al. (2011) concur that the formula for Return on Assets (ROA) is expressed as Profit before tax over Total Assets.

Theoretical Framework

Agency Theory

Ross's work from 1973 on the economic theory of agency is regarded as the cornerstone of agency theory. The concept of agency specifically describes and clarifies the interaction between principals (owners) and agents (managers) within businesses. Agency relationships emerge when a principal engages an agent to perform a task on their behalf, as principals often delegate decision-making powers to agents. Consequently, agency theory provides a framework to address relationships

that may encounter challenges between two or more contractual and/or implied parties.

Among these challenges are agency costs, moral hazard, and adverse selection. Umar (2015) states that the primary objective of the theory is to ensure the financial system remains safe, secure, and sound, which necessitates the establishment of government bodies to oversee and curb the excesses of financial firms. He adds that the theory primarily addresses issues related to information asymmetry and concealed actions from both parties, although it often emphasizes the agents' actions towards the principal. The core of agency theory undeniably lies in contract incompleteness and the separation of ownership (shareholders) from control (management), a defining characteristic of contemporary businesses or institutions. Agency problems emerge when resources are allocated inefficiently, compounded by limited supply and inadequate information (Mitnick, 1973).

Crafting contracts to be competitive according to market conditions can help mitigate the agency problem. This approach can notably enhance a firm's resource optimization, particularly regarding cost and operational efficiency (Jensen & Meckling, 1976). The two concepts relate to asymmetric information, where moral hazard refers to hidden actions and adverse selection pertains to hidden information. Adverse selection occurs when asymmetric information exists prior to a transaction (contract), leading to inefficient resource usage. In contrast, moral hazard is an agency issue that arises after a transaction has taken place, resulting in suboptimal resource utilization. Both terms are connected to the insurance industry, a vital aspect of a sound financial system that encompasses both banking and nonbanking entities (Ross, 1973).

According to Jensen (2004), well-structured compensation packages can mitigate agency issues between managers and shareholders, while effectively designed company policies and procedures can reduce agency issues between board members and shareholders. Both situations revolve around different parties striving towards the same corporate objectives. It is advisable to assume that only a small fraction of directors exhibit responsible greed in their business conduct, even though the assumption that all directors are greedy may not

always be accurate. The relevance of this theory arises from the potential risk that unethical behavior from agents, which involves directors prioritizing their interests over those of the principal, could undermine the performance of Nigerian deposit money institutions and contribute to corporate failure.

Empirical Review

The study "Business Ethics and the Performance of the Nigerian Banking Sector: A Conceptual Approach," conducted by Makinde et al. in 2021, utilized a conceptual framework to examine the performance of the Nigerian banking industry alongside corporate ethics. By reviewing prior studies on the relevant variables, the research explored the relationship between business ethics and performance. As investors aim for profitability, bank directors are expected to run operations that benefit all stakeholders. The ethical considerations of management play a key role in this decision-making process. Consequently, a bank's conduct and integrity reflect the professionalism and ethical standards it upholds, which in turn affects its profitability and growth. The study offered suggestions for enhancing the sector through deliberate efforts to maintain ethical practices in all dealings.

Enofe et al. (2015) investigated financial performance and ethical concerns within the Nigerian banking sector. This research examined both the financial performance of banks in Nigeria and the ethical dilemmas they face. Customers continue to express dissatisfaction with the services provided by banks, despite the presence of robust corporate governance that is intended to foster ethical behavior. This dissatisfaction is particularly pronounced in instances where customers experience unauthorized debits from their accounts. Additionally, issues have been raised regarding certain practices within the sector, especially concerning insider-related lending, leading many individual and corporate clients to switch banks due to a breach of trust. The motivation for our study stemmed from a lack of existing research in this area. Responses from various participants were analyzed utilizing descriptive statistics, percentage analysis, and Spearman's rank-order correlation (ρ) through SPSS 21.0. The findings revealed that insider-related lending displayed a strong positive correlation with

financial performance in Nigeria's banking sector, while unauthorized tampering with customer accounts exhibited an unexpectedly minor negative correlation with financial performance. It is therefore recommended that the Central Bank of Nigeria enforce stricter penalties against negligent CEOs, as this could substantially mitigate the rising instances of unethical conduct in the nation's banking sector.

The research carried out by Uchechukwu et al. (2022) examined the link between ethical business practices and financial outcomes within the Nigerian banking sector, aiming to assess how ethical operational methods influence the profitability of banks in Nigeria. The study employed both quantitative and qualitative research techniques, gathering primary and secondary data through literature review, survey questionnaires, and Key Informant Interviews. A stratified purposive sampling strategy was utilized as all Nigerian banks that had been operational for over five years were analyzed, with these banks subsequently categorized into commercial banks, development banks, and other financial institutions. Microfinance banks were excluded from this research. Experts from the Management Faculty at Nnamdi Azikiwe University validated the survey instrument, while the Bank of Industry conducted a pilot test on it. Descriptive statistics, ANOVA, standard deviation, and multiple regression analysis were implemented to evaluate the gathered data and ascertain the relationship between ethics and financial performance in Nigeria's banking sector. The hypothesis was evaluated at a significance level of 5%. The findings revealed that fewer than 30% of Nigerian banks had embraced ethical banking guidelines, and that the adoption and enforcement of such ethical standards correlate positively with improved financial performance within the Nigerian banking sector ($R = 0.715$; $R^2 = 0.512$; $p\text{-value} = 0.032$). The research highlights a significant relationship between ethical business practices and financial achievement in Nigeria's banking industry. We recommend that banks in Nigeria adopt ethical business practices, as this not only benefits internal and external stakeholders but also boosts profitability.

METHODOLOGY

This research employed an ex-post facto design to examine the ethical dilemmas and performance of deposit money banks, utilizing data sourced from the financial statements of the quoted firms that are resistant to manipulation. The study's population consisted of all 31 listed deposit money banks spanning from 2003 to 2021, a timeframe selected due to the prevalence of corporate scandals within the banking sector. A purposeful sampling method was applied to choose a sample of five banks: First Bank, Access Bank, Fidelity, Union Bank, and Guarantee Trust Bank. The primary data source for this research was secondary data extracted from the annual reports and accounts of the banks. The ethical challenges data (insider credit and non-disclosure of information) were examined using Descriptive Statistical Analysis, Correlation testing, regression, and autoregressive distributed lag (ADRL), facilitated by the E-view 22.00 software.

The regression model utilized in the study is expressed as follows: $ROA = \beta_0 + \beta_1IC + \beta_2NDI + \epsilon$, where ROA signifies Return on Asset, IC denotes Insider Credit, NDI represents Non-disclosure of Information, β_0 is the constant, and β_1 and β_2 are the coefficients of the regression model.

RESULTS AND DISCUSSIONS

The minimum, maximum, mean, and standard deviation for the study's variables were assessed. The variable P has a mean value of 0.6741, indicating that approximately 67% of the sample banks are capable of generating Return on Asset during the observed period. Regarding insider credit, 63% of insider credit is deemed non-performing, with a minimum of 51% and a maximum of 71%. When examining the non-disclosure of information, which reflects the extent of information available to investors, the maximum is 1.00 and the minimum is 0.00, resulting in a mean of 0.3516, suggesting it impacts the banks' performance.

The correlation matrix for the chosen variables were carried out and the Pearson correlation matrix indicates that the level of correlation among the independent variables is either moderate or low, as illustrated in Table 4.2;

none of the variables shows signs of multicollinearity. The strongest correlation identified in Table 4.2 is between performance (ROA) and Insider credit (IC), with a value of 0.6541. This supports the conclusion that there is no multicollinearity present among the

variables. According to Wan, Shahnaz, and Nurasyikin (2008), the Pearson R between any pair of independent variables should not exceed 0.80; if it does, those independent variables may be indicating multicollinearity.

Test of Hypotheses

Table 1: Regression Result for Insider credit and Return on Asset in banking sector in Nigeria

Dependent Variable: Return on Asset				
Method: Panel EGLS (Two-way random effects)				
Date: 27/1/25 Time: 12:03				
Sample: 2003/ 2024				
Periods included: 20				
Cross-sections included: 5				
Total panel (balanced) observations: 20				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.057157	0.034321	1.665349	0.1024
ROA	1.82E-11	1.07E-10	-0.170152	0.03156
IC	3.08E-11	1.01E-11	3.047325	0.0037
NDI	4.89E-11	3.24E-11	1.508888	0.1379
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000
Period random			0.000000	0.0000
Idiosyncratic random			0.085281	1.0000
Weighted Statistics				
R-squared	0.575212	Mean dependent var		0.120512
Adjusted R-squared	0.423662	S.D. dependent var		0.091457
S.E. of regression	0.085616	Sum squared resid		0.351842
F-statistic	3.398915	Durbin-Watson stat		2.048489
Prob(F-statistic)	0.025095			
Unweighted Statistics				
R-squared	0.575212	Mean dependent var		0.120512
Sum squared resid	0.351842	Durbin-Watson stat		2.048489

Source: E-view, version 9.00

Decision rule: 5%

The regression analysis indicates that the model is suitable for the research since the F-statistic is significant at the 5% significance level. Additionally, the findings demonstrate that insider credit has a positive impact on the Return on Assets (ROA) of banks in Nigeria. The equation $ROA = 0.05 - 1.6ROA$ suggests that for every 1% rise in insider credit, the Return on Assets will decline by 1.6%. This effect is significant because the P-value is

below 5%. Therefore, we can accept the alternative hypothesis and conclude that insider credit significantly influences the Return on Assets of banks in Nigeria. The R^2 value of 0.57 indicates that 57% of the variation in ethical challenges can account for the Return on Assets of banks in Nigeria, while the remaining 43% can be attributed to other factors not included in the regression model, referred to as the error term.

Table 2: Panel Regression Result for Non-disclosure of information and Return on Asset of banks in Nigeria

Dependent Variable: ROA
Method: Panel EGLS (Two-way random effects)
Date: 27/01/25 Time: 12:03
Sample: 2003 2023
Periods included: 20
Cross-sections included: 5
Total panel (balanced) observations: 20
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	1.708226	0.435202	3.925132	0.0003
IC	-3.61E-09	1.36E-09	-2.658805	0.0106
NDI	-8.18E-11	1.28E-10	-0.637764	0.5267

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Period random	0.000000	0.0000
Idiosyncratic random	1.088866	1.0000

Weighted Statistics

R-squared	0.541851	Mean dependent var	0.665879
Adjusted R-squared	0.488216	S.D. dependent var	1.136928
S.E. of regression	1.085623	Sum squared resid	56.57167
F-statistic	2.644774	Durbin-Watson stat	1.969990
Prob(F-statistic)	0.059710		

Unweighted Statistics

R-squared	0.541851	Mean dependent var	0.665879
Sum squared resid	56.57167	Durbin-Watson stat	1.969990

Source: E-view, version 9.00
Decision rule: 5%

The regression analysis indicates that the model is appropriate for the study, as the f-statistic is significant at the 5% significance level. Additionally, the findings demonstrate that the non-disclosure of information positively affects the Return on Asset (ROA) of banks in Nigeria. The equation for Return on Asset is represented as $0.05 + 3.08ROA$, suggesting that a 1% increase in non-disclosure of information will result in a 3% decrease in ROA. This impact is noteworthy since the P-value is below 5%. Therefore, we dismiss the null hypothesis and affirm that non-disclosure of information has a positive and significant influence on the Return on Asset of banks in Nigeria. The R^2 value of 0.54 reveals that 54% of the variance in ethical challenges can be accounted for by the Return on Asset in Nigerian banks, while the remaining 46% is attributed to other factors not included in the regression model, which is referred to as the error term.

Discussion of Findings

Based on the analysis, the results indicated that insider credit positively impacts the Return on

Assets (ROA) of banks in Nigeria. The equation $ROA = 0.05 - 1.6ROA$ suggests that for each 1% increase in insider credit, the Return on Asset will diminish by 1.6%. This effect is significant as the P-value is below 5%. Therefore, we accept the alternative hypothesis and conclude that insider credit significantly influences the Return on Assets for Nigerian banks. The R^2 value of 0.57 implies that only 57% of the variation in ethical challenges can be accounted for in explaining the Return on Asset of banks in Nigeria, while 43% is attributed to other factors outside of the regression model, referred to as the error term. The results also show that the lack of information disclosure positively influences the Return on Asset of banks in Nigeria. The equation $Return\ on\ Asset = 0.05 + 3.08ROA$ indicates that the Return on Asset will decrease by 3% for each 1% increase in non-disclosure of information. This effect is significant since the P-value is less than 5%. Hence, we reject the null hypothesis and conclude that non-disclosure of information has a positive and significant impact on the Return on Asset of

banks in Nigeria. The R^2 value of 0.54 signifies that only 54% of the variations concerning ethical challenges can explain the Return on Asset in Nigerian banks, whereas 46% is explained by other factors not mentioned in the regression model, which is referred to as the error term. These findings align with the studies conducted by Uchechukwu et al. (2022), Makinde et al. (2021), and Ayeni et al. (2021).

CONCLUSION AND RECOMMENDATIONS

The Study concludes that Ethical challenges has positive and significant effect on Return on Asset of the banking sector in Nigeria. In light of the research findings, the following suggestions were made:

1. The Central Bank of Nigeria should enforce the 2018 modified code of corporate governance to ensure that CEOs and bank board's manage insider loans effectively and decrease the occurrence of non-performing loans.
2. Banks that intentionally fail to provide all relevant information to investors/shareholders, hindering their ability to make informed investment choices, should face penalties and be removed from the stock exchange.

REFERENCES

- Adegbite, E. O. & Arasomwan, O. (2016). The Nigerian economy, and the banking and finance, profession: The Role of Ethical Education. Conference Lecture at the CIBN 2nd National Conference of Educators in Banking and Finance in Nigeria, Ibadan, *CIBN Nigeria banker*.
- Adeyanju, O. D. (2014). Code of ethics and professionalism: Implication for bank failure in Nigeria *Research Journal of Finance and Accounting*, 5(19), 75-86.
- Adeyemo, K. A. (2012). Frauds in Nigerian banks, nature, deep seated causes, aftermaths and probable remedies. *Mediterranean Journal of Social Sciences*, 3 (2), 279-290.
- Agboola, G. M., Epetimehin, O. S., Akinyele, S. T., & Ashipaloye, F. K. (2015). Organizational ethics and employee level of productivity in Nigerian private universities. *European Journal of Business and Management*, 7(28), 125-134.
- Akenbor, C. & Imade, S. (2011). Sales target and ethical behaviour of marketing executives in the Nigerian banking industry *March Edition of the African Research Review*, 14-19
- Al- Faki, M (2006). Transparency and corporate governance for capital market development in Africa: The Nigerian case study, *Securities Market Journal*, 9-28.
- Askew, O. A., Beisler, J. M., & Keel, J. (2015). Current trends of unethical behavior within Organizations. *International Journal of Management & Information Systems*, 19(3), 107-113.
- Ayozie, D. O. (2012) Ethical Consideration of Integrated Marketing, Communication in Nigeria. Chartered Institute of Banking Journal, The Nigerian Bankers. Victoria Island, Lagos.
- Ayuba, B., & Aliyu, I. (2018). Unethical business practices in Nigeria: Causes, consequences and control. *International Review of Business Research Papers*, 14(2), 1-23.
- Barretto, O., Adeoye, S. O., Akewusola, L., and Ayeni, D. (2021) Work Ethics and Employees Performance: Empirical Study of Selected Money Banks in Ogun State, Nigeria. *International Journal of Economics, Commerce and Management United Kingdom ISSN 2348 0386 Vol. IX, Issue 8, Aug 2021*
- Carson, T., L. (2002). *Ethical issues in selling and advertising*. In the Blackwell guide to business ethics (Ed Bowie N., E.). New York: Mifflin
- Cleveland, P. M. (2002). *50 Steps to Business Success: Entrepreneurial Leadership in Manageable Bites*. Ontario, Canada: ECW Press
- Donli, J. C. (2004) Causes of Bank Distress and Resolution Options. Bullion Publication of the Central Bank of Nigeria, AbiodunKinson Enterprises, Lagos, Nigeria.

- Eluka, J. C., Agu, O. A., & Nwonu, C. O. (2015). Improving and promoting ethical behavior in business relations: Evidence from Nigeria. *Information and Knowledge Management*, 5(5), 80- 87.
- Enofe, A. O., Ekpulu, G. A., Onobun, S. I., Onyeokweni, V. O. (2015). Ethical Challenges and Financial Performance in the Nigerian Banking Sector. Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.6, No.10, 2015
- Grossman, S., & Stiglitz, J. (1980). On the impossibility of informationally efficient markets, *American Economic Review*, 70(3), 393-408.
- Ibrahim, U. A., & Mohammed, S. (2020). Effect of organizational ethics on employee performance in airline industry: A Nigerian Perspective. *International Journal of Business Marketing and Management*, 5(1), 01-12.
- Jensen, M. C., & Meckling, W. H. (1976). A theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Kish-Gephart, J. J., Harrison, D. A., & Trevino, L. K. (2010). Bad apples, bad cases, and bad barrels: Meta-analytic evidence about sources of unethical decisions at work. *Journal of Applied Psychology*, 95(1), 1.
- Kotler, P. (2003). *Marketing Management*, India: P.P. Singapore Ltd
- Longman Business Dictionary (2017). Pearson, London, UK. Retrieved [15th October, 2020] from <http://www.ldoceonline.com/dictionary>.
- Makinde O. G., Omidiji D. O., Uhuaba O., Ogunsola O. A., and Asikhia O. (2021). Business Ethics and Performance of the Nigerian Banking Sector: A Conceptual Approach. *International Journal of Business Marketing and Management (IJBMM) Volume 6 Issue 3 March 2021*, P.P. 12-20 ISSN: 2456-4559 www.ijbmm.com
- Masciandro, D., Nieto, M.J., & Prast, H. (2007). Who pays for banking supervision? Principles and trends. *Journal of Financial Regulation and Compliance*, 15, (3) 303-326.
- Michael, E. A. & Acha, I. A. (2017) Fraud and Unethical banking Practices in Nigeria: implications for the banking industry and the economy *Uyo Journal of Marketing and Business Policy 1 (1)* 55 -72
- Mihelič, K. K., Lipičnik, B. & Tekavčič, M. (2010). Ethical leadership. *International Journal of Management & Information Systems*, 14(5), 31-41.
- Mitnick, B. M (2006). *Origin of the theory of agency: An account by one of the theory as originators*: Katz Graduate School of Business, University of Pittsburgh, Pittsburgh
- Ogbo, I. O., Okechukwu, I., & Ukpere, W. I. (2013). *Business ethics as a tool for competitive business advantage in the Banking Industry in Nigeria*. Kamla ay Publications.
- Ogechukwu, A. D. (2013). The current ethical challenges in the Nigerian commercial banking sector. *Global Journal of Management and Business Research finance*, 10(10), 1-17.
- Ojo, J. A. (2008). Effect of bank frauds on banking operations in Nigeria. *International Journal of Investment and Finance*. 1(1). 103.
- Okere, P. A., Njoku, G. O., & Okere, C. O. (2020). Ethics and Professionalism; the Current Challenges for Nigerian Banks. *International Journal of Research and Innovation in Social Science*, 4(8), 72-77.
- Okoh, O. E., Amah, E. & Olori, W. (2018). Ethical orientation and organizational survival of fast-food firms in Rivers state. *International Journal of Advanced Academic Research, Social & Management Sciences*, 4(3), 88-107.
- Pauna, D., Dila, D. & Tureac, C. (2014). Ethics in the institution of consumers' protection. *Acta Universitatis Danubius, Oeconomica Journal*, 10(2), 5-18.

- Shahrul, N. S., Mohd-Nur, R. A., Siti, S. B., & Siti, S. H. (2016). *The Relationship between Work Ethics and Job Performance. The European Proceedings of Social and Behavioural Sciences*. 3rd International Conference on Business and Economics, 21 –23 September.
- Stohl, C., Stohl, M., & Popova, L. (2009). A new generation of corporate codes of ethics. *Journal of Business Ethics*, 90(1), 607-622.
- Uchechukwu P.N., Tochukwu G. O., and Chike P. N. (2022) Business Ethics and Financial Performance in the Nigerian Banking Industry. *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
- Umar, M.G. (2015). Financial regulations and the Nigeria's banking sector. *Journal of Research in Business and Management*, 3(11), 05-13.