

**EFFECTS OF GLOBALIZATION ON THE
PROFITABILITY OF NIGERIAN DEPOSIT
MONEY BANKS**

(A CASE STUDY OF UNION BANK NIGERIA PLC, ILORIN)

By

MUHAMMED MEMUNAT ASUNMI

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Generally, globalization can be viewed as the integration of national economics through trade, capital flows and the accompanying convergence of economic policies. It is the process whereby political, social, economic and cultural relations increasingly take on a global scale and which has a profound consequence for individual's local experience and everyday lives (Bilton, 2017). The definition above implies that globalization operates both at global and local levels and therefore impacts on the economy and politics of a country as well as the culture and well being of the citizens.

Globalization is rooted in multinational trading and investments arrangements and the opening up of trade, through liberalization of the financial sector as well as the economy as a whole. The reasoning behind this policy thrust is that the promotion of trade enriches the wealth of nations. For instance, trade liberalization under the Uruguay round of multilateral trade agreement of 1995 was estimated to have provided over 100billion U.S dollars a year in net benefits accruing mainly to those countries that have removed trade barriers (Hausters, Gerd, 2020). Financial integration as a part of globalization therefore envisages the free flow of loanable funds, openness of capital flows when combined with sound domestic policies, allow countries access to be much larger pool of capital. High capital flows leads to enhanced investment and economic growth, particularly when the inflows are in foreign direct investments, as against potentially volatile short term portfolio flows.

Furthermore, Foreign Direct Investment not only complements domestic savings but also enhances the depth and efficiency of the domestic financial markets and the absorption of foreign technologies. However, the monetary and fiscal policy framework of the nation must be appropriate for the economy to benefit financial globalization (Yusuf, 2021).

Globalization is not a new phenomenon, as it has progressed throughout the course of history dating back to the late 19th century. The history, was however, conquered and the speed slowed down until the new era of global integration facilitated by the removal of trade

barriers and capital flows as well as the advancement in communications and computer technologies which have made easy the collection and processing of data needed for decision making. Consequently, the world exports of goods and services have more than tripled between 1983 and 2005. These changes have also stimulated demand for cross border finance, against the background of financial liberalization in many countries, promoted a pool of global liquidity to meet such demand.

Globalization have no doubt increased opportunities for accessing capital funds for both domestic and foreign sources more cheaply and on better terms. This is because financial sector liberalization and product innovations have in many countries been helped by technological advances. This in turn enhances financial intermediation and creates a more competitive market environment for financial institutions. The downside of those benefits is that international capital flows could be very volatile and thereby pass serious threat to financial and macroeconomic stability. On the other hand, reversal of capital flows as witnessed during the Mexican crisis of 1994 to 1995 and the Asian and Russian crisis of 1997 to 1998 could endanger the financial stability of the individual countries particularly where banks are weak and poorly regulated. The contagion effect could as well threaten the stability of the internationally financial system. There is also the risk that during the period of boom and burst, asset prices may overshoot economic fundamentals, thereby saddling banks with non- performing loan backed by collaterals that have lost much of their values.

Globalization influences the financial sector in different and complex ways. Typically, capital flows, exchange rate crisis and inflationary pressures are some of the major avenues through which the impact of globalization can quickly be transmitted into the domestic economy. The implication of globalization for monetary policy can be seen through two channels. First, volatile short term capital flows and exchange rate movement which are associated with globalization can cause an increase in the uncertainties surrounding the outcome of monetary policies. Secondly, globalization forces policy makers to undertake structural adjustments or reform which changes the conditions under which monetary policy targets, strategies and instruments. It is generally believed that the more

discretionary monetary and fiscal policies are constrained, the more open an economy becomes.

Globalization also compels government to exercise greater fixed discipline and to ensure sound institutional and political frameworks. In other words, it does act as a force for stability by limiting the scope for countries to pursue policies that are consistent with medium term financial stability. High fiscal deficit and unsound financial policies that lead to inflationary pressures, current account deficits and/or high real interest rate, attracts the attention of international investors and capital market operators. Thus, the room for fiscal rascality or unsustainable policies is much reduced in a globalized world.

Specifically, monetary and exchange rate policies have undergone changes in line with broad economic objectives. From independence up till 1986, the conduct of monetary policies was mainly by direct control, which involved the impositions of ceilings on aggregate bank credit expansion, sectoral allocation of credit, administrative control of interest rate, prescription of cash reserve requirement, exchange rate controls and the mandatory holding for government securities. The financial market during this period was mainly underdeveloped, repressed with a limited money market instruments and fixed and inflexible interest rate. A fully developed economy is that which have passed the various stages of development. This development will be achieved more rapidly if foreign investors have access to the domestic markets.

1.2 STATEMENT OF THE PROBLEM

There are problems associated with the development of the Nigerian economy in her different sectors based on the impact of globalization. These problems may be economic problems based on the rate of instability, policy barriers to capital flows, inappropriate economic policies and political instabilities. There may also be problems like market liquidity. In using liquidity as a measure of stock market development, it seems that the Nigerian capital market is illiquid to an extent and it has contributed very little to the growth of the Nigerian economy (Ibrahim, 2022).

1.3 RESEARCH QUESTIONS

Therefore, this research work shall answer the following questions

1. What is the relationship between globalization and the profitability of deposit money banks in Nigeria?
2. How do cross-border financial transactions and international trade policies affect the performance of Nigerian banks?
3. To what extent does technological advancement driven by globalization enhance the operational efficiency of banks?
4. What are the major challenges and opportunities of globalization for Nigerian banks?

1.4 OBJECTIVES OF THE STUDY

Specifically, the objectives of this study can be written as

1. To examine the relationship between globalization and the financial performance of deposit money banks in Nigeria.
2. To assess the impact of international trade policies and cross-border banking activities on bank profitability.
3. To determine how technological globalization influences the operational efficiency of banks.
4. To identify the challenges and opportunities globalization presents to Nigerian deposit money banks.

1.5 RESEARCH HYPOTHESIS

In view of the above mentioned objectives, the hypothesis of this research would be

- **H₀₁:** There is no significant relationship between globalization and the profitability of deposit money banks in Nigeria.
- **H₀₂:** International trade policies and cross-border banking have no significant effect on the financial performance of banks.
- **H₀₃:** Technological globalization does not significantly influence the operational efficiency of deposit money banks.
- **H₀₄:** Globalization does not present significant challenges or opportunities to deposit money banks in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The economic relevance of studying the impact of globalization on the economic growth in Nigeria needs not to be over emphasized. This study is very imperative given the recent efforts by monetary authorities in Nigeria to re-launch the banking sub-sector to glorious heights. Globalization has brought about the rapid change in the Nigerian economy that seeks to increase their share of financial and direct investment in the international market. Globalization has by no doubt increased opportunities by accessing capital funds from both domestic and financial sources. More so, investors can now tailor their portfolio risk to their preferences.

This study is of great importance to

- **Academic institutions;** globalization has played an important role in the improvement of learning techniques. These techniques includes the use of electronic gadgets such as computer, printers, laptops etc. which facilitate learning processes as well as creating basis for understanding new technological processes that will aid student academically.
- **Firms;** through the help of globalization, there has been easy and accessible communication network which facilitate production, distribution of goods and services both domestically and internationally, as well as attracting new investors.
- **Government;** in terms of governance, globalization has improved our system majorly in areas of budget. With the help of globalization, revenue collected and expenditure made are accounted for with little or no errors.

1.7 Scope and Limitations Of The Study

This study covers the impact of globalization on the growth of the Nigerian economy from the period of 1986-2008.

This research work was limited by:

1. Insufficient fund.
2. Limited time to carry out research

1.8 Definition of Key Terms

- **Globalization:** Globalization is rooted in multinational trading and investments arrangements and the opening up of trade, through liberalization of the financial sector as well as the economy as a whole
- **Deposit Money Banks (DMBs):** Financial institutions licensed to accept deposits from the public and provide credit (CBN, 2021).
- **Profitability:** The ability of a bank to generate earnings over a specific period.
- **Digital Financial Services:** Financial services delivered through digital platforms, including mobile banking and internet banking.

1.9 Organization of the Study

The research will be divided into five chapters as follows.

Chapter one contains the background of the study (Introduction), Statement of Problems, Research Questions, Objective of the Study, Research Hypothesis, Significance of the Study, Scope of the Study, Definition of Terms and the Organization of the Study. Chapter two covers the Literature Review. Chapter three discusses about the research methodology, source of data, population of the study, sample size, method of data collection, method of data analysis, limitation to methodology. Chapter four contains data analysis, presentation, and findings. Chapter five covers the summary, conclusion, recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Globalization as A Concept

The phenomenon of globalization is a multi-dimensional and multifaceted process that encompasses political, economic, social and cultural dimensions that have been variously explained in different terms and contexts. Viewed from a general perspective, the notion of globalization is broad and diverse. Our analysis in this paper is focused on its challenge for Nigeria's development in the 21st century. It is considered germane however to consider first the multi- dimensionality of its conceptual usages. Due to its multivariate nature, globalization does not lend itself to easy conceptualization; and like other concepts in social sciences, it is not amenable to a single, simple and straight jacket definition, which perhaps explains its various connotations by scholars of different persuasions as internalization, universalization, liberalization, westernization etc.

Globalization is not a single unified phenomenon but rather "a syndrome of processes and activities, which embody a set of ideas and a policy framework organized around the global division of labour and power" (Ibrahim, 2002:3). In a similar vein Tade Aina forcefully submits that: any meaningful and relevant understanding of globalization in Africa must go beyond the myths and ideologies of globalization to the confrontation with the diverse but actual processes, how they unfold, their relationships with themselves and other social and economic relations and dynamics. Such an understanding must also recognize not only the complex but varied history of the processes being studied but it must reject a monolithic or homogenized understanding such as that found in the currently neo-liberal confrontation of the subject. (Quoted in Dauda Abubakar, 2001: 16).

There is therefore no unanimity of opinion on what constitutes globalization; neither is there a consensus concerning the extent of its advancement as a concept. For a thorough understanding of the concept however, there is the need to reflect briefly on the thrust of the discourse which in literature has been classified into three main clusters – globalization as implying global culture; globalization as the expression of the global political order; and

globalization as depicting global economy. Hence, as Symonides perceptively submits, globalization is generally “the process of growing interconnection and interdependence in the modern world. It is generated by growing economic, cultural and political cooperation and links, as well as by the need to respond together to global problems which can be solved only on a planetary scale” (Symonides, 2018:28). globalization “entails universalization whereby the object, practices or even values transcends geo-political boundaries, penetrating the hitherto sovereign nation state and impacting the orientation and value system of the people” (Abubakar, Op.cit). In a broader perspective, Tade Aina posits that globalization depicts “ the transformation of the relations between states, institutions, groups and individuals, the universalization of certain practices, identities and structures, and perhaps more significantly, the expression of the global restructuring that has occurred in recent decades in the structure of modern capitalist relations (Aina, 2016).

In its most generic and broadest sense, Mike Kwanashie sees globalization as a part of the movement of history as evident in certain forces that appear to push for increasing integration of human activities with emphasis in contemporary world focused more on the economic aspect of the process. It is a process of increased integration of national economies of states with the rest of the international system in order to create a more coherent global economy (Kwanashie, 2019:17). The process has been increasingly propelled by the revolutionary trend in information technology that combines advancement in computing, electronics, and telecommunications which has brought up “a highly dynamic process of storing, processing, transmitting and presenting information” (Ibid:20). As Nuhu Yaqub copiously observes, globalization “refers to the tremendous revolutionary changes that have affected our planet as a result of changes that have also taken place in information and communication technologies - processes that have, cumulatively, led to the villagization of the globe” (Yaqub, 2023:45).

Globalization can be defined as a multidimensional process of unprecedented rapid and revolutionary growth in the extensiveness and intensity of interconnections on a truly global scale” (UNDP: National Human Development Report, 2000/2001). From the foregoing, a fundamental feature of globalization is that the economies of modern nation

states have been highly integrated to the extent that the internationalization of trade and economic activities has become imperative. The interdependency is profoundly informed, as Mufana Lipalile observes, by enhanced international trade, sustained financial flows, increased inter-country mobility as well as improved communication arising from the innovative existence of cellular telephones, electronic mail, the internet and digital satellite television (Lipalile, 2001:296).

2.1.2 Globalization

Globalization is seen as the process of shifting an autonomous economy into the global scene (Fekekuty 1995). Hence, the concept of globalization portrays the logical and calculated integration of economic activities and the production, provision of goods and services at the global market. Moreso, Agugua (2012) argues that globalization is the trend of increasing integration of world economies, and the free flow of goods, services, ideas, managerial and technical ability and technology at the global scene effectively. Malcom (1995) and Ninsin (2002) see globalization as the social process in which the people's ideas, interaction and culture are integrated towards the global scenario with the view to receeding the local sociocultural phenomenon consciously and holistically. For instance Nnoli (2000) opined that globalization is a complex phenomenon which has superlative interface and bridges the incompatibilities and institutional imbalances. Globalization according to Omoweh (2000) and Okpalaobi (2014) encompasses opening up borders and the transcendence of the political, environmental, social, technological and economic phenomenon to increase the relationship between and among nations for the purpose of better economic and social wellbeing of the citizens.

2.1.3 Foreign Direct Investment

Foreign direct investment according to World Bank (1996) is the investment that is made to obtain a management returns in an enterprise and operating in the country other than that of investors country. Eckes (1999) and Adeolu (2007) defined foreign direct investment as the form of international capital flow such as raw materials, skills, ideas, technology and goodwill across border for purpose of improved profitability. More so, Jerome and Ogunkola (2004) conclude that foreign direct investment either direct investment or creation of

subsidiary abroad by a cooperation with the aim of improved productivity, better return and the promotion of social and economic wellbeing to the investors and the benefiting nation.

2.1.4 Global Interdependence and Economic Reality: The Nigerian Situation

Globalization has thrives on the waves of global interdependence resulting from the structure of the world economy because movement of resources and intellectual capacity have been made easy (Rodrik 1999). Broader trends in global scene have been integrated through the successful penetration of the world economy and development of advanced technology without hindrance. More so, Durham (2000) posits that global interdependence is manifested through the free movement of capital, technological and intellectual property with the instrumentality of liberalization. In Nigeria, despite the global trend resulting to technological and economic interaction between Nigerian and other nations, it has been bedeviled with high rate of unemployment, monumental corruption, low income per capital, insecurity, infrastructural decay hence, it has not been able to fully utilized the economic and socio-political benefits of globalization. This according to Rupali (2008) has been the bane of inadequate utilization of the impact of globalization to Nigerian state.

2.1.5 Players of Global Economy

The global economic environment is seen as the process of changes through fundamental restricting of the global economy. Onuoha (2022) concludes that the institutional changes of the global scene have been made possible through some key drivers and instruments. This according to Ikem (2020) is characterized through policies that favoured the promotion of globalization which have impacted the world economy. Therefore, information technology play a pivotal role in the process of globalization and Akinuli (2019) Nwosu (2020) posit that it combines the progress in electronic, computing and telecommunications through highly dynamic process. Internationalization result to externalization of domestic competition where intense competitiveness strives across the global scene The key variables in global interdependence include information technology, internationalization, deregulation, institutionalization of democracy and liberalization of economic trade which enhances economic cooperation among nations (Onuoha 2022)

2.1.7 Effect of Globalization in Nigeria

Globalization have been able to bridge the gap in economic and social status among nations especially as Obadan (2021) rightly observed that it creates a perpetual intensity for improvement through innovation, research, policy dynamics and liberalization. Globalization exposes the developing nations including Nigeria to greater risk and economic inequality resulting from the inability of the nation to compete favourably at the global scene. More so, Nigeria as a developing nation need to explore its natural resources to produce its primary commodity like agriculture hence, Onimode (2023,) and Ibrahim (2020) argued that the hasty quest to institutionalize globalization even to developing nations that were not adequately prepared for such rather exposes them to diversion of focus hence making them to neither remain here nor there.

Consequently, this has crippled the institutional development of Nigeria resulting from inferior level of technological development, lack of required degree of sophistication, infrastructural bankruptcy and lack of correlation between foreign direct investment (FDI) and the gross domestic product (Ajayi 2021). Though, globalization has significant impact on lowering the cost of capital acquisition by enterprises and also enables business entities including banks to raise funds for business development its benefits has not been fully accessed In Nigeria due to the institutional injury of Nigerian state and the barrier to trade, investment and financial flows as compared to other developed economies.

2.1.8 Overview of Nigerian Banking Sector

The Nigerian banking sector started in 1892 when the first commercial bank (the African banking cooperation) was established in Lagos. The 1952 ordinance set standards required reserve funds, established bank examinations, and provided for assistance to indigenous banks. Yet for decades after 1952, the growth of demand deposits was slowed by the Nigeria propensity to prefer cash and to distrust checks for debt settlements. In 1952 several Nigeria members of the federal house of assembly called for establishment of a central bank to facilitate economic development but it began operation on July 1, 1959. And the period (1959- 1969) marked the establishment of formal money, capital markets and portfolio management in Nigeria. The period marked the beginning of serious banking

regulation in Nigeria with the CBN in operation, the minimum paid-up capital was set at N400, 000 (USD 480,000) in 1958. By 2001, the banking sector was fully deregulated with the integration of universal banking system in Nigeria which merged merchant banks operation to commercial banks system preparatory towards the 2004 bank consolidation. In the 1990 the unguided nature of banks led to the failure of many which led to another recapitalization that meant bank capital being increase to N5000 million (USD 5.088) and subsequently increase to 2 billion naira with the formulation of 13-point reform agenda aimed at solving the fragile nature of the banking system. The banks and minimum paid up capital between 1952 and 1978; the banking sector recorded forty-five banks and rose to fifty four between 1979 and 1987. The number of banks dropped to twenty five with the increase in minimum paid-up capital from N 2 billion (USD 0.0166billion) in January to N25billion (USD 0.2 billion) in July 2004. Somoye (2018) observed that after the consolidation, the number of banks reduced to twenty three resulting to merger of some banks. These banks accept deposits from customers provide credit facilities, manage customer's portfolio of investment.

2.1.3 STRANDS OF THOUGHT ON GLOBALIZATION

Scholars of globalization as interdependence have consistently maintained that globalization is the rational end point of human development, and that it is capable of impacting positively on the life of state actors that integrate their economies. Francis Fukuyama for instance, in his treatise 'The end of history and the last man' perceives globalization as universalization of western values. He proposed the celebration of a globalized world and the unabashed victory of political and economic liberalism that is evidenced in the triumph of western ideas and values and in the exhaustion of viable systematic alternatives to western liberalism (Fukuyama, 2022). Severine Rugumamu opines that globalization is not merely a buzzword; rather it is "a new paradigm in international economic relations which apparently signals the triumph of capitalism on a truly global scale following the end of the cold war, the collapse of the Soviet system and the dissolution of planned economies, particularly in Eastern Europe" (Rugumamu, 2019:3).

Jan Scholte identifies globalization as deterritorialization or as spread of supra-territoriality. He opines that the phenomenon constitutes a transformation in the spatial organization of social relations and transactions (Scholte, 2000). Proponents of globalization as inter-dependency therefore see a better world if nation states would realize and utilize to the maximum the opportunities presented by inter-dependency resulting from globalization. Their belief is hinged on the premise that interdependency has opened up the world, reduced the abuse of human rights, and eradicated, to a large extent, social and economic injustices by national governments.

Advocates of globalization as imperialism on the other hand are mainly of the radical persuasion and political economy genre. While the interdependence school of thought on globalization claims that interdependence is the reality of globalization and that it constitutes a positive development in world affairs, scholars who view globalization as imperialism insist that the phenomenon as it is today represents nothing but capitalism and imperialism. Ali Mazrui calls it “the new global imperialism”. Scholars that allude to the same position have proclaimed that globalization is a transformatory capitalist project, which can only serve to impoverish the underdeveloped nations on the fringe of the world capitalism. Globalization is about growing structural differentiation and functional integration in world economy; it is about growing interdependence across the globes, it is about the nation-state coming from under pressure from the surge of transnational phenomenon; about the emergence of a global mass culture driven by mass advertising and technical advances in mass communication (Ake, 2015).

Madunagu sees globalization as the rapid expansion of capitalism. He believes that: The rapid expansion, through giant multinational companies, of capitalism to several areas of the world, including areas where it had hitherto been resisted or put in check side by side with this expansion, is the phenomenal development of computer technology, telecommunication and transportation. The latter serve as the main vehicle of the former. Globalization is globalization of capitalism, not the globalization of a “neutral” economic system or globalization of post-capitalism as the imperial intellectuals and their slaves in the underdeveloped countries would have us believe (Madunagu, 1999:53).

Globalization is a capitalist economic project that is propelled by two contradictory movements – first, the tendency of economic globalization to create uniformities in the entire world; and second, the tendency of marginalization and fragmentation, which the phenomenon connotes. He summed up that these two processes make it possible for globalization to spread out its risk and losses throughout the global arena (Nabudere, 2020).

There is no doubt that globalization has impacted differently on the two parts of the global system. While it strengthens the already developed advanced western countries, it marginalizes the peripheral economy of the Third World countries. K.A Ninsin elegantly captures the scenario in his description of globalization as “the engine by which the economies of the world’s weaker nations are being opened up and subjected to the hegemony of the developed capitalist economies” (Ninsin, 2000:5). Globalization super-imposes the values of the North on the South by accelerating the successful penetration of capitalism and other bourgeois ethos into the nooks and corners of Asia, Latin America and Africa and the erstwhile non-capitalist states of Eastern Europe” (Oriakhi, 2021:24).

2.1.3 Forces of Globalization in Nigeria

Three main powerful forces that propel globalization in contemporary global environment in Nigeria particular can be discerned, namely, economic liberalization, technological revolution and democratic system of governance. (Usman, 2019:45 – 63; Kwanashie, 2019: 15-27).

- **Economic liberalization**

The first pillar of contemporary globalization process in the modern world today is economic liberalization, which has been accepted by virtually almost all countries Nigeria is not left out in this regards and major international institutions within the global system. Economic liberalization is simply seen as the process of achieving unobstructed economic activities. It seeks to remove all problems to trade, production and investment; emphasizes freedom of economic activities and dominance of private enterprises; and aims ultimately at the divorce of the state from the economy (Onyekpe, 2001:52).

At the global level, economic liberalization attempts to make all economies fully open for free inter-penetration and inter-state access. Issues relating to the forces of

economic liberalization are generally more difficult than and not as obvious as in technology. In effort of economic liberalization, the global system is divided into various groups. In one group are the industrialized (G8) countries that work closely with the world financial institutions (IMF, World Bank) and Trade (WTO) institutions, and target a broad and ambitious agenda that attempt to build international capitalism on the foundations of open world trade and capital flows, privatization, balanced budget, freeing up of exchange controls and similar deregulation and liberalization measures (Usman, Op. cit: 52). In the other group are the 'Asian- Tigers' who have, through economic liberalization process, achieved unprecedented growth in their fragile economies. The countries, in addition to economic liberalization, have used other policy instruments to expand Foreign Direct Investment (FDI) and attain higher economic growth. These include developing a strong production base; opening up of new investment areas; as well as designing and implementing sound macro- economic policies. They have also created a conducive climate and stable political and economic environment to attract foreign investments. These policy measures have enhanced the expansion of FDI in the countries, and led to their rapid growth and development. Other groups of countries that have achieved momentous feat as a result of economic liberalization include the transition economies of the Eastern Europe as well as the Latin American countries. Also included are the African States remarkable example is Nigeria which has suffered tremendously from extreme poverty and lack of policy focus. Thus, it is obvious that economic liberalization is now a common feature among nation states.

It can therefore be rightly concluded that no country in contemporary world can really be an island unto itself, either due to its vibrant economic strength e.g. United States or because it decides to close its doors to the outside world like China successfully did in the past. The critical message of globalization in this context is that in the existing moment of integration of global markets, Nigeria and other developing nations have little choice but to try and join the globalization train despite of their disadvantaged position in the process (Akinboye 2007).

- **Technological revolution**

That the world is currently experiencing phenomenal changes in social, political, economic and technological spheres cannot be disputed. One fundamental instrument for this increasing transformation is technology, especially computer technology, and the evolution of low cost, global communications system which constitute major challenges that will dominate and fundamentally shape developments in the 21st century, particularly in the economic and financial sectors. (Usman, 1999:48). The revolution in computer technology, has led to the advancement of information technology, which has in turn enhanced the level of information transmission and business transactions across the global system. Indeed, the revolutionary changes that have occurred in computer technology since the latter part of the 20th century have brought about tremendous improvements in all facets of human endeavour.

Today, the use of computers has increasingly become quite commonplace in pure scientific research, social science and especially in managerial decisions. The significance of the strong force of technology can best be illustrated by reference to the financial system. Globalization and information technology have thrown up formidable challenges for national economies, especially the financial system, by reducing the world further into a global village, and as well by providing enormous information through a wide range of inter-connectivity. The interconnectivity (network) of computers has given rise to the development of Internet, which constitutes the largest network and largest reservoir of all types of information in the global system (Ibid).

Furthermore, information technology in particular has combined progress in electronics, telecommunications and computing to bring about a highly dynamic process of storing, transmitting, processing and presentation of information. This has led to increasing capacity for new and efficient responses to antiquated problems. For instance, more efficient production processes are now possible and countries with the necessary capacity are embracing and adopting them in a bid to maintain a competitive edge within the changing world environment (Kwanashie, 1999:20). Information technology has equally provided tremendous opportunity for the exploitation of economies of scale, making for rapid growth

and conferring comparative advantage to those that have access to it. Consequently, it is increasingly promoting the internationalization of productivity and markets, which is crucial to the globalization process (Ibid).

- **Democratic system of governance**

The third major force of globalization in Nigeria is the general acceptance of democratic forms of governance. In modern political system, democracy is the preferred system of governance. This is in view of its relationship to good governance with its inherent features including rule of law, democratic participation, probity, integrity, and transparency. It is also preferred because it posits and insists that power springs from, and therefore belongs to the people and that those who exercise power should use it in the interest of the people, or at least, the majority of the people (Yusuf, 1994: 113). In addition, democracy demands unequivocally that while the majority should rule and even in most cases, have its way, the minority must be able to have its say, and its say must be listened to while its rights must be respected and protected. Preference for democracy also springs from the fact that it demands that people should be availed equal opportunities to participate in the administrative and decision making machinery of the state; and that there should exist a free, fair and independent judiciary; equality of all before the law; supremacy of the law; and fundamental human rights for the people (Ibid).

While there has previously been virulent anti-democratic tendencies and suppression of democratic rights of the people, the pendulum is contemporaneously swinging in favour of democracy and democratic governance. Democracy, although varied in form, has in contemporary global system, become widely accepted as the form of governance that advances the interests and aspirations of the majority of the people. This is underscored by the failure of various authoritarian regimes including the erstwhile military and civilian dictatorships in many parts of the world, as well as the collapse of the communist system that provided for usurpation of power by a small clique of bureaucrats over everyone else in the society (Usman, Op. cit: 54). The manner of rejecting and isolating non-democratic regimes globally also attests to the changing fortune of democracy as a formidable force and most acceptable system of governance in the global system.

2.1.5 Banking And Globalization

The banking industry gradually spread outward from the classical civilizations of Greece and Rome into Northern and Western Europe (Rose, 1999). The development of new overland trade routes and improvements in navigation in the 15th, 16th and 17th centuries gradually shifted the centre of world commerce from the Mediterranean region to Europe and the British Isles where banking became a leading industry. During this period were planted seeds of the Industrial Revolution, which demanded a well – developed financial system because of the more need to make payments and credits. Banks that could deliver on these needs grow rapidly. When colonies were established in North and South America, old World banking practices were transferred to the New World. Colonialists dealt primarily with established banks in the countries for which they had come. Banking presence on the World Wide Web has exploded into great prominence in the most recent era, with thousands of banks displaying their own individual web sites and well over 100 sites tracking industry trends. Banks have rushed onto globalization in greater numbers making it easier all the time to evaluate this fascinating industry's globalized performance space.

2.2 Theoretical Review

There are various strands of theoretical literature on the nexus between globalization and financial development. However, the study will focus on the Solow, Harrod-Domar, the Hecksher-Ohlin model and the Porter's theory.

2.1.1 The Solow Model and the Harrod-Domar (HD) Model

The Solow model is used basically to analyze the long run economic growth of any economy. This model relaxed some of the unrealistic assumptions of the HD model. The HD model rooted on only one factor, and the factors that account for growth in this model to ensure globalized economy include increase in capital stock through savings and investment and increase in the quality of labour and quantity through education and population growth. The striking contribution of Solow's ideas was to encourage the government of each country to focus on the development of education and research which is a means of improving the various financial sectors of the economy and the thrust of this model is evident in the global world in the contemporary days.

The theoretical underpinning of the model is deeply articulated in the Hecksher-OhlinSamuelson-Stolper (HOSS) framework that leans on the sartorial and factorial impacts of increased cross-border trade on the structure of input and output of a country. It is adjudged based on the theory that greater interrelationship can be accomplished via trade openness.

2.1.2 The Hecksher-Ohlin Model

The main tenet of Hecksher-Ohlin model is that countries should be specialists in the production of goods and services where they have factors of production in abundance for production geared towards domestic consumption and for international market, however such countries should import those goods and services for which they have scarce factors of production. When this is achieved, it will translate to increased specialization, increased global output and improved welfare of the people. In one hand, peoples' choices would be increased and people around the globe would have access to variety of goods. The HecksherOhlin theory emanated from the theory of Absolute cost advantage which was credited to Adam Smith. This theory of Absolute cost advantage, however, focuses on increased global output via the inter-border movement of output, furthermore, this theory states that countries should specialize in the production of goods and services that it can produce at a very low cost in terms of factor inputs used in the production of output both for domestic consumption and for international market, however, such a country should import those goods for which it can produce at very high cost compare to other countries. The relevance of such a theory is to assist countries gain advantage in the globalized market via the interrelationship between the global markets and the movement of output across borders. This theory also seeks to promote global productivity and the development of the various sectors of the economy as citizens of different countries would have access to improved employment opportunities and better benefits/income.

2.1.3 The Porter's Theory

The relevance of Porter's theory hinges on the fact that there should always be a strategy to compare the competitiveness of firms domestically and internationally to boost a nation's competitive advantage. Any country that integrates with the global environment

should also possess the ability to absorb any negative tendencies that may emanate from such integration. The implication of this is that such negative impacts would not be evident in the receiving country. The theory is deeply rooted in the system of determinants, which comprises of the endowment of a nation with factor inputs. These determinants are considerably influenced by other factors like the chance and the governmental policy. All these determinants are dependent on one another. Porter proposed that countries are adjudged successful where the national resource is the most preferable economic interest. The more complex and dynamic the economic environment of the country is, the more like is some companies to fail if they cannot capitalize in productive way to fit into the environment. Hence, Porter divided the production factors into four: (I) human resources; (II) natural resources; (III) knowledge resources and; (IV) capital resources & infrastructure. In conclusion, the theory of Porter gave birth to a new foundation for both industrial and commercial policy purposes.

2.2 Empirical Review

In the recent past there have been quite a number of studies that have reported quantitative results on financial sector growth and globalization in Nigeria.

For instance, Ikpeze (2024), while appraising the SAP of 1986, argued that regardless of their objectives, such policies represent financial repression and are liable to produce distortions in the economy. The study claimed that the basic distortion was the interest rates which were driven below their equilibrium levels. Such distortions usually result into the encouragement of financial disintermediation, capital flight, acquisition of inflation hedges and excessive aggregate demand. All these distortions conspire to reduce economic growth rates.

Aina (1996), Abubakar (2021) clearly uncovered the consequences of globalization and free-trade on Nigeria in particular, and Africa in general. Both studies also unraveled the negative relationship between Economic globalization and the development of the various sectors of the Nigerian economy. Loto (2021) examined the effect of globalization on Nigeria's growth process using the mundel-fleming model of open macroeconomics, the study was able to discover that the Nigerian economy has not benefitted immensely from

globalization as trade openness insignificantly impact economic growth. It therefore called for the diversification of the Nigerian economy to guarantee trade improvement relationship with the rest of the world in order to benefit from globalization.

Modolaji & Ndako (202w8) researched into the role globalization plays in Nigeria's financial sector. It was observed in the study that globalization has enhanced Nigeria's growth process and has offered several benefits to the economy. It therefore suggested that for the country to reap more benefits of globalization, a minimum threshold of development of necessary institutions is required. Mishkin (2019) looked into how globalization impact financial development in developing countries. The study suggests that plays a prominent role in inspiring institutional reforms in less developed countries with well-developed financial structure and growth. The study believe that developed economies can assist in promoting financial development and economic growth by allowing products and services from emerging economies to enter their economies without much restriction.

Garcia (2022) focused on the relationship between financial globalization and financial development in transition economies and concluded that financial globalization positively and significantly enhanced the growth process of financial system in these countries. However, the reverse is the case when the overall development process of the financial system was put into consideration. It thus implies that financial globalization did not result into a better performance of the basic financial system in these transitions economies.

Basco (2024) developed an empirical dot-com model in analyzing the relationship between globalization and financial development. It was observed that as globalization increases, the tendency for a financially developed country to have bubbles also increases. The reason given is that under autarky, rational bubbles can only surface in the presence of assets shortage which is only associated with a financially constrained country and that with an integrated economy, excess demand for assets at the global level can also trigger rational bubbles. In conclusion, the study suggests that globalization enables highly financially underdeveloped countries to access international capital markets thereby making the global economy financially constrained and stimulating the prospects for rational bubbles. De

Nicolo & Juvenal (2024) focused on the effects that measures of financial integration as well as globalization has on real activities in some advanced and emerging economies between 1985 and 2008. The study which employed a dynamic panel analysis and focusing on three dimensions of real activity which include measures of macroeconomic instability, growth volatility and growth itself observed that globalization and financial integration are associated with lower growth volatility, higher growth and lower possibilities of declines in real activity. It did not however find any evidence of a trade-off among globalization, macroeconomic stability, growth and financial integration.

2.4 Gap in Literature

Several researches have been carried out on the study the topic of study for instance, Ikpeze (2024), while appraising the SAP of 1986, argued that regardless of their objectives, such policies represent financial repression and are liable to produce distortions in the economy. Basco (2024) developed an empirical dot-com model in analyzing the relationship between globalization and financial development. However, all this study have their lapses which this study will cater for.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION TO METHODOLOGY

In order to carry out a detailed research on the topic “effects of globalization on the profitability of deposit money bank” this study made use of quantitative research and questionnaire and the instrument of data collection. The method of analysis used in presenting the data collected was the use of table for presentation.

3.2 RESEARCH DESIGN

Both primary and secondary data were used to gather relevant data needed for this research work. The primary sources include personal observation and well structure questionnaire which are administered during the interview to the designated bank.

The secondary sources of data was the several reference books, journal, textbooks as well as notebook which are related to the topic of study.

3.3 POPULATION OF THE STUDY

Population of the study is said to be the set of person(s) who are being used to carry out study, the set of persons in a geographical area of place and as in this Access Bank, Plc is being used to carry out the study. For the purpose of this study the staff of Access bank of Nigeria, Plc. Ilorin branch were the basic population of study. The total population for the study is sixty (60) i.e sixty members of staff are being used to represent the total population of banks and Access banks in general.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUE

The sample size of this study is fifty (50) which is as a result of the total questionnaires which were returned during the questionnaire distribution to the members of staff of Access Bank Plc, Ilorin

This size has been chosen so as to have fair representation of the entire population.

3.5 METHODS OF DATA COLLECTION INSTRUMENTS

The research was administered by using questionnaires on the topic “effects of globalization on the profitability of deposit money bank”. So 60 questionnaires were given to the members of staff of Union Bank where 50 were well filled and returned.

3.6 METHOD OF DATA ANALYSIS

Following the responses gotten from the questionnaires that were distributed. The data collected will be analyzed by using table percentages representing in a sample bar chart and chi-square method for easy illustration of the data.

3.7 LIMITATION OF THE METHODOLOGY

The research is in historical and case study research which has been constrained by a lot of factors such as:

Time factor: the time given to the research in carrying it out is very limited and as well clash with the lecture timing which brings in challenges during the interview precisely.

Finance: finance being the bedrock of everything also proves to be another challenge in the gathering of information necessary for the research, such as transportation, printing and so on.

However, effort has been made to ensure that the above limitation do not have another effect on the completion and quality of the research work.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

These chapter deals with analysis of data selected during the research survey, the data was analyzed and presented based on the research question were grouped together according to their relevance of the reach question from which they are drawn. The preference of response on each major item was converted to simple percentages from these interpretation of the data was made the research question were tested in the high of the response of the questionnaire passed to the respondents.

4.2 Data Presentation

SECTION A (information about the respondent)

Section A: Personal Information

4.1.1 Distributing of respondents by Sex

Sex	No of respondents	Percentage %
Female	20	40
Male	30	60
Total	50	100

Source: Field Survey, 2025

4.1.2 Distribution of the Respondent By Age

Age	No of respondents	Percentage %
20-30years	15	30
36-50years	25	50
51 and above	10	20
Total	50	100

Source: Field Survey, 2025

4.1.3 Distribution of Respondent By religion.

Religion	No of respondents	Percentage %
Christian	25	50
Muslim	25	50
Other	-	-
Total	50	100

Source: Field Survey, 2025

4.1.4 Distribution of Respondent By Marital Status.

Status	No of respondents	Percentage %
Married	25	50
Single	20	40
Divorce	5	10
Total	50	100

Source: Field Survey, 2025

4.1.5 Distribution of Respondent By Qualification.

Qualification	No of respondents	Percentage %
HND/B.sc	15	30
OND/NCE	15	30
WAEC/NECO	10	20
Others	10	20
Total	50	100

Source: Field Survey, 2025

4.1.6 Distribution of Respondent By Occupation

Occupation	No of respondents	Percentage %
Civil servant	15	30
Self-employed	15	30
Student	15	30
unemployed	5	10
Total	50	100

Source: Field Survey, 2025

Section B

4.1.7 Globalization has increased access to international markets?

Option	No. of Respondents	Percentage %
Yes	45	90
No	5	10
Total	50	100

Source: Field Survey, 2025

4.1.8. Foreign partnerships have improved bank profitability?

Option	No. of Respondents	Percentage %
Yes	45	90
No	5	10

Total	50	100
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Source: Field Survey, 2025

4.1.9. Currency exchange fluctuations affect profit margins?

Option	No. of Respondents	Percentage %
Yes	35	70
No	15	30
Total	50	100

Source: Field Survey, 2025

4.1.10. Global competition pushes service quality improvement?

Option	No. of Respondents	Percentage %
Great extent	10	20
Little extent	10	20
No impact at all	20	40
No opinion	10	20
Total	50	100

Source: Field Survey, 2025

4.1.11. Technological globalization improves transaction speed.

Option	No. of Respondents	Percentage %
Strongly agreed	25	50
Agreed	10	20
Neutral	10	20
Disagree	5	10
Strongly disagree	-	-
Total	50	100

Source: Field Survey, 2025

4.1.12. Online banking boosts revenue.

Option	No. of Respondents	Percentage %
Strongly agreed	35	70
Agreed	10	20
Neutral	5	10
Disagree		
Strongly disagree		
Total	50	100

Source: Field Survey, 2025

4.1.13. Globalization introduces strong competitors?

Option	No. of Respondents	Percentage %
Yes	35	30

No	15	30
Total	50	100

Source: Field Survey, 2025

4.1.14. Staff require training to meet global standards?

Option	No. of Respondents	Percentage %
Strongly agreed	40	80
Agreed	5	20
Neutral	5	40
Disagree		
Strongly disagree		
Total	50	100

Source: Field Survey, 2025

4.2 ANALYSIS OF DATA

Below are the analyses of the data presented above.

Section A: Personal Information

4.2.1 Distributing of respondents by Sex

Comment from the above is 40 respondent representing 40% were female, while 60 respondents representing 60% of the sample were male hence more male Respondent were sampled in the research.

4.2.2 Distribution of the Respondent By Age

The table above shows that 30% of the respondents are between 20-30years, 50%, were 36-50years while 20% fall between 51 and above. This indicates that the sample respondent are of the average age population.

4.2.3 Distribution of Respondent By religion.

The table revealed that 50% of the total population are Christians and well as the remaining 50% who appears to be Muslim. It indicates that the respondent are both Christian and Muslim alone.

4.2.4 Distribution of Respondent By Marital Status.

The table 4 above shows that 50% of the respondents are married, where 40% are single and the remaining 10% are divorced. This indicates that there are more married than single and divorced. This implies that the population is adequately represented with.

4.2.5 Distribution of Respondent By Qualification.

The table shows that 30% of the respondents have HND/B.sc in their education level, 30% have OND/NCE/, 20% have WAEC/NECO while the remaining 20% have other qualification or no qualification at all. This meant that all citizen qualification is fairly represented in the survey

4.2.6 Distribution of Respondent By Occupation

The table 6 above shows that 25%, of the respondents are working as a civil servant, 30% of the respondent have individual work which means that they are self-employed, 35% are students while the remaining 10% are unemployed that is they are not working.

Section B

4.2.7 Globalization has increased access to international markets?

The table 7 above shows that 90% of the respondents agreed that Globalization has increased access to international markets, 10% of the respondent do not have any idea of government expenditure.

4.2.8. Foreign partnerships have improved bank profitability?

The table 8 above shows that 90% of the respondents believes that Foreign partnerships have improved bank profitability, 10% of the respondent do not have any idea of economic growth..

4.2.9. Currency exchange fluctuations affect profit margins.?

The table 9 above shows that 75% of the respondents thinks think that Currency exchange fluctuations affect profit margins., 25% of the respondent do not.

4.2.10 To what extents has global competition pushes service quality improvement?

The table 10 above shows that 20% of the respondent says its on a great extent, while another 20% of the respondent sees that Global competition pushes service quality improvement but on a little extent, while the largest population of respondent believes that Global competition pushes service quality improvement with 50% while the remaining 10% have no opinion at all.

4.2.11. Technological globalization improves transaction speed.

The table 11 above shows that 50% of the respondents believes that Technological globalization improves transaction speed as they strongly agreed, while 20% of the

respondent agreed to the fact, another 20% of the respondent stands neutral as not being sure if it is while the remaining 10% disagree.

4.2.12 Online banking boosts revenue.

The table 12 above shows that 20% of the respondents strongly agreed that Online banking boosts revenue, while 20% of the respondent agreed, while the largest population of respondent stands neutral and 10% disagreed and strongly disagreed respectively.

4.2.13 Globalization introduces strong competitors?

The table 13 above shows that 70% of the respondents believes that Globalization introduces strong competitors, while the remaining 30% of the respondent disagreed with a “no”.

4.2.14. Staff require training to meet global standards?

The table 14 above shows that 40% of the respondents strongly agreed that Staff require training to meet global standards, 50% of the respondent agreed as well, while the remaining 10% stood neutral respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study investigated the effect of globalization on the profitability of deposit money banks in Nigeria. Data were collected through structured questionnaires and analyzed using descriptive and inferential statistical methods.

The key findings are summarized as follows:

1. **Positive Relationship:** There is a significant positive relationship between globalization and the profitability of deposit money banks in Nigeria.
2. **Technology as a Driver:** Technological globalization has played a crucial role in improving operational efficiency, service delivery, and customer satisfaction.
3. **Cross-Border Financial Activities:** International trade policies and cross-border financial activities contribute positively to financial performance but also pose regulatory and risk management challenges.
4. **Challenges of Globalization:** Despite the benefits, banks face increased competition, foreign exchange volatility, and the need for constant staff training to meet global standards.

5.2 Conclusion

The research concludes that globalization has a considerable impact on the profitability and performance of deposit money banks in Nigeria. Through improved access to international markets, adoption of advanced technology, and enhanced financial integration, Nigerian banks are able to compete more effectively and offer diversified services.

However, the advantages come with challenges, including exposure to global risks, cybersecurity threats, and increased operational costs to maintain international standards. Overall, the benefits outweigh the challenges, making globalization a net positive force for banking sector profitability.

5.3 Recommendations

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

1. **Strategic Investment in Technology:** Banks should continue to invest in global banking technologies to enhance service delivery and profitability.
2. **Risk Management Frameworks:** Deposit money banks must strengthen their risk management systems to effectively mitigate foreign exchange and regulatory risks associated with globalization.
3. **Capacity Building and Training:** Continuous professional development and staff training should be prioritized to adapt to global banking standards and practices.
4. **Government and Policy Support:** Policymakers should provide a stable macroeconomic and regulatory environment that supports globalization while protecting domestic financial institutions.
5. **Cybersecurity Enhancement:** As banks go global digitally, more resources should be allocated toward safeguarding information systems and building trust in online platforms.

5.4 Suggestions for Further Studies

Future research can explore:

- The comparative impact of globalization on indigenous versus foreign-owned banks in Nigeria.
- The role of digital banking and fintech globalization on customer experience and profitability.
- A longitudinal study of globalization trends and banking sector resilience in economic crises.

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