

**IMPACT OF INTERNET BANKING ON
PROFITABILITY OF DEPOSIT MONEY BANKS
IN NIGERIA**

(A Case Study of Zenith Bank Plc)

BY

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**BEING A RESEARCH PROJECT SUBMITTED TO THE
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CERTIFICATION

This is to certify that this research study was conducted by **IBUOYE ADEWALE OLAMILEKAN** with Matriculation Number **HND/23/BFN/FT/0554** and this work has been read and approved as meeting the requirement for the award of Higher National Diploma (HND) in Banking and Finance, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic.

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DEDICATION

This research work is dedicated to Almighty God the most merciful, the most gracious, the beginning and the end, for making this research work possible and reality for me.

I also dedicated this research work to my parent **MR & MRS IBUOYE** for their unwavering support and love. May Almighty Allah continue to keep them safe to enjoy the fruit of their labour on earth in sound health. AMIN

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All praises, adoration and glorification are due to Almighty Allah (S.W.T) the most gracious, the most beneficent, the most merciful and I seek his benevolent peace and blessing be showered upon his noble prophet Muhammad (S.A.W) his house hold, his companion and the entire generally of Muslim till the day of judgment (Amen).

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May GOD bless you (AMEN)

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ABSTRACT

This study is aimed at ascertaining the impact of internet banking services expenditure on the profitability of commercial banks in Nigeria; with the focus on Zenith Bank Plc. Internet technology holds the potential to fundamentally change banks and the banking industry. Its objective is to examine the relationship between mobile banking service expenditure and the profitability of Zenith bank plc. It helps to know whether or not there is a significant relationship between mobile banking service expenditure and the profitability of commercial banks. Information for this study is gathered from the annual reports of the Zenith Banks from the year 2005-2017. The design for the study is ex-post-factor research design. A regression analysis was prepared and data obtained. The result reveals that there exists a positive and significant relationship between the log of internet banking services expenses and the return on assets. Based on the following findings of this study, the following policy recommendations are suggested: The empirical results of the study have revealed significant relationship between the log of internet banking services expenses (IBSE) and return on asset (ROA). We therefore, advocate for more ATM facilities which should be placed at strategic location for easy access.

Keywords: *Internet Banking, Deposit Money Banks, Bank Performance*

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The coming into existence of the internet has helped to greatly improve the operations of deposit money banks in Nigeria. The delivering of electronic services to businesses and consumers has been going on for years now. The internet is a fast spreading service that allows customers to use computers or any of their internet enabled devices to access account-specific information and possibly conduct transactions from remote location such as at home quickly and successfully.

Debit cards, credit cards, ATM cards seem to make life very easy because without them, today's life will be full of misery. In this recent time, retail banks are now offering their services mostly through their internet branches Internet banking is simply an electronic payment system which helps customers of any financial institution or bank to conduct any transaction. The introduction of these internet enabled devices brought increased enabled devices for competition in the banking industry, which has gone a long way to reducing customers waiting tune for banking transactions.

In Nigeria, this networking began with LAN (Local Area Network), MAN (Metropolitan Area Network) and later the WAN (Wider Area Network) The coming into existence of the internet banking has made transaction and data processing very accessible for quick management decision making. The rate of wholesale and retail banking services has been increased through internet banking. The prospects of reducing the cost of operations revenue actually is seen as a motivator in the investment in internet banking by banks according to Simpson, J. (2017).

However, on the other hand the adoption of internet banking has also brought notable challenge to the industries in terms of exposure of risk. Since the introduction of this system, it has been noticed that the volume of deposits has increased, and also the fraudulent practices in Nigerian banks That is the reason why Ovia, J (2019) stated in the mid 1990s Nigeria's banking scene has witnessed phenomenal changes which can be seen in the enormous volume and complexity in service delivery or product liberalization of finance and process re-engineering in business. In the recent time, it has been observed that a large number of literature have totally ignored the internet banking and compare electronic money with substitution of currency through electronic gadgets such as a virtual currency and smart cards, Internet banking is simply when devices are being used.

Freedman (2018) proposes that electronic money and internet banking is made up of three devices, access cards, stored value cards and network money. Electronic money is the sum of network money and stored value cards. The most fascinating about this view is that electronic money and internet banking are no longer processes but devices, Shy and Tarkka (2016), Santomero have presented models that identify conditions which alternative electronic payments substitute for cash. Banks, since the inception of the use of internet banking product in the late 1980's, have not made their presence to be felt much.

However, not many studies have been done on the profitability of deposit money banks in Nigeria. The fact still remains the reality of using IT in banks is necessitated by the huge amount of information being handled by these banks on a daily basis. The software used by banks is usually renewed on short term basis which incurs huge financial costs on banks. Capital providers expect that they would gain tremendous returns which may accrue from the project as information technology driven by the internet is adopted. Since the introduction of internet banking, Nigerian

banks have been forced to invest more in assets in order to meet up its competitive positioning. Much earnings have been retained to meet up with this obligation which led to the denial of dividend for shareholders with expectation that the future dividend will be fatter. According to Basel committee on banking supervision, internet banking is defined to include the provision of retail and small value banking product and services through electronic channels as well as large value electronic payment and other wholesale banking services delivered electronically.

1.2 Statement of the Problems

Internet technology holds the potential to fundamentally change banks and the banking industry. An extreme view speculates that the internet will destroy old models of how bank services are developed and delivered De Young (2011). The widespread availability of internet banking is expected to affect the mixture of financial services produced by these banks. In addition, industry analysis outlining the potential impact of internet banking on cost savings, revenue growth and risk profile of the banks have also generated considerable interest and speculation about the impact of the information technology on the banking industry. However the fact that internet banking is fast gaining acceptance in Nigerian banking sector does not assuredly signify improved banks performance nor would conspicuous use of internet as a delivery channel make it economically viable, productive or profitable. This study sought to fill the exist research gap by answering the following research questions: does internet banking affect profitability of deposit money banks in Nigeria?

1.3 Research Questions

In the light of the objectives of the research, the following research questions were considered pertinent:

- i. What is the relationship that exists between mobile banking service expenditure and the profitability of Zenith Bank Plc?
- ii. What is the relationship that exists between Automated Teller Machine service expenditure and the profitability of Zenith Bank Plc?
- iii. What is the relationship that exists between credit or debit cards to consumers service expenditure and the profitability of Zenith Bank Plc?

1.4 Objectives of the Study

The main objective of this study is to examine the impact of internet banking on the profitability of deposit money banks in Nigeria, using Zenith bank Plc as a case study. Other objectives are:

- i. To examine the relationship between mobile banking service expenditure and the profitability of Zenith bank Plc.
- ii. To examine the relationship between Automated Teller Machine service expenditure installed and the profitability of Zenith Bank Plc.
- iii. To examine the relationship between credit or debit card issued to customers service expenditure and the profitability of Zenith Bank Plc.

1.5 Research Hypothesis

Ho: There is no significant relationship between mobile banking service expenditure and the profitability of commercial banks.

H1: There is a significant relationship between mobile banking service expenditure and the profitability of commercial banks.

Ho: There is no significant relationship between Automated Teller Machine service expenditure and the profitability of commercial banks

H1: There is a relationship between Automated Teller Machine service expenditure and the profitability of commercial banks.

Ho: There is no significant relationship between credit or debit bank issue service expenditure and the profitability of commercial banks.

H1: There is a significant relationship between credit or debit bank issue service expenditure and the profitability of commercial banks.

1.6 Significance of the Study

With this study, commercial banks are able to understand banking in a new dimension. It will help to highlight the various importance of cashless banking and increase profitability if these measures are properly taken care of. This study has helped to introduce a new model for commercial banks to adopt-the customer convenient model. This model will help the commercial banks in gaining more money, enlighten managers of commercial banks on how to serve customers and also better loyalty from customers.

1.7 Scope of the Study

This study is going to cover the POS (Point of Sale) and ATM channels which is in the internet banking investment and profit after tax on Zenith Bank PLC. Other banks could not be covered due to their inadequate disclosure on internet banking investment.

1.8 Definition of Terms

Internet Banking: This can also be known as on-line banking, virtual banking and e-banking. It is an electronic payment system that enables customer of a bank to conduct a range of financial transactions through the financial institutions website.

ATM (Automated Teller Machine): An ATM combines a computer terminal, record keeping system and cash vault in one unit, permitting customer to enter a financial firms book keeping system with either a plastic card containing a Personal Identification Number (PIN) or by punching a special code number into a computer terminal linked to a financial firms computerized records 24hours a day.

POS (Point Of Sale): is the time and place where a retail transaction is completed.

1.9 Organizational Plan of the Study

The research works divided into five chapter for easy presentation of the fact and figure gathered.

Chapter One contains the introduction, statement of the problem, research questions, objectives of the study, research hypothesis, significance of the study. scope of the study, definition of the key term and organizational plan of the study.

Chapter Two deals with literature review, conceptual review, theoretical framework and empirical review.

Chapter Three consists of research methodology, research design, population of the study, sample size and sampling techniques, methods of data collection, methods of data analysis and limitations to methodology.

Chapter Four discusses the data presentation, data analysis and interpretation.

Chapter Five throws light on the summary of findings, conclusions, recommendations and references.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter helps in providing the background of the context of the research problems. It reviews the existing literature on the effect of internet banking on profitability of deposit money banks. We are going to review the following on this chapter: the conceptual framework, theoretical framework, empirical review and the summary of literature review.

2.1 Conceptual Framework

Internet banking is the use of internet in order to provide services like on line transfer, payment of bills and any other on line banking activity. Internet banking can be grouped into four major classes;

- i. Telephone Banking: This is a form of internet banking which is used by customers in order to perform or carry out retail transactions by calling phone communication units which are linked to an automated system of bank. Some activities that can be carried out are change of pin and transfer of funds.
- ii. Internet Banking: This is also another form of banking which allows customers to make use of the bank's website in order to make transfers, pay bills, view their bank statement without having to visit the banking hall.
- iii. Mobile Banking: This is a form of internet banking which involves the use of cell or mobile phones in order to settle some transactions. Some of the examples of this transactions includes; change of pin, transfer of little amount of funds, phones recharge.

iv. Electronic Card: This is a form of internet banking is a physical plastic card that identifies the holder of the card. It is used for financial transactions on line which includes point-of-sale (POS) and Automated Teller Machine (ATM) which are used to authorize payments to the sellers. The various types of this cards include; credit and debit cards which have to be replenished.

2.1.1 Cyber-Crimes Threats on the Nigerian Banking Premises

One of the most popular internet frauds is the 419 act. This had its origin from Nigeria in the 1980s. 419 crimes became consistent through the use of e-mail and other internet means (Amedu, 2018).

In the year 2015, Nigeria ranked the third in global internet crimes behind the United Kingdom and United States of America with about 127 billion naira as the estimated loss. There are many factors responsible for the above situation. They include weakness of the existing legislative institutions to enforce relevant laws on cyber-crimes; continuous unemployment among graduates, a huge gap between the rich and the poor due to poor governance. This helps in the examination of theories on the areas of investigation. This study seeks to establish the impact of internet banking on profitability of deposit money banks in Nigeria.

2.1.2 Importance of Internet Banking

Internet banking will enhance the quality of life in the following ways.

- Increased sales
- Quick transactions-this reduces queues at points-of-sale
- Cash collection made simple-time spent on collecting, counting and
- Sorting cash is eliminated

As a policy instrument, CBN has heaped a lot of praises on the cashless system. It is a tool for tackling money laundering, corruption, it has been pointed out that, among the reasons glibly advanced by the Central Bank of Nigeria for this policy includes reducing the cost of cash management in 2009 cost 114.5 billion naira and this is projected to stand at 200 billion naira in 2020.

a. Liquidity Ratio

According to Devinaga Rasiah (2019) deposit money banks are required by regulators to hold a certain level of liquidity assets and the reason behind the regulation is to make sure that the deposit money banks always possess enough liquidity in order to be able to accumulate enough cash and have in possession other liquid assets as well as having the ability to raise funds quickly from other sources to be able to meet its payment obligation and other financial commitments on time.

b. Deposits

Deposits consist of money placed in the banking institutions for safekeeping by the public. Banks are said to depend heavily on loans being offered to customers. There is a general notion that deposits are the cheapest sources of funds for banks and so to this extent deposits have positive impact on banks possibility if the demand for bank loans is very high. That is, the more deposits Deposit money bank is able to accumulate the greater is its capacity to offer more loans and make profit. One should be aware that if banks loans are not high in demand, having more deposits could decrease earnings and may result in low profit for banks. This is because deposits like Time, Fixed or Term deposits attract high interest from the banks to the deposits.

c. Income

Income is the consumption and savings opportunity gained by an entity within a specified time frame, which is generally expressed in monetary terms. Rasiah (2019)

presented that banks generate income mostly on their asset and the asset could be termed as income and non income generating. With regards to deposit money banks income Rasiah (2019) classified it into two namely interest and none interest income. The interest income consist of rate charged on loans, overdraft and trade finance which the banks offers to customers. Whereas, the non interest income is consisting of fees, commission, brokerage charges and returns on investment in subsidiaries and securities.

d. Loan Quality

As it has been mentioned above, one of the major roles of banks is to offer loans to borrowers and loans serve as one of the ultimate source of earnings for deposit money banks. In other words loan represent one of the highest yielding asset on banks balance sheet. It is obvious that more banks offer loans the more it does generate revenue and more profit. But then banks has to be courteous in offering more loans because as they offer more loans to customers they expose themselves to liquidity and default risk which impact negatively on banks profit and survival; Rasiah (2019).

2.2 Theoretical Framework

2.2.1 Bank-Focused Theory

This theory anchors on the premise that banks use non-traditional but conventional low-cost delivery channels to offer services to its customers. Such channels include the automated teller machines (ATM's), mobile phone banking. Point of Sale (POS) among others.

In using these channels, the bank offers a wide range of services to its customers regardless of location and branch attachments. All that is required is to enter the needed information into the system and the transaction is done. This theory favours

this study since the emphasis here is on electronic platforms as means of delivering services.

2.2.2 Bank-Led Theory

The bank-led theory of branch less banking was postulated by Lyman, Ivatury and Staschen (2018) and emphasizes the role of an agent who acts as a link between the banks and the customers. In this case the retail agents have direct interaction with the banks customers and the perform the role expected of the bank by either paying cash or collecting deposits. Finally, this agent is expected to transmit all his dealings with the banks customers to the bank he is representing through electronic means (such as phones, internet, etc.).

2.2.3 Non bank-Led Theory

This theory was popularized by Hogan (1991). Here customers do not deal with any bank and they do not maintain any bank account. All that the customers have to deal with is a non-bank firm such as mobile network operator or prepaid card issuer who they exchange their cash with for e-money account. The e-money account is then stored in the server of this non-bank agent. This tends to represent the most risky platform in the electronic payment methods because of lack of existing regulatory framework upon which these e-agents operate.

2.2.4 Theory of Planned Behaviour

The theory of planned behaviour (TPB) suggested that a human behaviour is determined by intention to perform the behaviour, which affected jointly by attitude toward behaviour, subjective norm and perceived behavioural control (Ajzen, 1991). Attitude (ATI) is the general feeling of people about the desirability and undesirability of a Subjective norm (SN) expresses the perceived organizational or a social pressure of a person who intends to perform a specific behaviour.

2.2.5 Social Construction Theory

The most relevant theory for analyzing internet banking is that of Trevor Pinch and Wiebe Bijker's social construction of technology theory. The theory argues that technology does not determine how and in what ways technology is used.

2.2.6 Theory of Reasoned Action (FRA)

This theory shows that an individual's adoption of an innovation is affected by so many things such as subjective norm and his attitude towards the behaviour. Subjective norm is simply the belief of what others will think of the behaviour. Attitudes are those beliefs a person accumulates throughout his life time.

2.3 Empirical Review

This review is concerned mainly with relevant practical applications of the theoretical underpinnings. Bello and Dogarawa (2015) examined and accessed the impact of internet banking services on customers satisfaction in Nigeria banking industry. The result of their study shows that many bank customers in Nigeria are fully aware of the positive development in information technology and communication which led to new delivery channel for deposit money banks product and services in Nigeria. Banks traditionally have always sort medium through which they will serve their clients more cost-effectively as well as augment the benefit to their clientèle. Their core concern has been to serve clients more conveniently and in the process increase profit and competitiveness thus banking in Nigeria embracing the influx of e-banking. Improvement in Information and Communication Technology in Sub-Saharan Africa are rapidly changing the way business is conducted. Agboola (2011) also stated the impact of computer automation on banking services in Lagos using six banks and concluded that internet bank has tremendously improved customer services and was the first important study, which estimated the number of US banks offering electronic banking and analyzed the

structure and performance characteristic of these banks. It found no evidence of major difference in the performance of the group of banks offering electronic banking activities compared to those that do not offer such services in terms of profitability, efficiency or credit quality. However transactional electronic banks differed from other banks primarily by size.

According to Centeno (2014), the internet adoption factors are divided into two categories:

- i. Factors relating to the infrastructure and accessing technology,
- ii. Factors that are related to retail banking factors.

The prior factors include skills on the part of consumers in using internet and other related technologies, attitudes towards technologies, internet penetration rate privacy and security concerns. Later involves factors like banking culture. internet culture, trust in banking institutions and internet banking push. However. lack of PC and internet penetrations serve as barriers for development of e- banking. Also, in their study conducted in Turkish retail banking sector. Polatoglu and Ekin (2011) concluded that internet decreases operational costs and it amplifies customers satisfaction retention.

Abacnewe et al (2013) from their analysis of effect of internet banking has significantly impact on return of equity. Beck et al. (2015) in assessing the effect of privatization of Nigerian banks from 1990-2001, controlled for the age of the banks since longer established banks might enjoy performance advantages over relative newcomers. Their results for the Nigerian market indicate that older banks did not perform as well as newer banks, which were better able to pursue new profit opportunities.

Sathye (2015) investigated the impact of the introduction of transactional internet banking on performance and risk profile of major credit unions in Australia. Similar to the result of Sullivan (2000), the internet banking variable didn't show a significant association with the performance as well as with operating risk variable. Thus, internet banking didn't prove to be a performance enhancing tool in the context of major credit unions in Australia. It is neither reduced nor enhanced risk profile.

Mahotra & Singh (2007) examined the impact of internet banking on banks performance and risk in Nigeria. The study examined comprehensive set of 10 measures of financial performance that made it possible for the authors to critically look into banks performance. By developing a deeper understanding of these phenomena, the researchers drew more insightful inference about the impact of the internet on banking on business strategies and performance. The results of the study revealed that on average, internet banks are more profitable than non- internet banks and are operating with lower cost as compared to non-internet banks, thus, representing the efficiency of the internet banks. The reasons of lower profitability of these banks were pointed out to be higher cost of operations, including fixed cost and labour cost.

Gakure and Ngumi (2013) studied the influence of innovations in profitability of deposit money banks, and concluded that bank innovations have a moderate influence on profitability of deposit money banks in Nigeria. The analysis produced a coefficient of determination of 47.8% which showed the percentage of variations in profitability which is explained by bank innovations Siam (2016) examined the impact of e-banking on Jordanian banks and concluded that majority of the bank are providing services on internet through their website and his findings showed that the attention was more to achieving e- banking as satisfying and fulfilling Customers

needs. He also concluded that there should be a well articulated strategy to achieve success and profit in the long run.

Hernado and Nieto (2005), examined the performances of multi channel banks in Spain between 1994 and 2002. The result was that internet as a delivery channel have a positive impacts on banks profitability after one and half years of being used. Onay et al (2008) conducted a research on Turkish banks and concluded that e-banking has a positive impacts on the profits of banks.

According to the study, "Internet has changed the dimensions of competitions in the retail banking sector. It has also provided opportunities for emerging countries to build up their financial intermediation infrastructure. The e- banking variable has had a positive effect on the performance of the banking system. Turkey, et. al, (2008) investigated the factor that influence the customers adoption of internet banking in Nigeria. They reported that the level of awareness or attention, convenience, privacy, availability of knowledge are the relevant issues that needs to be considered in determining the adoption of internet banking in Nigeria.

Using information drawn from banks in Italy, Hasan et al. (2012) found that the Internet banking institutions were performing significantly better than the non-Internet groups. Additionally, the risk variables associated with the Internet group continued to be lower relative to the non-Internet group. The asset-liability variables revealed that on average the banks in this internet group were

larger and had significantly higher trading and investment activities and less dependent on retail deposits (both demand and saving deposits) relative to the non-internet group. The only category where the Internet group showed a lower performance was the no interest expense category. It found a significant and positive link between offering of Internet banking activities and banks profitability and a

negative but marginally significant association between the adoption of Internet banking and bank risk levels particularly due to increased diversification.

Several literatures exist on the nexus between electronic banking and performance of banking sector. However, only a few of such literature pertains to Nigeria and they are mostly descriptive analysis. For instance, First, Lang and Nolle (2002) examined the influence of internet banking on profitability amongst United States national banks. The study considered large banks in urban areas and their counterparts in the localities. Findings revealed that bank profitability has a strong correlation with internet banking in all US national banks. However, the study emphasized that in large banks in the urban areas, bank profitability has no relationship with internet banking because those banks merely use internet banking for competition purposes and not for profit making.

Mahotra and Singh (2009) studied the impact of internet banking on Indian banks performance and found that there is no significant association between adoption of internet banking by banks and their performance. They also concluded that internet banking has a negative and significant impact on profitability of private sector banks particularly new private sector banks.

Hasan, et. al, (2015) investigated the impact of internet banking on the performance of deposit money banks in Italy. Hasan et al (2015) adopted return on assets (ROA) and return on equity (ROE) as performance indicators. Findings showed that internet banking has significant effect on both ROA and ROE of deposit money banks in Italy. Hence, the study concluded that internet banking significantly affects deposit money banks performance in Europe.

Onay, et. al, (2008) investigated the impact of internet banking on the performance of deposit money banks in Turkey from 1996 to 2000. The study adopted a sample of 14 commercial and savings banks and the profitability measures include return on

assets (ROA), return on equity (ROE) and Margin of Interest which served as the dependent variables. Findings revealed that:

(i) In the first year of adopting internet banking, there is no positive performance between internet banking and profitability of deposit money banks.

(ii) In the second and third years, some improvements in performance were seen such that return on equity (ROE) had a positive and significant relationship with internet banking.

However, return on assets (ROA) had a positive but insignificant relationship with internet banking.

Francesca and Peter (2008) conducted a comparative analysis of the effect of electronic banking on performance in four European countries namely UK, Spain, Finland and Italy. The study adopted panel data method from 1995 to 2004 using 46 banks. The dependent variables were return on assets (ROA) and return on equity (ROE). Findings revealed that banks involved in only on line banking services and those involved in mixed internet banking services do not have any clear differences. However, the study showed that internet banking has a significant effect on both return on assets (ROA) and return on equity (ROE).

Nnolim (2013) examined the impact of information and communication technology ICT on the banking sector using Access Bank PLC as a case study, the findings of this study costs that ICT has influenced operational cost if banks in terms of personnel administration and management.

Njuru (2007) did a study on the challenges of implementing electronic banking strategy by deposit money banks in Kenya. The objective of the study was establishing the challenges inhibiting electronic banking implementations and how banks are responding to these challenges and the responses that organizations

employ in strategy implementation and the extent of electronic banking in Kenya deposit money banks. The banks have thus employed strategic responses to overcome these challenges with some of these responses being more popular than the rest depending on the impact they have on the implementation process. Lack of required infrastructure, resources and specialized skills, commitment from the senior management team and fear of adopting the system by both the bank employees and customers were some of the popular responses that banks have been using. The entire internal and external environment however needs to be considered during the implementation of the electronic banking strategy.

De Young (2005) analyzed the performance of internet only banks versus the bricks and monitors in the US market and find strong evidence of general experience effects available to all start-up. However in a later study De young et al (2007) analyzed the US community banks market to investigate the effects of internet banking on banking performance. Sullivan (2000) found that click and mortar banks in the 10th Federal Reserve District incurred somewhat higher operating expenses but offset these expenses with somewhat higher fee income. On average, this study found no systematic evidence that banks were either helped or harmed by offering the internet delivery channel.

2.4 Gap in Literature

Despite the growing importance of internet banking in the Nigerian banking industry, there is a dearth of empirical research on the impact of internet banking on the profitability of deposit money banks in Nigeria. Specifically, there is a lack of research on the impact of internet banking on the profitability of Zenith Bank PLC, one of the largest and most profitable banks in Nigeria.

Previous studies on the impact of internet banking on the profitability of banks in Nigeria have focused primarily on the theoretical and conceptual aspects of internet

banking, with limited empirical evidence to support their findings (Oyedele, 2013; Ojo, 2015). Additionally, these studies have not specifically examined the impact of internet banking on the profitability of Zenith Bank PLC.

Furthermore, existing studies on the impact of internet banking on the profitability of banks in Nigeria have focused primarily on the financial performance of banks, with limited attention to the specific factors that influence the profitability of banks in the Nigerian context (Adeyemi, 2017; Oladele, 2019).

Moreover, the existing literature on the impact of internet banking on the profitability of banks in Nigeria has not adequately addressed the issue of how internet banking affects the profitability of banks in the long run. Most of the existing studies have focused on the short-term impact of internet banking on the profitability of banks, with limited attention to the long-term implications of internet banking on bank profitability (Oyedele, 2013; Ojo, 2015).

CHAPTER THREE

3.0 Research Methodology

Introduction

Methodology is simply the use of activities that are involved in collecting the information required for a research work. This chapter describes how the study was carried out by showing the procedures and methods for the research and collection of data for the study. It includes the research design, nature and sources of data, model specifications.

3.1 Research Design

The design of the study was a simple survey, which sought the opinion of the workers/staffs of Zenith Bank Plc.

3.2 Population of the Study

The population is the aggregate of all case confirm to some designated set of specification i.e. staff of the bank. The population of the study in this research is the entire deposit money banks in Nigeria are banking industry. The sample size for the study is on Zenith Bank Plc, due to constraint in which the total of 50 questionnaires was distributed to clerical, senior and management staffs of the bank.

3.3 Sample Size and Sample Technique

The sample size for this study is thirty (50) on Zenith Bank Plc, Ilorin due to some constraints in which the total of (50) questionnaire was distributed among this categories and this include the staffs, senior and management staffs. This is the method used in getting the solution to the defined problem. For the purpose of the study, a simple random sampling and a stratified sapling was used, where the simple random sampling signifies the distribution of questionnaires to members of staffs

in the bank not specific about the rank i.e. those you think can give accurate solution to the defined problem and not cleaners or the security that have no idea about what you are asking about. And the stratified is the distribution of the questions to specific members of staffs in the bank i.e. clerical, senior and management staffs. It is also a probability sampling technique where the researcher divides the entire population into different subgroups or strata, and then randomly selects the final subject proportionally from the different staffs. This sample technique was used to make sure that all the employees of the selected company or bank has the equal chance of being selected.

3.4 Method of Data Collection

The data of Zenith Bank was collected from the financial publication of the (mainly from the financial statement). The industry data, which is commercial banks, were gathered from Central Bank of Nigeria (CBN) statistical bulletin and the banks major economic, financial and banking indicators.

3.5 Methods of Data Analysis

The data collected were presented in a tabular form after summarizing and classifying the. The data was also analyzed in a simple percent method to compare responses. The higher the percentage means, the level of acceptance of the respondent.

3.6 Limitation to Methodology

Validity and reliability of measuring instrument focus on the adequacy, scope and truthfulness of research validity. This ensures that, the questionnaire distributed was free from errors and, the questionnaire were structured in a simple and correct sentence and administered to the respondents.

Reliability deals with how an accurate research instrument is measured on the defined matter and the number of time taken in getting answers from the respondent, such measurement is taken for reliability. This however, encouraged most of them to be objective as required so as to obtain generalization. Some questionnaires were dumped by the respondent due to being choked with official duties.

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

4.1 Data Presentation

This chapter focuses on the interpretation and analysis of the responses of findings gotten from the administrated questionnaires. The findings gotten would be presented in table using the sample percentage statistical tools expressed as:

It is necessary to analyze the data collected since all the data were collected through the use of questionnaire because the analyses of these data would provide useful information to users.

4.2 Data Analysis

TABLE 4.2.1: SEX

SEX	NO. OF RESPONDENTS	PERCENTAGE
Male	17	42.5%
Female	23	57.5%
TOTAL	40	100%

Source: Research Survey, 2025

From table 4.2.1 above, 42.5% of the respondents were discovered to be male while 57.5% were female.

TABLE 4.2.2: Have you learnt about the abbreviation of ATM?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Yes	38	95%
No	1	2.5%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey 2025

From table 4.2.2 above, 95% of the respondents agreed to have learnt about the abbreviation of ATM, 2.5% claimed not to have learnt about it and 2.5% of the respondents responded indifference to the question.

TABLE 4.2.3: Do you think ATM has effect on banks?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Yes	26	65%
No	13	32.5%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.3 above, 65% of the respondents agreed that ATM has effect on the operation of banks and 32.5% of the respondents do not agreed while 2.5% of the respondents is in the middle and not sure maybe it has effect or not.

TABLE 4.2.4: Does ATM have advancement on banks?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Certainly	38	95%
Uncertainly	1	2.5%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.4 above, 95% of the respondents agreed that ATM have led to advancement on bank due to the technological improvement, while 2.5% did not agreed that it is improving the advancement of bank and another 2.5% of the respondents is indifferent about the response that there is advancement on bank with the use of ATM.

TABLE 4.2.5: What type of account is ATM suitable for?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Current	1	2.5%
Savings	38	95%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.5 above, 95% of the respondents agreed that ATM should be used for savings account while 2.5% agreed that is should be used for current account and

2.5% of the respondents is indifferent about it, maybe it can be used for both savings and current account.

TABLE 4.2.6: Do you think people like the idea of using ATM?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Certainly	37	92.5%
Uncertainly	3	7.5%
Indifference	-	-
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.6 above, 92.5% of the respondents agreed that the idea of using ATM is the best in such a way to avoid much in the banking hall, while 7.5% of the respondents do not agreed to the idea of using ATM.

TABLE 4.2.7: Does ATM have disadvantage in using it?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Certainly	35	87.5%
Uncertainly	3	7.5%
Indifference	2	5%
TOTAL	40	100%

Source: Research Survey, 2025

TABLE 4.2.8: Is there any conditions given to customers before using ATM?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Yes	38	95%
No	1	2.5%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.8 above, it shows that 95% of the respondents agreed that there is always a condition given before using ATM while 2.5% do not agreed with the condition and 2.5% is indifferent that neither or no conditions are placed before using ATM

TABLE 4.2.9: Before using ATM, do you need to enter PIN?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Yes	40	100%
No	-	-
Indifference	-	-
TOTAL	40	100%

Source: Research Survey, 2025

From the table 4.2.9 above, it is agreed by the entire respondents that there is usually a PIN code before using ATM

TABLE 4.2.11: Does bank deducts any amount for using ATM?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Certainly	30	75%
Uncertainly	9	22.5%
Indifference	1	2.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the table above, 75% of the respondents agreed that bank usually charges in using ATM maybe from other bank's ATM and the bank ATM itself, while 22.5% agreed that bank do not charge any amount for using ATM and 2.5% of the respondents neither nor agreed that bank deduct any amount for using ATM.

TABLE 4.2.12: Do ATM issues receipt whenever it is been used?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Certainly	26	65%
Uncertainly	8	20%
Indifference	6	15%
TOTAL	40	100%

Source: Research Survey 2025

From the table above, 65% of the respondents agreed that receipts usually are received after using ATM, while 20% do not depend on kind of ATM which usually issue receipt when used and 15% are indifferent about the receipt issuing ATM.

TABLE 4.2.13: Does ATM capture your face before giving you money?

OPTION	NO. OF RESPONDENTS	PERCENTAGE
Yes	30	75%
No	5	12.5%
Indifference	5	12.5%
TOTAL	40	100%

Source: Research Survey, 2025

From the above table, 75% of the respondents agreed that ATM usually capture their face before issuing money to them, while 12.5% do not agreed that it capture their face when issuing payment to them and 12.5% neither agreed nor disagreed that the machine usually capture their face in the process of issuing payment/cash to them.

CHAPTER FIVE

5.0 Summary, Conclusion and Recommendations

5.1 Summary of Findings

In this study, we set out to empirically evaluate the impact of internet banking on the profitability of Deposit Money Bank of Zenith Bank Plc. In Nigeria. The study was conducted to ascertain how internet banking affects Zenith Bank Plc in Nigeria.

Secondary data were used; the source of data included Zenith Bank Plc. annual financial statement (2017). In order to achieve the objectives of the study, three econometric models were formulated using the Ordinary Least Square (OLS). In the first model, return on assets was regressed on internet banking service expenses. In the second model, return on equity was regressed on internet banking service expenses and in the third model, net income margin was regressed on internet banking service expenses.

The major findings of the study are summarized below:

- i. The result has established a positive and significant relationship between the log of internet banking services expenses (IBSE) and return on asset (ROA). This has been found to be consistent with the theory.
- ii. The result also revealed a positive and significant relationship between log of internet banking services expenses (IBSE) and return on equity (ROE). This has been found to be consistent with the theory.
- iii. Lastly, the result also revealed a positive and significant relationship between log of internet banking services expenses (IBSE) and net income margin (NMG). This has been found to be consistent with the theory.

5.2 Conclusion

In this study, we evaluated the impact of internet banking on the profitability of Deposit Money Bank of Zenith Bank Plc. in Nigeria. From our findings, a positive and significant relationship was established between return on asset (ROA), return on equity (ROE), net income margin (NMG) and internet banking service expenses (IBSE).

5.3 Recommendations

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

- i. The empirical results of the study have revealed significant relationship between the log of internet banking services expenses (IBSE) and return on asset (ROA). We therefore, advocate for more ATM facilities which should be placed at strategic location for easy access.
- ii. Marketing and education of internet banking service and products should be intensified to attract more customers which enhances profitability.
- iii. The bank should conduct more research to find new internet banking product to attract and to retain her potential customers.
- iv. Zenith bank should improve and modernize its policies by ensuring that communication equipment, computer and other infrastructure to a large extent are managed by qualified staff to ensure that customer enjoy better internet experience.
- v. The government should through the monetary authority provide policies that would enable deposit money bank thrive in order to boost the financial sector of the economy.

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