

# Promoting Ethical Business Culture Dimensions for Market Leadership in Deposit Money Banks in Nigeria

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## Abstract

The eagerness to attain market leadership by deposit money banks in Nigeria has brought with it ethical business culture challenges. Scholars are showing interest in competitive advantage in the area of market leadership in Nigeria financial industry without consideration for the ethical issues. This study examined the interaction between the ethical business culture dimensions (value-driven, leadership effectiveness, process integrity, transparency and discussability) and market leadership of deposit money banks in Nigeria. Cross-sectional survey research design was adopted with sampling of full-time employees of tier-one banks. Using full Structural Equation Modelling (SEM), the null hypothesis was tested and rejected. The findings revealed that ethical business culture dimensions have significant effect on market leadership (Adj.  $R^2 = 0.23$ ; CMIN = 2730.783, CM/DF = 1.056, GFI = .710, CFI = .951, RMSEA = .023, PCLOSE = .128;  $p < 0.05$ ). This study concluded that ethical business culture promotes market leadership of deposit money banks in Nigeria. It therefore recommended the DMBs should focus more on ethical business culture to improve market leadership

**Keyword:** Ethical business culture, Market leadership, Deposit money banks, value-driven

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## I. Introduction

In the recent time, the decline in market leadership, an indicator of competitive advantage in Nigerian banking industry is calling for attention. The number of active bank accounts and customer base are critical to deposit money banks as it shows the portion of market share a bank has (Asimakopoulos & Whalley, 2017). Market leadership of several Nigerian banks has substantially decreased as inactive bank accounts increased by 63.7% in 2019 which was higher than the growth in active bank accounts at 11% in the same year (NIBSS, 2019). Likewise, the number of inactive bank accounts increased from 27.09 million in 2014 to 45.56 million in 2019 due to various unethical issues (NIBSS, 2019). Consequently, the dropping interest and trust of customers in the banks evidently impacted on the number of customers doing business in the banks as well as loss of capacity to finance the economy with a decline in the aggregate credit to GDP ratio at 21.6% in 2018 from 22.8% in 2017 (CBN, 2018).

The discourse on growing market leadership continues on the radar for many deposit money banks in Nigeria and scholars. Established literature (Amisi, 2019; Etale, Bingilar, & Ifurueze, 2016; Taştan & Güçel, 2017) have also provided various views regarding the effect of financial transparency, process integrity, ethical and market leadership. However, scanty studies have confirmed the effect of ethical business culture components (value-driven, leadership effectiveness, process integrity, transparency, discussability) on market leadership of deposit money banks in Nigeria as Kasasbeh, Harada and Noor (2017) did not recognise these as factors for competitive advantage. This study therefore sought to evaluate the effect of ethical business culture on market leadership in deposit money banks in Nigeria. It answered the research question of what effect do ethical business culture dimensions have on market leadership of deposit money banks in Nigeria? It tested Null hypothesis ( $H_0$ ), ethical business culture dimensions have no significant effect on market leadership of deposit money banks in Nigeria.

## II. Literature Review/Theoretical Underpinning

### Ethical Business Culture

Ethical business culture is not just about fair competition or responsibility. It also involves many other aspects, including a strong code of ethics. Ethical codes are written documents that refer to values, norms and behaviour, which are legally connoted and serves as the foundation upon which banks must make decisions based on honesty, integrity, confidence and trust (Alawiye-Adams & Ogundele, 2018). However, this does not mean that they are required exclusively to comply with the legal framework; they are simply a set of decision

tools which are useful for solving the conflicts that might arise between employees and employers, between managers and shareholders or between the organisation and the business partners. The bigger the organisation is, the greater are expectations of the society regarding that organisation, since the ethical business culture is a consistent action with an accepted code of behaviour (Terec-Vlad & Cucu, 2016).

Gikenye (2018) asserts that ethical business culture requires a particular approach, given that the decisions have economic implications. On one hand, it is about ethical dilemmas, and on the other hand about the legal aspect of the organisation's actions. Since the question of institutionalizing business ethics is raised within organisations, we cannot talk only about business ethics, but also about the ethical business culture of organisations. This involves an articulation, application and assessment of the organisation's values and moral positions. Value-driven, leadership effectiveness, process integrity, transparency and discussability are dimensions of ethical business culture for this study (Ardichvili, Mitchell, & Jondle, 2009; Kaptein, 2008)

### **Market Leadership**

Achieving and sustaining a leading position within an industry in the aspect of market share is the driving force behind a firm's management decisions and strategic choices (Asimakopoulos & Whalley, 2017). Otsetova, Georgiev, Kolev and Dimcheva (2018) defined market leadership as a company's position with the largest market share or highest profitability margin in a particular market. Market leader controls the market through the influence of loyalty of customers towards its quality, distribution and pricing. Market leadership is strategic imperative in many companies and customers often use the top selling brand as heuristic in their purchase decisions (Golder, Irwin, & Mitra, 2013). The competitive advantage associated with market leadership could be explained theoretically as emerging from positive network externalities, first mover advantage with superior resources and capabilities (Asimakopoulos & Whalley, 2017).

Baird and Gonzalez-Wertz (2011) categorised market leaders into three. First category of market leaders are customer insight leaders. These are companies that enhance data analysis, transforming it into something useful and creating values that are measurable. Secondly, digital channel leaders referring to companies using newer methods of creating value through customer interactions and new products, services and business models in an always-on digital world. Thirdly, new era leaders referring to companies that incorporate the best practices of each (Baird & Gonzalez-Wertz, 2011). A firm's market share performance is related to the total number of strategic fits between the firm's market leadership position and the various components of the firm's strategic profile (Pleshko & Heiens, 2012). Possession of large market share is pivotal to profitability and creates more awareness of the brand or business.

## **III. Methodology**

The study adopted a cross-sectional survey research design. The population of the study were all the full-time employees of the tier-one banks in Nigeria with a total population of 34,162 (Annual Report of the respective banks, 2019). The Cochran (1963) formula was used to derive a sample size of 652 while an attrition rate of 30% was added to arrive at 849. Proportionate and stratified random sampling technique was adopted. An adapted and structured questionnaire was used to gather information from respondents. The questionnaire followed the 6-point Likert-type scale similar to the one adopted by Binuyo, Ekpe and Binuyo (2019). The dimensions of ethical business culture were rated on a scale of 1 to 6 where 6 = Strongly Agree, 5 = Agree, 4 = Moderately Agree, 3 = Moderately Disagree, 2 = Disagree and 1 = Strongly Disagree; While market leadership was also rated on a scale of 1 to 6 with 6 = Very High, 5 = High, 4 = Moderately High, 3 = Moderately Low, 2 = Low, and 1 = Very Low. The instrument's Cronbach's Alpha reliability coefficients for the constructs ranged from 0.750 to 0.939. The hypothesis was tested using the structural equation modelling (SEM).

## **IV. Results and Discussion**

The specific objective of this study ascertained the effect of ethical business culture dimensions (value-driven, leadership effectiveness, process integrity, transparency, and discussability) on market leadership of deposit money banks in Nigeria. To achieve this objective, respondents were requested to rate the dimensions of ethical business culture and market leadership.

**Table 1: Descriptive Statistics of Market Leadership**

Statements	Level of Agreement						Descriptive Statistics	
	Very High	High	Moderately High	Moderately low	Low	Very low	Mean	Std. Deviation
Customer base	36.0%	52.1%	11.0%	0.5%	0.0%	0.5%	5.22	.715
Branch network	41.0%	50.5%	6.3%	1.5%	0.3%	0.5%	5.29	.741
Turnover	38.9%	52.4%	7.7%	0.6%	0.5%	0.0%	5.29	.670
Market reach	40.0%	48.1%	11.2%	0.3%	0.5%	0.0%	5.27	.702
Average							5.26	.707

Source: Researcher’s Field Survey, 2021

The findings show frequencies, percentages, mean and standard deviation as presented in Table 1. Market leadership was measured using four dimensions, and for each of the dimensions, descriptive statistics for each of these dimensions are presented and discussed in Table 1. Table 1 presents the results of descriptive analysis of market leadership. The results of the descriptive analysis revealed that 36% of the respondents rated the customer base of the banks very high, 52.1% of the respondents rated it high, 11% indicated moderately high while 0.3% moderately low. On average, the respondents rated customer base of the banks high (mean = 5.22, STD = 0.715) with no variation in these opinions as seen from the standard deviation. Further, 41% of the respondents rated branch network of selected banks very high, 50.5% high, 6.3% moderately high, 1.5% moderately low while 0.5% rated it low. On average, the respondents rated branch network of selected banks high (mean = 5.29, STD = 0.741) and these opinions did not averagely vary.

Analysis with regards to turnover reveals that 38.9% rated it very high, 52.4% high, 7.7% moderately high, 0.6% moderately low while 0.5% rated it low. On average, the respondents rated turnover of selected banks high (mean = 5.29, STD = 0.670) with no variations in the opinions. Moreover, 40% of the respondents rated market reach in selected banks very high, 48.1% high, 11.2% moderately high, 0.3% moderately low and 0.5% low. On average, the respondents rated market reach high (mean = 5.27, STD = 0.702) and there was no divergence in these opinions.

Table 1 shows that the aggregate mean scores and standard deviation for items on market leadership are 5.26 and 0.707, respectively. The aggregate mean response approximates to high rating on the 6-point scale used in the questionnaire indicating that respondents generally agreed that activities relating to market leadership are carried out in the banks. It can also be observed that the overall standard deviation is low implying the responses are confined within a small range around the overall mean response. Therefore, the sample mean is reliable estimator of the true mean.

Full structural equation modelling (SEM) using the maximum likelihood estimation procedures was adopted to test the hypothesis with market leadership (MLD) as the dependent variable, and ethical business culture dimensions (value-driven-VAD, leadership effectiveness-LEF, process integrity-PRI, transparency-TSP, discussability-DAB) as the independent variables.

**Table 2: Summary of Regression Weights for Ethical Business Culture Dimensions and Market Leadership**

			Estimate	S.E.	C.R.	P	Label
MLD	<---	VAD	.059	.045	1.341	.180	
MLD	<---	LEF	.140	.060	3.153	.002	
MLD	<---	PRI	.336	.079	6.528	***	
MLD	<---	TSP	-.130	.040	-2.950	.003	
MLD	<---	DAB	.272	.041	5.859	***	

Source: SPSS AMOS Results (2021)

The results are presented in Table 2 with the values of the path coefficients, standard error, T-statistics, p-values, model fit estimation statistic and decision taken on this hypothesis. Table 2 shows the SEM regression analysis for the effect of ethical business culture dimensions (value-driven, leadership effectiveness, process integrity, transparency, discussability) on market leadership of deposit money banks in Nigeria. Based on the result of the analysis, leadership effectiveness ( $\beta = .140, t = 3.153, p < 0.05$ ), process integrity ( $\beta = .336, t = 6.528, p < 0.05$ ), and discussability ( $\beta = .272, t = 5.859, p < 0.05$ ) have significant positive effect on market leadership of deposit money banks in Nigeria, while transparency ( $\beta = -.130, t = -2.950, p < 0.05$ ) has a negative

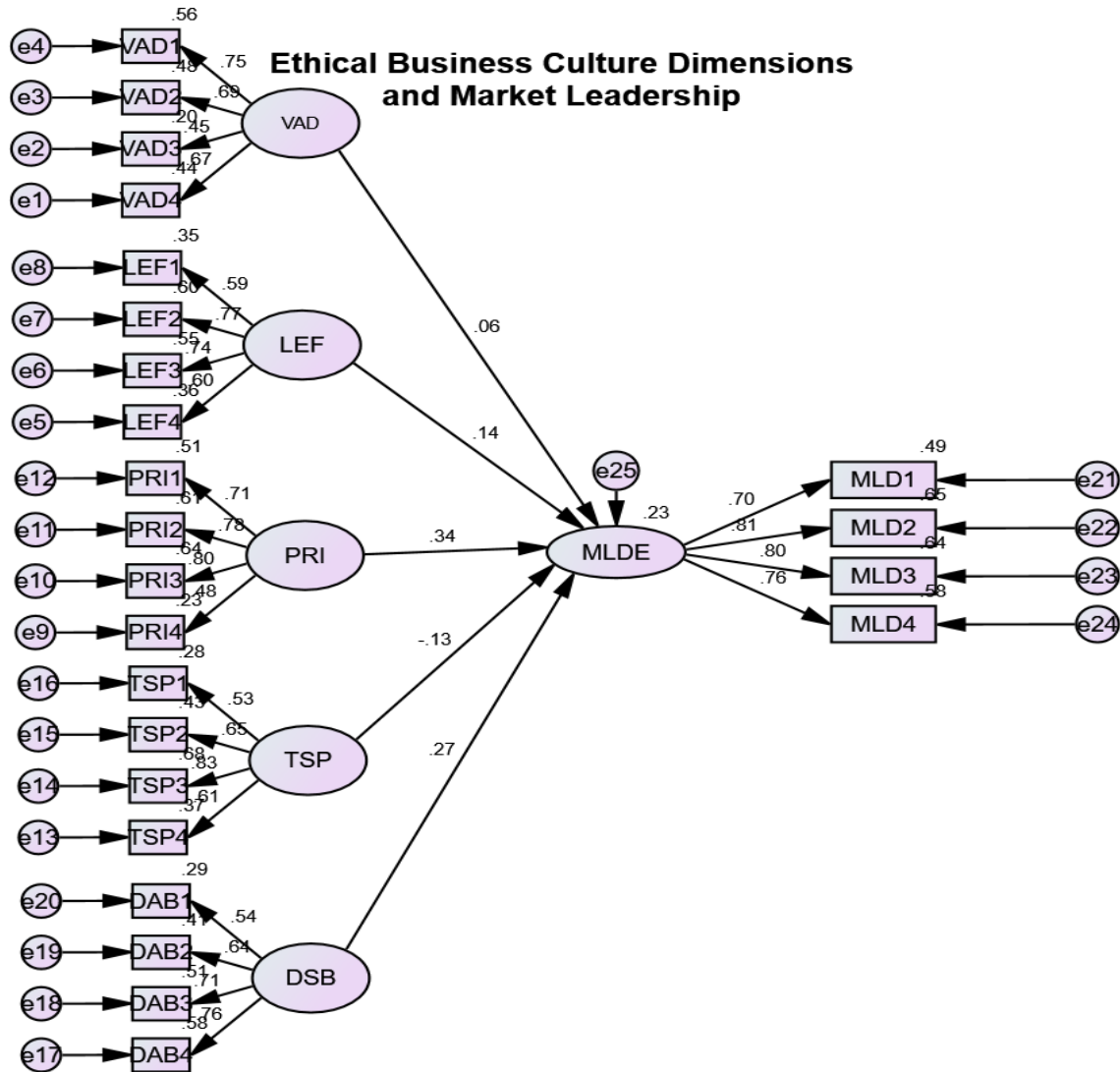
and significant effect on market leadership of deposit money banks in Nigeria. However, value-driven ( $\beta = .059$ ,  $t = 1.341$ ,  $p > 0.05$ ) did not have any significant effect on market leadership of deposit money banks in Nigeria. The findings indicated that deposit money banks should focus more on leadership effectiveness, process integrity, discussability, and transparency to achieve the desired market share in the industry. The adjusted  $R^2$  of 0.23 indicated that ethical business culture dimensions only explained 23% of the changes in market leadership of deposit money banks in Nigeria. The remaining 77% were due to the other factors explaining differences in the market leadership of deposit money banks in Nigeria but not captured in the model. The results of the structural model for the overall fit of the model indicated that the calculated indices provided good model (CMIN = 2730.783, CM/DF = 1.056, GFI = .710, CFI = .951, RMSEA = .023, PCLOSE = .128). This confirmed that ethical business culture dimensions predict market leadership of deposit money banks in Nigeria. The multiple regression model from the structural path analysis is:

$$\text{MLD} = \beta_0 + .140\text{LEF} + .336\text{PRI} - .130\text{TSP} + .272\text{DAB}$$

Where:

MLD = Market Leadership  
LEF = Leadership Effectiveness  
PRI = Process Integrity  
TSP = Transparency  
DAB = Discussability

The path regression model showed that when the five independent variables of business ethical culture (value-driven, leadership effectiveness, process integrity, transparency, discussability) are combined, only leadership effectiveness, process integrity, discussability, and transparency have significant effect on market leadership of deposit money banks in Nigeria. However, while leadership effectiveness ( $\beta = .140$ ,  $t = 3.153$ ,  $p < 0.05$ ), process integrity ( $\beta = .336$ ,  $t = 6.528$ ,  $p < 0.05$ ), and discussability ( $\beta = .272$ ,  $t = 5.859$ ,  $p < 0.05$ ) have positive and significant effect on market leadership of deposit money banks in Nigeria, transparency ( $\beta = -.130$ ,  $t = -2.950$ ,  $p < 0.05$ ) has a negative and significant effect on market leadership of deposit money banks in Nigeria. The findings showed a unit increase in leadership effectiveness, process integrity, and discussability will respectively bring about 0.140, 0.336, and 0.272 improvement in the market leadership of deposit money banks in Nigeria, while a change in transparency may lead to decrease in market leadership of selected deposit money banks by 0.130. Furthermore, the results indicated that process integrity has the most contribution to market leadership of deposit money banks in Nigeria followed by discussability. Therefore, the null hypothesis ( $H_0$ ) which states that ethical business culture dimensions have no significant effect on market leadership of deposit money banks in Nigeria was rejected.



CMIN = 2730.783, CM/DF = 1.056, GFI = .710, CFI = .951, RMSEA = .023, PCLOSE = .128

Figure 1: SEM Structural Path Coefficients - EBC Dimensions and Market Leadership

The structural path coefficients, indicator loadings, and the  $R^2$  are summarized in Figure 1. The structural path diagram above showed that ethical business culture dimensions affect market leadership of deposit money banks in Nigeria, and this was shown by the individual path dependence arrow connected to the dependent variable (market leadership). These effects are shown by the individual business culture dimensions regression weight value represented on the path dependency arrow confirming that ethical business culture dimensions influence market leadership of deposit money banks in Nigeria.

## V. Discussion

The findings on the hypothesis revealed that ethical business culture dimensions have a significant effect on market leadership of deposit money banks in Nigeria ( $Adj. R^2 = 0.23$ ;  $CMIN = 2730.783$ ,  $CM/DF = 1.056$ ,  $GFI = .710$ ,  $CFI = .951$ ,  $RMSEA = .023$ ,  $PCLOSE = .128$ ). The findings indicated that ethical business culture dimensions are determinants of market leadership of deposit money banks in Nigeria. The result of this study corroborated the findings of Nyamwango (2018) which established that ethical business culture components displayed between the bank and Fintech firms have influenced innovation through the creation of digital banking solutions. This has further dovetailed into growth in market share, revenue, operational efficiency, better management of customer relationship and has strengthened the bank's brand position. Ethical

decision making was significantly impacted by workplace ethics, standards, and practices; perceived ethical climate types; management's efforts to encourage ethical decision making and the tone at the top and ethical norms and incentives (Craft, 2018).

Bachmann (2017) found that organisational ethics increase market leadership of the firm under investigation. It further posits that the relation between ethical business cultures can be a function of managerial values which engenders market leadership. The research of Kamaamia (2017) which investigated the impact of organisational culture on corporate financial performance indicates that there is the existence of statistically significant relationship between ethical business culture and market share growth rate. It is imperative for managers to know that for an organisation's ethical culture to be well implemented and result in growth and success, there must be an alignment between organisation's culture, its structure, goals and processes which occur as a result of internal or external pressures on the organisation, as such dis-synchronization between the cultural and structural components of an organisation is thought to be a harbinger of decay or revolutionary potential (Motilewa, Agboola & Adeniji, 2015).

On the other hand, the result of this study was negated by the study of Mboga (2017) which revealed that ethical business culture negatively significantly impacted the market share of organisations. The findings provided that lack of transparency; process integrity and values imbedded in exchange of bribery as unethical challenges that bedevilled the organizations' growth agenda. Managers can develop their organisations' ethical culture by creating reward systems, ethical codes and norms. Strong leader with a high degree of cognitive moral development and who can influence employees is therefore, able to act towards promoting an ethical organisational culture.

## VI. Conclusion and Recommendations

Ethical business culture dimensions have significant effect on the market leadership of deposit money banks in Nigeria ( $Adj. R^2 = 0.23$ ;  $CMIN = 2730.783$ ,  $CM/DF = 1.056$ ,  $GFI = .710$ ,  $CFI = .951$ ,  $RMSEA = .023$ ,  $PCLOSE = .128$ ,  $p < 0.05$ ). The DMBs should focus more on ethical business culture to improve market leadership as the findings revealed that leadership effectiveness, process integrity, and discussability have significant and positive effect on market leadership. This is expected to positively impact on customer base, branch network, turnover and market reach.

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