### THE IMPACT OF CORPORATE FINANCE SERVICES ON BANK’S PROFITABILITY

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****ABSTRACT****

*This study review the corporate finance services as obtained in the Nigeria banking business. The major corporate finance discussed ranges from the capital market services, under which management of capital equity issue, marketing, packaging, advisory services were discussed. Add to other corporate finance services such as loan syndication, venture capital, merger and acquisition were discussed. The global perspective was used to measure the extent of development of such services and the performance of bank to determine its profitability in Nigeria universal bank as a case study. At FBN plc the following corporate finance services are seen to be in operation; project financing, capital market services, advisory service. The rates of fees chargeable were not analyzed since we could not get the transaction with corporate customers. Also the possibility of enhancing income generation and capital base transaction to the corporate customers. Finally, it is clear that a lot still need to be done in areas of innovation and regulatory requirement before banks carefully reap the benefit of corporate finance services.*

****CHAPTER ONE****

****1.0       INTRODUCTION****

            With the deregulation of the economy and the emergence of several government regulations, the traditional role of Universal Bank as providing short term finance has undergone an economic metamorphosis resulting in the granting of license by Nigeria Stock Exchange to universal bank to participate to a greater extent or length in the capital market.

And these enhance banks to go into various capital project financing through their corporate finance unit thereby erecting more profit or revenue generation.

****1.1       BACKGROUND TO THE PROBLEM****

The deregulation and liberalization of the banking industry in 2004 has changed the industry landscape in many aspect, prominent among the changes are: -

-   Decrease in the number of banks

-  Specialization in banking industry and non-bank financial institution, discount house, finance house and micro finance.

-   Automation in banking industry, computerization and technology enhancement.

-  Raising of minimum paid up capital to N25 billion for both universal and Merchant banks.

The highlighted changes among other gave N25 billion paid-up capital for a degree completion resulting in innovation and product development or service development. A number of banks had been forced to patronize the capital market to source for fund in form of capital. Thus, the current wave of development of new service product become a reaction by bankers to the consciousness aroused with respect to the treatment to be met out to customer as well as the need for sound improvement on their liquidity position and capital base.

However, the new service products are directly aimed at mobilizing deposit and revenue generated through fee based transactions which are mostly directed to corporate customers. And with the target of providing a corporate finance services to corporate body with capital project through their corporate finance unit with the aim of generation more profit or income.

****1.2       STATEMENT OF THE PROBLEM****

In the statement of this research work, corporate finance takes on various investment services to institutional and private investors such that these adequate services does not reduce some abnormality that may hinder the much needed profit in their operation which can be deduced from the understand:

i.   That bank ensures the adequate collections of collateral before loan are given out.

ii.  That bank does not operate within the aggregate limit in their finance services in order to facilitate the achievement of government social economic programme and profitability.

iii.   And that bank does not ensure correction measure or action to be taken if the borrower does not repay in accordance with the agreement as arranged.

****1.3       OBJECTIVE OF THE STUDY****

The examination of corporate finance service on Universal banking in Nigeria is pertinent at this time of little or no bank failure couple with government concern for stable and self reliance economy through high sustainable productive capacity, since such service provides companies with the necessary finance is for dynamic base to meet future challenges.

However, the aim of the study is to identify the corporate finance services offered by Nigeria Universal Banks as compared with banks in developed economy.

****1.4       STATEMENT OF RESEARCH HYPOTHESIS****

According to Kertiger, F. H Dictionary “An hypothesis is a guessed statement of a relationship between two or more variables.

The above definition serves as a guide for the research test for hypothesis

****Hi:****       That corporate finance management reduces the level of fraudulent practice in bank and boost profitability.

****Ho:****      That corporate finance management does not reduce the level of fraudulent practices in banks and hinders their level of profitability.

****Hi:****       There is significant correlation between the corporate finance services in reducing the level of fraudulent act and profit generation.

****Ho:****      There is no significant correlation between the corporate finance services in reducing the level of fraudulent act and profit generation restriction.

****1.5       JUSTIFICATION OF THE STUDY****

The research work is conducted mainly on corporate finance service as it relates to institutional leaders and its impact on banks profitability with little emphasis on universal banking. And to be a guide for academic excellent and to companies who are unaware of such service facilities in banks.

****1.6       SCOPE OF THE STUDY****

The project covered corporate finance services in universal bank but limited to those in existence presently at First Bank of Nigeria Plc.

****1.7       LIMITATION OF THE STUDY****

The study like many other studies has a share of limitation as in every human undertaken there are always constraints in achieving the set down goals in which this project is not left out. Some of these constraints include the following: -

****a.         Time Factor:****- It would be generally agreed upon that carrying out research work involves a lot of time, which is not on one’s side. The available time to carry out this project is very short.

****b.         The problems of data collection and its accuracy: -****It is well known fact that bank staffs are always busy during and after business hour with customers and balancing of each day account. So as a result of this questionnaire set out were not returned on time even many questions were not answer or retuned. The reason behind this might be due to the amount of secrecy as professional ethic of the job.

****c.****         The problems of finance to augement the effectiveness of the project.

****d.****         Also, the book that were available in the school library here are outdated, beside these is the lack of power supply (electricity) in the school environment for more research online.

****1.8       DEFINITION OF TERMS****

****Corporate Finance:****- This is concerned with making the provision and the use of a firm’s finance which involves the allocation of scarce capital resources among competition opportunities

****Corporate Finance Services:**** - This is the services rendered to companies or business organization by provision them with fund to run smoothly the business usually from a bank.

****Profitability****: - This is the ability of the corporate finance operator to earn profit or gain to the extent that the principal sum, interest and desire profit of an advance made is repaid.

****Bank****: - This is an institution or financial intermediaries that offer various financial services to both individual and corporate customers

**CHAPTER TWO**

**REVIEW OF LITERATURE**

**2.0 INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

2.1 **CONCEPTUAL FRAMEWORK**

**Banking Industry**

The banking industry in Nigeria comprises of the commercial banks, the merchant banks and the development bank. At the apex of the industry is the central bank of Nigeria (CBN). The commercial banks provides services like acceptance of deposits, granting of short and (very recently) medium term loans to customers, safe-keeping of valuables, offering of pieces of advice to investors. The merchant bank on the other hand provide medium and long-term loans etc. The development banks services the development activities by making available about medium and long-term finances for this purpose. The central bank functions regulate the activities of these banks.

Easily, we can point at a member of factors that may be contributing to the unhealthiness and instability in the banking sector. Such factors as unstable macro-economic and fiscal policies, unethical and unprofessional practices, as well as inadequate supervisory activities, rank high on the scale. Developments in the Nigerian political economy since the mid 80s have greatly led to changes in the structure and art of banking. The period witnessed the proliferation of banks and other financial institutions. From CBN annual report (1994), there were 66 (sixty-six) commercial banks and 54 fifty-four) Merchant banks in Nigeria. According to the CBN diary 2003, as at June 2002, we had the following licensed financial institution 89 (eighty-nine) commercial and Merchant banks, 6 (six) development finance institutions, 97 (ninety-seven), finance companies and 125 (one hundred and twenty five) Bureau de change companies in Nigeria.

**Concept of Corporate financial services in financial institutions.**

Corporate financial services in financial institutions are accessed through corporate unit/department of the institution called the corporate service department. The Corporate Services Department (CSD) is the portal of entry and exit from the organization and supports the functions of all the other departments in the financial institution. It is divided into four divisions, namely; human resources, institutional development, general services, and security Morrison, (2007).

Innovative service companies today recognize that they can supercharge profits by acknowledging that different groups of customers vary widely in their behavior, desires, and responsiveness to marketing. A corporate financial service is about enabling an organization to achieve and sustain superior overall performance and returns. Such services which mainly focus of investment banking assist clients to learn ways to access the resources by offering integrated advisory services and industry expertise. It is a core responsibility of senior executives and encompasses a range of critical activities, from defining and refining corporate vision to strategic performance measurement and management Fornell, (2001).

Zeithaml, (2001) for instance cited that Federal Express Corporation in USA has revolutionized its marketing philosophy by categorizing its business customers internally as the good, the bad, and the ugly based on their profitability. They argued that rather than marketing to all customers in a similar manner, the company now puts its efforts into the good, tries to move the bad to the good, and discourages the ugly Zeithaml, (2001). Similarly, the customer service center at First Union, the sixth-largest bank in the U.S., codes customers by color squares on computer screens using a database technology known as "Einstein." Green customers are profitable and receive extra customer service support while red customers lose money for the bank and are not granted special privileges such as waivers for bounced checks. Providing different service to customers depending on their profitability is becoming an effective and profitable service strategy for firms Zeithaml ,(2001). Europeans financial institutions have discovered that they need not serve all customers equally well-many customers are too costly to do business with and have little potential to become profitable, even in the long term. While companies may want to treat all customers with superior service, they find it is neither practical nor profitable to meet (and certainly not to exceed) all customers' expectations Morrison, (2007). Financial institutions in Africa therefore need to understand the needs of customers at different levels of profitability, and adjusting service based on those differences, is more critical to the enterprise than has been previously held. Specifically, in examining customers by profitability and understanding the key elements of the costs and revenues aspects of the 3 profit equation it is possible to actually increase the current and future profitability of all customers in the firm's customer portfolio.

Corporate services are activities that combine or consolidate certain enterprise-wide needed support services, provided based on specialized knowledge, best practices, and technology to serve internal customers and business partners. Such services are common in most financial institutions. Corporate services such as finance and banking were first introduced to remove pressure from the client's organization when dealing with complex banking and finance issues Dowling, (2008). Specialist information and tips are provided by the consultancy to manage finances appropriately, and some can set up a corporate bank account for clients. However, most institutions especially banks tend to consider such services to basically improve the corporate image of the company but less considerations are focused on how these services contributes to the profitability of the company in terms of increasing the return of assets, return on capital employed in the business, return on investment or even return on equity Brooks, (2009).

**Corporate financial services offered by financial institutions**

**International transactions**

International banking services include trade financing and foreign exchange transactions. Banks also offer services to protect firms against currency and price fluctuations Mehran, (2003). Financial institution that provides large amounts of long-term fixed capital, primarily for established firms. Investment banks generally take an equity stake in the borrower firm to exercise some influence on its direction and operations. They also act (often jointly) as financial intermediaries by underwriting the sale of new securities.

**Investment banking**

 Large corporations and public institutions are financed not only through loans, but through the sale of securities (stocks and bonds) to the public. The services related to the issuing of securities are called 'investment banking, a business that used to be completely separated from traditional commercial banking. In recent decades, the distinction between traditional commercial and investment banks has become blurred, and nowadays many banks offer both types of services. Investment banks perform underwriting, that is they assist companies in issuing bonds or shares, and buy the initial offers at a fixed price. Investment banking also includes providing advice and financing for mergers and acquisitions (M&A's) Basel Committee on Banking Supervision, (1999).

 **Advisory services**

Bingham (1992) stated that wholesale banking activities also include financial advising for all kinds of corporate and financial activities, such as mergers and acquisitions, asset management, and taxation (e.g. the use of tax havens). An international transaction is a money transfer (often as part of a business deal) that crosses national borders, frequently involves two different currencies, and can even involve three currencies if a reserve currency, such as the US dollar is used. For example, a German company needs to buy materials from a supplier in the U.S. The supplier only accepts payments in U.S. dollars so the business in Germany has to change euros into U.S. dollars to pay the supplier.

**Shareholding**

Banks can, and can participate in management and own shares in, companies. A bank can, for example, buy a company's shares to help to provide the company with some extra liquidity, if the company is in financial distress(Dewing and Russell, 2005).

**Speculative finance**

According to Evan and Freeman (1993) there has been a trend towards more speculative methods of financing. Previously, clients used to pay back both the principal and the interest on loans through their cash flows; nowadays many companies' cash flows are only sufficient to service their debt -- that is, cover their interest payments. Adverse circumstances, like small rises in interest rates or declining company incomes, can result in the company not being able to service their debt at all. This situation can lead to “Ponzi finance,” where a company constantly raises new funds, often through hidden or innovative systems, in order to pay other creditors. This practice is often facilitated by banks and other financial firms that seek to make profits from increasingly complex finance mechanisms. Dimsdale and Prevezer (1994) believe that an economy dominated by such speculative 'Ponzi finance' may be fragile and susceptible to crisis, as it becomes dependent on continuing asset price inflation and larger amounts of debt. Increasingly, there are cases of companies that get into trouble as a result of using Ponzi finance, and may go bankrupt. Authorities can intervene, but such intervention may only encourage more 'Ponzi finance' to a point where the excessive amount of debt is beyond salvation.

Corporate Banking incorporates banking services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies. Corporate banking continues to expand as more companies set base in Rwanda as well as the citizens purchasing power continue to rise. The boom in the building industry has seen an upsurge on loans application and the banks in Rwanda especially Bank of Kigali envisions better times ahead (Bank of Kigali report, 2013).

**Profitability of Banks**

Prior to the 1990s, the general link between service quality and profitability was still being questioned, but since the early 1990s, it has been persuasively established Zeithaml, (2000) The evidence to support the linkage came from a variety of sources and is now convincing enough to lead executives to believe that a positive relationship does exist. The link was first established through industry-wide, cross-industry, or cross-facility studies such as the PIMS (Profit Impact of Market Strategy) project, which demonstrated a correlation between quality and profits across both manufacturing companies and service companies Gale (2007) In more recent studies, quality improvement and customer satisfaction have been linked to stock price shifts, the market value of the firm, and overall corporate performance Zeithaml, (2000). Because firms are managed at the individual level and not the industry level, executives still clamored for evidence that improved service quality resulted in increased firm profitability. A growing number of studies bear this out, showing that: service improvement efforts produce increased levels of customer satisfaction at the process or attribute level, Bolton (2001) increased customer satisfaction at the process or attribute level leads to increased overall customer satisfaction, Keiningham (2004) higher overall service quality or customer satisfaction leads to increased behavioral intentions, such as greater repurchase intention, 9 Parasuraman (2006) increased behavioral intentions lead to behavioral impact, including repurchase or customer retention, positive word-of-mouth and increased usage,(Bolton, 2008) and behavioral impact then leads to improved profitability and other financial outcomes Zahorik (2008). What is still missing in this research evidence is the recognition that the link between service quality and profitability can be stronger if it is recognized that some customers are more profitable than others. Service investments across all customer groups will not yield similar returns and are not equally advantageous to the firm. Different profitability segments are likely to be sensitive to different service emphases and are likely to deserve different levels of resources. As a small number of progressive companies have discovered, they can become more profitable by acknowledging the difference in profit potential among customer segments, then developing tailored approaches to serving them Abratt, (2009). Banking Profitability may also show managers attitude toward risk. Banks that make huge profits are not scared when venturing into risky activities. Profitability measure is important to the investors. The level of profitability is very significant for the shareholders of a bank, because it shows how effective managements have utilized their investments (Devinaga, 2010). In ascertaining the financial potency of a deposit money bank, the level of profitability is predominant. Codjia (2010) viewed that banks profitability performance will concentrate on the income statement which shows how much banks generated (revenue) and how much banks spent (expenses) net income.

 In contract to Rushdi and Tennant (2003) profitability can be evaluated in a number of ways. Which include Return on Assets (ROA), Return on Equity (ROE). But over the years, most researchers prefer using Return on Assets (ROA). Similar to Godlewski (2004) used ROA in measuring profitability. It was disclosed that; the performance of a bank was negatively affected by the level of non-performing ratio. In theory, ROA shows the strength of a bank’s management to make profits using the level of assets available. It may be unfair because of the other events that take place outside the statement of financial position (Athanasoglou,2005).

Banking Profitability may also show managers attitude toward risk. Banks that make huge profits are not scared when venturing into risky activities. In a similar fashion, banks that are not effective in their management encounter higher bad debt. Profitability measure is important to the investors. The level of profitability is very significant for shareholders of a bank because it shows how effective management has utilized their investments (Devinaga, 2010).

 In determining the financial strength of a deposit money bank, the level of profitability is predominant. ROA and ROE are used as main profitability measures in most of the organizations including banks and financial institutions. The ROA demonstrates the level of net income produced by the bank and also determines how the assets utilized by banks generate profit over the years. On the other hand, the return on equity (ROE) is the ratio of net income to total equity indicating returns to shareholders on the book value of their investment. It measures the rate of return for ownership interest (shareholders)‟ equity of common stock owner, it tells how efficient a firm/bank is at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities. The ranking of banks is usually based upon the higher ROA ratio and total assets. As a general view, particularly in banking sector, ROA is known as good profitability multiplier for the reason that equity multiplier does not influence it (Saeed et al., 2016).

Profitability can be measured in a number of ways. They include return on assets (ROA), return on equity (ROE). Over the year, most researchers prefer using return on asset (ROA) and Return on Equity (ROE) as indicators of profitability or performance. Researchers often use both ROA and ROE as measures for profitability. In their defense, these researchers selected ROA and ROE over others because it is free of financial leverage and the risks associated with it (Flamini et al., 2009). Additionally, it is possible to compare companies in the same industry or diverse industry when ROA and ROE is employed as a proxy for profitability. This makes ROA and ROE strong measures for profitability (Devinaga, 2010).

**Measures of Corporate Profitability**

According to Tarawneh, (2006), profit is the ultimate ‘output’ of a company, and it will have no future if it fails to make sufficient profits. Profitability of manufacturing industries is always measured using ratios. The profitability ratios are calculated to measure the operating efficiency of the company. Some the profitability ratios include the following:

Return on Investment (ROI): The term investment may refer to total assets or net assets. The funds employed in net assets in are known as capital employed. Net assets equal net fixed assets plus current assets minus current liabilities excluding bank loan. The conventional approach of calculating return on investment is to divide profit after tax (PAT) by investment. Investment refers to pool of funds supplied by shareholders and lenders, while PAT represents residue income of shareholders (Tarawneh, 2006).

Return on Equity (ROE): Common or ordinary shareholders are entitled to the residue profits. The rate of dividend is not fixed; the earnings may be distributed to shareholders or retained in the business. Nevertheless, the net profit after tax represents their return. A return on shareholder’s equity is calculated to see the profitability of owners’ investment. The shareholders’’ equity or net worth will include paid up share capital, share premium and reserves and surplus less accumulated losses. Net worth can also be found by subtracting total liabilities from the total assets. The ROI is net profit after taxes divided by shareholders’ equity which is given by net worth (Zahorik and RustR, 2002).

Return on Assets (ROA): Return on Assets indicates the net income earned by a company as a percentage of the total assets available for use by that company. ROA suggests that companies with higher amounts of assets should be able to earn higher levels of income. ROA measures management’s ability to earn a return on the firm’s resources (assets). The income amount used in this computation is income before the deduction of interest expense, since interest is the return to creditors for the resources that they provide t the firm. The resulting adjusted income amount is thereby the income before any distribution to those who provided funds to the company. ROA is computed by dividing net income plus interest expense by the company’s average investment in asset during the year (Zeithaml, 2000).

**Relationship between corporate financial services and profitability**

Customer ranking/tires according to their needs have different and identifiable profiles. Profitability differences in customer tiers are most useful when other variables can identify the tiers. As with customer segmentation, it is necessary to find ways in which customers vary across tiers, especially in terms of demographic characteristics. These descriptions can help understand the tier's customers and identify appropriate marketing activities (Valarie Roland and Katherine, 2001). 14 Customers in different tiers view service quality differently. Customers in different tiers can also have different needs, wants, perceptions, and experiences. Understanding the factors that affect the customer's decision to purchase a new product or service from an existing provider as well as the factors that affect the decision to increase the volume of purchases from an existing provider are crucial for managing customers for profitability. If customers in different tiers have different expectations or perceptions of service quality, these differences will allow the company to offer different groups of attributes to the tiers (Valarie et al, 2001). Different factors drive incidence and volume of new business across tiers. Differences in characteristics, needs, wants, and definition of service quality are likely to result in different drivers for the incidence and volume of new business. If this condition is met, a company can target customers that are likely to end up in higher tiers. The profitability impact of improving service quality varies greatly in different customer tiers. Just as direct marketers routinely qualify lists to test for potential profitability, companies need to qualify their customer tiers for potential profitability. If customer tiers are appropriate, the way customers respond to service and marketing should differ among tiers.

Higher tiers should produce a much higher response to improvements in service quality that will be evident in increases in new business, volume of business and average profit per customer. Taken together, the disproportionately greater response to changes in service quality in each of these areas will result in an overall greater return on service quality improvements for the higher tiers of customers (Zeithaml 2008).

**Strategies used by financial institutions for corporate financial services**

**Business Advisory**

Service Business advisory service advises current and future businesses prospects of a client, with the aim of advancing their business or company. This service is used by all types of businesses and would involve examining the legal, tax, finance, market and risks factors involved to start up a business or making new changes to the business. Business advisory services are given by organizations with experience in company formation (Zeithaml 2008). International corporate service consultants specialize in dealing with incorporation in the country in question. Once application is successful, the company will receive a certificate of incorporation. Which provides valid existence of the company under the registered name given (Johnson, 2008).

**Finance and Banking**

Corporate services such as finance and banking were first introduced to remove pressure from the client's organization when dealing with complex banking and finance issues. Specialist information and tips are provided by the consultancy to manage finances appropriately, and some can set up a corporate bank account for clients. Some examples of tailored services include: Corporate Bank Account, Offshore bank Accounts, Multi-currency Accounts, Brokerage Account, Private Banking and Corporate Loan Applications (Quinn, 2009). Accounting and tax services are useful for companies wanting to outsource their basic work. The service involves preparing and submitting many obligatory documents required by 16 authorities associated with business practice. Some basic services include: Payroll, Maintaining cash flow books, Tax registration, Tax returns, Corporation tax, Tax Planning (international) (Hiebeler, Kelly &Ketteman, 2009) Market research for investment alongside with risk evaluation is another corporate service designed to help clients make financial decisions. Intellectual property protection is seen as an investment, this is a service some consultancies may also advise on. Similarly, stock exchange services can bring about specialist reports on past, current and forecasted stock exchange trends, with a personalised analysis (Johnson 2009).

**2.2 THEORITICAL FRAMEWORK**

**The Theory of Firm Value**

McWilliams and Siegal (2001) provide a framework for analyzing CSR within the context of the theory of the firm. Based on this framework, they develop hypothesis regarding the provision of CSR attributes across industries and market structures. They hypothesize that ‘the provision of CSR will depend on R&D spending, advertising intensity, the extent of product differentiation, the percentage of government sales, consumer income, the tightness of the labour market, and the stage of the industry life cycle. All of these should be tested empirically to see if the results support the hypothesis.

McWilliams and Siegel conclude that ‘there is some level of CSR that will maximize profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost benefit analysis. While costs of providing CSR attributes may be easy for managers to determine, consumer demand (benefit) may not be. Consumer demand for CSR could be difficult to measure because CSR attributes are among many attributes of a product.

**Instrumental Stakeholder Theory**

In an attempt to further legitimize the role of corporations in society, an instrumental theory has developed which emphasizes on CSR as a strategic tool to achieve economic objectives. The proponents of this theory assert that the business may choose to support some social programmes for reasons of good image (public relations), competitive advantage or other strategic reasons without jeopardizing the interests of its primary stakeholders, namely the shareholders. This branch of study called Strategic CSR by Lantos (2001), modern view by Quazi and O'Brien (2000) and instrumental stakeholder theory (Donaldson and Preston, 1995) considers CSR as a form of investment (McWilliams and Siegel, 2001). This conceptualization implies the recognition of an "optimum" level of CSR. This wou

**Model Specification**

In order to establish the impact of corporate social responsibility on the performance of the banks, a model is design for this purpose. The bases for this model were premised on the variables that has to impact positively on the environment in which the banks operate. Such variables include community corporate social responsibility, human resources management, charitable contribution and firm size.

**Measurement of Variables**

An initial challenge in testing the relationship between CSR and financial performance is identifying those banks that have adopted corporate social responsibility. This is because CSR reflects an approach to internal decision making, the presence or absence of which may not easily be determined by external observers (Brine et al, 2006).

This study employs CSR disclosures on certain indicators which consist of content analysis of annual reports in a bid to examine the impact of these indicators on market value of sample banks.

Indicators employed are community services, human resources management and charitable contributions. They are identified on the extent of their being reported in the audited financial statements.

The community CSR concerns environmental and social performance. It covers waste management, biodiversity, customer relations and community contributions to sports, education, human rights, prevention and cure of diseases and provision of social amenities.

The human resource management indicator is based on three measures relating to health and safety systems, systems for employee training and development, equal opportunities policies (without discrimination against physical disability or racial/tribal differences).

Brine et al (2006) argue that banks that account for the interests of their employees by offering good working conditions will achieve better performance in terms of quality and delivery, and, therefore, experience higher levels of productivity.

**2.3 EMPIRICAL STUDIES**

Literature and data source are the base for a research. The literature sources will help researchers to develop a good understanding of previous research and can be divided into three categories: primary, secondary and tertiary (Saunders et al., 2009, p. 68). Saunders et al. (2009, p.67) has explained in his book “Primary literature sources are the first occurrence of a piece of work.” They include published sources such as reports, some central and local government publications such as White Papers and planning documents, unpublished manuscript sources such as letters, memos and committee minutes. Secondary literature sources are the subsequent publication of primary literature. They include therefore books and journals. Tertiary literature sources are also referred to “search tools” and include indexes and abstracts as well as encyclopedias and bibliographies. They are utilized either to help to locate primary and secondary literature or to introduce a topic.

Studies have tried to link corporate financial services with customer care services especially in financial institutions. Pine and Gilmore (1998), Pine II and Gilmore (1999) were some of the first writers to address the notion of the customer experience. They postulated that services are becoming more commoditized and leading-edge companies are competing on experiences. The idea of Pine and Gilmore makes academicians, practitioner’s researchers to have a different perspective on customers service and experience. (Carbone and Haeckel, 1994), postulated that the service a customer received or purchased come with an experience. Such an experience can be good, bad or indifferent. They further stress that services always come with an experience and that all service encounters provide an opportunity for emotional engagement, however mundane the product or service might be (Berry and Carbone, 2007; Voss and Zomerdijk, 2007).

 Studies like (Shaw and Ivens, 2002; Voss, 2003; Prahalad and Ramaswamy, 2004; Meyer and Schwager, 2007), have suggested that customer experience may provide a new means of competition. This can be noted in the way and manner in which the banks nurtured their customers in service delivery. This done in other to retained old customers, get new customers and also increase profitability. The manner in which these banks will increase profitability may be tailored towards the volume of transactions and turnover. This can influences expectations (Johnson and Mathews, 1997; Flanagan et al., 2005) and build confidence (Flanagan et al., 2005). Services are sometimes defined as something intangible, however many services also include some tangible elements (Johnston and Bryan, 1993). In banking sector, service may be the moment of truth (Normann, 2000). Generally any business that does not have a quantum of truth may experience liquidation in the short run. However, banking service in Rwanda is more than just bank cashier-customer interaction over the counter. The inability of the bank cashier to have true knowledge of the services rendered by the bank may infuriate the customer and thus may cause the customer not to carry out banking transactions with the bank.

Stuart and Tax (2004) argued that the customer experience can be enhanced by designing the service system to encourage greater active customer participation. Bate and Robert (2007) introduced an approach which involves customers in the design of the experience; experience based design. Pickles et al. (2008) developed this methodology to demonstrate how three theoretical components of good design: functionality, engineering and aesthetics can be used as a framework to improve performance, safety and governance. However, there has not been a single model to link customer care service and banking activities. As mentioned earlier, 18 customer service means providing a quality product or service that satisfies the needs/wants of a customer and keeps them coming back. It also implies that good corporate financial service means much more – it means continued success, increased profits, higher job satisfaction, improved company or organization morale, better teamwork, and market expansion of services/products (Sampson and Froehle, 2006). The model for corporate financial services and bank profitability can be model thus: Customer service = Accurate information + Zero service time. Corporate financial services activities that may boost bank profitability in Rwanda may include money transfers, capital market services, private banking, brokerage services and even investment advisory services (Berger &Deyoung, 2006).

According to Berger and Deyoung (2006), the banking industry in the United States has been in a constant process of geographic expansion in recent years, both within nations and across nations. They stated that at one time, nearly all customers were served by locally based institutions. In contrast, it is now much more likely that the bank or branch providing services is owned by an organization headquartered a substantial distance away, perhaps in another state, region, or nation. Moreover, the banking industry, like any other industry, will experience potential diseconomies to geographic expansion in the form of agency costs associated with monitoring junior managers in a distant locale; however, innovations in information processing and telecommunications may lessen these agency costs by improving the ability of senior managers located at the organization’s headquarters to monitor and communicate with staff at distant subsidiaries (Berger &Deyoung, 2006). Coupled together with good customer service, corporate financial services enable an organization to enhance its reputation among the customers. It helps the staff of an organization in problem solving and creating ability for multi-task in areas such as navigating complex databases and switching between different computers to find information for the caller. Hence it becomes an advantage for call center employees in today’s workplace to have the ability to think quickly on their feet so they can deal quickly with involved information while working under pressure.

 Corporate financial services enables companies to earn the business of loyal customers and companies have three principles for wooing these loyal customers namely: Listen to their desires: the importance of listening to their desires is often forgotten in a fast-paced environment. By listening to the customers, information gathered will be valuable commodity that will shape the course of the organization. The second principle is to create the services the customers demand. Listening to customers is a waste of time for an organization and its customers unless they act. Once customers’ desires are identified, it is time to build them on what they want. Personalize products for each individual customer. Mass customization acknowledges that all customers are not alike and allows companies to cater to the specific needs of all its customers at prices that reflect mass production techniques. So organizations should learn how to customize and start dealing with large numbers of customers on an individualized basis.

Customer service orientation enables organizations to develop and motivate people to give quality customer service in line with their corporate objectives. Many businesses do not consider a downturn in business until it is too late. In a competitive environment, early plans need to be made so that the customer is 20 always considered first. This can be done through regular reviews of systems and training program to look for ways in which existing processes can be improved. By understanding what customer service means and how it impacts on turnover and bottomline, businesses will not only enhance their reputation for providing quality service but be in a position to improve stale and tired internal services that will lead to increased customer loyalty and over time profit margins.

 Morrison, Juleff and Paton (2007) conducted a study with goals of assessing the corporate governance in the financial services sector from a theoretical perspective. Their approach was the broad parameters of corporate governance are discussed, from a theoretical perspective. From these particular characteristics are derived applicable to the financial services sector. These issues are examined and the extent to which they have been addressed by contemporary academic or policy‐related studies is considered, and also how they are related to the activities of the main bodies responsible for external oversight. Their findings revealed that effective corporate financial governance play a vital role particularly in the performance of the banks. The network of strategists ranges from bank transfer services, insurers, asset managers and payments companies to help define, build and maintain winning business portfolios, align actions with long-term objectives, and balance risks. Hiebeler, Kelly and Ketteman (1998) asserted that corporate services involves the activity of working with clients on issues relevant to the enterprise-wide management of their business, such as growth, portfolio mix, business unit strategy, the impact of global trends and the management of government stakeholders. The service providers must be-versed in both top- 21 down strategic approaches and in the innovation needed to compete in a global economy marked by disruptive technology and emerging markets. They need to pre-eminent independent advisers on finance and value creation. A strategic corporate manager needs to work with chief financial officers on finance organization, portfolio strategy and major investment decisions; linking corporate strategy to capital markets performance; investor communications; ensuring that M&A and other transactions are consistent with overall strategy; and strategic due diligence reviews and integration planning (Hiebeler et al, 1998).

Abratt, (2009) stated thatcorporate service providers need to work with their clients on corporate planning, providing perspective not only on immediate value and impact, but on long-term implications. They need to work closely with management and other advisers to leverage and complement their knowledge and ensure maximum impact, and actively support implementation and skill building. A study conducted by Global banking outlook (2014) to assess the successful corporate banking indicated that although 69% indicated that transparency on risk, liquidity, capital and portfolio concentration is critical for selecting and keeping core banks, only 27% reported that their banks are willing to share this information. Most executives (76%) ranked stability as a top criterion, but less than half (43%) are completely confident with the stability and security of their banking partners within their company’s risk parameters. A majority (63%) gave innovative ideas and products a top rating in terms of importance, but only 40% are pleased with their banks’ performance in this area. The lack of sophisticated technology is a 22 major disappointment to finance executives as well. Almost all respondents (89%) chose service quality as the single most important criterion for selecting and keeping a core bank, but only 73% gave their banks strong marks. Product quality and functionality ranked second on the list, with 82% giving it a top rating. However, only 64% rated their banks highly in this area. More than half of participants expressed disappointment in their banks’ willingness and ability to customize their services and products

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

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

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

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

This study was carried out on the impact of corporate finance services on bank’s profitability using First Bank of Nigeria Plc as case study. Hence, the population of this study comprises of staff and management of First Bank of Nigeria Plc.

**3.4 SAMPLE SIZE DETERMINATION**

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

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

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

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of the entire population of Firstbank PLC, the researcher conveniently selected 41 staff as sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

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

**3.7 METHOD OF DATA COLLECTION**

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

**3.8 METHOD OF DATA ANALYSIS**

The responses will be analyzed using the frequency tables, which will provide answers to the research questions. Hypotheses was tested using pearson correlation (SPSS v23).

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

The study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

1. **1 INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of forty-one (41) questionnaires were administered to respondents of which thirty eight (38) were returned while 35 were validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 35 was validated for the analysis.

**4.2 DATA PRESENTATION**

The table below shows the summary of the survey. A sample of 41 was calculated for this study. A total of 38 responses were received whiles 35 was validated. For this study a total of 35 was used for the analysis.

**Table 4.1: Distribution of Questionnaire**

|  |  |  |
| --- | --- | --- |
| **Questionnaire**  | **Frequency** | **Percentage**  |
| Sample size | 41 | 100 |
| Received  | 38 | 97 |
| Validated | 35 | 90 |

**Source: Field Survey, 2022**

**4.3 Demographic Profile of the Respondents**

**Table 4.2: Demographic profile of the respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| **Gender**Male |  |  |
| 10 | 29% |
| Female | 25 | 71% |
| Age |  |  |
| 20-25 | 03 | 20% |
| 26-30 | 08 | 23% |
| 31-35 | 07 | 49% |
| 36+ | 17 | 8% |
| **Education** |  |  |
| HND/BSC | 12 | 34% |
| MASTERS | 12 | 34% |
| PHD | 11 | 32% |
| **Marital Status** |  |  |
| Single | 20 | 57% |
| Married | 15 | 43% |
| Divorced | 0 | 0% |
| Widowed | 0 | 0% |
| **Work experience** |  |  |
| Below 3yrs | 06 | 17% |
| 3-6years | 19 | 54% |
| 7 years, above | 10 | 29% |

**Source: Field Survey, 2022**

**4.3 RESEARCH HYPOTHESES**

****Hi:**** That corporate finance management reduces the level of fraudulent practice in bank and boost profitability.

****Ho:**** That corporate finance management does not reduce the level of fraudulent practices in banks and hinders their level of profitability.

****Hi:****  There is significant correlation between the corporate finance services and profit generation.

****Ho:****   There is no significant correlation between the corporate finance services and profit generation

**HYPOTHESIS ONE**

**Table 4.3: Corporate finance management (CFM) does not reduce the level of fraudulent practices (LFP) in banks and hinders their level of profitability (PROF).**

|  |  |  |  |
| --- | --- | --- | --- |
|  | CFM | LFP | PROF |
| CFM | Pearson Correlation | 1 | 1 | .821\*\* |
|  | Sig. (2-tailed) |  |  | .000 |
|  | N | 35 | 35 | 35 |
| LFP | Pearson Correlation | 1 | 1 | .821\*\* |
|  | Sig. (2-tailed) |  |  | .000 |
|  | N | 35 | 35 | 35 |
| PROF | Pearson Correlation | .821\*\* | .821\*\* | 1 |
|  | Sig. (2-tailed) | .000 | .000 |  |
|  | N  | 35 | 35 | 35 |

Source: Survey data, 2023

\*\*. Correlation is significant at the 0.05 level (2-tailed)

**Level of significance**: 0.05

**Decision Rule:**

In taking decision for “r”, the following riles shall be observed;

1. If the value of “r” tabulated is greater than “r” calculated, accept the alternative hypothesis (H1) and reject the null hypothesis (H0).
2. If the “r” calculated is greater than the “r” tabulated, accept the null hypothesis (H0) while the alternative hypothesis is rejected

The Pearson Correlation result in Table 4.3 contains the degree of association between CFM and LFP and PROF. From the result, the Pearson correlation coefficient, r, value of 0.821 was positive and statistically significant at (p< 0.000). This indicates that Corporate finance management (CFM) reduce the level of fraudulent practices (LFP) in banks and hinders their level of profitability (PROF).

Thus, CFM and LFP and PROF are correlated positively.

**HYPOTHESIS TWO**

**Table 4.4: There is no significant correlation between the corporate finance services (CFS) and profit generation(PG)**

|  |  |  |
| --- | --- | --- |
|  | CFS | PG |
| CFS | Pearson Correlation | 1 | .798\*\* |
|  | Sig. (2-tailed) |  | .000 |
|  | N | 35 | 35 |
| PG | Pearson Correlation | .798\*\* | 1 |
|  | Sig. (2-tailed) | .000 |  |
|  | N  | 35 | 35 |

Source: Survey data, 2023

\*\*. Correlation is significant at the 0.05 level (2-tailed)

The Pearson Correlation result in Table 4.4 contains the degree of association between CFS and PG. From the result, the Pearson correlation coefficient, r, value of 0.798 was positive and statistically significant at (p< 0.000). This indicates that there is a significant correlation between the corporate finance services (CFS) and profit generation(PG)

Thus, CFS and PG are correlated positively.

**CHAPTER FIVE**

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS:**

**5.1 SUMMARY**

This chapter summarizes the findings into impact of corporate finance services on bank’s profitability using First Bank of Nigeria Plc as case study. Survey research design was employed for the study, using purposive sampling method forty-seven (47) respondent who are staff in Firstbank Ikeja branch was selected. Questionnaire was issued to them and thirty-nine (39) was retrieved and validated fro the study. Data was analyzed using simple percentage in frequencies and tables which provided answers for the research questions. Hypotheses was tested using pearson correlation (SPSS v23).

**5.2 CONCLUSION**

Corporate Financial Service is having positive impact on profitability of the bank because it facilitates banking service delivery as customers are retaining of the same bank, Corporate Financial Service has made most of banking activities. The views of respondents were showed the profitability of the bank where the majority represented by 25% answered the investment banking as the most CFS; Internal transactions with 21.8%, Credit transfer with 18.7%; General commercial banking with 15.6% followed by 12.5% said the credit services and the last were 6.2% answered that the CFS in BK were advisory service. Talk about the strategies used, the results showed that most of respondents agreed that segregation of duties was the most strategy were used by the bank which was represented by 34.3%, this was followed by 28.1% said that financial analysis was also the strategy use to offer corporate financial service. 25% also said that that the strategy used was marketing and 46 the last strategy was research and development that was enabled bank of Kigali to offer the corporate financial services.

The major corporate finance discussed ranges from the capital market services, under which management of capital equity issue, marketing, packaging, advisory services were discussed. Add to other corporate finance services such as loan syndication, venture capital, merger and acquisition were discussed. The global perspective was used to measure the extent of development of such services and the performance of bank to determine its profitability in Nigeria universal bank as a case study. At FBN plc the following corporate finance services are seen to be in operation; project financing, capital market services, advisory service. The rates of fees chargeable were not analyzed since we could not get the transaction with corporate customers. Also the possibility of enhancing income generation and capital base transaction to the corporate customers. Finally, it is clear that a lot still need to be done in areas of innovation and regulatory requirement before banks carefully reap the benefit of corporate finance services.  The study therefore concludes that Corporate finance management (CFM) reduce the level of fraudulent practices (LFP) in banks and hinders their level of profitability (PROF). Also there is no significant correlation between the corporate finance services (CFS) and profit generation(PG).

5.4. Recommendation

At the end of this study, the following recommendations have been formulated to the management of First Bank of Nigeria Plc

The management of First Bank of Nigeria Plc should enhance the technical quality of corporate financial services to remove customer complaints in order to make CFS more unbiased.

The First Bank of Nigeria Plc should adopt policies and mechanism that encourages banks to use technologies in their service.

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**APPENDIXE**

**QUESTIONNAIRE**

**SECTION A**

**PERSONAL INFORMATION**

1. **Gender**

Male [ ]

Female [ ]

1. **Age**

20-25 [ ]

25-30 [ ]

30-35 [ ]

35+ [ ]

3. **Education**

HND/BSC [ ]

MASTERS [ ]

PHD [ ]

**4. Marital Status**

Single [ ]

Married [ ]

Divorced [ ]

Widowed [ ]

**Work experience**

Below 3yrs

3-6years

7 years, above

**SECTION B**

Question 1: What are th corporate finance services rendered in Firt Bank Nigeria Plc?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA** | **A**  | **D**  | **SD**  |
| 1 |  Project Financing,  |  |  |  |  |
| 2 | Capital market services |  |  |  |  |
| 3 | Advisory service |  |  |  |  |
| 4 | International transactions  |  |  |  |  |

Question 2: Doess corporate finance management reduce the level of fraudulent practices in banks and hinders their level of profitability?

|  |  |
| --- | --- |
| **Options** | **PLEASE TICK** |
| Yes  |  |
| No  |  |
| Uncertain  |  |

Question 3: Is there any significant correlation between the corporate finance services and profit generation.?

|  |  |
| --- | --- |
| **Options** | **PLEASE TICK** |
| Yes  |  |
| No  |  |
| Uncertain  |  |