

Information Management Practices on Profitability of Selected Deposit Money Banks in Nigeria

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Abstract

Profitability is seen as the ability of given investment to earn a return from its use. Profitability is a major part of any organization especially the banking sectors and it gives encouragement when it is progressing. However, some Nigerian banks are experiencing somewhat low profitability. This study examined the information management practices on profitability of selected deposit money banks in Nigeria. Survey research design was adopted for the study. The population of the study covered 2,405 management staff of the selected deposit money banks in Nigeria. The sample size of 443 was determined through the Yamane formula. Multi stage sampling method was utilized for selecting the respondents. The result revealed that information management practices sub-variables had significant influence on profitability; Sensing information ($\beta = 0.508$, $r = 0.454$, $T = 11.554$, $p < 0.05$), collecting information ($\beta = 0.610$, $r = 0.715$, $T = 15.774$, $p < 0.05$), organization information ($\beta = 0.235$, $r = 0.304$, $T = 7.596$, $p < 0.05$), processing information ($\beta = 0.029$, $r = 0.033$, $T = 0.761$, $p < 0.05$) and maintaining information ($\beta = -0.567$, $r = -0.554$, $T = -10.373$, $p > 0.05$). The result of the analysis revealed that information management practices components have a statistically significant influence on profitability. While maintaining information has a negative significant influence on profitability. From the result of the data analysis, it can be concluded that information management practices play a major role in achieving high profit in the organization especially in the deposit money banks under study. The study recommended that Deposit money banks should have frameworks for information management. Central Bank of Nigeria should formulate a policy that will help in formulating a framework of information management for full implementation in each bank.

Keywords:

Central bank,
Deposit Money
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Background to the Study

Profitability is defined as the ability of given investment to earn a return from its use (Nishanthini and Nimalathan, 2013). It is an important construct that reflects the performance of an organization. This concept can make organizations outstanding if there are prompt payments of dues to regulatory and governing bodies, if internal revenue is generated by the organization and also if organizations have the ability to pay off outstanding debts in due course. Financial report or result is evidence that an organization maximizes profit. Samuel (2017) and Donaldson (2003) found that when organizations ethically carry out their daily business, there is the tendency that they will perform optimally.

Also, Information management practice is the collection and management of materials from different sources and the sharing of report to those who have a right to it. Opoku (2015), considered information management as the organized inventive and reliable management of experience in order to create and use report that will contribute well to the achievement of an organization's goals and make sure that groups and individuals have efficient access to and make effective use of the material they need to do their work and to develop themselves. According to O' Brien and Marakas (2008); Laudon and Laudon (2010), information is data that have been processed into a form that is meaningful and useful to the recipient and has a real or perceived value and can cause a change in decision making. Information management is described as any intelligence, which can be communicated in either graphic form or alphanumeric character, which include records, documents, data and files created and maintained by organizations. The indices of information management practices are sensing, collecting, organizing, processing and maintaining variables (Marchand, Kettinger and Rollins, 2001).

The determinants of information are as follows: Sensing information is viewed as a stage in the information life cycle in which information is identified and detected. According to Mintzberg and Henry (1975) investigation cited by Yi and Yuan (2011), over 20 years ago that the manager scans his or her environment for information, interrogates contacts and subordinates, and receives unsolicited information, the network is personal contacts that the manager developed. Sensors are generally part of a more comprehensive monitoring or data acquisition system that conditions, processes, converts and transports data. And collecting information is based on profiling the information needs of employees to ensure that the right information is delivered to them at the right time, filtering information for managers and employees to prevent information overload. Identifying the key knowledge sources so that employees can make use of the company's database. The organization also rewards and trains employees for the accurate and complete information they are required to give (Marchand, Kettinger and Rollins 2001). Information collection helps the individual and organization to undertake complicated tasks that would otherwise be extremely hard to accomplish or impossible without the benefit of gathered information. Information collection can be defined as the act of gathering information from various sources through various means. From literature, there are two main types of sources of collecting information, which is, the existing

sources and the natural sources. Existing sources are those sources of information that can be found in the printed, in the video, in audio and other materials that are available to the public or upon request to proper bureaucracy. And natural sources are the first-hand sources such as those who have tried products, services, and methods, expressing their experience and opinions to the researcher (Marchand et.al. 2001).

Where organizing information focus on arranging information to provide access within and across business units and functions in an organization. It mostly involves several critical decisions that managers and organizational members make on an ongoing basis (Marchand et.al. 2001). Organizing information is the process and practice of describing and representing information objects (containers and content), identifying the connections and relationships between the objects and also the people responsible for their creation and/or production. It serves users by assisting them to identify, locate, access, retrieve, and make judgments about information in response to their information needs. Managers use terminology, classification scheme and shared language for organizing the information sources and databases of a company. More so, processing information involves taking raw information and making it more useful by putting it into context. In general, information processing means processing new data, which includes acquiring, inputting, validating, manipulating, storing, outputting, communicating, retrieving, and disposing. It is the act of giving the right information, and also the appropriate source must be accessed before making a decision. Processing information is critical to decision making in organizations. People must actively engage in analyzing information sources to derive useful knowledge as inputs to make decisions (Marchand et al., 2001). Decision-making by managers and organizational members has an important impact on shaping process information.

Lastly, maintaining information is the process of re-using existing information to avoid collecting the same information again. Updating information in the databases is imperative so that the information will remain up-to-date and refreshing data to ensure that people are using the best information (Marchand et al., 2001). When information has been reused, there is a need to avoid collecting, organizing and processing it all over again, and also the firm should update the information when necessary. It seems that maintaining information comes into the knowledge management area.

Concept of Profitability

Profitability is another factor that determines organizational performance. Sometimes, the terms 'profit' and 'profitability' are used interchangeably. But in a real sense, there is a difference between the two words. Profit is an absolute term, whereas, profitability is a relative concept (Yahaya, 2016). Profitability is an important yardstick for measuring efficiency; the level of profitability cannot be taken as a final proof of efficiency. According to Morgan, profitability means the ability to make profits from the business activities of an organization, company, firm, or enterprise. It shows how efficiently the management can make a profit by using the resources available in the market. According to Yahaya (2016), profitability is the ability of a given investment to earn a return from its use. Profitability has been given considerable importance in the finance and accounting literature.

According to Hifza (2011), profitability is one of the most important objectives of financial management, since a goal of financial management is to maximize the owners' wealth, and, profitability is a very important determinant of performance. A business that is not profitable cannot survive. Conversely, a highly profitable business can reward its owners with a large return on their investment. Hence, the ultimate goal of a business entity is to earn profit in order to ensure the sustainability of the business in prevailing market conditions. Pandey (2010) defined profitability as the ability of a business to make profit among other elements. Hermanson (2011), defined profitability as the ability of an organization to generate income and its inability to generate income is a loss. He further asserted that if the income generated is greater than the input cost, that is simply profitability but if the incomes are less than the input cost, it reflects poor performance.

Concept of Information Management Practices

Information management (IM) is the collection and management of information from one or more sources and the distribution of that information to those who have the right to it (Robertson, 2005). Management, as used in this context, means the organization of and control over the structure, the processes and the delivery of information. Henczel (2000), and Ravi (2011), considered information management as the organization, systematic, imaginative and responsible management of information in order to create and use information that will contribute strategically to the achievement of goals and make sure that groups and individuals have efficient access to and make effective use of the information they need to do their work and to develop themselves. Information management is theorized to involve a continuous cycle of closely related activities such as identification of informational needs, acquisition, and creation of information, analysis and interpretation of information, organization and storage of information, information access and dissemination and information use (Henczel, 2000; Robertson, 2005; Ravi, 2011).

Information Management Practices and Profitability

Yohanes, Debela and Shibru (2018), examined 116 Small-Scale businesses. Descriptive, correlation and regression analysis were used to analyze the data. Results revealed that a good financial management practice is a back bone to Small-Scale enterprises' profitability, success and expansion. It was revealed that fixed asset management practices, accounting information system and financial reporting analysis, working capital management practices, and capital budgeting management practices had positive relationship with profitability; but capital structure management practices has negative relationship with profitability. Muneer, Ahmad and Ali (2017) studied two hundred SMEs in Faisalabad Pakistan. The findings of this study indicated the presence of a positive relationship between financial management practices and SMEs' profitability but agency cost as a moderator has no effect on this relationship. The study strongly recommended a higher adherence to the financial management practices. Also, Musah, Gakpetor and Poomaa (2018) sampled 100 SMEs from Accra with the data collected through the administration of a questionnaire. The results of the descriptive statistics revealed that the working capital management practices had the highest mean score, followed by the accounting information and financial reporting practices, capital

structure management and finally, the use of the capital budgeting techniques and fixed assets management, in that order. The Pearson correlation analysis showed a positive association between the four components of financial management practices and between SMEs' profitability and growth. The results emphasized the need for SMEs to improve on their financial management practice in order to improve the profitability and growth of these firms.

Murgor (2014), examined the link between the external environment and firms' profitability performance. The survey research design was employed and Pearson correlation method of analysis. The relationship between the external environment and firms' profitability performance suggests that the external environment is a source of opportunities, threats, and resources as inputs for the firms and perceiving, understanding and responding to the environmental changes have implications for the individual firm performance. The study revealed that the external environment has a significant influence on the firm's performance. The study further established that the external environment serve as a major determinant for the organization's performance. Dut (2015), investigated how firms' local business environment affects their profitability performance. The research hypotheses were formulated based on the theoretical arguments that the business environment both enhances firms' performance and impedes its operations. Survey data for the study were collected on a sample of 63 manufacturing and service firms located in three provinces of Mekong, Delta State, Using the fixed effect and random effect models. The study found that local governments favor policies for private firms and labour force have positive effects on the firm's performance. The findings provided a better understanding of firms in addressing the local environmental factors that significantly affect firms' profitability performance and enabling understanding of the business continuity and growth.

Null Hypothesis: There is no significant effect of information management practices dimensions (sensing information, collecting information, organizing information, maintaining information and processing information) on the profitability of the selected Deposit Money Banks in Nigeria.

Methodology

Research Design

This study is a quantitative research using survey research design as it seeks to examine the influence of knowledge management strategies on organizational performance of deposit money banks in Nigeria.

Population of the Study

The population that was used in this study stands at two thousand, four hundred and five (2,405). The targeted population consists of top-level management staff and middle level management staff, in the selected headquarters categorisation of national and international deposit money banks in Nigeria.

Sample Size

The sample size for this study was determined using the Yamane formula. This study adopted Yamane sample size calculator because it gave a detailed result of the imperative sample size appropriate for the study. Also, it increased the level of precision and the level of confidence in taking less risk in determining the actual sample size necessary for the study. The formula was applied as revealed in table 1:

$$n = \frac{N}{1 + N(e^2)}$$

Where: n = sample size
 N = population size
 e = error level
 $n = \frac{2405}{1 + 2405(0.05^2)}$
 n = 343

In order to compensate for the non-response and for wrong filling of the questionnaire, the sample of 343 was increased by 100, or 30% of the total sample which equals to 443. This was done as recommended by Zikmund (2000). On the whole, 443 copies of questionnaire were administered to the employees of the selected deposit money banks; out of which a total number of 432 copies were retrieved. This gives the return rate of 98% of the administered questionnaire for this study.

There is no significant effect of information management practices dimensions (sensing information, collecting information, organizing information, maintaining information and processing information) on the profitability of the selected Deposit Money Banks in Nigeria.

Table 1a: ANOVA & Model Summary Showing Significant Influence of Information Management Practices on Profitability of DMBs

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1192.881	5	238.576	67.734	0.000
	Residual	1500.489	426	3.522		
	Total	2693.370	431			

R= 0.666
 R Square = 0.443
 Adjusted R Square = 0.436

Table 1a shows the ANOVA and the model summary computations in relation to the test of significant influence of information management practices on the profitability of DMBs.

Table 1b: Multiple Linear Regression Testing Significant Influence of Information Management Practices on the Profitability of DMBs

Constructs	B	Std. Error	R	T	Sig.
(Constant)	3.994	.678		5.893	0.000
Sensing Information	.508	.044	.454	11.554	0.000
Collecting Information	.610	.039	.715	15.774	0.000
Organizing Information	.235	.031	.304	7.596	0.000
Maintaining Information	-.567	.055	-.554	-10.373	0.000
Processing Information	.029	.037	.033	.761	0.447

Dependent Variable: **Profitability of DMBs**

Table 1a and Table 1b indicate that information management practices significantly influenced the profitability of DMBs ($F_{(5, 426)} = 67.734$, $Adj. R^2 = 0.436$, $p < 0.05$). From a relative perspective, the dimensions of information management practices in terms of sensing information ($\beta = 0.508$, $r = 0.454$, $T = 11.554$, $p < 0.05$); collecting information ($\beta = 0.610$, $r = 0.715$, $T = 15.774$, $p < 0.05$); organizing information ($\beta = 0.235$, $r = 0.304$, $T = 7.596$, $p < 0.05$) and processing information ($\beta = 0.029$, $r = 0.033$, $T = 0.761$, $p < 0.05$) had a positive significant influence on the profitability of DMBs; while maintaining information ($\beta = -0.567$, $r = -0.554$, $T = -10.373$, $p > 0.05$) had a negative insignificant influence on the profitability of DMBs. The model indicates that information management practices explained 43.6 percent ($Adj. R^2 = 0.436$) variation of profitability of DMBs. This suggests that information management practices have the potential to improve profitability of DMBs. Therefore; the hypothesis that there is no significant effect of information management practices dimensions (sensing information, collecting information, organizing information, maintaining information and processing information) on profitability of selected Deposit Money Banks in Nigeria was rejected.

Discussion

This study found out that there is no significant influence of information management practices dimensions (sensing information, collecting information, organizing information, maintaining information and processing information) on the profitability of Deposit Money Banks (DMB's) in Lagos State, Nigeria. The hypothesis revealed that information management practices significantly influenced profitability of selected deposit money banks. However, the dimensions of information management practices in terms of sensing information, collecting information, organizing information and processing information had a positive significant influence on the profitability of DMBs; while maintaining information had a negative insignificant influence on profitability of DMBs. This finding corroborated with studies of Murgor (2014), Muneer, Ahmad and Ali (2017), Yohanes, debela and Shibru (2018), who reported that external forces improved profitability. This study believed that based on the result of this hypothesis that if there is a proper practice of information management, there is a possibility that the profitability of an organization will soar high.

Conclusion

The study was able to deduce that the employees could perceive the profitability level of their respective banks. Also, it noticed that the deposit money banks practiced information management. Sensing, collecting and organizing information are well practiced while processing and maintaining information are not well practiced. The study also confirmed that information management practices significantly influenced the performance of the selected deposit money banks in Nigeria. This implied that employees of the selected deposit money banks in Nigeria practiced information management, which therefore increased performance.

Recommendations

The following are recommended:

1. Deposit money banks should have frameworks for information management. The Central Bank of Nigeria should formulate a policy that will help in formulating a framework of information management for full implementation in each bank.
2. The deposit money banks should focus more on the non-financial aspect to measure the level of their performance. The non-financial aspect of organizational performance such as effective service delivery, profitability, employees' job satisfaction and teamwork to improve the level of performance.

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