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Original Article

Impact of Foreign Exchange Rates on Banks' Profitability in Nigeria (A Case Study of First Bank PLC, Lagos and Ondo Branches)

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***Abstract**: Since the foreign exchange rate serves as a channel of communication between buyers and sellers of foreign exchange in an effort to reach a mutually agreeable price for the promotion and progress of international transactions, it has helped banks become more profitable throughout time. In summary, this study looked at the effect of foreign exchange rates on the profitability of Nigerian banks between 2013 and 2022 (using First Bank Plc's Lagos and Ondo branches as a case study).Rate of foreign exchangerelative currency rate, but Bank size, inflation rate, profitability, and proxied interest rate. Descriptive study methodology and an across-sectional research design were used to analyse the data. By distributing a well-structured questionnaire (5-linkert questionnaire), primary sources of data were taken into consideration, and the data were analysed using the Pearson correlation model. Using the Taro-Yamane formula, 146 samples were chosen from the target population of 250 populations. The findings of the hypothesis test showed that there were significant connections and impacts of the hypothesis, with the tested assertions having p-values less than 0.05 ($p<0.05$).The study found that the foreign exchange rate has a major impact on banks' profits. According to the report, the government should take appropriate steps to protect the value of the national currency by encouraging foreign direct investment. This would lead to economic growth and the appreciation of the local currency, which will make the currency more stable.*

***Keywords:** Foreign Exchange, Profitability, Bank.*

I. INTRODUCTION

The cost of converting one currency (domestic currency) into another (foreign currency) is known as the foreign exchange rate. In international trade between Nigeria and the rest of the world, banks remain the middlemen because of the sales and purchases of foreign currency. According to James' 2009 research, banks remain the most active players in the foreign currency market, and it is certain that Nigerian commercial banks will play a position in the buying and selling of foreign exchange. Before the Central Bank of Nigeria (CBN) was established in 1958 and the Exchange Control Act of 1962 was passed, the private sector could obtain foreign exchange through commercial banks that kept balances overseas and acted as importers' and exporters' agents. The foreign currency rate has the potential to affect banks' profits in a number of ways (Akabom, Arzizeh and Arzizeh, 2022).

One unusual factor that increases a bank's profitability is a foreign exchange revaluation gain, which is recorded as other revenue in the profit and loss statement. The top 10 banks by market capitalization saw a foreign exchange loss of N4.23 billion in December 2019, down from a gain of N176.94 billion the previous year. Banks in Nigeria find it difficult to predict future exchange rates due to fluctuations in the foreign currency rate, which hurts their bottom line (Abiola, Okunlola, Adedoyin, Okafor, and Isibor, 2020).Research conducted by Flamini, McDonald, and Schumacher (2009) found that foreign exchange risk is present for forex-related enterprises due to their foreign currency payables and receipts. There are a lot of teething issues with the Nigerian banking sector. The apparent from their excellent target clientele and their loosely structured, seemingly liberal business model. Foreign currency rate is a crucial topic for commercial banks because of the growing private sector, foreign investment in microfinance, and a healthy dose of common sense. (Abiola & others, 2020).

Any nation's banking industry has a big impact on how big its economy is. According to Kanayo and Michael (2011), the banking system has a certain role in every economy, and the Nigerian economy is no exception. A country's economy can benefit greatly from the banking industry in a number of ways, such as by purchasing foreign exchange, lending public funds for investment, holding public funds, investing the same funds to increase the wealth of the money owners, and creating jobs for the populace. In any nation, banking is regarded as the foundation of the economy. It's one of those financial endeavours that elevates a nation's economic standing, but there is risk involved if things aren't carefully considered before acting—either positively or adversely. For example, banks are expected to mobilise the necessary money to facilitate manufacturing, generate income, and create jobs, according to Ibrahim (2018). Therefore, a bank's profitability in an economy is crucial (Owolabi and Babalola, 2023).

Investigating the variables influencing commercial bank profitability is essential for the banking industry to remain steady, competitive, and effective overall (Dietrich and Wanzenried, 2014; Capraru and Ihnatov, 2015). Low profitability is thought to have contributed to Lehman Brothers' 2008 bankruptcy (Nanto, 2009; Garcia and Guerreiro, 2016), and as a result, the subject has recently garnered increased attention on a worldwide level. For the overall stability, competitiveness, and effectiveness of the banking system, it is imperative to investigate the factors influencing the profitability of commercial banks (Dietrich and Wanzenried, 2014; Capraru and Ihnatov, 2015). Lately, there has been a global upsurge in interest in the topic because low profitability is believed to have played a part in Lehman Brothers' 2008 failure (Nanto, 2009). Furthermore, it is documented that the majority of academics use measurements of return on assets (ROA) and return on equity (ROE) as indices of profitability the most frequently.

But the goal of this study was to assess how foreign exchange rates affect the profitability of Nigerian banks. It would also add to the body of knowledge by demonstrating the favourable effects of foreign exchange rates on Nigerian bank profitability.The bank's foreign exchange loans have become more risk-weighted due to the weakening naira, which has negatively impacted their capital matrices and hampered their profitability during the last seven years. In 2018—Odusanya, Yanusa, and Ilo.

A. Statement of the Problem

Due to the banking industry's continued dominance in the foreign currency market, demand and supply for foreign exchange increase proportionately with increases in global competitiveness. The number of foreign exchange transactions rises as a result.(Ugochukwu, Manyo, and Sabina, 2016). Nigeria has been dealing with a severe currency rate problem since the first quarter of 2020, which was brought on by the decline in oil prices. It started when Saudi Arabia and Russia, the two biggest oil producers in the world, couldn't agree on how to proceed with cutting oil supplies. This led to a price war that drove oil prices to record lows of less than zero dollars, which had a significant impact on the profitability of banks (Laryea, Gyamfi and Alu, 2016).

But before the Central Bank of Nigeria (CBN) was established in 1958 and the Exchange Control Act of 1962 was passed, the private sector could obtain foreign exchange thanks to commercial banks that kept balances overseas and acted as importers' and exporters' agents. This was made feasible by the Nigerian pound sterling's parity with the British pound sterling, which made it easy to change into other currencies when it was the nation's official currency at the time.(Ugwuegbe, Takon, and Nsofor, 2016)

Numerous foreign exchange reforms were implemented in Nigeria following the establishment of the CBN in 1958; these reforms had varying effects on the financial institutions and economy of the nation. Takon and colleagues, 2016). The issue has been investigated by a number of researchers. For example, to test for the characteristics of panel data, the panel unit root test was used (Osiegbu and Onuorah, 2012), (Lambe, 2015), (Issac, 2015), and (Maddala and Wu, 1999). The results showed a long-term relationship between the variables under examination, leading to the conclusion that the variables are integrated of order one. The dynamic ordinary least squares approach's findings showed that, during the time period, foreign exchange revenue had a moderately negative impact on Nigerian banks' profitability. During the same study period, total equity had a negative influence on profitability while total asset, the control variable, had a positive impact (Takon et al., 2016).

Additionally, the effect of foreign exchange rates on the profitability of Nigerian banks has been disregarded in all of these research. Consequently, the fact that they have concentrated on other studies, such as the impact of foreign exchange on the profitability of Nigerian banks, the effect of the foreign exchange market on the profitability of Nigerian banks, and so forth, suggests that more research is necessary into other factors, such as the foreign exchange rate, that do have an impact on the profitability of Nigerian banks. Therefore, this study's research problem is to investigate how the foreign exchange rate affects the profitability of Nigerian banks. The research concentrated on two areas in Nigeria's southwest, specifically Lagos State, as there is where much of the commercial.

B. Hypothesis of the Study

The following are hypothesis for the study

- Ho1; There are no significant impacts of foreign exchange rates on banks profitability in Nigeria.
- Ho2: There is no significant connection between foreign exchange rates on banks profitability.

II. LITERATURE REVIEW

A. Banking in Nigeria

The history of commercial banking in Nigeria may be traced back to the establishment of the Bank of British West Africa in 1984 (Odusanya et al., 2018). In 1969, the bank changed its name to Standard Bank of Nigeria. In response to the 1972 Decree promoting Nigerian firms, the Central Bank of Nigeria (CBN) required the bank to transfer a significant portion of its assets to Nigerians. According to this rule, foreign-owned commercial banks have to give at least 40% of their ownership to Nigerian residents. As a result, Nigeria currently has just 16 banks, spread across 367 sites. By 1975, the number had increased to 18 with 436 locations across the country.

The Federal Government of Nigeria started reforming the financial sector in 1986, liberalising and deregulating the banking industry. The programme led to the liberalisation of bank licence requirements and the deregulation of interest rates. Due to this policy, there were 109 merchant banks and 120 commercial banks in 1990 and 1992, respectively, up from 52 in 1986 (Adegbite, 2005). As can be seen below, the plan had a negative effect on the number of distressed banks, with over 50% of them becoming distressed. As a result, the capital basis of the remaining banks had to be increased from N2 billion to N25 billion.The programme sought to increase efficiency, promote healthy competition, and encourage savings through market-based interest rates. As a direct result of this policy, the market saw the emergence of 25 robust, vibrant, and all-encompassing commercial banks in 2005 (Owoeye and Ogunmakin, 2013).

In the then-British-ruled region, Alfred Lewis Jones established the First Bank of Nigeria (FBN) in 1894 as the Bank of British West Africa. The British shipping and trading companies were the bank's initial clients in Nigeria. The Bank of West Africa was renamed Standard Bank of West Africa upon Standard Bank's 1965 acquisition of the bank. The organisation that oversees Standard Bank of West Africa's activities in Nigeria is called Standard Bank of Nigeria. In 1979, the bank rebranded itself as First Bank of Nigeria Ltd. after hiring more Nigerian directors. Following its IPO on the Nigerian Stock Exchange, the bank rebranded itself as First Bank of Nigeria Plc in 1991.(First bank of Nigeria holdings) in 2011/2012. (Wikipedia)

In 2012, the Bank changed its name again to First Bank of Nigeria Ltd. as part of a reorganisation that saw FBN Holdings Plc ("FBN Holdings") separate its commercial operations from other businesses in the First Bank Group in accordance with the Central Bank of Nigeria's criteria (Brotoboh and Ekwevugbe, 2022). First Bank, as It was one of the largest capitalised firms on The Nigerian Stock Exchange (NSE) with 1.3 million global shareholders. It also had an unlisted Global Depository Maga communication Receipt (GDR) programme. All of these shares were transferred to FBN Holdings, the company's parent, in December 2012. (Wikipedia, February 15, 2023). The First Bank Group, which has won numerous "Best Place to Work" awards, employs about 16,000 people. Retail banking, corporate banking, commercial banking, and public sector banking are the four major Strategic Business Units (SBUs) under its management. Prior to the implementation of a non-operating Holding Company structure (FBN Holdings) in 2011/2012, it was originally organised as an operating holding company. (Wikipedia, February 15, 2023). FBN Holdings said that for the six months ended June 30, 2022, its profit before tax climbed by 45 percent compared to the same period the previous year. (Okedigba, Nwosu, and Anih, 2020).

B. Foreign Exchange Rate

The foreign exchange rate is the price at which one currency (domestic currency) can be exchanged for another (foreign currency). Foreign exchange may also comprise assets with a foreign currency worth. Foreign assets that can be used as a means of international payments or exchange, a way to postpone payments for international transactions, and a store of liquid, useable wealth are all considered forms of foreign exchange. Foreign exchange exists because nations must exchange savings, goods, and services (Eyanuku, 2022). For example, when a Nigerian producer of cocoa sells to a customer in the United States, the Nigerian exporter receives payment in United States dollars (US$)). Therefore, in order to use the US$ gain in Nigeria, the Nigerian exporter must sell the US$ gains in return for Naira. Similarly, in order to pay their suppliers in exporting countries, Nigerian importers need to buy their currencies. The exchange rate plays a major role in a nation's foreign trade, balance of payments, and overall economic performance. (Manyo, Sabina, and Ugochukwu, 2016) state that because multiple factors hinder any nation from remaining autonomous, the exchange rate is significant in international economic transactions.

C. The Impact of Foreign Exchange Rate on Bank Profitability in Nigeria

Without a question, the foreign exchange market is one of the biggest financial marketplaces in the world, with banks playing a major role. But the way they performed their duties as the financial intermediaries between foreign exchange buyers and sellers in international transactions made this possible. Banks are heavily impacted by foreign exchange market activity because of their involvement in foreign exchange transactions (2016) (Akabom, Arzizeh and Arzizeh, 2022). It is impossible to overstate how much foreign exchange rates currently affect bank profitability in Nigeria.It is commonly known that there were significant fluctuations and changes in the local currencies of Nigeria and other currencies in the latter part of 2015. Data from 2015, for example, revealed that the country's currency, the Naira, was weakening versus the US dollar between October and December, hitting a record high of N260 to $1. The central bank and other economists were forced to quickly choose the best course of action to reverse the Naira's declining tendency in light of this circumstance. The naira's value in relation to the US dollar peaked in December 2022 at N465 to $1. This led to a high rate of inflation in the nation, which significantly impacted the banking industry's profitability.(Nwankwo, 2023).

D. Factors Influencing Foreign Exchange Rate

The profitability of banks in exchange rate transactions is influenced by a number of factors, including macroeconomic fundamentals (external) and bank-specific internal factors that arise from legislative reforms and regulations. Inflation, according to studies by Udude (2015) and Owolabi (2022), is the condition of the economy in which a variety of factors influence exchange rates, including interest rates, terms of trade, firm size, leverage, liquidity, governmental control, the current account and balance of payments, and public debt. The bank size, interest rate, and inflation rate are the three control variables in this study.

E. Government Control

A variety of governmental controls are applied to exchange rates while they are in equilibrium. The government can apply a wide range of measures in the foreign currency market to affect the exchange rate, such as trade barriers, foreign exchange restrictions, transaction intervention, etc. In 2016, Manyo and Ugochukwu. As said earlier, the US interest rate stayed the same while it rose in Nigeria. The usual situation would be an increase in the supply of dollars. If interest income from foreign investments is subject to a high tax by the government, investors will not exchange their dollars for naira. As a result, the exchange rate will increase instead of decrease.If the government places all the additional barriers listed above, supply will decrease regardless of whether demand increases or stays the same, and the exchange rate will be impacted in the opposite manner. Assume for now that N500 = $1. The currency rate needs to be lowered to N400 = $1 when the UK raises interest rates through the usual procedure.

However, the supply curve would shift upward and the exchange rate would climb to N600 to $1 as a result of government involvement and the implementation of hefty tariffs on foreign investment. Assume that N600 is equivalent to $1. If the government creates barriers, there will be less supply even if demand remains constant. As a result, the exchange rate will increase to N600 = $1. Furthermore, more exchange rates will be in equilibrium if government action causes demand for US dollars to rise but supply to decline. Once again, the new exchange rate is N600 to $1. As a result, the currency rate is negatively impacted by government participation.(Yusuf, Adeyemi, and Adeniran, 2014).

F. Empirical Review

Based on factors and variables that influence Nigerian banks' profitability in connection to foreign exchange rates, the literature study was conducted. A distorted picture of the financial institution in question may result from the inclusion of these in the revenue statement. Variations in currency exchange rates may yield significant profits or losses (Osho and Fagbamila, 2022).

Research on the effects of fluctuations in foreign exchange rates on the financial performance of commercial banks listed at the Nairobi Securities Currency between 2006 and 2013 was conducted by Carolyn and Daniel (2016). Proxied financial performance and foreign currency proxied exchange rates are the independent and dependent variables, respectively. The Central Bank of Kenya's published annual accounts were used as a source of secondary data. The data was analysed to find the relationship between changes in inflation, interest rates, foreign currency rates, and bank performance indicators using multivariate linear regression and time series correlation. The Pearson product moment correlation (r) was used to determine the relationship between the variables. The study found a strong positive relationship between foreign exchange rates and financial performance measures.

Ibekwe, Angela, and Obiageli (2021) examined the exchange rate as well as the deposit money banks' performance in Nigeria. Time series data that was already available in reports and financial publications on a variety of issues was used in the study. The figures, together with the Nigeria Deposit Insurance Corporation's annual report, were released by the Central Bank of Nigeria and the National Bureau of Statistics (N.B.S). Based on the analysis, there is a strong correlation between the exchange rate and the performance of commercial banks in Nigeria. The research concludes that improving exchange rate fluctuations, nominal exchange rate, real exchange rate, and placing particular emphasis on these areas will help boost investment in Nigeria and financial performance metrics.

Anyanwu, Anawude, and Okoye (2017) conducted study on Nigeria's economic growth from 1986 to 2015 and the exchange rate policy. Real gross domestic product and manufacturing capacity utilisation (MCU) were proxied by the dependent variable, whereas real exchange rate (REXR), inflation, and interest rate were proxied by the independent variable, exchange rates. The 2015 Central Bank of Nigeria Statistical Bulletin was used as a source of secondary data. The ordinary least square estimate methodology (OLS) and co-integration approach were the methods used in this investigation. The study discovered that during the study period, there was a considerable impact on real exchange rates and manufacturing capacity utilisation.

Adeniran (2014) empirically assessed how exchange rates affected the Nigerian economy. The study looked at the relationship between changes in Nigeria's GDP and economic variables including inflation and currency rates. The study used secondary data that was analysed using multiple regression using the Ordinary Least Squares (OLS) method. The secondary data came from the annual reports of the Nigeria Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), and the Central Bank of Nigeria (CBN). The result showed that Nigeria's GDP and economic growth are significantly impacted by the two variables—the exchange rate and inflation rate. Exchange rates have a negative influence on GDP because they have a significant negative impact on economic growth, but inflation has a positive effect on GDP since firms are more likely to create when inflation is high and vice versa. The study concluded that the government should boost local production, advance infrastructure development, and reestablish property and life protection in order to lessen the pressure on the dollar and improve Nigeria's economic environment for investment. This would support an increase in the value of the naira, which would raise GDP.

According to research done in 2013 by Ani, Ngwunta, and Okanya, foreign exchange changes are not having the desired beneficial effect on the development of the Nigerian financial sector. They argue that financial liberalisation has the potential to greatly boost economic growth. This indicates that the recommended exchange rate reforms—that is, maintaining a stable currency rate that can attract foreign investment or halt capital flight—have not resulted in the domestic economy doing excellently. In terms of value growth, Nigerian Naira has consistently underperformed other currencies on the international scene. Their studies frequently demonstrate that whereas improvements in the financial services sector led to significant short-term financial booms and busts, these events did not worsen over time. According to (Ani et al., 2013), the evidence from the non-spurious regression results revealed that Nigeria's foreign exchange reforms had not had the desired positive influence on the depth of the banking sector in the nation. It is asserted that financial liberalisation significantly improves economic performance.

Takon, Nsofor, and Ugwuegbe (2016) investigated the impact of foreign exchange rates on the profitability of Nigerian banks and discovered that foreign exchange income had a negative effect over the studied period. According to the study's findings, Nigerian banks can maintain their profitability without relying on the premium from selling foreign exchange. The results of the study also demonstrated that banks' total assets had a positive impact on their profitability. Consequently, it was recommended that banks focus more on building a strong asset base rather than receiving lavish premiums from the sale of foreign exchange.

III. METHODOLOGY

A. Area of Study

The Lagos State and the Ondo State, two states in Nigeria's southwest, are included in the study. It is crucial to understand that the many commercial bank branches that comprise these two States exist. First Bank was therefore used as a case study for the purposes of this investigation. The study's target demographics are the 23 registered First banks in the states of Ondo and Lagos. The researcher used basic random technique to select twenty banks from Lagos, the centre of business, and also used simple random sampling techniques to select banks from Ondo State.

B. Research Design

In this study, a cross-sectional research design was used. This study used a cross-sectional research design because it takes into account gathering data at a certain moment in time and makes use of data from a wide range of occurrences. The sample size was presented a structured questionnaire to gain a deeper understanding of our hypothesis and study topics. For this reason, the research methodology used for this study was descriptive qualitative. This is due to the fact that this specific research methodology is less focused on numerical data and more on the attitudes, behaviours, and cultures of a target community.Questions obtaining respondents' personal information, such as age, gender, marital status, education, religion, and work experience, would comprise the first component of the questionnaire to be distributed.. Questions obtaining respondents' personal information, such as age, gender, marital status, education, religion, and work experience, would comprise the first component of the questionnaire to be distributed. Questions about foreign currency rates were asked in the second batch, while questions about the profitability of banks were asked in the third batch.

C. Sources of Data

For the research study, primary sources of data were used because they always provide first-hand, pure information. This study will use a standardised questionnaire that is administered. Additionally, a five-point Linkert scale questionnaire with closed-ended questions and a range of agree to strongly disagree will be evaluated for this study.

D. Population, Sample Size and Sampling Procedure.

The 23 registered First banks in Nigeria that were chosen from Lagos and Ondo states are the study's target audience.The middle and senior staff members of the chosen banks in Lagos and Ondo State make up the study's population.Twenty-four First banks in Lagos State and Ondo State were chosen for the study, making up the sample size (23). The employees of the chosen banks were given the standardised questionnaires. Stratified random sampling was employed as the selection technique for the respondents. Stratified random sampling was employed as the selection technique for the respondents. By initially choosing a few qualities under investigation and then using these features as the foundation for a subsequent random sampling of the entire population, the sampling process employs an additional representative technique. The chosen staff members in this investigation are divided into;

a) Top level management staff
b) Middle level management staff
c) Low level management staff.

The study randomly selected samples from each level and the number of the staff he selects from a particular stratum is proportional to the stratum share of the total population.

E. Sampling Procedure

- The sample size is paramount in any study because it is where researches based on.
- To determine the sample size for this study we will use the Taro Yamane formula which was developed in (1967) to determine the sample size.

The formula is given as;

$$n= N / (1+N\ (e)^2$$

Where n = the sample size
N = signifies the population under study
e = signifies the margin error (it could be 0.05, 0.10)
n=sample size
N=24
e=0.05
$n= 24/1+ 24\ (0.05)^2$
n=24/1+ 0.06
n =24/1.06
N=23

Therefore 23 is the sample size on which the research will be done.
Also, to determine the population for the study, I would use the Taro-Yamane formula
n = population

N = 250
e = 0.05
n= 250/1+ 250 $(0.05)^2$
n = 250/1 + 0.625n = 154;
The population that will be selected for this study is 154

F. Research Instruments

This study uses a structured, administered questionnaire as its research tool. A questionnaire is a type of research instrument used for data collecting that consists of several open-ended or closed-ended questions. As a result, this study used a questionnaire to gather broad information about bank profitability and foreign currency rates. In this study, a Likert scale questionnaire was used, and data analysis was limited to correctly completed surveys. A 5-point Likert scale with 1 representing severely disagree, 2 disagree, 3 neutral, 4 agree, and 5 representing strongly agree is used for the questionnaire's items.

In order to obtain accurate, authentic, and reliable information about banking and its performance to the Nigerian economy in general, personnel interviews with the staffs of selected banks and their annual financial reports covering the period of ten (10) years (from 2013 to 2022) were also conducted to complete the questionnaires. Top, middle, and lower level employees of the chosen banks were covered by the questionnaires, including branch managers, heads of operations, risk management staff, audit, and compliance workers. Employees from every management level are chosen in order to justify this, as everyone needs an equal opportunity of being included.

G. Validity and Reliability of Research Instrument(s)

Face validity was used to assess the validity of the study instrument. In order to determine whether the instrument truly measures the things it is supposed to assess, some copies of research questionnaires were pre-administered to some respondents. Alpha analysis was utilised to assess reliability.

a) Data Analysis Technique

In analyzing the data for this study, Descriptive analysis will be adopted for example percentages, tabular form and so on.

b) Model Specification

Foreign exchange rate is the independent variable while banks profitability is the dependent variable. Pearson correlation (Ozer, 1985) was employed for this research to determine the relationship between foreign exchange rate and banks' profitability in Nigeria. And so therefore the purpose for this model is to examine the impact of foreign exchange rate on Banks profitability in Nigeria.

Y= Dependent variable while X is the independent variable using fisher effect (Koustas and Serletis, 1999).
$Y = f(\chi 1 , \chi 2 \ldots\ldots\ldots \chi n \ \varepsilon i)$
Where;
Y = Dependent variables
F= frequency
X 1 ……X n = Independent variable (foreign exchange rate)
εi = error term
Equation:
$IFER= \beta 0 + \beta 1(BS) + \beta 2(IR) + \beta 3(IFR)+\varepsilon i$
Where the;
IFER=Impact of foreign exchange rate
BS = Bank size
IR= Interest rate
IFR= inflation rate
β = Constant term

IV. DATA ANALYSIS AND DISCUSION

Within the total number of questionnaires administered, only 146 respondents correctly completed and submitted their surveys; eight respondents did not complete the survey. This study reviewed the survey sample, which consisted of 154 male and female respondents. The results are presented as a percentage on a group basis because of the nature of the job and the various characteristics of the respondents. The respondent data was analysed using simple percentages, and the hypothesis was tested using the Pearson correlation analysis method.

Table 1: Social- Economic Characteristics of Respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	67	45.9	45.9	45.9
	Male	79	54.1	54.1	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

The Table 4.1 shows the Socio-Economic characteristics of the respondents. In terms of respondents according to sex, out of 146 respondents,67(45.9%) were female, while 79(54.1%) weremale. It therefore indicates that both the male and female respondents participated in filling the questionnaire.

Table 2: Respondents According to Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	46 And above	23	15.8	15.8	15.8
	26-35	42	28.8	28.8	44.5
	36-45	81	55.5	55.5	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

The table above shows that 23(15.8%) of the respondents were within the age range 46 and above years, 42(28.8%) were within the age range of 26-35 years, 81(55.5%) were within the age range of 36-45. This shows that majority of the respondents are between the age range of 26-35years and 36- 45 years. The implication of this on the study is that we had more individuals in the active population age range of society and they are able to add meaningfully to the effectiveness of the organization.

Table 3: Respondents According to Marital Status

Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Widow	15	10.3	10.3	10.3
	Divorced	22	15.1	15.1	25.3
	Single	40	27.4	27.4	52.7
	Married	69	47.3	47.3	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

Also, according to married status,15 (10.3) were widows, 22(15.1%) were divorced, 40 (27.4%) were single and 69 (47.3) were married. The implication of this study is that majority of the married people participated more in this category.

Table 4: Respondents According to Religion

Religion					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	34	23.3	23.3	23.3
	Christian	112	76.7	76.7	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

According to religion, it indicates that 34(23.3%) of the respondents were Muslims, and 112(76.7%) were Christians. This indicates thatChristians participated more in the research.

Table 5: Respondents According to Category

Staff Category					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Junior Staff	25	17.1	17.1	17.1
	Management Staff	49	33.6	33.6	50.7
	Senior Staff	70	47.9	47.9	98.6
	4	2	1.4	1.4	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

According to Staff category, it shows that 25(17.1%) respondents were junior staff, 49(33.6%) management staff, and 70 (47.9%) senior staff. This analysis indicates that the majority of the respondents are from the senior staff and it also shows the effectiveness and efficiency of the decision making in the Nigerian banking industry.

Table 6: Respondents According to Qualification

Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OND	15	10.3	10.3	10.3
	WAEC/SSCE/GCE	23	15.8	15.8	26.0
	MBA/M.sc	75	51.4	51.4	77.4
	B.sc	32	21.9	21.9	99.3
	5	1	.7	.7	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

The result from the table also showed that 15 (10.3%) of the respondents had OND, 23(15.8%) had WAEC/SSCE/GCE,75(51.4%) had MBA/M.sc while 32(21.9%) had B.Sc. This result indicates that majority of the respondents either had MBA/M.Sc. The implications of this result have more people in the active population that have better qualifications that will help to improve and elevate the Nigerian banking industry.

Table 7: Respondents According to Work Experience

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5years	21	14.4	14.4	14.4
	11-15years	46	31.5	31.5	45.9
	6-10years	75	51.4	51.4	97.3
	5	4	2.7	2.7	100.0
	Total	146	100.0	100.0	

Source: Field Survey, 2023

This analysis shows that we have more of75%respondents that have work experience between therange of 6-10years in the banking Industry in Nigeria.

Table 8: Hypotheses Testing

H01	Question 1
H02	Question 2

The respondent's response has been critically examined based on options on the distributed questionnaires. Therefore, there is need to test the hypotheses previously drawn.Each of the stated hypotheses will be tested using Pearson correlation test. Thetechnique, the following rules are used:

A. Hypothesis 1:

Model Summary[b]

Table 9: H01: There are no significant impacts of foreign exchange rate on banks profitability in Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.233[a]	.054	.006	.27094	1.670

Predictors: (Constant), experience, religion, gender, status, age, qualification, staffcategory
Independent Variable: Foreign Exchange Rate.

Table 10: Coefficients

Model	Unstandardized coefficient		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.754	.155	-.076	30.585	.000
Gender ofthe workers	-.041	.047	-.064	-.870	.386
Age	-.023	.032	.088	-.724	.470
status	.024	.023	-.195	1.012	.313
Religion	-.125	.056	-.195	-2.227	.028
Staff category	.048	.033	.137	1.447	.150
Experience	.005	030	.014	.155	.877
Qualification	-.013	.028	-.043	-.474	.636

Source: SPSS Version output 2023

Table 11: Impacts of Foreign Exchange Rate on Banks Profitability in Nigeria

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	.581	7	.083	1.130	.001
Residual	10.130	138	.073		
Total	10.711	145			

In table 4.2.1 Foreign exchange rate is positively correlated with staff category, status and experience. On the other hand, foreign exchange rate is negatively correlated with the Gender of workers, Age, Religion and the Qualification of the workers. This is an indicator that these characteristics reveal that there are no significant impacts of foreign exchange rate on banks profitability. Also, the Status and Experience of the workers give a low result which shows that there are no significant impacts of foreign exchange rate on banks profitability. R Square produced a value of 54% which signifies that there are significant impacts of foreign exchange rate on banks profitability. The demographic characteristics revealed that most of the respondents were senior staffs which mean that they are more knowledgeable about the banking sector and how foreign exchange rate impacts on banks profitability. The p-value is less than 0.05 ($p<0.05$) there it indicates that there are significant impacts of foreign exchange rate on banks profitability.

B. Hypothesis 2: Case processing Summery

Table 12: H02: there is no significant connection between foreign exchange rate and banks profitability in Nigeria

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	percent
Foreign exchange rate and *Profitability	146	100.0%	0	0.0%	146	0.0%

Table 13: Pearson Correlation

		Profitability	FOREIGN_EXCHANGE_RATE
PROFITABILITY	Pearson Correlation	1	.256**
	Sig. (2-tailed)		.002
	N	146	146
FOREIGN_EXCHANGE_RATE	Pearson Correlation	.256**	1
	Sig. (2-tailed)	.002	
	N	146	146

Source: Researcher's computation from SPSS output 2023

The Pearson's correlation linear correlation coefficient results in table 4.3.5, it reveals that it significant at level 0.01(2-tailed) between the variables. The significance level is 002 which indicates a significant relationship and also indicates that there is a connection between foreign exchange rate and banks profitability in Nigeria. There the null hypothesis which states that there is no connection between foreign exchange rate and banks profitability is rejected.

V. FINDINGS, CONCLUSION AND RECOMMENDATIONS

The study examined the impact of foreign exchange rate on banks profitability in Nigeria. The study relied on Primary data, making use of SPSS software to analyze the data. Primary data were sourced through the administration of questionnaire. Data are thus analyzed to test hypotheses and explain research questions. Simple percentage and SPSS software were used to analyze the data gathered from the respondents.

For the Ho1: The study found that there was significant impacts of foreign exchange rates on banks' profitability in Nigeria.
For the Ho2: the Null hypothesis was rejected. There was significant connection between foreign exchange rates on banks' profitability in Nigeria.

The study concludes that total assets owned by commercial banks and the inflation rates were increasing over the years with regards to the inflation rate. The conclusion is the inflation rates that have been increasing yearly over the entire study period. This study concludes that the government should deploy adequate measures to safeguard the domestic currency. It should promote foreign direct investments so as to spur economic growth and consequently cause the local currency to appreciate. This would translate to a more stable currency against international currencies. And also, it would consequently lower borrowing costs thus making loans even more affordable.

A. Recommendations

High interest rate developed by banks should be reduced to a tolerable level. This is to enable appreciable level of investment to exist within the economy and in turn stimulate economic growth.

The study recommends that foreign exchangetrading among commercial banksshouldcontinue and capital should be invested in projects that maximize returns. The governance structures need to be put in place so as to enhance returns on capital and assets and in turn maximize returns to the commercial banks.

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VII. APPENDIX

QUESTIONNAIRE

Please tick the questions below appropriately.

SECTION A:

Personal Data of the Respondents.

1. Gender: Female ( ) male ( )
2. Age 46 and above ( ) 26-35 ( ) 36-45 ( )
3. Status: widow ( ) divorced ( ) single ( ) married ( )

4. Religion: Muslim ( ) Christian ( )
5. Staff: junior staff () management staff ( ) Senior staff ( )
6. Qualification: OND ( ) WAEC/SSCE/GCE ( ) MBA/M.Sc ( ) B.Sc ( )
7. Experience: 1-5 ( ) 11-15 ( ) 6-10 ( )

SECTION B

S/N	FROEIGN EXCHANGE RATE	SD	D	N	A	SA
	EXCHANGE RATE IMPACTS					
1	There is an improvement in the country's balance of trade when the exchange rate is low					
2	A high foreign exchange rate worsens a country's balance of trade					
3	Banks play a significant role in the economy					
4	Exchange rate affect imports and exports of a country					
5	A wise management of exchange rate results to a higher profitability					
S/N	**PROFITABILITY IN BANKS**					
1	The profitability of commercial banks whether positive or negative is essentially dependent on foreign exchange rate					
2	A favorable exchange rate boosts banks' profitability					
3	Banks' profitability is affected due to their (banks) involvement in foreign exchange transactions					
4	Banks' profitability is majorly determined by foreign exchange rate					
5	Banks' profitability determines the continuity of any bank					
S/N	**FOREIGN EXCHANGE RATE FACTORS**					
1	A higher inflation typically leads to depreciation in currencies					
2	A higher interest rates attract foreign capital and cause the exchange rate to rise					
3	A country's public debt can affect banks' profitability					
4	Government can impose a wide range of elements in the foreign exchange market to influence exchange rate					
5	The banking business uses banks' size to benefit from scale economies and diseconomies					
	SECTION C					
S/N	**PROFITABILITY MEASUREMENTS**					
1	Profit growth increase with Return on Equity					
2	Return on asset is important to banks' shareholders					
3	Return on Asset is not an indicator of banks profitability					
4	The profitability of banks is as a result of increase in its assets					
5	Both return on Asset and Return on Equity are effective profitability metrics					