

Mitigating Effect of COVID 19 Pandemic on Banks Profitability in Nigeria: The Moderating Role of Government Financial Support

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Abstract

The mitigating effects (lockdown, quarantine and social distancing) of the Covid 19 Pandemic negatively affect all sources of revenues, making it difficult for banks to declare profit. The objective of the study is to explore moderating role of government financial support on the relationship between the mitigating effects of Covid 19 pandemic and banks profitability in Nigeria during the pandemic period. In achieving this, questionnaires were distributed to 86 branch and operation managers of the sampled banks in the study area were the study respondents. Using SEM / PLS, the results from the study indicated a significant and positive relationship between lockdown and banks' profitability, while quarantine and social distance do not influence banks' profitability. Furthermore, the results showed government financial support positively moderates the relationship between lockdown and banks' profitability. The study recommends that government should continue using monetary measures to strengthen banks, especially when there is a lockdown on banks in each phase of the pandemic since the pandemic is expected to continue.

Keywords: Bank profitability, Covid 19, Government Financial Support, Lockdown, Quarantine, Social distancing

1.0 Introduction

The global economy witnessed recessions at different periods; for instance, the recessions of 1930, 1950, 2004, and 2008 caused severe damage to international and national economies. However, We-Fi (2020) argues that the severity level, according to some researchers, does not pose greater damages when compared to the most recent economic upheavals resulting from the Covid 19 pandemic. The Covid 19, according to Amuda, (2020); Bouney, (2020), originated in Wuhan city in Hubei province in China in

the last quarter of 2019 through a noble virus called the corona. Covid 19 pandemic is considered the largest public health crisis in human history. The devastation rate caused by this novel virus opens a tin of worms that spread at an unprecedented rate, affecting all human endeavors (World Health Organisation [WHO], 2020).

Looking at the scenario from a global perspective, millions of people died, and workers lost their jobs. Small and medium enterprises' productivity fell with trade

investments, and financial markets, including banks, witnessed bad fortunes, as argued by Statista (2020) and Adian, et al. (2020). Banks, according to Rahmi and Sumirat (2021) suffered poor cash collection, liquidity problems, slowing revenues, and an increase in loan loss provisions, as argued in Oyeneyin and Kuyaro (2020).

To curtail the spread of the pandemic, the World Health Organization (WHO, 2019) prescribed quarantine/restriction of movement, lockdown, and social distancing as strategies to be adopted globally. Despite the positive expectations of these strategies on public health, researchers and administrators argue that the strategies have repercussions on both the global, national, and local economies (Ozcan, 2020). In response to the situation, governments at different levels, corporate organizations, humanitarian organizations, and individuals respond favorably in cushioning the effects of quarantine, lockdown, and social distance (Caplain, 2020).

Amuda, (2020) found that the novel virus caused a drop in the global economy to the tune of \$1 trillion to \$2 trillion as opposed to \$80 trillion before the pandemic. The manifestation of this ugly situation surfaced in every country's economy. For instance, in Asia, between February and March 2020, the

economies of the Asian countries became paralyzed as factories and small, medium, and large corporate organizations were forced to close down (SUN and WEF, 2020). Similarly, activities in the Japanese factories are contracted with more than 700,000 people affected by affecting the supply chain. In a similar report, the World Bank (2020) reported that sub-Saharan Africa would witness a contraction in growth by 2.8 percent, Middle East and South Africa by 4.2 percent, Europe by 4.2 percent, and Latin America by 7.2 percent.

The devastating nature of the pandemic, according to some reports, affected nearly half of the population in Nigeria, especially those that are vulnerable to hunger (85.2 million) at the same time, negatively affecting the productivity of 41.5 million SMEs (ITC, 2020) as well as service industries(banks inclusive). According to Oyeniyin and Kuyaro (2020), banks witnessed a 6 percent decline in revenue at the same time, extending provision for loan losses to 200 percent compared to the period before the pandemic.

In response to the mitigating effects of Covid 19 pandemic, countries across the globe propose monetary, fiscal, and regulatory measures to cushion the effects of the pandemic, especially in reinstalling economic

activities back to normal operations. The apex banks of these countries represent their respective governments by providing palliatives and incentives measures, reduction of interest rates, and supplying the needed funds while providing relief packages (Kunt, Pederaza & Ortega, 2020) to reduce the mitigating effects.

1.2 Statement of the problem

The global economic recession of 2008, the oil shock, and the most current Covid 19 pandemic affected the entire global economy (Ajide, et al. 2020). The latter, which is considered a human health issue, started in Wuhan province (China) and spread its tentacles across the globe in the last quarter of 2019 (WHO, 2020). Many believe that the mitigating effects to contain the contagious nature of Covid 19 pandemic put the productivity level of the global economy under pressure, with the banking sector negatively affected (Shoroeder, 2020; Nwokeoma, 2021). For instance, in Spain, bank performance in terms of profitability according to STATISTA (2021) during the pandemic reported that the profit of the largest six banks shows a negative result with SAHADELL 73%, BBVA 63% SANTANDER 76%, BANKIA 42.4 percent and CAIXABANK 19% drop in profit performance when compared to the period

before the pandemic. Similarly, according to Leng et al. (2020), Chinese commercial banks recorded a 9.4% drop in net profit in four major Chinese banks, with a slight improvement in one. Similar reports from the United States of America indicated that banks witnessed a 36 percent decrease in profit in 2020 compared to the period before the pandemic (Schroeder, 2020). However, in Nigeria, Collins, Remigius and Amarchi. (2022) conducted a study using a questionnaire method. The study's findings indicated that the Covid 19 pandemic negatively affected bank performance in terms of revenue. However, the statistical technique used in the study (simple regression) will not provide the desired result thereby creating a vacuum. Furthermore, the study should include quarantine and restriction of movement, which is an equally important variable worth studying these provide gaps that need to be filled by future researchers. Similarly, the role played by the government through monetary and non-monetary measures needs to be studied as a moderating factor between Covid 19 pandemic and banks' profitability. The objective of the study is, therefore:

To explore the moderating effect of government support on the relationship

between the mitigating effects of Covid 19 pandemic and banks' profitability in Nigeria.

2.0 Literature Review

2.1 Banks Profitability

Omoliko (2020) looked at bank profitability as a measure of banks' performance through charging fees and earning interest from their assets. However, controversy exists on the best measure or indicators to use in assessing the bank's financial profitability, as noted by Nwokeoma (2020). Abdulrahman (2010) identified three measures of bank profitability under different conditions, which include; Net Interest Margin (NIM), Return on Equity (ROE), and Return on Assets (ROA) which are widely employed in literature to measure banks' profitability. However, the superiority of one indicator over the others depends on the divergent views among scholars. In a similar research conducted between First Bank and Intercontinental Bank, Akpan (2009) employed gross profit margin and net profit margin to determine the performances of First bank and Intercontinental Bank under consolidation exercise.

In Nigeria, banks' performance in terms of profitability during the Covid 19 is glaring despite the mitigating effects of the pandemic. Records indicate that the turnover of the six major banks increased marginally by 2.5 percent in the last quarter of 2020 as

against N2.505 trillion in the 1st quarter of 2019. Similarly, the performances of the same banks in terms of profit before tax (PBT) increases by 6.5 percent as against 545.7 billion Naira in the first quarter of 2020 (Egwatu, 2021).

In an attempt to clear the dust, some Nigerian bankers lamented that Nigerian banks recorded success for the following reasons; banks digitalization, increase in global oil prices as well as government palliative and incentive measures as forwarded in Nwokeoma (2021).

2.2 Covid 19 Pandemic

Covid 19 is considered the largest public health crisis that has affected humanity in history (WHO, 2020). The ailment is coursed by a novel virus (SARS-Cov-2 Virus) from Wuhan in China in the last quarter of 2019 (Amuda, 2020; Bouney, 2020). This novel virus's consequences lead to a global pandemic that affects the entire global economy (Women Entrepreneurs Finance Initiatives [We-Fi], 2020) by bringing all sectors to their knees. For instance, in 2022 more than three million people died as reported by WHO (2020), workers lost their jobs, and productivity fell with trade investments and financial markets, including banks witnessed bad fortunes, as argued by Adian, Daumbia and Gregory (2020).

To curtail the spread of the pandemic, the World Health Organization (WHO, 2019) prescribed quarantine/restriction of movement, lockdown, and social distancing as a strategy to be adopted globally. Researchers and public health administrators argue that these strategies negatively affect global, national, and local economies (Ozcan, 2020).

2.2.1 Relationship between Lockdown and Banks' Profitability

Ajide and Alimi (2020) conceptualized lockdown as an emergency response imposed by the government mandating people to stay indoors in the event of an outbreak. As a strategy to curtail the spread of the novel virus, the World Health Organization (WHO) 2020 as mentioned in Collins et al, (2022) prescribed that all public places, including markets, schools, motor parks, and banks, to mention just a few, should be closed down to limit the rate of infection, since the virus is contagious. According to Ibrahim, et al (2020), the implementation of lockdown as a measure in Nigeria takes two phases; the first took place with immediate effect on 4th May and lasted for two weeks, while the second phase took place with immediate effect on 2nd June 2020.

However, implementation of this measure impinges on the rights and well-being of business entities, especially SMEs and

service (banks) industries, within the periods of lockdown (Abdulrahman, 2021). Gain and partners (2020) reported that partial implementation of lockdown in Nigeria was imposed on 25th March 2020, with varied intensity from one state to another (Aromolaran et al. 2020). Ajide and Alimi (2020) hinted that the impact of lockdown on variables such as retail, Motor Park, and workplaces, including banks, are significant and negative. The study further indicates that the 1 percent increase in compliance to stay at home leads to a corresponding decrease in reduction by a magnitude 2.6 percent, 1.9 percent, 3.5 percent, 2.0 percent, and 2.0 percent to retail, grocery, parks, transit station and workplace respectively (Ajide & Alimi, 2020).

What characterized lockdown was the suspension of nonessential activities that include factories, markets, schools, and institutions such as banks, insurance, and courts. Essential institutions (hospitals and security agencies) can operated at a skeletal level. At the same time, banks were forced to close down throughout the lockdown period, making operations impossible. For example, Sayegh and Afetous (2021) conducted a study on the impact of Covid 19 on banks' profitability in the Nordic counties. Using primary data, results from the study indicated

that Covid 19 (lockdown) harmed banks' profitability in Nordic countries. Similarly, the study further showed insignificant results in terms of Return on Equity (ROE) for banks in Denmark, Norway, and Finland when compared to Sweden. Similarly, Collins et al (2022) conducted a study on the impact of Covid 19 pandemic on the corporate performance of the banking sector in Nigeria. Using a structured questionnaire, their findings indicated that lockdown negatively affected banks' revenue, whereas social distancing hurt corporate efficiency among the sample banks.

To measure the performance of Nigeria Firms under Covid 19 pandemic, Hope et al.(2020) examined the relationship between Covid 19 pandemic and private firms' financial performance in Nigeria. Using linear regression analysis results indicated that Covid 19 pandemic has negatively affected the sampled firms' financial and non-financial performance. This study, therefore, postulates the following hypothesis.

H_{a1}: Lockdown significantly influences Banks profitability during the Covid 19 pandemic in Nigeria.

2.2.2 Relationship between Quarantine/Restriction of movements and Banks Profitability

To curtail the spread of the contagious disease, WHO (2020) cautioned the need to restrict the movement of people from spreading the virus, and those contacted should be isolated in isolation centers. The travel restriction is applied to cross boundaries, inter-state and local movements within the period of pandemic and the outcome of the strategy affects all human endeavors, from transportation to trading, factories, schools, and service industries (banks). Despite banks were close, bank customers have the liberty to exploit e-banking services, including ATM, POS, internet banking, and other electronic services provided by the banks. The measure, however, affected ATM and POS, which are closer to bank customers. Bank customers did not have access to ATMs and POS service centers due to the nature of the restriction of movement. In some places, it was from dusk to dusk, whereas in others, restrictions were imposed from morning to evening. Some researchers opined that the lack of utilization of ATMs machines and POS centers during the imposed restrictions negatively affected banks' revenue (Ajide, et al, 2020).

In their contribution, Omoliko, et al (2021) conducted a study on the impact of Covid 19 Pandemic on the liquidity and profitability of firms in Nigeria. Using secondary data the study findings indicated that the restriction of movement Covid 19 pandemic negatively affected the profitability of firms' return on equity (ROE) and loan ratio (LR) at 95 percent confidence level in Nigeria.

In Ethiopia, using data from 2010 to 2019, Tesfaye (2020) conducted a study to explore the impact of Covid 19 pandemic on the Ethiopian banking system. The study results indicated that Covid-19 pandemic negatively affected the Ethiopian banks' income statements and balance sheets compared to the pre-pandemic period. Similarly, in assessing the banks' financial performance in Indonesia, Rahmi and Sumirat (2021) applied quantitative and qualitative approaches to determine bank liquidity and performance during the Covid-19 pandemic in commercial banks. Results from the study indicated positive significance on primary variables, including Capital Adequacy Ratio (CAR), Cost to Income Ratio (CIR), and Loan to Deposit Ratio (LDR). However, Net Interest Margin (NIM) is not statistically significant during the Covid 19 pandemic.

The study, therefore, postulates the following hypothesis.

Ha2: Quarantine/Restrictions of movement positively affect banks profitability during the Covid 19 pandemic in Nigeria.

2.2.3 Relationship between Social Distance and Banks Profitability

Similarly, social distance is prescribed to curtail the spread of the virus (WHO, 2020), and it entails maintaining a distance of at least one meter between individuals for fear of being contacted. It should be noted that social distance is limited to places where their services are considered essential or situations where gatherings are unavoidable. Few Bank customers manage to take the pains and follow the queue to withdraw money from ATMs, as observed by (Ajide, et al. 2020). This increases banks' revenue flows even though most of the ATMs are found to be empty, and network problems and congestion.

Similarly, Collins et al (2022) conducted a study on the impact of Covid 19 pandemic on the corporate performance of the banking sector in Nigeria. Using a structured questionnaire their findings indicated that lockdown negatively affected banks' revenue, whereas social distancing hurts corporate efficiency among the sample banks.

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Similarly, the effect of social distancing on profitability does not only affect banks but other sectors of the economy are negatively affected too. For example, to measure the performance of Nigeria firms in the manufacturing industry under Covid 19 pandemic, Hope, Saidu and Success (2020) examined the relationship between Covid 19 pandemic and private firms' financial performance in Nigeria. Using linear regression analysis results indicated that

Covid 19 pandemic has negatively affected the sampled firms' financial and non-financial performance.

The study, therefore, postulates the following hypothesis.

Ha3: Social distance positively and significantly influences banks' profitability during the Covid 19 pandemic in Nigeria.

2.3 Moderating Role of Government Financial Support

A moderator variable in research is use to strength or change the direction of the relationship between the two variables of the study (Baron & Kenny, 1966). Based on the results of previous studies, this study considers the use of government financial support as a moderator to see if it can strengthen the relationship between the mitigating effect of Covid-19 pandemic and banks profitability.

Government financial support comes as a policy response (monetary/non-monetary, palliatives and incentives) to cushion the financial implications of the Covid-19 pandemic (Kongsmut, Monaghan & Riedwig, 2021; Tan, Igan & Peria, 2020) on sectors that were financially distressed by the pandemic. However, Jaiz Bank (2020); Klynveld Peat Marwick Goerdele (KPMG, 2020) opined that interventions during the Covid- 19 pandemic are not limited to the

government alone; similar bodies and corporate enterprises contributed handsomely to address the mitigating effect of the virus. For instance, the Asian Development Bank (ADB) provided the sum of \$ 6.5 billion as a relief package to its member nations. The sum apportions into 3.6 billion as foreign interventions, 1.6 billion for non-sovereigns to SME 1 billion for contingencies, and 140 million as technical assistants (IMF, 2020; UNDP 2021). Similarly, African Development Bank (AFDB) pronounced \$ 3 billion to alleviate the social and economic impacts of Covid 19 on Africa's economies. Likewise, European Bank for Reconstruction and Development (EBRD) provided a \$1 billion emergency relief package to meet emergency liquidity, working capital, and trade finance (Women Entrepreneurship finance Initiatives [We-Fi] 2020). In response to the pandemic, various policy responses were set in place by governments to address the implication of financial mitigation strategies. For instance, in China, despite various chained that the virus originated from Wuhan, the government authorized the central bank to extend a monetary stimulus amounting to \$ 174 billion, and easing borrowing costs and reducing the interest rate to 2.5% were among the policy measures taking by the

Chinese government (Da, Feng & Jin, 2021). The Chinese Central Bank also pronounced that banks should defer payment periods and postpone interest payments on all SME loans (PWC, 2020; Bouey, 2020; Da, et al. 2021). In its effort to stimulate the economy with a particular reference to SMEs, Germany pronounced tax deferral and eliminated stingy measures to ensure easy access to loans by all SMEs. Similarly, the government issues a \$ 20 billion interest-free package emergency loan in Switzerland to support SMEs' productivity (Price Waterhouse Coopers [PWC], 2020).

In Africa, particularly in South Africa, the government provided funds to assist SMEs, especially in tourism and hospitality, while reducing the policy rate to 5.25%. Assessing the Nigerian government policy responses in addressing the mitigating effects of Covid 19, the Central Bank of Nigeria reduced the interest rate on all CBN interventions from 9% to 5% and the introduction of N50 billion targeted credit facility for SMEs. Similarly, through the apex bank, the government injected ₦3.65 trillion as liquidity intervention into the banking sector (Price Waterhouse Coopers [PWC], 2020 and International Monetary Fund [IMF], 2020). All these interventions were meant to

strengthen the banking sector, which was on the verge of collapse.

In Nigeria, a study was conducted by Oyewole, Adebayo and Kehinde (2020) to estimate the impact of Covid 19 on SMEs. Using primary data, the result of the study indicated a significant positive influence of government financial support on SMEs' productivity during the period of Covid 19 pandemic. In a different study conducted by Chigozie, Oju and Obiageri (2020) captioned *Do Government Funding Affects Productivity in Nigeria*, finding indicated that government financial support (monetary/fiscal) influences the productivity of SMEs during the Covid-19 pandemic in Nigeria.

The study, therefore, postulates the following hypotheses.

- Ha4:** Government financial support positively moderates the relationship between lockdown and banks' profitability in Nigeria.
- Ha5** Government financial support positively moderates the relationship between social distance and banks' profitability in Nigeria.
- Ha6** Government financial support positively moderates the relationship between Quarantine/Restriction of movement and banks' profitability in Nigeria.
- Ha7** Government financial support positively and significantly influences banks' profitability during the Covid 19 pandemic in Nigeria.

2.3 Theoretical Framework

The underpinning theory of the study is the Keynesian theory of macroeconomics, which advocates government intervention in a private setting where market forces are weak, as opposed to classical economists which believes that government has no role to play in a competitive market setting (Keynes, 1936). The Keynesian theory believes in government participation through an increase in government expenditure, investments, incentives, and palliative measures, as well as lowering taxes to stimulate demand and bring the global economy out of depression (Arestis, Filho & Terra, 2018). Assessing banks during the pandemic in Nigeria, the institution was affected by the un-wanting situations of lockdown, quarantine, and social distance, a reflection of a situation where market forces cannot save the situation by making it difficult for the banks to achieve the desired result. As Keynes advocates, government support is required to arrest such a difficult situation.

2.4 Conceptual Framework

The study proposed a conceptual framework to study the moderating effect of government financial support on the relationship between the mitigating effects of Covid 19 and banks' profitability in Nigeria

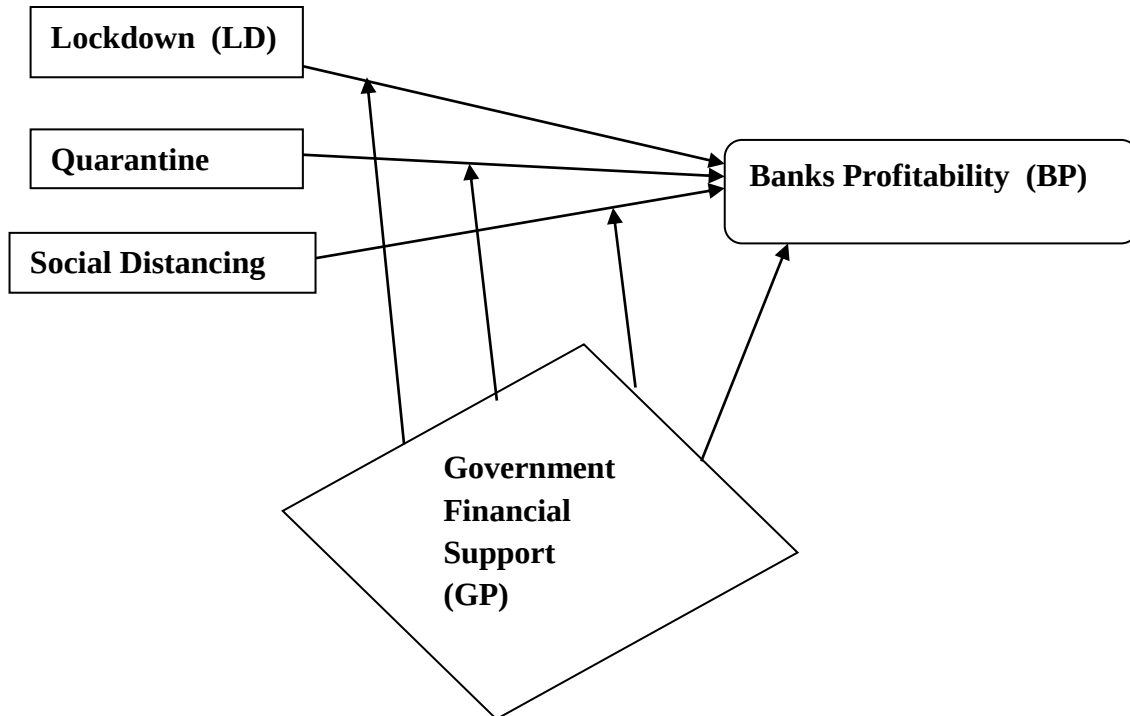


Figure 1: Conceptual Framework

3.0 Research Methodology

The research design used in this study was a descriptive and quantitative survey design. The study used primary data and questionnaire was distributed to study respondents on 5 Likert's rating scales owing to its advantages, as suggested by Ahmed (2010). Using Krejcie and Morgan's (1970) table, 86 respondents (branch and operation managers) were chosen as the sample size from the total population of branch and operation managers of 104 in the 52 branches of the first-tier banks (First bank, United Bank for Africa, Guaranty Trust bank, Access bank and Zenith bank). The study adopts a stratified proportionate sampling strategy to select the study respondents from

the sample banks this is to give each element an equal opportunity to participate considering differences in the number of branches. The justification behind the study area selection is that Kano state is a commercial center since the Tran-Saharan trade. The state witnessed the presence of the first-tier banks and is one of the five-hotspot states burdened by the nationwide pandemic (United Nations Development Program [UNDP], 2021), and the justification for using first-tier banks is the ability that the banks post profits despite the mitigating effects of covid19 and at the same time, they enjoy an economy of scope. The study variables were measured from extant literature with some modifications to meet

the study objectives. Mitigating effect of Covid 19 pandemic is measured using Lock down, Quarantine and Social distancing (Abdulrahanan, 2021, Sayegh & Afentous, 2021; Kongsmut et al 2021) with five items each. However, banks' profitability as the dependent variable is measured by Net Profit margin as found in Abdulrahanan (2010), Nwokeoma (2020), with seven items. The moderating variable of government financial support (GS) is measured by monetary policy as found in Kongsmut et al, (2021) using 5 items. Data were analyzed using Partial Least Square path modeling to test hypotheses. The technique is appropriate for relatively complex model with large number of latent variables (Amin, 2006).

4.0 Results and Discussions

In administering the data collected, 55 respondents from 86 sampled respondents returned their questionnaire well filled, contributing to 64%. Only 31 respondents do not return their questionnaires due to their tied office schedules. It should be noted a

response rate of 64.0% is good to provide representation for analysis and reporting as argued by Mugenda and Mugenda (1999). The respondents' profiles indicated that the majority are male (67, 80%) and married (60, 85%). Concerning the educational level of the respondents, 65% equivalent to 56 have post-graduate degrees while the remaining have a first degree or equivalent. Similarly, the majority of the respondents have working experience ranges between 20 years and above (65, 75.6%), and the minority of respondents with working experience between 5 and 10 years.

Descriptive Characteristics of the Study Variables

To make a summary of the observed data, the researcher established means and standard deviations. Based on guidelines by Field (2009), the means represents a summary of the data, and the standard deviations indicates the extent to which the means represent the data. Table 1 shows the summary of means and standard deviations.

Table 1: Descriptive characteristics of study variables

	Covid 19	Government support	Banks Profitability
Mean	3.12	3.32	2.87
Std. Deviation	.57	.60	.41

Source: Primary data

In Table 1, mean scores for the variables of the study fall between 2.87 and 3.32 on an anchor of a four-point Likert scale, and the

standard deviations range from .41 to .60. Based on the works of Field (2009), small standard deviations relative to the mean

values indicate that the data points are close to the means, which is a manifestation that the mean represents the data observed. All scores for the study variables, that is, the Covid-19 pandemic, government support, and banks' profitability, are above the mid-score (2.0).

Assessment of Measurement (Outer) model

In achieving the study's objective, data was administered and the result from Table 2 shows outer loadings were examined to

establish the composite reliability. The result indicated that all the loading values surpassed the recommended threshold value of 0.70 (Hair, Hult & Ringle, 1998, 2006), as all loadings range from 0.738 to 0.879. This implies that each construct in the model has captured items that have much in common and they are statistically significant (Hair et al. 2019; Henseler, Ringle & Sinkovicks, 2009).

Table 2 Loading, Internal Consistency and AVE

Items	Loading	AVE	Composite Reliability	Cronbach's Alpha
LD1	0.852	0.716	0.924	0.867
LD2	0.851			
LD3	0.835			
LD4	0.814			
QRT2	0.927	0.716	0.910	0.924
QRT3	0.944			
QRT4	0.924			
SD1	0.846	0.686	0.890	0.841
SD2	0.899			
SD3	0.841			
SD4	0.803			
SD5	0.745			
GSP2	0.785	0.669	0.890	0.841
GSP3	0.807			
GSP4	0.850			
GSP5	0.829			
BP1	0.817	0.709	0.924	0.898
BP2	0.812			
BP3	0.872			
BP4	0.846			
BP5	0.862			

However, items such as QRT1 and GSP 1 are phased out because outer loadings are below the minimum required. The removal of these items will in no way affect the result of the study. Abdulrahaman (2016) suggested three items are sufficient and good enough to provide a good conclusion. An assessment of convergent validity was conducted by examining Average Variance Extracted (AVE) values; all the AVE values in the result surpassed the threshold of 0.50 (Hair et al. 1998, 2006), as shown in Table 2.

Discriminant Validity

To ensure the latent construct is unique and captures the phenomena not represented by

other latent reflected in the constructs. The study uses Hetrotrait - Monotrait (HTMT) ratio criterion due to its advantage over traditional criteria such as Fornell and Larcker as suggested by Henseler et al. (2015). Ronkko and Cho (2020), Franke and Sarstedt (2019) and Henseler et al. (2015) further opined that the threshold is 0.85 as a conservative benchmark and 0.90 as a liberal cut-off mark for discriminant validity is to achieve. The ratios of all the constructs in the study achieved discriminant validity with ratios not greater than 0.9

Table 3 : Discriminant Validity (HTML) Criterion

	BP	GFS	GFS*LD	GFS*QRT	LD	QRT	QRT*SD	SD
BP								
GFS	0.159							
GFS*LD	0.223	0.150						
GSP*QRT	0.044	0.042	0.159					
LD	0.899	0.154	0.183		0.050			
QRT	0.084		0.159	0.037		0.075	0.047	
QRT*SD	0.119	0.150	0.043	0.137	0.069	0.064		
SD	0.104		0.063	0.079	0.053	0.160	0.084	
0.052								

4.3 Structural (INNER) Model

Hair et al. (2006) opined that structural mode is a model, which expresses a relationship in a hypothesized model. As suggested (Hair et

al., 2014), areas of concern include the R^2 , Beta coefficient and T values. The objective is to test the hypothesis relationship between the constructs.

Figure 2 Measurement Model

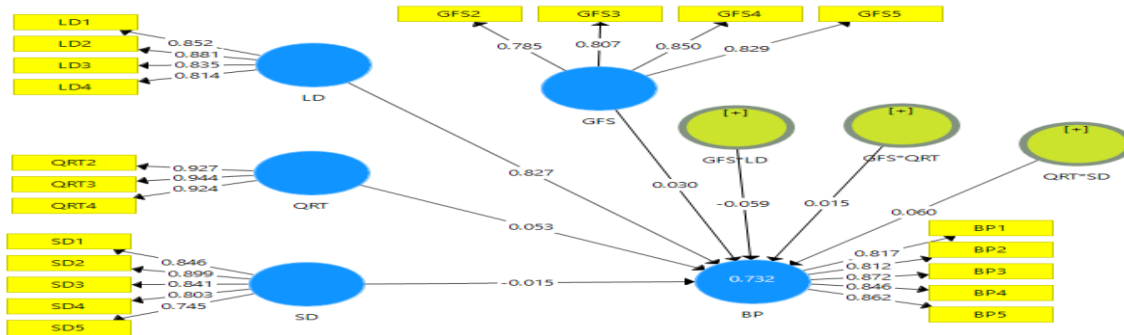
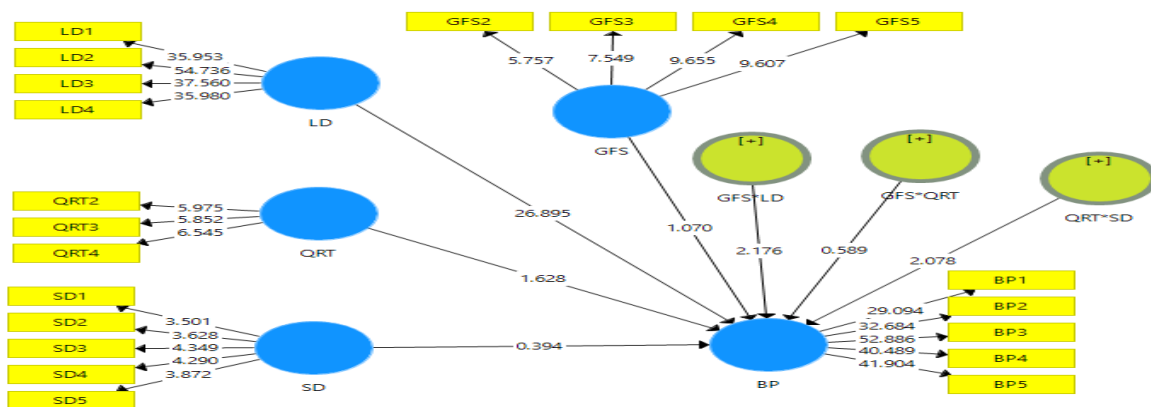


Figure 3 Structural Model



Results in Table 4 show a positive and significant relationship between lockdown and banks' profitability (P value 0.000) is statistically significant with the result that banks' profitability is not affected by the vagaries of lockdown during the Covid-19 pandemic, the study hypothesis (**H_{a1}**) is therefore accepted. The finding of the study, however, is contrary to the result obtained by Tesfaye (2020), indicating the outcome of his result negatively affects the financial performance of Ethiopian banks. It should be noted digitalization of bank services, as argued by some bank managers, could be one

of the attributing factors to banks' success (Nwokeoma, 2020) during the lockdown.

The relationship between quarantine, social distance, and banks profitability results from Table 3 (P value 0.104; P value 0.694) respectively indicated negative relationships, and with these, the two hypotheses (**H_{a2}** and **H_{a3}**) were rejected. Previous studies (Kocha, et al. 2020; Omolike, et al., 2020; Hope, et al, 2020) supported our findings that mitigating the effects of Covid 19 pandemic negatively affects the profitability of banks and other firms in Nigeria. Reasons, among others, could not be devoid of the increase in non-

performing loans, loan defaults, and decrease in bank deposits, especially during the pandemic period, as ascertained by Hope, et al. (2020). Furthermore, Table 4 shows a significant positive moderating effect of government financial support on the relationship between GFS*LD and BP (P value 0.030). With this result, government financial support positively moderates the relationship between lockdown and banks' profitability; therefore, the study hypothesis (**Ha4**) is accepted. Similarly, to test the moderating effect of government support on the relationship between social distance and banks' profitability (GFS*SD and BP: P value 0.038) result in Table 4 indicates government support during imposing social distance positively influences the relationship

between social distance and banks profitability. With this result (**Ha5**) is accepted. These results conquered with earlier findings of the study conducted by Oyewole, et al. (2020) on the positive influence of government financial support during the period of Covid 19 pandemic. The role played by the government in providing both palliatives and incentive measures in billions of Naira increases banks' liquidity. However, Table 4 further shows no moderating effect of government financial support on the relationship between quarantine and banks' profitability GFS*QRT and BP (P value 0.556). The study hypothesis (Ha6) is rejected based on the above finding. The result is not in agreement with the earlier findings of Oyewole, et al (2020)

Table 4 Result of the Hypotheses Testing and Structural Relationship

Path Coefficients						
Mean, STDEV, T-Values, P-Values						
	(O)	(M)	(STDEV)	(O/STDEV)	P Values	Decision
LD -> BP	0.827	0.823	0.031	26.895	0.000	Accepted
QRT -> BP	0.053	0.053	0.032	1.628	0.104	Rejected
SD -> BP	0.015	0.011	0.039	0.394	0.694	Rejected
GFS*LD -> BP	0.059	0.065	0.027	2.176	0.030	Accepted
GFS*SD -> BP	0.060	0.058	0.029	2.078	0.038	Accepted
GFS*QRT -> BP	0.015	0.014	0.025	0.589	0.556	Rejected
GFS -> BP	0.030	0.036	0.028	1.070	0.285	Rejected

- t 95% confidence level

Where: O= the original sample, M =sample mean, STDEV =standard deviation and O/STDEV =T statistics

Similarly, in testing the relationship between government financial support and banks' profitability result from the Table 4 (P value 0.285) indicated a negative relationship with this result; the study hypothesis is rejected (**Ha7**). This result does not concur with the earlier finding of the study conducted by Chigozie et al. (2020), which emphasized

that government financial support (monetary/ fiscal) influences productivity during the Covid-19 pandemic.

To strengthen the study result, Table 5 provides the R square result. The coefficient of R square indicates the level of variability as suggested by Hair et al. (2014)

Table 5 Effect of Covid-19 Pandemic on Banks' Profitability

Constructs	R Square
Lockdown	
Quarantine	
Social distance	
Banks profitability	0.732

The coefficient of R square 0.732 explains that the mitigating effect of Covid 19 pandemic was able to explain 73.2% variations in banks' profitability, with 26.8% not captured.

Implication for Practice

The study provides banks with full insight into how to overcome the consequences of Covid 19 pandemic while fostering their performance. From the evidence, banks' performance in terms of profit before tax, profit after tax, and gross earnings are influenced by the lockdown. In contrast, quarantine and social distance do not influence banks' profitability. The study's findings indicated that bank profitability

grew during the lockdown. One of the reasons behind that is the adaptation of e-banking by most bank customers.

Similarly, government participation as a policy response to address the pandemic through incentives and other palliative measures contributed greatly to banks' profitability. Government's support during the lockdown and social distancing were important as they moderated the relationship between lockdown and social distance and banks' profitability. It should be noted that the new phase of the pandemic (omicron) is devastating. The government should continuously provide similar support to banks, especially when lockdowns and social

distancing are put in place to counter the spread of the virus.

Implication for Theory

The study proves the worthiness of government participation under distressed economic conditions, contrary to the classical economic theory. The result of the study concur with the Keynesian theory that emphasizes the role of government in a situation where market forces prove to be inefficient in fostering economic growth. The role of the government in providing a safe landing to economic agents under Covid 19 pandemic in Nigeria is timely at a time when all economic sectors remain helpless.

5.0 Summary, Conclusion and Recommendations

This study explored the relationship between the mitigating effects of the Covid 19 pandemic and the banks' profitability in Nigeria during the Covid 19 pandemic. Using a questionnaire on 234 operational bank managers from the sample banks, the summary findings of the results indicated that lockdown influences banks' profitability, while quarantine/restriction of movements and the social distance do not statistically influence banks' profitability. Similarly, government financial supports have a moderating effect on lockdown and social distance while statistically not moderating the

relationship between quarantine and banks' profitability. Based on these, the study concludes that hypothesis Ha1 is accepted, hypotheses Ha2 and Ha3 are rejected, and hypotheses **Ha4** and **Ha5** are accepted. Similarly, based on the study findings, **Ha6** and **Ha7** are rejected

Recommendations

1. Government should continue using palliative and incentive measures to strengthen banks, especially when there is a lockdown on banks in each phase of the pandemic since the pandemic is expected to continue.
2. Banks should emphasize the digitalization of bank services as an alternative to traditional banking operations. Analysis shows that most of the revenue made by banks during the pandemic came from e-banking.
3. Bank customers should consider internet banking as an alternative to conducting their banking transactions in order to bypass all sorts of gatherings/queues in ATMS' booths and POS centers.

Limitations and Suggestions for Future Studies

The study draws its sample units from the first-tier banks making its findings difficult to generalize on all the quoted banks in Nigeria. However, the study suggested that further studies should draw samples from all the quoted banks in Nigeria.

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