EMOTIONAL INTELLIGENCE AND PREVENTION OF BANKS FAILURES IN NIGERIA

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Abstract

This study examined emotional intelligence and prevention of banks failures in Nigeria. The study was carried out to identify the extent emotional intelligence leads to bank sustainability. In line with the above, two research objectives, two research questions and two research hypotheses guided the study. Survey research design was used and questionnaire was employed as the major instrument of data collection. The data collected were analyzed using Pearson correlation coefficient (through SPSS). The findings revealed that emotional intelligence reduces the risk of bank failure and enhances the sustainability of Nigerian banks. It was recommended that efforts should be made by banking organizations in Nigeria to help managers increase their emotional awareness competencies. This could be done by training the managers to improve their self-awareness abilities which include the managers' emotional self-awareness, accurate self-awareness and self-confidence. Formal offsite training programs may be more desirable.

Introduction

Emotional intelligence involves four key competencies of self-awareness, self-management, social awareness and relationship management; and these together with other competencies are critical for workplace excellence. Goleman (1995) hypothesizes that emotional intelligence can be as "powerful and at times more powerful", than intelligence quotient, (IQ) in predicting success at a variety of life tasks. Emotional intelligence provides the bedrock for the development of a large number of competencies that help people perform more effectively (Mayer et al, 2000). When staff of banks uses emotional intelligence, it will lead to high performance and reduce banking failure. Different instruments have been used by the major contributors to the emotional intelligence theory to compare the effect of emotional intelligence and intelligent quotient to work excellence. Emotional intelligence ability is necessary to changing value systems, as well as rapid technological advancement through the information super-high way.

Those who will contribute to organizational excellence are individuals who are change agents, adaptable, flexible, creative, resilient, self-reliant, service-oriented, sensitive, optimistic, compassionate, team champions, and self-motivated. Relationship management is key to organizational change. Emotionally intelligent organizations are able to leverage the talent of their members to meet challenges more effectively because it is easier to create virtual teams when team members are able to focus on solving problems, creating new ideas, serving customers and adapting to change management in the work environment.

The Research Problem

The major problem facing the Nigerian banking industry has been poor financial performance. Although in Nigeria, the various reform programs undertaken in the Nigerian banking industry are limited to improving the financial performance of the banks, however they are yet to start any reform which is relevant to employees' psychological needs and as such the problem of the Banks' low financial performance still exists. How workplace emotional intelligence can be applied to the efficient management and improvement of the banks' financial performance agitates the mind of the researchers, hence the need for this study on the relationship between work place emotional intelligence and return on investment in the Nigerian Banking Industry.

Objectives of the Study

The general objectives of this study focused on examined emotional intelligence and prevention of banks failures in Nigeria. The specific objectives are:

1. To identify how the extent emotional intelligence reduce the risk of bank failure.
2. To determine the extent emotional intelligence enhances sustainability of Nigerian bank.

Research Questions

The above objectives, guided our research questions:

1. To what extent does emotional intelligence reduce the risk of bank failure?
2. To what extent does emotional intelligence enhance sustainability of Nigerian bank?

Research Hypotheses

H_{o1}: Emotional intelligence does not reduce the risk of bank failure in Nigeria.

H_{o2}: Emotional intelligence does not enhance the sustainability of Nigerian banks.

Conceptual Review

Emotional Intelligence

There are various scholarly definitions of emotional intelligence. According to Wong and Law (2002), emotional intelligence is a sensory ability that identifies, realizes and integrates human emotions with the correct sense and expression, via the appropriate cognitive processes that affect a diversity of positions. Emotional Intelligence (EI) is an essential factor that needs to be induced in all individuals when handling most situations. Individuals need to be well-prepared when reacting to any situation in order to understand their own emotions accurately. Wong and Law's (2002) measurement scale of emotional intelligence is the most essential in organizations today. Goleman (1998) sees emotional intelligence as a bundle of skills and competencies that distinguish star performers from average ones in the work arena. He makes a distinction between emotional intelligence and emotional competence.

In view of Ugoani (2017), emotional intelligence competencies seem to operate most effectively in synergistic groupings, with the evidence suggesting that mastery of a critical mass or cluster of competencies is a necessary preclude arousing the competencies in the other clusters, but when both are demonstrated, the person is typically more effective in professional and management positions (Goleman, 2001). The first cluster of emotional competencies within the personal competences domain is Self-Awareness. Self-Awareness is characterized by a deep understanding of one's emotions, strengths, and weaknesses, and the ability to accurately and honestly self-assess. Fundamental concepts of Self-Awareness include individuals' personality traits, personal values, emotions, habits and the psychological needs that drive behaviours. Three competencies lie within the Self-Awareness cluster: emotional self-awareness, self-assessment, and self-confidence.

Impact of Emotional Intelligence on Banks

To perform effectively and efficiently, banks require relationships to be established between customers and banking staff. The success of such relationships will depend on the quality of the relating styles used by banking staff. Staffs' ability to relate well to their customers is their level of emotional intelligence. According to Harris et al (2009), several industries have richly embraced incorporating emotional intelligence in the workplace. By utilizing this framework, these industries have been able to manage complexity and expand profitability. In one study, financial advisors at American Express whose managers completed the Emotional Competence training program were compared to an equal number whose managers had not. In a study of relationship marketing, emotional intelligence and performance by Hefferman et al (2005), finding suggests that emotional intelligence had a significant positive relationship with financial performance; the higher the level of emotional intelligence a relationship manager possesses, the higher their profitability for the bank.

Earlier studies conducted by Deeter Selmeiz and Sojku (2003), qualitative study of eleven sales professionals and Higgs (2004), quantitative study of employees in a call centre, findings suggest similar results. Bank Managers with high emotional ability are able to understand their customers' and employees' needs and provide them with constructive feedback which will enhance organizational performance. Management of emotional intelligence by team members will help in developing interpersonal skills to work effectively in the organization (Wall 2008). Emotional intelligence is seen as a person's ability to recognize his/her relationships with others with meaningful reasons in order to solve any emerging problem and to adapt him/herself with emotion-related feelings so as to understand others, the capacity to distinguish and understand the emotional interpretations of others and to use these information to manage him/herself and others accordingly, along with the tools and methods needed to conduct these processes (Mayer et al, 2000; Salovey and Mayer, 1990).

Emotional intelligence is the ability to interpret and to manage people well based on the concepts and principles that enable human beings to practice these concepts in problem-solving (Altındağ and Kösedağı, 2015). Effective use of emotional intelligence gives better team harmony (Ashfort & Humphrey 1995). Bank managers need a lot of emotional intelligence, in that they are in position to deal with the organization's customers and they constantly interact with other people and they motivate the employees for optimal performance.

Empirical Review

Atuma and Agwu (2014) investigated the relationship between workplace emotional intelligence and return on investment in the Nigerian banking industry. The study adopted a survey method and the sample for the study consisted of two hundred and ten bank managers in South-South area of Nigeria. Data were collected mainly in the cities where there are high concentrations of banks through in-depth interviews and questionnaire instruments found to be reliable with Cronbach Alpha values of 0.7 and above. Four hypotheses were formulated and tested using the spearman rank correlation coefficient with the aid of statistical package for social science. The results of our analysis at .05 level of significance showed that three competencies of emotional intelligence out of the four;

namely self-awareness, self-management and relationship management were significantly related to return on investment. Our interview results also supported our findings. Based on the results, we conclude that workplace emotional intelligence influences return on investment. We therefore recommended that Organizations train their employees to acquire the competencies of work place emotional intelligence for greater performance.

Vasudevan (2020) determined the suitable emotional intelligence theory application in the context of the Malaysian banking industry. Mean statistics was used through interview system. To achieve the purpose of this review paper, the research analysis method was examined thoroughly throughout emotional intelligence theories. Findings of this review reveal that the underpinning theories being reviewed are based on the underlying concepts, theoretical background, existing definitions, and various forms of collaborative writing drawn from the educational setting. Some sample studies extracted from different contexts were also provided. Collaborative writing is theoretically backed up by the ideas gathered from the findings of previous studies of emotional intelligence. Based on the outcomes of this review, the direction of implications and limitations are discussed along with suggestions for future research.

Ugoani (2017) focused on emotional intelligence and successful change management in the Nigerian banking industry. The survey research design was used for the study, and data were analyzed to demonstrate the relationship between emotional intelligence and successful change management. It was found that EI has strong positive relationship with successful change management in the Nigerian banking industry. It states that emotional intelligence competencies allow organizational members to acknowledge the need for change, remove barriers, and enlist others in pursuit of new initiatives aimed at organizational success.

Research Gap

Considerable efforts have been made to establish the relationship between emotional intelligence and banks. For that, some studies have been done on related areas. However, some of these studies were carried out outside Nigeria without any emphasis on the Nigeria environment. Some of the studies that were executed within the Nigerian environment were done outside Imo State as the focal point. Moreover, most of the studies only covered some aspect of emotional intelligence and did not pay particular attention to banks as the focal point. Finally, the major variables in our research objectives, research questions and research hypotheses were not used by past studies; hence the exact subject matter of this study has not been covered. For that, research gap exist and there is need for this study. This study focused on emotional intelligence and prevention of banks failures in Nigeria.

Theoretical Framework

Self-Management Theory

Self-management refers to how well we control emotions, impulses, and resources; it includes self-control, trustworthiness conscientiousness, adaptability, achievement drive, and initiative. Social awareness refers to having understanding and sensitivity to the feelings, thoughts, and situations of others and it comprises empathy, service orientation and organizational awareness, and finally Relationship management which refers to guiding other people’s emotions and it comprises; developing others, influence, communication, conflict management, leadership, change catalyst, building bonds and teamwork and collaboration. Yeung (2009) argues that each one of these four dimensions is the basis to develop other learned competencies.

Return on investment can be described as a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. It is a measure of financial performance of an organization. Performance refers to the assessment of progress at different organizational levels, toward achieving predetermined goals (Bourne, Neely, Mills and Platts (2003). According to Blazevic and Lievens (2004), financial performance refers to a measure of how well a firm uses assets from its primary mode of business to generate revenues. Return on investment directs management attention to profitability and asset management. It measures divisional performance.

Methodology

- **Research design:** For the purpose of this study, the researcher used descriptive survey research design so as to enable her collect primary data for the study.
- **Method of data collection:** Questionnaire served as the major instrument of data collection in this study. The questionnaire were framed in likert format of strongly agreed, agreed, undecided, disagreed and strongly disagreed.
- **Population of the study:** The population of this study is made up of the entire staff of first bank and union bank in Owerri, Imo State which is 70 and 65 respectively making a study population of 135.
- **Sample size determination:** To determine the sample size, the formula of Taro Yamane was used. The formula is given as follows;

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

Where

n = Sample size
N = Population Figure
e = Error Margin (0.05)
1 = Constant figure

Substituting the population variables of this study into the formula above, the sample size can be neatly computed as follows:

$$n = \frac{135}{1 + 135(0.05)2}$$

$$n = \frac{135}{1+ 135 \text{ xO}.0025}$$

$$n = \frac{135}{1+0.3375}$$

$$n = \frac{135}{1.3375}$$

$$n = 100.93$$

Therefore

n = 101.

- **Validity/reliability of instrument:** The researcher used content validity method to ensure that the research instrument is valid. She also used test re-test reliability method to ensure that the instrument is reliable.
- **Method of data analysis:** The data collected were subjected to Pearson correlation coefficient. The data analysis was done using the computer based format.

Data Analysis and Result

It should be noted that out of 101 questionnaires distributed, only 99 were properly filled and returned. The data collected were therefore analyzed thus:

Table 1: emotional intelligence reduces the risk of bank

QS	Items	SA	A	UND	D	SD	∑	X	Decision
1	N n x frequency	50 5x50 = 160	40 4-40 = 160	2 3x2 = 6	5 2x5 = 10	2 1x2 = 2	99 428	4.32	Agree/ accepted

Table 2: emotional intelligence enhances the sustainability of Nigerian banks

QS	Items	SA	A	UND	D	SD	∑	X	Decision
1	N n x likert frequency	32 5x32 = 160	58 4-5840 = 232	5 3x5 = 15	3 2x3 = 5	1 1x1 = 1	99 414	4.18	Agree/accepted

Bench mark for decision is $\frac{15}{5}$

X (mean) of 3 and above is accepted or agreed but mean (x) below 3 is rejected or disagreed and n represents weight for each likert.

$$\frac{\sum x}{n} \qquad \frac{4.32 + 4.18}{5} = \frac{8.5}{2} = 4$$

Based on the foregoing, we reject the null hypothesis and accept the alternative hypothesis and conclude that emotional intelligence reduces the risk of bank failure and enhances the sustainability of Nigerian banks; also ineffective emotional intelligence reduces enhances the growth of the banks.

Conclusion

This study has examined evaluating emotional intelligence and prevention of banks failures in Nigeria. This study has demonstrated that there is a strong relationship between workplace emotional intelligence and bank sustainability and growth. The study has shown that as organizations in the Nigerian Banking industry increase their managers' self-awareness abilities of emotional self-awareness, accurate self-awareness and self-confidence, there will also be significant increases on return on investments, and the risk of bank failure will reduce. Self-management is a critical factor for the success of any organization.

The finding that emotional intelligence is related to return on investment is noteworthy. This particular claim communicates a need for further research in the area of emotional intelligence and other measures of organizational performance.

Recommendations

Based on our findings/conclusions the following recommendations are made

1. Nigerian Banking organizations should create awareness and promote Emotional Intelligence in their organizations. This could be achieved through the training of managers on Emotional Intelligence.
2. Efforts should be made by banking organizations in Nigeria to help managers increase their emotional awareness competencies. This could be done by training the managers to improve their self-awareness abilities which include the managers' emotional self-awareness, accurate self-awareness and self-confidence. Formal offsite training programs may be more desirable.
3. Organizations in the Banking industry should emphasize on developing their managers' self-management competencies which include; self-control trustworthiness, conscientiousness, adaptability achievement drive and initiative.

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