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Recapitalization and Banks' Performance: A Case Study of Nigerian Banks

Adegbaju A. A and Olokoyo F.O (MRS.)
Covenant University, Nigeria

Abstract

The resultant effect of financial liberalization opened up the Nigerian economy to global financial markets, which has generated increasing apprehension in the economy and has exposed the fragility and vulnerability of her financial system. It is therefore imperative for the Central Bank of Nigeria to introduce measures that will reduce the exposure and enhance the stability of the nation's financial system. A defensive measure that will strengthen the existing banks and put the new ones on a good start up is needed, hence the introduction of a new capital base of N25billion. This study investigated the impact of previous recapitalization in the banking system on the performance of the banks in the country with the aim of finding out if the recapitalization is of any benefit. The study employed secondary data obtained from NDIC annual reports. The data were analyzed using both descriptive e.g. means and standard deviations and analytical techniques such as the t-test and the test of equality of means. It was found that the mean of key profitability ratio such as the Yield on earning asset (YEA), Return on Equity (ROE) and Return on Asset (ROA) were significant meaning that there is statistical difference between the mean of the bank before 2001 recapitalization and after 2001 recapitalization. The study recommends that the banks should improve on their total asset turnover and to diversify their funds in such a way that they can generate more income on their assets, so as to improve their return on equity.

Introduction

Banking reforms have been an on going phenomenon around the world right from the

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1980s, but it is more intensified in recent time because of the impact of globalisation which is precipitated by continuous integration of the world market and economies. Banking reforms involve several elements that are unique to each country based on historical, economic and institutional imperatives. In Nigeria, the reforms in the banking sector preceded against the backdrop of banking crisis due to highly undercapitalization deposit taking banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks (Uchendu, 2005). Banking sector reforms and recapitalization have resulted from deliberate policy response to correct perceived or impending banking sector crises and subsequent failures. A banking crisis can be triggered by weakness in banking system characterized by persistent illiquidity, insolvency, undercapitalization, high level of non-performing loans and weak corporate governance, among others. Similarly, highly open economies like Nigeria, with weak financial infrastructure, can be vulnerable to banking crises emanating from other countries through infectivity.

Banking crisis usually starts with inability of the bank to meet its financial obligations to its stakeholders. This, in most cases, precipitates runs on banks, the banks and their customers engage in massive credit recalls and withdrawals which sometimes necessitate Central Bank liquidity support to the affected banks. Some terminal intervention mechanisms may occur in the form of consolidation (mergers and acquisitions), recapitalization, use of bridge banks, establishment of asset management companies to assume control and recovery of bank assets, and outright liquidation of non redeemable banks. Bank consolidation, which is at the core of most banking system reform programmes, occurs, some of the time, independent of any banking crisis.

Irrespective of the cause, however, bank consolidation is implemented to strengthen the banking system, embrace globalization, improve healthy competition, exploit economies of scale, adopt advanced technologies, raise efficiency and improve profitability. Ultimately, the goal is to strengthen the intermediation role of banks and to ensure that they are able to perform their developmental role of enhancing economic growth, which subsequently leads to improved overall economic performance and societal welfare. The proponents of Bank consolidation believe that increased size could potentially increase bank returns, through

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revenue and cost efficiency gains. It may also, reduce industry risks through the elimination of weak banks and create better diversification opportunities (Berger, 2000). On the other hand, the opponents argue that consolidation could increase banks' propensity toward risk taking through increases in leverage and off balance sheet operations. In addition, scale economies are not unlimited as larger entities are usually more complex and costly to manage (De Nicoló et al., 2003).

Banking sector reforms in Nigeria are driven by the need to deepen the financial sector and reposition the Nigeria economy for growth; to become integrated into the global financial structural design and evolve a banking sector that is consistent with regional integration requirements and international best practices. It also aimed at addressing issues such as governance, risk management and operational inefficiencies, the centre of the reforms is around firming up capitalization. (Ajayi, 2005)

Capitalization is an important component of reforms in the Nigeria banking industry, owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market.

In his maiden address as he resumed office in 2004, the current Governor of Central Bank of Nigeria, Soludo, announced a 13-point reform program for the Nigerian Banks. The primary objective of the reforms is to guarantee an efficient and sound financial system. The reforms are designed to enable the banking system develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation (Lemo, 2005). Thus, the reforms were to ensure a diversified, strong and reliable banking industry where there is safety of depositors' money and position banks to play active developmental roles in the Nigerian economy.

The key elements of the 13-point reform programme include:

- Minimum capital base of N25 billion with a deadline of 31st December, 2005;
- Consolidation of banking institutions through mergers and acquisitions;
- Phased withdrawal of public sector funds from banks, beginning from July, 2004;
- Adoption of a risk-focused and rule-based regulatory framework;
- Zero tolerance for weak corporate governance, misconduct and lack of

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transparency;

- Accelerated completion of the Electronic Financial Analysis Surveillance System (e-FASS);
- The establishment of an Asset Management Company;
- Promotion of the enforcement of dormant laws;
- Revision and updating of relevant laws;
- Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit.

Of all the reform agenda the issue of increasing shareholders' fund to N25 billion generated so much controversy especially among the stakeholders and the need to comply before 31st December, 2005.

The objective of this paper is to assess the relevancy of the recapitalization in the Nigerian Banking industry. This paper is divided into five parts; following the introduction is the part 2 in which relevant literature on Bank reforms and recapitalization were reviewed. Part 3 states the methodology that is used in gathering data and how the data were analyzed. Part 4 states the data presentation and discussion of result while part 5 states the summary, conclusion and recommendation.

Theoretical framework and Literature Review

Many Developing Countries implemented financial reforms as part of broader market oriented economic reforms since the late 1980's (Uboh, 2005). Globally, activities of banks reflect their unique role as the engine of growth in any economy. The importance of the financial sector of an economy which comprises banks and non – banks financial intermediaries, the regulatory framework and the ever increasing financial products, in stimulating economic growth is widely recognised especially in developmental economics. (Uboh, 2005) set the pace for the landslide of other works on the interdependent relationship between banks and economic growth. Stressing further that the pioneering work of Gurley and Shaw (1956) on the relationship between real and financial developments shows that financial intermediaries, monetisation and capital formation determine the path and pace of economic

development.

The Nigerian banking system has undergone remarkable changes over the years, in terms of the number of institutions, ownership structure, as well as depth and breadth of operations. These changes have been influenced largely by challenges posed by deregulation of the financial sector, globalization of operations, technological innovations and adoption of supervisory and prudential requirements that conform to international standards.

Prior to the recent reforms, the state of the Nigerian banking sector was very weak. According to Soludo (2004), ‘‘The Nigerian banking system today is fragile and marginal. The system faces enormous challenges which, if not addressed urgently, could snowball into a crisis in the near future. He identified the problems of the banks, especially those seen as feeble, as persistent illiquidity, unprofitable operations and having a poor assets base’’.

Imala (2005) posited that the objectives of banking system are to ensure price stability and facilitate rapid economic development. Regrettably these objectives have remained largely unattained in Nigeria as a result of some deficiencies in our banking system, these include; low capital base, as average capital base of Nigeria banks was $10 million which is very low, a large number of small banks with relatively few branches, the dominance of a few banks, poor rating of a number of banks, weak corporate governance evidence by inaccurate reporting and non compliance with regulatory requirements, insolvency as evidence by negative capital adequacy ratios of some banks, eroded shareholders fund caused by operating losses, over dependence on public sector deposit, and foreign exchange trading and the neglect of small and medium scale private savers. The Nigeria banking sector plays marginal role in the development of the real sector.

Soludo (2005) observed that many banks appear to have abandoned their essential intermediation role of mobilizing savings and inculcating banking habit at the household and micro enterprise levels. The indifference of banks towards small savers, particularly at the grass-roots level, has not only compounded the problems of low domestic savings and high bank lending rates in the country, it has also reduced access to relatively cheap and stable funds that could provide a reliable source of credit to the productive sectors at affordable rates of interest.

Imala (2005) also comment that the current structure of the banking system has

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promoted tendencies towards a rather sticky behaviour of deposit rates, particularly at the retail level, such that, while banks' lending rates remain high and positive in real terms, most deposit rates, especially those on savings, are low and negative. In addition, savings mobilization at the grass-roots level has been discouraged by the unrealistic requirements, by many banks, for opening accounts with them.

The issue of recapitalization is a major reform objective; recapitalization literarily means increasing the amount of long term finances used in financing the organization. Recapitalization entails increasing the debt stock of the company or issuing additional shares through existing shareholders or new shareholders or a combination of the two. It could even take the form of merger and acquisition or foreign direct investment. Whichever form it takes the end result is that the long term capital stock of the organization is increased substantially to sustain the current economy trend in the global world.

Asedionlen (2004) opined that ‘‘Recapitalization may raise liquidity in short term but will not guaranty a conducive macroeconomic environment required to ensure high asset quality and good profitability’’

In his comment, Soludo (2004) said that low capitalization of the banks has made them less able to finance the economy, and more prone to unethical and unprofessional practices. These include poor loan quality of up to 21 per cent of shareholders’ funds compared with 1–2 percent in Europe and America; overtrading, abandoning the true function of banking to focus on quick profit ventures such as trading in forex and tilting their funding support in favour of import-export trade instead of manufacturing; reliance on unstable public sector funds for their deposit base; forcing their female marketing staff in unwholesome conduct to meet unjustifiable targets in deposit mobilization; and high cost of funds.

Jika (2004) as cited in Aminu and Aderinokun (2004) maintained that increasing the capital base of banks in Nigeria would strengthen them and, in the process, deepen activities within the industry. “Growing the Nigerian economy is about the number of banks that have the capacity to operate in all the states of the federation, fund agriculture and manufacturing concerns, and in the process generate employment for Nigerians.”

Quoting Alarape (2005), as cited in Ologbondiya and Aminu (2005), “We see a very rosy future beyond the next two years or 2007 when profitability will grow and all the

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adjustments that the industry needs to go through in the macro – economy, including legislation that would be put in place to support the new type of business especially retail banking would have been put in place."

History of Recapitalization

Recapitalization of banks is not a new phenomenon. Right from 1958 after the first banking ordinance in 1952 the colonial government then raised the capital requirement for banks especially the foreign commercial bank from 200,000 pounds to 400,000 pounds. Ever since the issue of bank recapitalization have been a continuous occurrence not only in Nigeria but generally around the world especially as the world continues to witness increasing interdependence among national economies.

Recapitalization in Nigeria comes with every amendment to the existing banking laws. In 1969, capitalization for banks was N1.5m for foreign banks and N600,000 for indigenous commercial banks. In 1979, when Merchant banks came on board the Nigerian banking scene the capital base was N2m. As from 1988, there had been further increase in the capital base, particularly coupled with the liberalization of the financial system and the introduction of SAP in 1986. In February 1988, the capital base for commercial bank was increased to N5m while that of the Merchant bank was pegged at N3m. In October the same year, it was jerked up to N10m for commercial bank and N6m for Merchant banks. In 1989, there was a further increase to N20m for commercial bank and N12m for Merchant bank.

In recognition of the fact that well-capitalized banks would strengthen the banking system for effective monetary management, the monetary authority increased the minimum paid-up capital of commercial and merchant banks in February 1990 to N50 and N40 million from N20 and N12 million, respectively. Distressed banks whose capital fell below existing requirement were expected to comply by 31st March, 1997 or face liquidation. Twenty-six of such banks comprising 13 each of commercial and merchant banks were liquidated in January, 1998. Minimum paid up capital of merchant and commercial banks was raised to a uniform level of N500 million with effect from 1st January, 1997, and by December 1998, all existing banks were to recapitalize. The CBN brought into force the risk-weighted measure of capital

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adequacy recommended by the Basle Committee of the Bank for International Settlements in 1990. Before then, capital adequacy was measured by the ratio of adjusted capital to total loans and advances outstanding. The CBN in 1990 introduced a set of prudential guidelines for licensed banks, which were complementary to both the capital adequacy requirement and Statement of Standard Accounting Practices. The prudential guidelines, among others, spelt out the criteria to be employed by banks for classifying non-performing loans. In 2001, when the Universal banking was adopted in principle, the capital base was jerk up to N1billion for existing bank and N2 billion for new banks. But in July 2004, the new governor of the CBN announced the need for banks to increase their capital base to N25 billion all banks are expected to comply by December 2005.

Methodology

Instrumentation, Sources and Data Description:

The study employed secondary data obtained from Nigeria Deposit Insurance Corporation (NDIC) annual reports of various issues. The data were analyzed using ratio analysis to measure bank performance as seen in the work of Rose and Hudgins (2005). An analytical technique was further employ to test the equality of the mean of the key profitability ratio using t-test statistic of the pre and post 2001 key profitability ratio of banks. The study used all the insured banks in the nation as our sample study to give good representation. We used the 2001 recapitalization as the base year, testing the performance of banks three years before the 2001 recapitalization exercise and three years after the 2001 recapitalization exercise to see the significance of the 2001 recapitalization exercise.

Methods of Data Analysis and Definition of ratios:

In an attempt to test the significance of the 2001 recapitalization on bank performance, this study adopts a simple ratio analysis, using specifically profitability ratios to evaluate the performance of Banks three years before the 2001 recapitalization exercise comparing it with the performance of the bank three years after the recapitalization exercise. A test of equality of mean was also carried out using the t-test to see if there is any significant

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difference in the mean of the pre and post ratios used. The ratios used are as stated below:

- Net Interest Margin which is calculated as interest income from loans and security investment less interest expense on deposit and other debt issues divided by total asset. This ratio measure how large a spread between interest revenues and interest costs the banks management hava been able to achieve by close control over earning assets and the pursuit of the cheapest sources of fund.
- Yield on earning assets - This represents the percentage of return that an institution is receiving on its earning assets. Earning assets include all assets that generate explicit interest income or lease receipts. It is typically measured by subtracting all non-earning assets, such as cash and due from banks, premises, equipment, and other assets from total assets. Earning Assets is calculated as Earning Assets = Total Assets - Non Earning Assets.
- Funding cost – This is the weighted average cost of capital for the industry.
- Return on equity – This is measured as net income after taxes divided by total equity capital. It measures the rate of return to the shareholder.
- Return on Asset – This is defined as net income after taxes divided by total assets. This ratio is an indicator of managerial efficiency; it indicates how capable the management of the banks has been converting the banks assets into net earnings.

Limitation to Data Collected:

The data was limited in temporal scope to three years before the 2001 recapitalization exercise and three years after the 2001 recapitalization exercise. The choice of the 2001 recapitalization exercise was because existing banks were made to recapitalize to about 50% of their current position, while new banks are to have a capital base of 75% existing capital base at that time. Five years data for pre and post recapitalization period was not feasible since the relevant authorities were yet to release the 2005 and 2006 report.

Data Analysis, Results and Discussions

Table 1 in the appendix shows the data used in carrying out the study. The table below

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clearly highlights the pre and post situation for the various performance ratios of banks in Nigeria following three years before and three years after the 2001 recapitalization exercise, using the approach in Rose and Hudgins (2005).

Net Interest Margin (NIM) – There was a gradual fall in the NIM for post recapitalization result. In 2002 immediately after the recapitalization it was 10.47, it drop to 7.71 in 2003 and later pick up in 2004 to stand at 10.21. A higher NIM relative to the industry average implies how efficient the management has been able to keep the growth of interest income ahead of interest expenses. The result obtained indicate that bank management are still trying to get their bearings after the 2001 recapitalization so we can not conclude if they have been efficient after the recapitalization but a test of equality of mean will help us reach a conclusion.

Yield on Earning Assets (YEA) – The YEA rose sharply after the 2001 recapitalization exercise from 4.62 in 2000 to 27.55 in 2002, later drop to 20.32 in 2003 and drop further to 18.88 in 2004. This shows that the banks earned more income on earning assets after the recapitalization than before the recapitalization, Although it is beginning to fall from the result obtained which implies that though recapitalization encourage more yields on earning assets but it is not being managed well.

Table 1

Pre and Post 2001 Recapitalization Performance Evaluation Ratio for Nigerian Banks

	Pre-recapitalization			Post-recapitalization		
	1998	1999	2000	2002	2003	2004
Net Interest Margin (NIM) %	11.16	14.88	9.12	10.47	7.71	10.21
Yields on Earning Assets (YEA) %	17.55	4.64	4.62	27.55	20.32	18.88
Funding Cost (FC) %	8.09	9.42	9.47	13.05	9.63	9.66
Return on Equity (ROE) %	86.08	80.59	99.45	41.63	29.11	27.23
Return on Assets (ROA) %	4.52	4.13	3.96	2.63	2.00	2.58

Source: NDIC annual report, various issues

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The funding cost (FC) rose from 9.47 in 2000 to 13.05 in 2002, and later fall to 9.63 in 2003 and 9.66 in 2004. This is quite expected as with every major recapitalization there is an expected cost as all the banks will be all out to meet the deadline. However, this was tapered off in 2003 and 2004 and was consistent with the industry average even before the recapitalization.

The Return on Equity (ROE), which measures the rate of return to shareholders, was quite low after the recapitalization falling sharply from 99.45 in 2000 to 41.63 in 2002 and further to 29.11 and 27.23 in 2003 and 2004 respectively. This shows that the shareholders receive very low returns in terms of dividend after the recapitalization. This is not surprising as most banks raise their fund through equity share which now increase the equity capital and the profit after tax have not improve substantially to compensate the shareholder who add additional fund to finance the bank recapitalization.

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net Intrest Margin Pre2001	3	9.12	14.88	11.7200	2.92055
Net Intrest Margin Post2001	3	7.71	10.47	9.4633	1.52399
Yield on Earning Asset Pre	3	4.62	17.55	8.9367	7.45937
Yield on Earning Asset Post	3	18.88	27.55	22.2500	4.64606
Funding Cost Pre2001	3	8.09	9.47	8.9933	.78271
Funding Cost Post2001	3	9.63	13.05	10.7800	1.96593
Return on Equity Pre2001	3	80.59	99.45	88.7067	9.70049
Return on Equity Post2001	3	27.23	41.63	32.6567	7.82778
Return on Asset Pre2001	3	3.96	4.52	4.2033	.28711
Return on Asset Post2001	3	2.00	2.63	2.4033	.35019
Valid N (listwise)	3				

-Source: result obtained from authors computation

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The Return on Assets (ROA) also fell after the recapitalization from 3.96 in 2000 to 2.63 in 2002. This shows that management of the banks has not been able convert the banks assets into net earnings after the recapitalization. The return on assets decline further in 2003 to 2.0 but then pick up again in 2004 to 2.58.

Test of Equality of mean helps to compare mean of a variable to see if there is any significant different between the mean of a period compared with another period of the same variable to know if there is any significant different in the two mean compared. Where it is higher than .05 it mean that they are not significant meaning that there is no different between the two mean compared. But where it is less than .05 it means they are significant.

Table 2 shows that the NIM pre recapitalization mean is higher at 11.27 than the post capitalization NIM mean at 9.4 but table 3 shows the difference in the mean is not statistical significant. The implication of this is that there is no difference in the performance of the bank Net Interest Margin before and after 2001 recapitalization exercise.

On yield on Earning Asset, the pre 2001 recapitalization mean is 8.9 with a standard deviation of 7.4 while the post capitalization mean is 22.25 with a better standard deviation of 4.64 meaning that the figure are more together. The implication of the result is that the post the banks earning assets have higher yield after the 2001 recapitalization exercise. Table 3, also shows that different in the pre and post mean is significant at 5% significant level which implies that statistically, there is a significant different in the mean of the two periods compared.

On funding cost, the pre mean shows 8.99 with a standard deviation of 0.78 while the post 2001 recapitalization mean shows 10.78 with a standard deviation of 1.96, The implication of this is that pre funding cost is better than the post. However, table 3 shows that at 5% significant level there is no different in the two means compared, meaning that it is not statistically significant. This implies that statistically, there is no difference in the mean of the pre and the post funding cost. This is also explained in the descriptive analysis, which shows that the post funding cost is tending to the position of the bank during the pre 2001 recapitalization period.

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Table 3

T- Test Paired Sample Test.

Pair 1		Mean	Std. Dev.	T	Df	5% level
Pair 1	Net Interest Margin Pre 2001 – Net Interest Margin Post 2001	2.257	4.347	0.90	2	0.463
Pair 2	Yield on Earning Asset Pre – Yield on Earning Asset Post	-13.31	2.956	-7.80	2	0.016
Pair 3	Funding Cost Pre – Funding Cost Post	-1.787	2.748	-1.13	2	0.377
Pair 4	Return on Equity Pre – Return on Equity Post	56.05	14.44	6.72	2	0.021
Pair 5	Return on Asset Pre – Return on Asset Post	1.80	0.383	8.140	2	0.015

Source: result obtained from authors' computation

The return on equity result shows that the pre recapitalization mean is much higher at 88.70 and 7.9 standard deviation than the post recapitalization mean of 32.66, though it has a better standard deviation of 7.8. This implies that the shareholders earn better return on their investment before the recapitalization but the 2001 recapitalization has left them worse off and it will continue to decline unless the banks are able to generate higher profit than they were doing. The t-test also shows the difference between the pre mean and the post mean, is significant at the 0.05 level of significance. This means that the shareholders are not earning as much as they were earning before 2001 recapitalization.

On return on asset, it follows the same trend as in Return on Equity, the pre recapitalization mean is better than the post recapitalization mean and the t-test show that the difference between the two mean are significant at 0.05 significant level. This implies that the banks, after the 2001 recapitalization are not turning over their assets enough to generate more profit after tax.

Overall, this study has found that judging from the profitability ratio of banks and test of equality of the pre and post mean for 2001 recapitalization exercise, it is not all the time that recapitalization transforms into good performance of the bank and it is not only capital that makes for good performance of banks. As banks recapitalize the economic environment has to be conducive to make good profit and deepen the financial structure of the economy.

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Recommendations and Conclusion

It is obvious that the shareholders could be made worse- off after recapitalization and many Nigerian investors do not realize this, the last recapitalization exercise witness many Nigerian banks running off to the capital market to raise fund and many of the shares were over subscribed to by Nigerian investors. Except calculative steps are taken by the bank management to increase profitability, the recapitalization will result in lost of fund for the shareholders. Knowing the implication of raising fund through the capital market, the CBN never suggested this, but insist on bank consolidation through mergers and acquisition that is why our recommendation will centre on how to increase banks profitability for better ROE.

Banks should improve their total asset turnover and diversify in such a way that they can generate more income on their assets. It was discovered from our data that bulk of the banks investments as a component of their total assets were in the short term and this would not help their profitability stance in the long run. Hence, they need to diversify their investment and should be more of the long-term type.

Recapitalization is good for the economy but the way the banks raise their funds to meet the recapitalization funds should be carefully looked into so that they do not make their shareholders worse off than they were before the recapitalization.

Bank management should embark on effective intermediation drive that will bring all the small savers to the purview of the government, CBN has said over time that most of the money in circulation is in the informal service sector which the banks have neglected over the years, bringing this fund through effective intermediation drive will provide a cheap source of fund for the banks which they can use to generate more interest income which will eventually increase their profit and once profit is increase the ROE will be better. That is why he authors think licensing microfinance bank as a good development strategy for banks and a good step in the right direction.

To generate more profit the banks need a good regulatory environment that will enable the banks to expand their scope of business but strictly within the financial service industry. With a good regulation and supervision corporate governance will be enhance,

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unnecessary cost and expenses will be cut down and the profit will increase.

The government too has a role to play in providing necessary infrastructure to ensure that the cost of doing business in Nigeria is reduced significantly to allow the banks to make more profit.

The banks should put in place good corporate governance that will allow for transparency and minimize fraud in the bank. The shareholders have the responsibility to choose their directors, which will in turn choose members of management that will run the affairs of the banks. They should put in place good management that will protect their investment and increase the profitability of the banks.

The Nigerian banks and its regulator should recognize the peculiar operating environment, and developed a viable indigenous financial services industry, which integrated seamlessly with the traditional banking system. In this regard, most of the money outside the government purview will be brought back and the government monetary policy will achieve its set objective.

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Appendices

Appendix 1

Bank Ratios

Year	Net Interest Margin %	Yield On Earning Asset %	Funding Cost %	Return On Equity %	Return On Assest %
1994	10.07	0.74	2.79	12.62	0.33
1995	2.4	0.41	3.2	5.27	0.1
1996	7.91	15.68	9.72	56.78	1.99
1997	9.13	16.19	6.77	67.15	3.35
1998	11.16	17.55	8.09	86.08	4.52
1999	14.88	4.64	9.42	80.59	4.13
2000	9.12	4.62	9.47	99.45	3.96
2001	11.55	6.15	11..37	114.29	4.82
2002	10.47	27.55	13.05	41.63	2.63
2003	7.71	20.32	9.63	29.11	2
2004	10.21	18.88	9.66	27.23	2.58
Average Pre	11.72	8.937	8.993	88.707	4.203
Average Post	9.463	22.25	10.78	32.657	2.403
Difference	-2.257	13.313	1.787	-56.05	-1.8

Source: NDIC report-various issue

Appendix 2

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	Upper			
Pair 1	Net Intrest Margin Pre2001 - Net Intrest Margin Post2001	2.2567	4.34715	2.50983	-8.5423	13.0556	.899	2	.463
Pair 2	Yield on Earning Asset Pre - Yield on Earning Asset Post	-13.3133	2.95597	1.70663	-20.6564	-5.9703	-7.801	2	.016
Pair 3	Funding Cost Pre2001 - Funding Cost Post2001	-1.7867	2.74821	1.58668	-8.6136	5.0403	-1.126	2	.377
Pair 4	Return on Equity Pre2001 - Return on Equity Post2001	56.0500	14.43804	8.33580	20.1839	91.9161	6.724	2	.021
Pair 5	Return on Asset Pre2001 - Return on Asset Post2001	1.8000	.38301	.22113	.8485	2.7515	8.140	2	.015