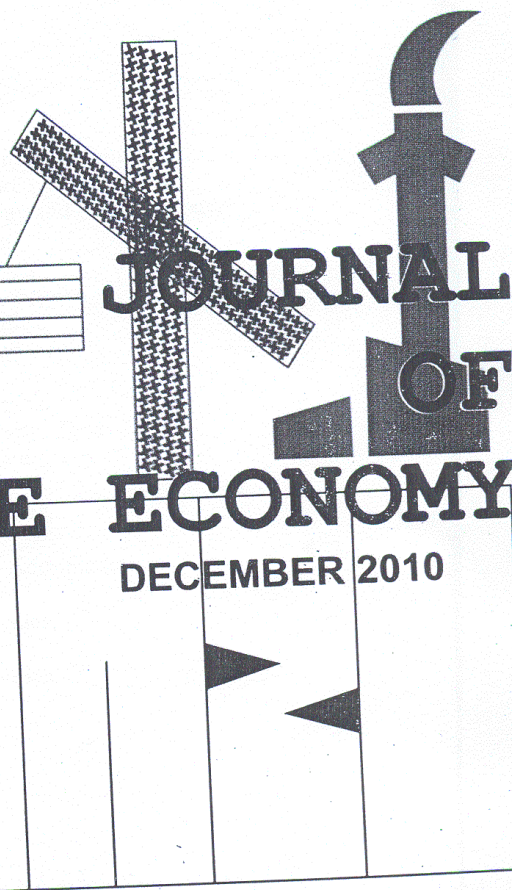
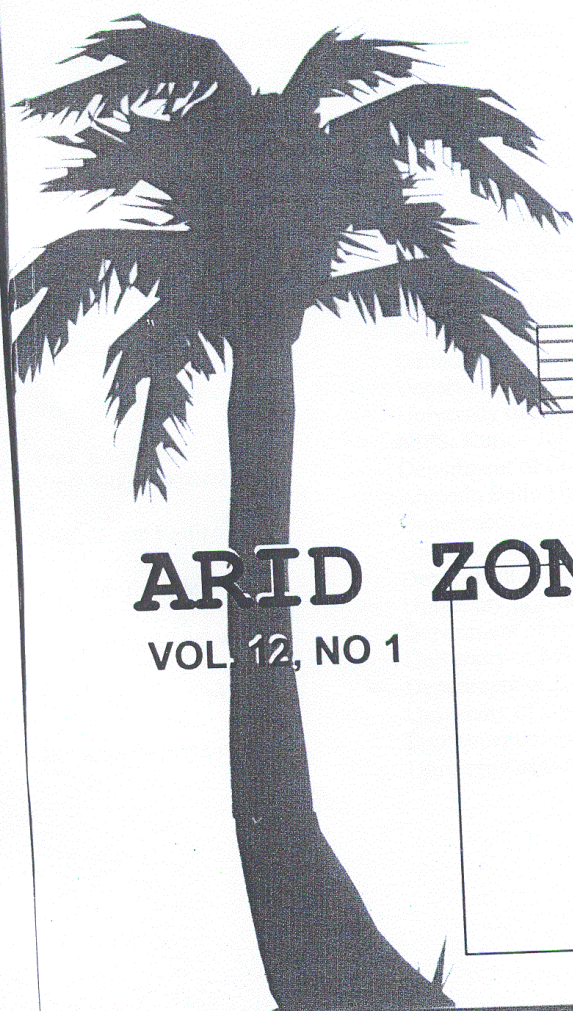




JOURNAL OF ARID ZONE ECONOMY

VOL. 12, NO 1

DECEMBER 2010

PUBLICATION DEPARTMENT OF ECONOMICS, UNIVERSITY OF MAIDUGURI

ISSN 117 - 5753

JOURNAL OF ARID ZONE ECONOMY VOLUME 12 NO 1

EDITORIAL BOARD

Editor-in-Chief Professor Dahiru Hassan Balani

Editors: Professor David Irefin
 Dr. James J. Adefila

Associate Editors

- | | | |
|---------------------------|---|--|
| Prof. B. Ogunbameru | - | Department of Agricultural Economics,
University of Maiduguri |
| Prof. S. S. Ifah | - | Department of Sociology and Anthropology,
University of Maiduguri |
| Prof. Ifepariola Ihinmodu | - | Department of Sociology,
Delta State University, Abraka |
| Dr. John Naphtali | - | Department of Economics,
University of Maiduguri |
| Prof. E.O Osagie | - | NIPS, Kuru – Jos |
| Prof. Mike Kwanashie | - | Department of Economics,
Ahmadu Bello University, Zaria |
| Prof. Dotun Philips | - | Department of Economics,
University of Ibadan |
| Prof. M. Kayode | - | Department of Economics,
University of Ibadan |
| Prof. Haruna Dlakwa | - | Department of Public Administration,
University of Maiduguri |
| Prof. Akpan E. Epko | - | Department of Economics,
University of Uyo |
| Dr. John C. Anyanwu | - | Department of Economics,
University of Benin |

By

Abogun Segun¹³, Olaoye J. Adeyemi¹⁴ and Ola, J. Oluwarotimi¹⁵

Abstract

This work investigates the impact of the 2009 banks reform on the operational performance of banks in Nigeria. Our conceptualization of operational performance is the ability of banks to give loans and advances, mobilize deposit from customers, create credits and finance projects. We divided the entire reform into three major parts from which the variables of the study were generated. We hypothesized that the 2009 reform and the operational performance of banks are independent. Primary data was used through the instrumentality of questionnaire. The multiple regression models were used which contains three independent variables: bank regulation; risk management; bank structure and infrastructures, and the dependent variable (operational performance of bank). The t-test statistics was used for the hypothesis testing at 5% significance level. We conclude that the 2009 bank reforms have positive impacts on the operational performance of banks in Nigeria and we recommend that reform exercise should be regularly carried out.

Introduction

The Nigerian banking industry has over the years suffered set back in many ways due to corporate governance practice, unguided banking practices, poor regulation and supervisory inadequate legislations to curb irregularities by bank chiefs amongst other things. As a result, government after the other has embarked on a kind of reform aimed at repositioning the industry for effective performance. Repositioning the banking industry we believe is a step in the right direction because of the roles banks play in the growth and development of the economy. However, may be the current state of our economy is largely affected by the state of the banking industry. The industry does not enjoy a systematic and steady growth; no wonder the economy shares the same pattern. Banking reforms have been an ongoing exercise around the world for a long time. However, it is more intensified in recent time because of the impact of globalization which is precipitated by continuous integration of the world market and economies (Adegbaju and Olokoyo, 2008). Banking reforms involve several elements that are unique to each country based on historical, economical and institutional imperatives (Adegbaju and Olokoyo, 2008). In Nigeria, reforms in the banking sector is always preceded by crisis in the sector due to weaknesses in the regulatory and supervisory framework; weak management practices; and the toleration of deficiencies in the corporate governance behavior of banks (Uchendu, 2005). Banking crisis

¹³ Department of Accounting and Finance, University of Ilorin, Ilorin, Nigeria

¹⁴ Department of Accounting and Finance, University of Ilorin, Ilorin, Nigeria

¹⁵ Department of Accounting and Finance, University of Ilorin, Ilorin, Nigeria

also be triggered by weaknesses in the banking system characterized by persisted illiquidity, insolvency, under capitalization, 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 bank crises emanating from other countries through infectivity (Adegaju and Olokoyo, 2008). They further said, banking crisis usually starts with inability of the bank to meet its financial obligations to its stakeholders which 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.

Since 1952, after the major crisis in the financial system characterized by the failure of several indigenous banks, reforms in the banking system have become imperative. These reforms as noted by Imala, 2005 cited in Otiti (2007) were either in response to the challenges posed by developments such as systemic crisis, deregulation and technological innovation or were proactive actions designed to strengthen the banking system and prevent its collapse. The various reforms were embarked upon to strengthen the operators of the system as well as the regulators and supervisors who provided financial services to the economy (Otiti, 2007).

Somoye (2008) expressly affirmed that banking reforms involves several elements that are unique to each country based on historical economic and institutional imperatives. He mentioned for example that in Hungary, evidence shows that the reforms in the banking sector were due to highly under-capitalization of state owned banks; weakness in the regulatory and supervisory framework; and deficiencies in the corporate governance behaviors of banks. Though what triggers reform in a country is usually common to the continent to which the country belongs but primarily, each country has its peculiar problems. Nigeria for example, the bane of our development is corruption at all levels and bad leadership. Furthermore, Somoye (2008) affirmed that, the banking sector as an important sector in the financial landscape needs to be reformed in order to enhance its competitiveness and capacity to play a fundamental role of financing investment. Similarly, Ogbubunka (2010) said, each time a crisis ensued in the banking industry, many backward steps were triggered off thereby stunting the industry's capacity and capability to pursue and attain its accredited potential and after each crisis period, the banking industry engaged in attempting to rebuild, rehabilitate, reinvent or reinvigorate itself and some years usually elapsed before it could find its feet again (see also Central Bank of Nigeria, 2010).

Specifically and more recently, by the middle of 2009, all facts indicated that the impact of the 13- point agenda of a four- year consolidation regime was ephemeral as many of the observed lapses within the system in the pre-consolidation had returned with threatening intensity and destabilizing potential for the entire sector (Central Bank of Nigeria, 2010). Non- performing loans of the industry stood at 36 per cent of total loans with a coverage ratio of 80 per cent; while 79 per cent of interest income was lost to non-performing loan, thereby eroding profitability, industry's capitalization was seriously weakened as it has fritted away #2 trillion of capital on account of credit cost (Nigerian Compass, 2010). In order to correct the state of disorderliness, Sanusi (CBN Governor), in 2009 on his assumption of office as the governor of the Central Bank of Nigeria embarked on certain reforms in the banking industry. He mentioned that:

There has been a serious decay that permeated the banking system through the managerial ineptitude and unconscionable greed of some bank chief executives and their directors that left

about ten (10) out of the 24 banks in financial mess, the illiquidity, corporate governance and other critical problems that had plunged most of the banks into huge debt both to depositors and the CBN.

The above statements pointed out some vital issues that led to the crisis experienced in the banking sector and consequently the reform exercise in 2009. However, at a point in time after the reform exercise, there is a pertinent need for the evaluation of such exercise. After the 2009 banking reform, there were researches from the academia, the industry and relevant professional bodies aimed at providing empirical evidence on the impact of the reform. For instance, Somoye (2008) investigated the performance of commercial banks in the post-consolidation period in Nigeria. He found out that the performance of commercial banks in the post-consolidation program has not improved the overall performance of banks significantly and also has contributed marginally to the growth of the real sector for sustainable development. He further said the consolidation may not necessarily be a sufficient tool for financial stability for sustainable development and it confirms Megginson (2005) and Somoye (2006) postulations.

In the same vein, Adegbaaju and Olokoyo (2008) evaluated the impact of recapitalization exercise of the 2005 bank reforms on the profitability performance of Nigerian banks. This study considered very necessary and appropriate because as a follow up, it investigates the impact of the 2009 bank reforms on the performance of banks in Nigeria. Performance as conceptualized in this study is not the usual profitability and other similar financial indicators as measures of performance. Hence, by performance we mean the operational performance of banks and we measure it by the ability of banks to give loan and advances to customers, mobilize funds in form of deposit from customers and the general public, create credit and finance projects. Therefore, the primary purpose of this study is to investigate the relationship between the 2009 bank reforms and the operational performance of banks. Consequently, we hypothesize that: there is no relationship between the 2009 Bank reforms and the operational performance of banks in Nigeria. The previous researches on this area investigated the impact of the 2005 bank reforms on the performance of banks (see Somoye, 2008; Adegbaaju and Olokoyo 2008). More so, most of the researchers used financial indicators as their measure of performance but in this study we investigated the impact of the 2009 bank reforms on the operational performance of banks. Also, unlike past researches, we based the measure of operational performance of banks on the ability of banks to give loan and advances to customers, mobilize funds in form of deposit from customers and the general public, create credit and finance projects. Therefore, as at the time of this research, the researchers were not aware of any study that has investigated the impact of the 2009 bank reforms on the operational performance of banks in Nigeria. This gap in the literature is the focus of this study.

Review of Related Literature

Reforms are predicated upon the need for re-orientation and repositioning of an existing state quo in order to attain an effective and efficient state. There could be fundamental bottle-neck that may inhibit the functioning of the institution for growth and the achievement of core objectives in the drive towards enhancing and sustaining the economic and social imperatives of human endeavor, carried out through either government institutions or private enterprises; reform becomes inevitable in the light of the global dynamic exigencies and emerging landscape.

(Somoye, 2008). The banking sector reform is interpreted to mean embarking on a comprehensive process aimed at substantially improving the financial infrastructure, strengthening the regulatory and supervisory framework to address the issue of low capitalization and a structured financing for cheap credit to the real sector and accommodations for small and rural credit schemes (Balogun, 2007). Soludo (2007), in his perspective on reform said banking reforms are expected to build and foster a competitive and healthy financial system to support development and to avoid systemic distress. Ajayi (2005) as cited in Adeggbaju and Olokoyo (2008), said banking reforms are driven by the need to deepen the financial sector and reposition the 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. National Planning Commission (2004) as cited in Balogun (2007) said that reform is imperative if it is to play a key role in pricing trading risks and implementing monetary and fiscal policies as part of the process of a shift in emphasis to a private sector led economy. They further argued that reforms which foster institutional efficiency are imperative if the banking sector is to play its desired role in the real sector. Similarly Lemo (2005) as cited in Adeggbaju and Olokoyo (2008) expressed that the primary objective of reforms is to guarantee an efficient and sound financial system. He further said, 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. 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.

Key Elements of the 2009 Bank Reforms

The Central Bank of Nigeria Governor Sanusi, on assumption of leadership of the Central Bank of Nigeria on 4 June, 2009 recognized the continuous weakness in the banking sector despite the recapitalization of 2005. This state is undesirable for any economy that is set to play a dominant role in the increasing changing global economic system. The Central Bank of Nigeria commenced what was described as one of the most far-reaching reforms of the sector as a proactive strategy of cleaning the banking sector. The Monetary authority intervened through injection of fund and other remedial steps were taken, including the removal of key officers of the affected banks and restructuring of the management. To consolidate on the results of the preliminary measures above, the Central Bank of Nigeria launched a full scale reforms drive anchored on four pillars, which include: pillar 1 (enhancing the quality of banks); pillar 2 (establishing financial stability); pillar 3 (enabling healthy financial sector evolution); pillar 4 (ensuring the financial sector contributes to the real economy) (see CBN, 2010 for details).

Operations Performed by Universal Banks

Universal bank being a financial institution performs diverse types of operations. It satisfies the financial needs of the sectors such as agriculture, industry, trade, communication and so on. i.e. They play very significant role in a process of economic social needs. The operations performed by banks are changing according to change in time and recently they are becoming customer centric and widening their operations. According to webs not paginated, the operations are categorized into primary and secondary functions. The primary function includes mobilization of

deposit, project financing, granting of loans and advances, credit creation/ management in form of loans and advances while the secondary function includes: issuing letter of credit, travel cheques, circular notes amongst others; providing customer with facilities of foreign exchange standing as guarantee on behalf of its customers for making payment for purchase of goods, machinery, vehicle etc. The most important operation of a universal bank is to mobilize deposits from the public. People who have surplus income and savings find it convenient to deposit their amounts with banks. Depending upon the nature of deposits, funds deposited with banks also earn interest. Thus, deposits with the bank grow along with the interest earned if the higher public are motivated to deposit more funds with the bank. There is also safety of funds deposited with the bank. The second important operation of a universal bank is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts. The rate of interest charged on loans and advances varies depending upon the purpose, period and the mode of repayment. The difference between the rate of interest allowed on deposits and the rate charged on the loans is the main source of a bank's income. Project financing is the long term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of the project sponsors, as well as a syndicate of banks that provide loans to the operation.

The loans are most commonly non-recourse loans, which are secured by the project assets and are paid entirely from project cash flow, rather than from the general asset or credit worthiness of the project sponsors. The financing is typically secured by all of the project assets, including the revenue-producing contract. Banks or project lenders are given lien on all of these assets and are able to assume control of a project if the company has difficulties complying with the loan terms (web not paginated). Another important operation of banks is the creation of credit. Credit creation is the multiple expansions of banks demand deposits. The tendency on the part of the bank to expand their demand deposits as a multiple of their excess cash reserves is called creation of credit. The single bank cannot create credit. It is the banking system as a whole which can expand loans by many times of its excess cash reserves. When a loan is advanced to an individual or a business concern, it is not given in cash. The bank opens a deposit account in the name of the borrower and allows him to draw upon the bank as and when required. The loan advance becomes the gain of deposit by some other banks. Loan thus makes deposits and deposits make loans. Central bank is the first source of money supply in the form of currency in circulation. Universal banks are the second most important sources of money supply. The money they supply is called credit money. The process of credit creation begins with banks lending money out of primary deposits. Primary deposits are those deposits which are deposited in banks. Banks cannot lend the entire primary deposits as they are required to maintain a certain proportion of primary deposit in the form of reserve with the CBN under the CBN Act. After maintaining the required reserves, the bank can lend the remaining portion of primary deposits and the process of credit creation starts. Credit creation takes place by means of using cheques (Ask.com).

Theoretical Issues

There was an apparent return to monetarist model in pre-Soludo era for fostering macroeconomic balance but with the belief that the reforms could yield a Keynesian result fostering development as well as taming inflation (Balogun, 2007). With regard to institutional reforms, assumption

banking sector liberalization accompanied by increased capital based requirements is a necessary condition for improved performance of the banking sector. This was echoed by the pre / post Soludo era (Balogun, 2007). The underlying argument draws its strength from the neo-classical supply- side economics, rooted in Say's law that "supply creates its own demand" (Jhinghan, 2003) as cited in the paper of Balogun (2007). According to Uboh (2005) cited in Adegbaju and Olokoyo (2008) set the pace for the landslide of other works on the 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, monetization and capital formation determine the path and pace of economic development. Financial sector reforms, is that aspect of economic reforms which focus mainly on restructuring financial sector institutions (Regulators and Operators) via institutional and policy reforms. As part of the financial sector, banking sector reforms is that aspect which focuses mainly on getting incentives right for the banking sector to take the lead role in empowering the private sector to contribute more to economy growth (Balogun, 2007).

Empirical Evidence

Various economies in the world have embarked on a kind of reform or another with the expectation that the reform would bring about specific desired changes. Literature however reveals that reforms in some countries produced the expected results, in some others; the results were not as much as desired while in some others, the reform did not produce anything meaningful. There are factors, depending on the economy and the various externalities to such economies affecting the outcome of reforms. The focus of this section is not to investigate into the factors affecting the outcome of reforms but provide empirical evidence on the outcome of reforms in some countries. For example, Somoye (2008) in an empirical review concluded on the performance of commercial banks in Nigeria in the post-consolidation that the consolidation exercise has not improved the overall performance of banks significantly and also has contributed marginally to the growth of the real sector for sustainable development. He further said the consolidation may not necessarily be a sufficient tool for financial stability for sustainable development. These findings agree with and confirm the findings of Megginson (2005); Somoye (2006) as cited in Somoye (2008). On the other hand, Rashmi and Paroma (2007) concluded following a reforms that banks in India have resorted to output expansion rather than efficiency enhancement as a strategy to boost profits. They found out that the profitability of public sector banks have also improved in response to greater competition. When competition was taken into account, it was discovered that private banks have lower spread than public banks and there is no difference between old and new private banks.

Also, they found out that productivity lowers spreads, although the magnitude is relatively small. Other empirical review on Indian banks following the reform by Rashmi and Paroma (2007) reveals that private sector banks show significant gains relative to public sector banks in terms of profitability. Their study further shows that following the reforms, the foreign banks outperform Indian private sector banks. They also found that profitable banks are more likely to have a diverse range of output, operationally efficient and to have high spreads. Finally, their study reveals that following the reforms, productivity has increased across all bank categories, but its impact is relatively small in magnitude when compared to the output expansion variables(see also, Sabi 1996; Weill 2003 as cited in Rashmi and Paroma (2007)). The general perception is

that public sector involvement in the banking sector blunts incentives to effectively respond to market-based reforms (Bhattacharya and Patel, 2003; Kumbhakar and Sarkar, 2003 as cited in Rashmi and Paroma (2007)) so that deregulation benefits private banks. Kumbhakar (2001) as cited in Rashmi and Paroma (2007), studies whether and how deregulation assumes to generate increased competition, affects the profitability of Spanish savings banks between 1986 and 1993. Their panel of study uses a flexible variable profit function and incorporates time-varying technical efficiency; output is proxied by total loans and deposits. They find declining levels of output technical efficiency; high rates of technical progress, and increasing trend growth in productivity.

Liberalization of volume and interest rates has been observed to raise profitability in the banking sectors of Norway (Berg, Forsund, and Jasen, 1992; Turkey and Zaim, 1995) as cited in Rashmi and Paroma (2007)). Several studies for US banks suggest that liberalization of deposit rates has little or no effect (Bauer, Berger, and Humphrey, 1993; Elyasiani and Mehdi, 1995 as cited in Rashmi and Paroma (2007)). From the foregoing, it is evident that the outcomes of reforms across various economies show mixed results. This work therefore seeks to evaluate the impact of the 2009 bank reforms on the Nigerian banking industry. This is considered very important as its findings contribute to the literature from the developing economies.

Methodology

This study examines the impact of the 2009 reforms on the operational performance of banks in Nigeria. Consequently, the relationship between the reform and the operational performance of banks was examined. In order to do this, a critical examination of the reform was carried out. This examination reveals to us that the entire reform was anchored on four pillars. However, we collapsed two related pillars into a single one. As a result, we identified three variables to proxy the pillars of the reform which stand to represent the independent variables of this study. On the other hand, our conceptualization of the operational performance of bank as discussed in the preceding section is the ability of banks to grant loans and advances to customers, create credit, mobilize deposits, engage in project financing, provide foreign exchange services and engage in corporate social responsibility. This also was used to proxy the dependent variable. In order to measure the variables of the study and generate the required data, a survey research design was used. This design was considered appropriate for this study because all the variables of the study were obtained at a point in time and the conclusion about the characteristics of study population was drawn from the sample studied (see for details, Chava and David, 2003). The impact of the reform was investigated on the Nigerian banking sector. However, this study does not include the public sector banks and banks owned by international organizations but basically banks quoted on the Nigerian stock exchange. Furthermore, Nigerian banks have their branches spread across the states of the country. Interestingly, all the states except for few have similar characteristics in terms of size, population, infrastructures and economic activities; as a result, Ilorin of Kwara state was selected as the study area for this work. Consequently, the population of this study consists of all the banks that have at least one branch in Ilorin. In total, twenty two banks have at least one branch in Ilorin as at the time of this investigation.

Three (3) banks were selected and critically studied. In order to select the sample, the purposive sampling technique was used. This became necessary as most of the banks visited declined to

application and request to administer questionnaire. It was a major challenge initially but we overcame it by a mere understanding that most of the banks in Nigeria have common characteristics in all ramifications. Therefore, the conclusion drawn from this study is considered valid. However, we note that a large sample size would have done better and far enriching conclusions would have been made. Therefore this study is limited by this. The data used for this study was generated from the primary source through the instrumentality of structured questionnaire. The questionnaire was designed to measure the variables of the study on a five point Likert type measurement scale. The respondents were asked to select from a scale of 1-5 the point that best reflects the extent of the reform and the extent of the impact of the reform on the operational performance of banks. The highest point on the scale which is 5 was used to signify; "to an extremely large extent" while the lowest point which is 1 was used to signify, "not at all". More so, since the reform cut across the entire banking system, the instrument was administered across the management levels. By so doing, the information required to examine the impact of the reform was elicited.

For the purpose of this study, the multiple regression models were used. The model consists of three independent variables with one dependent variable. As earlier mentioned, the entire reform was divided into four sections eventually collapsed into three; as a result, the three independent variables were identified. The variables are: bank regulation; risk management; bank structure and infrastructures. The dependent variable is the operational performance of the banks after the reform. The model specification is as given below:

$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \mu_i$: where Y = Dependent variable; β_0 = intercept; x_1 = Bank regulation; x_2 = Risk management; x_3 = Bank structure and infrastructures; μ_i = error term; β = regression coefficient.

For the purpose of analysis, the Statistical Package for Social Sciences (SPSS16.0) was used. In order to test for the significance of the regression, 5% significance level was set.

Findings

This study investigates the relationship between the 2009 banks reform and the operational performance of banks in Nigeria. The data collected were analyzed using the Statistical Package for Social Sciences (SPSS16.0). The results are given and discussed below.

Model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + U_i$$

Where: X_1 = Bank regulation, X_2 = Risk management, X_3 = Bank Structure and infrastructure, Y = Operational performance of banks and U_i = Error term

Table 1 REGRESSION RESULTS

Variables	Coefficients	Standard Error	t-value	p value
Constant	4.800	0.882	5.442	0.000
Bank regulation	1.000	0.242	4.140	0.000
Risk management	0.800	0.233	3.429	0.002
Bank Structure and infrastructure	0.800	0.135	5.924	0.000
	$R = 0.849^a$	$R^2 = 0.720$	$F = 30.857$	

Source: Author's computation

The table labove shows that Bank regulation, Risk management, Bank Structure and infrastructure are positively related to the operational performance of banks. The coefficient correlation between the regressors (Bank regulation, Risk management and Bank Structure and infrastructure) and the regress and (Operational performance of banks) is 0.849. This shows that the association between the dependent and independent variables of the model is very strong. The coefficient of determination (R^2) of the model is 0.720. This reveals that 72% of the variation in the operational performance of banks can be explained by any positive change in bank regulation, risk management, bank Structure and infrastructures.

In other word, all the assumed factors are seen to be responsible 72% changes in the operational performance of banks. Thus, 28% variations in the operational performance of banks are explained by other factors other than bank regulation, risk management, bank Structure and infrastructures. The test of hypothesis of: no relationship between the 2009 Bank reforms and the operational performance of banks in Nigeria was carried out using the t statistics. Table above reveals that the coefficients of the model are statistically significant since the p-values of the coefficients are less than the set p-value of 0.05. Therefore, the hypothesis of no relationship is rejected while the alternative is accepted. The global fitness of the model is also ascertained given the F-statistics value of 30.857. Therefore, it implies that there is a positive relationship between the 2009 bank reform and the operational performance of banks in Nigeria.

The regression equation thus takes the form:

$$Y = 4.800 + 1.000 X_1 + 0.800X_2 + 0.800X_3 + U_t$$

Conclusion

Findings from this study have established that there is positive relationship between the 2009 bank reform and the operational performance of banks in Nigeria. Our conceptualization of operational performance of banks in this study as contained in section 2 is the ability of banks to give loan and advances to customers, mobilize fund inform of deposit from customers and the general public, create credit and finance projects. We categorized the entire reforms into three: bank regulation; risk management; bank structure and infrastructures. From the findings, therefore, we conclude that if there is increase in the bank regulation, effective management of risk, and improvements in the bank structure and infrastructures, then there would be increase in the ability of banks to give loans and advances to customers, mobilize fund inform of deposit from customers and the general public, create credit and finance projects.

from customers and the general public, create credit and finance projects. We recommend that effort should be made by banks regulators to engage in reform exercises to sanitize the banking sector and reposition it for effective performance and for the growth of the economy.

References

- Adegbaju, A. A and Olokoyo, F. O. (2008). Recapitalization and banks' performance: A case study of Nigerian Banks. *African Economics and Business Review*, 6(1-17). Retrieved December 14, 2010 from http://eprints.convenantuniversity.edu.ng/281/1/recapitalization_and_banks_performance.pdf
- Balogun, E. D. (2007). Banking sector reforms and the Nigerian economy: Performance, Pitfalls and Policy options. *European Journal of Economics, Finance and Administrative Science*, 1-27, Retrieved December 14, 2010 from http://mpa.ub.uni-muenchen.de/3804/1/MPRA_paper_3804.pdf
- Central Bank of Nigeria, (2010). *Nigerian Bank Nigeria CBN Central Bank of Nigeria*. Retrieved December 12, 2010 from http://www.cenbank.org/out/speeches/2010/the_nigerian_banking_industry_what_went_wrong_and_the_way_forward_final_260210.pdf
- Nigeria Compass, (2010). *Pains, gains of banking reform*. Retrieved December 17, 2010 from <http://www.nigerianmusicmovement.com/nigeria-bank-nigeria-cbn-central-bank-of-nigeria-pains-gains-of-banking-reform>
- Rashmi, S. and Paroma, S. (2007). What Drives Bank Performance? An Analysis for the Post-Reform Period in Indian. Retrieved December 14, 2010 from http://people.brandies.edu/~psanyal/India_Bank_Performance.pdf
- Ogubunka, U. (2010). *Nigerian Bank Nigeria CBN Central Bank of Nigeria*. Retrieved December 12, 2010 from <http://www.nigeriamusicmovement.com/nigeria-bank-nigeria-cbn-central-bank-of-nigeria-experts-chart-new-roadmap-for-banking-sector-reforms-consolidation>
- Sanusi, L. S. (2010). The Nigerian Banking Industry. What went wrong and the way forward. (Text Lecture to Mark the Annual Convocation Ceremony, Bayero University, Nigeria). Retrieved December 12, 2010 from http://www.cenbank.org/out/Speeches/2010/the_nigerian_banking_industry.what_went_wrong_and_the_way_forward-final-260210.pdf
- Soludo, C. C. (2007). Macroeconomics, Monetary Finance Sector Development in Nigeria. Retrieved December 12, 2010 from http://mpa.ub.uni-muenchen.de/3803/1/MPRA_paper_3803.pdf
- Uchendu, O. A. (2005). Banking Sector Reforms and Bank Consolidation: The Malaysian Experience. *African Economics and Business Review*, 29(2). Retrieved December 14, 2010 from http://www.cenbank.org/out/publications/bullion/gov/2006/pdf_apr-jun05.pdf