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RESEARCH ARTICLE

CORPORATE GOVERNANCE AND PERFORMANCE OF NIGERIAN DEPOSIT MONEY BANKS IN  
POST-CONSOLIDATION ERA

\*<sup>1</sup>Nasiru Musa Yauri, <sup>2</sup>Kwairanga Muhammad and <sup>2</sup>Nasiru Abdulsalam Kaoje

<sup>1</sup>Department of Business Administration Usmanu Danfodiyo University Sokoto, Nigeria

<sup>2</sup>Department of Accounting Usmanu Danfodiyo University Sokoto, Nigeria

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ABSTRACT

This paper investigates the relationship between corporate governance and three indicators of firm performance: return on assets, market capitalisation and risk management. The investigation was done mainly to discover whether one of the principal objectives of the 2005 bank consolidation in Nigeria (i.e. strengthening corporate governance) has been achieved. The study collects secondary data from the Nigeria Stock Exchange (NSE) factbook and financial reports of the deposit money banks (DMBs). A multiple regression model was employed to test the hypotheses of the study. Results of the regression analysis shows that, on the whole, corporate governance has a positive impact on the financial performance of DMBs in Nigeria and the paper suggests that regulatory agencies should pursue policies that strengthen the corporate governance mechanism of DMBs in Nigeria with a view not only to improving their financial performance but also to minimise the recurrent phenomenon of distress amongst DMBs in Nigeria.

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INTRODUCTION

Corporate Governance generally refers to the process or mechanism by which the affairs of businesses and institutions are directed and managed, with a view to improve long term value of shareholders while taking into account the interests of other stakeholders interested in the well-being of an entity (Sanda, Mikailu and Garba, 2005; Central Bank of Nigeria, 2006; Chuku, 2009). The 2005 banks' consolidation was the most widespread banking reform in recent years and a major attempt at the economic management of Nigeria. Strengthening corporate governance is one of the goals that the Central Bank of Nigeria (CBN) and other regulatory agencies like the Securities and Exchange Commission (SEC) set out to achieve with the bank consolidation exercise of 2005 (some key elements of the 13-point agenda of the 2005 banking reform are presented as Appendix I). To achieve this objective, a code of best practices was first issued in 2003 by the Nigerian Securities and Exchange Commission (SEC), later approved by the Bankers' Committee in compliance with the provisions of the code made mandatory by Central Bank of Nigeria the same year (CBN, 2006). The aftermath of the 2005 consolidation exercise saw the emergence of twenty five (25) banks after various processes of recapitalisation, and mergers and acquisitions of the eighty nine (89) banks that operated in Nigeria just before the commencement of the 2005 bank consolidation (see Appendix II). This paper investigates whether the 2005 bank consolidation has achieved one of its major objectives viz strengthening corporate governance of deposit money banks (DMBs) in Nigeria and if both consolidation and the emergent corporate governance mechanisms of the banks are associated with any improvement in the performance of the DMBs studied. The paper is presented in five sections. This introduction is followed by the review of relevant literature on corporate governance and bank consolidation in Nigeria. Section three explains the methodology of the research while section four presents and discusses the results. Section five concludes the paper.

\*Corresponding author: [nymusa2002@yahoo.com](mailto:nymusa2002@yahoo.com)

Literature Review

The question whether the various bank reforms in Nigeria have achieved other objectives than merely resuscitating the banks' liquidity positions has been contemplated by many researchers (for example, Yauri, Musa and Kaoje, 2012). Banking reforms started in Nigeria as far back as the colonial era when the colonial government raised the capital requirement for banks especially the foreign commercial banks from £200,000 to £400,000 in 1958 (Adegbaju and Olokoyo, 2008). Evidently, recapitalisation and consolidation became the most recurring characteristics of Nigerian banking reform since that period (a breakdown of major banking reforms with emphasis on recapitalisation/consolidation in Nigeria since independence is presented as Appendix III). Improving the liquidity position of the DMBs, though important, is not the primary focus of consolidation. In Nigeria, the recurrent distress phenomenon in the Nigerian banking industry (see Appendix IV) is one of the primary concerns of regulatory agencies that eventually resulted in the articulation of the 2005 consolidation policy (see Appendix I). Whereas better liquidity positions, if achieved by the consolidation exercise, can have the immediate effect of bailing a DMB out of transaction difficulties, long term objectives of forestalling distress are hardly achieved except the consolidation exercise has strengthened the corporate governance mechanism of the DMBs (see Yauri *et al.*, 2012). This is the thesis of this paper.

There is sufficient evidence in the literature to suggest that banking consolidation and other bank reform programmes must aim to achieve more than increase in the minimum paid-up capital. One of the major objectives of bank reforms generally and the banking consolidation of 2005 in Nigeria apart from the gearing-up of the minimum paid-up capital is the strengthening of corporate governance. The agency theory provides the first theoretical and conceptual basis for understanding corporate governance (Musa, 2006). Generally, modern firms benefit from a separation of ownership and control. This is because owners as a class had no expertise, or experience or

even time to manage the affairs of the business themselves. These companies are run by managers as agents, who are accountable to shareholders as principals (Chandler, 1990). Jensen and Meckling (1976) argued that corporate governance is, therefore, a function of the relationship between owners (principal) and managers (agent). It is a contract under which one party (the principal) engages another party (the agent) to perform some service on the principal's behalf (Jensen and Meckling, 1976). The central issue in corporate governance from the perspective of the agency theory is whether managers can be trusted to carry out the function of the firm in the best interest of shareholders. Sanda et al (2005) further explains that corporate governance is concerned with ways in which all parties interested in the well-being of the firm attempt to ensure that managers and other insiders take measures or adopt mechanism that safeguard the interest of stakeholders. According to Htay (2012) "due to the separation of ownership and control, agency problems, i.e. moral hazard (hidden action) and adverse selection (hidden information) could occur and the directors might maximise their own interest at the expense of the shareholders". Obviously, both the agency theory and the definition by Sanda et al (2005) affirm that one of the most fundamental objectives of corporate governance is accountability. Evidence show that before the 2005 consolidation, the Nigerian banking industry was characterised by corporate governance challenges leading to gross anomalies in the performance of the banks as well as recurring distress in the sector. At the declaration of the banking consolidation of 2005 in Nigeria, the Governor of the Central Bank of Nigeria (CBN) stated that the top-most problem in the banking sector in Nigeria was "weak corporate governance, evidenced by high turnover in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and de-marketing of other banks in the industry" (Soludo, 2004). Historical evidences show that as far back as the 1990s, weak corporate governance accounted for the collapse of many banks in Nigeria. According to the Nigeria Deposit Insurance Corporation, NDIC (1994) insider loans accounted for 65 percent of the total loans of the four banks liquidated in Nigeria in 1995, virtually all of which was unrecoverable (see Appendix VI). Brownbridge (1998) commenting on the 1995 distress of DMBs in Nigeria stated that most, if not all, of the banks that failed in Nigeria failed due to non-performing loans. Arrears affecting more than half the loan portfolio were typical of the failed banks. Many of the bad debts were attributable to moral hazard: the adverse incentives on bank owners to adopt imprudent lending strategies, in particular insider lending and lending at high interest rates to borrowers in the most risky segments of the credit markets contrary to the interests of the bank's creditors (mainly depositors or the government if it explicitly or implicitly insures deposits), which, if unsuccessful, would jeopardize the solvency of the bank.

There are other evidences to show that the Nigerian banking sector was bedraggled with a myriad of corporate governance challenges. The Central Bank of Nigeria (2006) identified a score of corporate governance problems in the Nigerian banking sector as follows: disagreement between board and management giving rise to board squabbles; ineffective board oversight function; fraudulent and self-serving practices among members of the board, management and staff; over bearing influence of chairman or MD/CEO; weak internal control system and non-compliance with laid down internal control and operational procedure, ignorance of and non-compliance with rules, laws and regulations guiding banking business; passive shareholders, poor risk management practices, resulting in large quantity of non-performing loans including insider-related credit; sit-tight directors-even where such directors fail to make meaningful contribution to the growth and development of the banks; succumbing to pressure from other stakeholders like shareholders appetite for high dividend and depositors quest for high interest on deposits, technical incompetence, poor leadership and administrative inability, inability to plan and respond to changing business circumstance as at when due and ineffective management information system.

This study investigates whether the 2005 consolidation in the Nigerian banking industry has addressed some of these challenges. The study investigates whether some board characteristics and the banks' risk management practices are associated with better performance of the banks in the post consolidation era. Results of empirical studies have confirmed that Board characteristics constitute some of the major challenges of banks with respect to corporate governance (Sanda et al., 2005; Kyereboah-Coleman, 2007; Coleman et al., 2007; Sanda et al., 2008). The board is essentially recognised as a device mainly built to sustain the trust of stakeholders in any given enterprise. They are recognised as having many unique characteristics, which can contribute to sound corporate governance. These include structure, leadership, size, independence, sub-committee diversity and meeting frequency (Balgobin, 2008). This study investigates the impact of corporate governance on financial performance of DMBs in Nigeria. The study measures corporate governance from the purview of two board characteristics: intensity of board meetings (Balgobin, 2008; Chuku, 2009) and chief executive officer (CEO) tenure (Kyereboah-Coleman and Biekpe, 2006; Kyereboah-Coleman, 2007; Sanda et al., 2008). In addition, risk management is also used in the study as a measure of corporate governance. This is because a number of studies have found risk management as an important attribute of effective corporate governance (Demirguc-Kunt and Huizinga, 1999; Allen et al., 2005; Barako and Tower, 2006).

## METHODOLOGY

This paper investigates whether there is any significant and positive relationship between corporate governance and the performance of DMBs in Nigeria. The study focuses on the post-consolidation era to investigate:

- i. Whether post-consolidation corporate governance practices of DMBs in Nigeria are associated with any significant amount of positive performance of the DMBs
- ii. Whether the 2005 banking consolidation in Nigeria has strengthened the corporate governance practices of DMBs in Nigeria

To achieve the above objectives, the following research hypotheses were formulated and tested in the study:

H<sub>1</sub>: Longer serving chief executives are associated with higher financial performance of DMBs in Nigeria.

H<sub>2</sub>: Intensity of board meetings promotes financial performance of banks in Nigeria.

H<sub>3</sub>: Risk management significantly improves financial performance of banks in Nigeria.

The study is a survey research of twenty one (21) DMBs listed on the Nigerian Stock Exchange as at December, 2008 (Appendix VII). Post-consolidation data for the period 2005-2008 was collected to test the hypotheses. Data on the variables of the study were collected from published financial accounts of the banks and the NSE factbook. The study collected data on three indicators of corporate governance (tenure of chief executives, intensity of board meetings and risk management) and on three financial performance measures (return on assets, non-performing loans and market capitalisation).

To test the research hypotheses, a multiple regression model was formulated as follows:

$$FP = \alpha + \beta_1CEOTEN + \beta_2BM + \beta_3RM + e \dots\dots\dots\text{equation 1}$$

Where FP = Financial performance (Non-Performing Loan, Return on Assets, Market capitalization)

$\alpha$  = constant term

$\beta_1CEOTEN$  = Chief Executive Tenure

$\beta_2BM$  = Intensity of Board Meetings

$\beta_3RM$  = Risk Management

e = Error term

The variables in the regression model are defined and measured as follows:

**Chief Executive Officer (CEO) tenure:** This is measured by the tenure of CEO using the number of years a CEO serves in that capacity. An industry average was established, dummy variable taking a value of 0 for CEO with tenure less than the industry average and 1 otherwise.

**Intensity of Board meetings:** The intensity of board meetings is measured by the number of meetings held in a financial year. An industry average of number of meetings was established, dummy variable taking a value of 0 for banks with less than the industry average and 1 otherwise

**Risk Management:** This is measured by z-score of the banks. The z-score is obtained by adding capital to asset ratio with return on assets and then dividing by standard deviation of return on asset. An industry average was established for z-score, dummy variable taking a value of 0 for banks with a z-score less than the industry average and 1 otherwise

**Non-Performing Loan (NPL):** This is measured as a percentage of non-performing loans to total loans for the period under study.

**Return on Assets (ROA):** This is measured as a percentage of net profit to total assets for the period under study.

**Market Capitalization:** This is measured by the market price per share multiplied with total shares issued for bank. The study also determined the percentage ratio of each bank's capitalization to total industry capitalisation for the period under study. The model is an adopted model from Htay (2012) and the previous works of Sanda et al (2005) in which proxies for firm performance were expressed as the dependent variables while measures of corporate governance were expressed as independent variables in an ordinary least squares (OLS) regression model. Htay (2012) utilised profitability as measure of performance proxied by return on assets (ROA) and return on equity (ROE). The author selected three conventional measures of corporate governance as independent variables (board leadership structure, board composition and board size). The author utilised the following empirical model:

$$PERF = \beta_0 + \beta_1 BLS + \beta_2 INE\_BZ + \beta_3 BZ + \beta_4 DOWN + \beta_5 IOWN + \beta_6 BOWN + \beta_7 LNTA + \beta_8 TD\_TE + \beta_9 GDP\ RATE_{9t} - \beta_{10} DUM\_CRISIS + \epsilon_{it}$$

Where;

PERF= Profitability is measured by ROA and ROE

BLS= Board leadership structure where 1 equals separate leadership structure, and 0 equals combined leadership structure

INE\_BZ= Proportion of independent non-executive directors on the Board

BZ= board size

DOWN= proportion of director ownership

IOWN= Proportion of institutional ownership

BOWN= Proportion of block ownership

LNTA= Firm size, measured by log of total assets

TD\_TE= Leverage, measured by total assets over total equity

GDP RATE= Gross domestic product growth rate

DUM\_CRISIS= Dummy variable for economic crisis years, where 1 equals crisis year and 0 equals non-crisis year.

In this study, we substituted Htay's performance measures (ROA and ROE) with NPL, ROA and market capitalisation. Influenced by the works of Coleman et al (2007) and Balgobin (2008) on intensity of board meetings; Sanda et al (2008) on CEO tenure, Demircuc-Kunt and Huizinga, (1999) on risk management, this study selected CEO tenure, intensity of board meetings and risk management as parameters of corporate governance.

## RESULTS

In this section, we present the results of the analysis of data and test of hypotheses. Data on the dependant and independent variables of the research are summarised in appendices VIII-XIII. Results of the coefficient estimates between the independent and dependent variables of the study are shown in Appendix XIV.

### Market Capitalisation

In relation to market capitalisation, chief executive tenure has a positive coefficient of 0.460 at 5% level of significance. This indicate a positive relationship between tenure of chief executives and market capitalisation, showing that as chief executives stay longer, market capitalisation increases and vice versa. This finding is consistent with that of Coleman et al (2007). Board meetings intensity has a positive but insignificant coefficient of 4.682. This indicates a direct relationship between meetings and market capitalisation suggesting that more board meetings may yield higher market capitalisation though the result is not sufficiently significant to reach a conclusion. Chuka (2009) however found significant and positive relationship between intensity of board meetings and market capitalisation. However, risk management has a negative coefficient of -0.745 implying that as risk management increases market capitalisation decreases. This is statistically significant at 5% level of significance. On the whole, the R<sup>2</sup> is 50.6% implying that the model has a fairly impressive predictive capability. The F-statistic of 4.092 is significant at 5% level enabling us to conclude that there is strong relationship between board meetings, CEO tenure, risk management and market capitalization.

### Return on Assets

Tenure of chief executives' relationship with return on asset recorded a positive coefficient of 0.833 at 5% level of significance. The outcome reveals that as tenure of chief executive elongates, return on asset increases. This finding is consistent with Sanda et al (2008) in respect of small firms in Nigeria. The relationship of board meeting intensity to return on asset, however, posted a negative coefficient of -0.0575 implying that there is inverse relationship between board meetings and return on assets, although the relationship is statistically insignificant. The outcome agreed with previous empirical findings of Coleman et al (2007), and Chuka, (2009). Risk management has positive coefficient of 0.029 in its relationship with return on asset which is significant at 10% level. Thus, the higher the level of risk management, the better the return on assets. This is consistent with previous findings of Allen *et al* (2005); Demircuc-kunt and Huizinga, (1999). The adjusted R<sup>2</sup> is 0.45 showing an average predictive ability of the model (about 45%). This is complimented by an adjusted R<sup>2</sup> of .317. The F-statistic is 3.321 and statistically significant at 1% level of significance indicating a strong relationship between the independent and dependent variables.

### Non-performing loans

Results show that CEO tenure has a positive coefficient of 6.056 suggesting that as chief executive stays longer non-performing loan rises. However, the relationship is not statistically significant. Therefore, it is concluded from the results that the relationship between chief executive tenure and performance as measured by non-performing loans is significant. This agrees with the findings of Sanda *et al.* (2008). On the other hand, board meetings have positive coefficient of 4.411 which is not significant, indicating that as board meetings increases, non-performing loans may still be on the rise. However, the results indicate there is no statistical basis to arrive at this conclusion. This is consistent with the findings of Coleman *et al.* (2007), and Chuka (2009). Risk management has a negative coefficient of -10.326 (at 5% level of significance) in relation to non-performing loans, indicating that as risk management efficiency level increase, non-performing loans drop. This agrees with the findings of

Barako and Tower (2006). The  $R^2$  is .3526 indicating the predictive ability of the model is 35% and the f-statistics is 2.172 which is sufficient to indicate that the relationship between the independent and dependent variables is not strong. However, the findings of Barako and Tower (2006) are sufficient to suggest that risk management efficiency can lead to a drop in the volume of non-performing loans despite the weakness of the model used in this study.

### Conclusions and Recommendations

This study tested three hypotheses on the relationship between corporate governance and performance of DMBs in Nigeria. Results of regression analysis show that a positive and significant influence of board meetings on the financial performance of the banks was not established. However, there was sufficient evidence to conclude that tenure of chief executives and the risk management practices of the banks in the post-consolidation era are associated with better performance. On the whole, there is sufficient evidence to show that corporate governance is significantly and positively related to some improvement in the performance of the banks in the period following the 2005 bank consolidation in Nigeria. This is especially since none of the results show that the corporate governance practices studied are associated with decline in the performance of the banks during the study period. Though this study has not taken into account as many measures of corporate governance as there are, there is sufficient evidence to show that corporate governance is associated with improvements in the performance of DMBs in Nigeria. The study further strengthens the argument that the implementation of banking reforms in Nigeria, particularly the 2005 consolidation exercise should place significant emphasis on strengthening corporate governance practices of these financial institutions. To convince policy makers that the solution to the Nigerian banking crises lies in the improvement of the corporate governance practices of the DMBs, subsequent research should take into account more measures of corporate governance practices and should, more importantly, test for differences in performance of banks with better corporate governance practices to those with weak corporate governance practices.

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**Appendix I. Ten Key Elements of the 2005 Banking Reform**

- ✓ 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 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

**Appendix II. 25 banks that emerged from the 2005 Consolidation exercise**

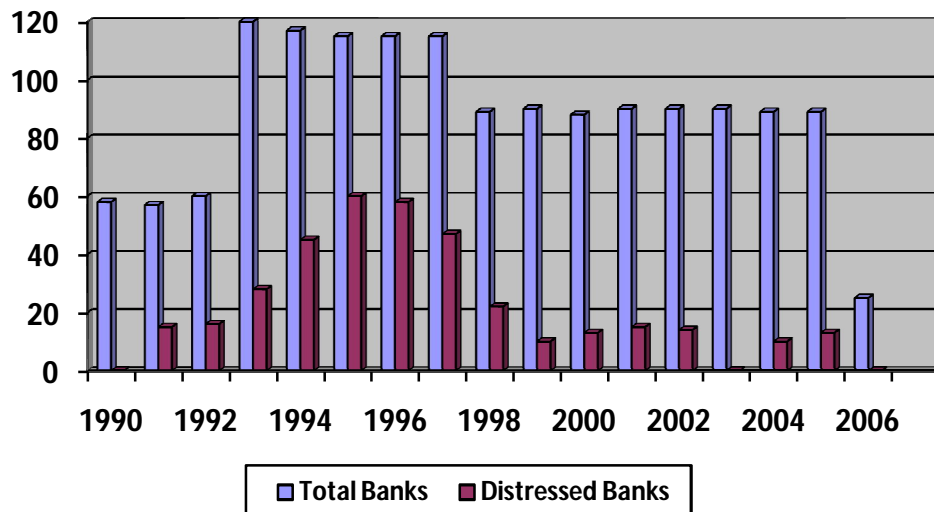
S/N	Name of bank	Capital base (Nbillion)	Number of branches	Former banks in the group
1.	Access Bank	28	118	Access Bank, Capital Bank Int'l and Marina Bank
2.	AfriBank	29	262	AfriBank and AfriBank Int'l (Merchant)
3.	Diamond Bank	33.25	250	Diamond Bank and Lion Bank
4.	Ecobank	Over 25	209	Ecobank
5.	Equitorial Trust Bank	26.5	92	Equitorial Trust Bank and Devcom Bank
6.	First City Monument Bank	30	145	FCMB, Development Bank and Nigerian American Merchant Bank
7.	Fidelity Bank	29	112	Fidelity Bank, FSB International Bank, Manny Bank
8.	First Bank	44.62	478	First Bank of Nigeria, FBN Merchant Bankers, MBC Int'l Bank
9.	First Inland Bank	28	151	First Atlantic Bank, Inland Bank, IMB International Bank & NUB International Bank.
10.	Guarantee Trust Bank	34	154	Guarantee Trust Bank
11.	IBTC Chartered Bank	31.3		IBTC Chartered Bank & Regent Bank
12.	Intercontinental Bank	51.7	292	Intercontinental Bank, Equity Bank, Global and Gateway Bank
13.	Nigerian International Bank (City Bank)	25	13	Nigeria International Bank (City Group)
14.	Oceanic Bank	31.1	345	Oceanic Bank & International Trust Bank
15.	Platinum Habib Bank	26	123	Oceanic Bank & International Trust Bank
16.	Skye Bank	37	226	Prudent Bank, EIB International, Cooperative Bank, Bond Bank & Reliance Bank
17.	Spring Bank	26.4	191	Citizens International Bank, Guardian Express Bank, ACB International Bank, Omegabank, Fountain Trust Bank & Trans International Bank
18.	Stanbic Bank	36.1		Stanbic Bank
19.	Standard Chartered Bank	26	14	Standard Chartered Bank
20.	Sterling Bank	25	101	Magnum Trust Bank, NAL Bank, Indo-Nigeria Bank & Trust Bank of Africa
21.	United Bank for Africa	50	619	United Bank for Africa and Standard Trust Bank
22.	Union Bank	58	383	Union Bank, Union Merchant Bank, Universal Trust Bank & Broad Bank
23.	Unity Bank	30	204	Intercity Bank, First Interstate Bank, Tropical Commercial Bank, Pacific Bank, Centre Point Bank, NNB International Bank, Bank of the North, Societe Bancaire & New Africa Bank
24.	Wema	26.2	150	Wema Bank and National Bank
25.	Zenith Bank	38	321	Zenith Bank

Source: Ningi and Dutse (2008); Ernest (2012)

**Appendix III. Some Banking Reforms in Nigeria Since 1958**

S/N	Year	Reform
1.	1952	First Banking Ordinance
2.	1958	Recapitalisation of foreign commercial banks from £ 200,000 to £ 400,000
3.	1969	Recapitalisation (N1.5million for foreign banks; N600, 000 for indigenous banks)
4.	1978	Recapitalisation (N2million)
5.	1979	Introduction of Merchant Banking
6.	1988	Recapitalisation (N5million for commercial banks; N3million for merchant banks)
7.	1988	Recapitalisation (N10million for commercial banks; N6million merchant banks)
8.	1989	Recapitalisation (N20million for commercial banks; N12million for merchant banks)
9.	1990	1. Recapitalisation (N50million for commercial banks; N40million merchant banks) 2. Prudential guidelines for licenced banks 3. Statement of Accounting Standards Accounting Principles
10.	1997	Recapitalisation (N500million for both commercial and merchant banks)
11.	1998	Liquidation of 26 banks due to inability to capitalize (13 commercial banks and 13 merchant banks)
12.	2001	1. Introduction of universal banking 2. Recapitalisation (N1 billion for existing banks; N2billion for new banks)
13.	2004-2005	Recapitalisation (N25 billion for all banks)
14.	2012	Nationalisation of three distressed banks

## Appendix IV: Number of Distressed Banks and Total Banks in Nigeria (1990-2006)



Source: CBN and NDIC Statement of Accounts and Annual Reports Various Issues Note: Some cases were recorded in the period after 2005 Consolidation, leading to mergers, acquisitions and nationalisation of banks (See Appendix V below)

## Appendix V: Post 2005 Mergers, Acquisitions, Nationalisation

S/N	Type of Activity	Year	Banks Involved	New name
1.	Merger	2011	Ecobank and Oceanic Bank	Ecobank
2.	Merger	2011	Access and Intercontinental	Access Bank
3.	Merger	2011	Sterling Bank and Equatorial Trust Bank	Sterling Bank
4.	Nationalisation (the CBN through the Asset Management Company of Nigeria, AMCON, injected funds into the banks and there are plans to divest such interests by 2014)	2012	Platinum Habib Bank	Keystone Bank
5.	Nationalisation (the CBN through the Asset Management Company of Nigeria, AMCON, injected funds into the banks and there are plans to divest such interests by 2014)	2012	Afribank	Mainstreet Bank
6.	Nationalisation (the CBN through the Asset Management Company of Nigeria, AMCON, injected funds into the banks and there are plans to divest such interests by 2014)	2012	Spring Bank	Enterprise Bank

## Appendix VI: Ratio of Insider Loans to Total Loans and Ratio of Non-Performing Loans to Total Loans in Selected Liquidated Banks as at Date of Closure

S/N	Closed Banks	Date of Closure	Ratio of Insider Loans to Total Loans (%)	Ratio of Non-Performing Loans to Total Loans (%)
1	Financial Merchant Bank	1994	66.90	99.50
2	Kapital Merchant Bank	1994	50.00	96.20
3	Alpha Merchant bank	1994	55.00	90.00
4	United Commercial Bank	1994	81.00	90.00
5	Republic Bank	1995	64.90	98.00
6	Commercial Trust Bank	1998	55.90	100.00
7	Commerce Bank	1998	52.00	86.90
8	Credite Bank	1998	76.00	98.30
9	Prime Merchant Bank	1998	80.70	100.00
10	Group Merchant Bank	1998	77.60	94.50
11	Nigeria Merchant Bank	1998	99.90	95.90
12	Royal Merchant Bank	1998	69.00	98.00

Source: NDIC Annual Report (1990-1998)

## Appendix VII: Population of the Study

S/N	NAME OF BANKS	S/N	NAME OF BANKS
1.	Access bank Plc	12.	Oceanic Bank Plc
2.	Afri bank Plc	13.	Platinum Habib Bank Plc
3.	Diamond Bank Plc	14.	Skye Bank Plc
4.	Eco Bank Plc	15.	Sterling Bank Plc
5.	Fidelity Bank Plc	16.	UBA Plc
6.	First Bank Plc	17.	Union Bank of Nigeria Plc
7.	First City Monument Bank Plc	18.	Unity Bank Plc
8.	First Inland Bank Plc	19.	Spring Bank
9.	Guaranty Trust Bank Plc	20.	Wema Bank Plc
10.	Stanbic IBTC Bank Plc	21.	Zenith Bank Plc
11.	Intercontinental Bank Plc		

Source: Generated by the authors from NSE Fact Book 2008

**Appendix VIII: Chief Executive Officers' Tenure of Sampled DMBs**

CEO tenure (years)	Number of CEOs	Percentage
1	-	-
2	1	4.8
3	3	14.3
4	2	9.5
5	4	19.0
6	1	4.8
7	3	14.3
8	5	23.8
9	2	9.5
Total	21	100

Source: Computed from various annual reports and accounts and NSE fact book

**Appendix IX: Number of Board Members Meetings in Sampled DMBs**

S/N	NAME OF BANK	2005	2006	2007	2008
1.	Access bank Plc	4	4	4	5
2.	Afri bank Plc	6	4	4	7
3.	Diamond Bank Plc	6	6	7	7
4.	Eco Bank Plc	17	7	5	4
5.	Fidelity Bank Plc	5	4	4	5
6.	First Bank Plc	9	9	9	9
7.	First City Monument Bank Plc	5	5	6	4
8.	First Inland Bank Plc	9	7	8	8
9.	Guaranty Trust Bank Plc	5	5	6	5
10.	Stanbic IBTC Bank Plc	4	4	5	4
11.	Intercontinental Bank Plc	7	6	7	7
12.	Oceanic Bank Plc	4	4	5	4
13.	Platinum Habib Bank Plc	6	4	5	5
14.	Skye Bank Plc	4	4	5	5
15.	Sterling Bank Plc	7	4	12	7
16.	UBA Plc	6	6	6	6
17.	Union Bank of Nigeria Plc	5	5	6	6
18.	Unity Bank Plc	6	5	7	7
19.	Spring Bank	6	7	4	4
20.	Wema Bank Plc	8	14	8	11
21.	Zenith Bank Plc	9	7	7	9
	Total	138	121	130	126

Source: Computed from various annual reports and accounts and NSE fact book

**Appendix X: Z-score of Sampled DMBs**

S/N	NAME OF BANKS	2005 (%)	2006 (%)	2007 (%)	2008 (%)
1.	Access bank Plc	17.46	15.67	18.24	24.32
2.	Afri bank Plc	13.88	19.80	26.51	23.88
3.	Diamond Bank Plc	19.15	21.52	26.51	27.16
4.	Eco Bank Plc	15.31	18.97	26.52	27.16
5.	Fidelity Bank Plc	14.03	16.03	19.47	29.49
6.	First Bank Plc	19.08	18.73	27.73	34.62
7.	First City Monument Bank Plc	19.40	18.21	19.71	43.51
8.	First Inland Bank Plc	07.63	10.20	18.66	19.00
9.	Guaranty Trust Bank Plc	20.01	24.83	27.73	34.62
10.	Stanbic IBTC Bank Plc	23.00	28.72	28.76	36.40
11.	Intercontinental Bank Plc	23.73	23.90	33.73	36.90
12.	Oceanic Bank Plc	18.46	14.51	17.79	36.41
13.	Platinum Habib Bank Plc	12.70	24.75	26.35	27.01
14.	Skye Bank Plc	10.07	15.29	18.46	27.96
15.	Sterling Bank Plc	14.00	18.55	19.11	18.23
16.	UBA Plc	19.80	21.80	24.60	28.52
17.	Union Bank of Nigeria Plc	17.00	22.75	22.60	28.52
18.	Unity Bank Plc	06.60	10.61	12.59	13.46
19.	Spring Bank	13.40	12.83	15.55	16.33
20.	Wema Bank Plc	08.42	16.81	11.20	14.21
21.	Zenith Bank Plc	17.00	23.50	24.11	28.33

Source: Computed from various annual reports and accounts and NSE fact book

## Appendix XI: Market Capitalisation of Sampled DMBs

S/N	NAME OF BANKS	2005 (billions)	2006 (billions)	2007 (billions)	2008 (billions)	2005 (%)	2006 (%)	2007 (%)	2008 (%)
1.	Access bank Plc	13.095	50.940	65.000	190.480	2.11	4.71	3.11	3.14
2.	Afri bank Plc	7.320	42.800	29.650	186.907	1.18	3.97	1.42	3.09
3.	Diamond Bank Plc	11.930	47.100	12.910	254.238	1.92	4.36	0.62	4.20
4.	Eco Bank Plc	29.770	62.790	108.488	172.151	4.79	5.81	5.20	2.84
5.	Fidelity Bank Plc	4.950	3.340	71.690	194.765	0.80	0.31	3.43	3.22
6.	First Bank Plc	94.430	160.100	347.052	889.084	15.21	14.81	16.63	14.84
7.	First City Monument Bank Plc	11.530	43.430	55.860	180.300	1.86	4.02	2.68	2.98
8.	First Inland Bank Plc	13.640	8.000	13.200	64.420	2.20	0.74	0.63	1.06
9.	Guaranty Trust Bank Plc	70.140	74.400	108.00	479.625	11.30	6.88	5.17	7.92
10.	Stanbic IBTC Bank Plc	9.380	18.690	88.125	248.625	1.51	1.73	4.22	4.10
11.	Intercontinental Bank Plc	28.030	99.200	145.857	752.593	4.52	9.18	6.99	12.92
12.	Oceanic Bank Plc	37.800	60.440	143.364	435.411	6.09	5.59	6.87	7.19
13.	Platinum Habib Bank Plc	17.400	13.790	102.350	205.197	2.80	1.28	4.90	3.39
14.	Skye Bank Plc	16.860	12.980	26.630	63.170	2.72	1.20	1.28	1.04
15.	Sterling Bank Plc	19.520	18.520	23.030	32.390	3.14	1.71	1.10	0.53
16.	UBA Plc	71.880	90.700	178.689	558.869	11.58	8.39	8.56	9.23
17.	Union Bank of Nigeria Plc	93.960	152.010	221.077	498.624	15.13	0.14	10.59	8.23
18.	Unity Bank Plc	8.320	3.900	13.480	15.970	1.34	0.36	0.36	0.26
19.	Spring Bank	9.200	14.010	81.060	25.770	1.48	1.30	1.30	0.43
20.	Wema Bank Plc	6.150	4.580	25.770	75.510	0.99	0.47	0.42	1.25
21.	Zenith Bank Plc	45.600	99.000	226.079	533.810	7.34	9.16	10.83	9.14
	Total	620.905	1,080.72	2,085.361	6,057.903	100	100	100	100

Source: Computed from various annual reports and accounts and NSE fact book

## Appendix XII: Return on Assets of sampled DMBs

S/N	NAME OF BANKS	2005 (%)	2006 (%)	2007 (%)	2008 (%)
1.	Access bank Plc	7.6	14.2	18.5	25.3
2.	Afri bank Plc	5.8	19.4	27.7	27.7
3.	Diamond Bank Plc	19.2	17.4	22.1	23.9
4.	Eco Bank Plc	24.6	26.9	23.9	27.9
5.	Fidelity Bank Plc	36.6	26.5	21.5	28.5
6.	First Bank Plc	26.5	28.0	24.6	23.9
7.	First City Monument Bank Plc	28.0	26.6	22.6	32.7
8.	First Inland Bank Plc	(6.6)	(9.7)	14.6	17.0
9.	Guaranty Trust Bank Plc	18.5	27.8	27.1	28.7
10.	Stanbic IBTC Bank Plc	32.4	35.2	38.0	34.9
11.	Intercontinental Bank Plc	30.0	20.0	22.0	25.0
12.	Oceanic Bank Plc	27.0	25.7	19.8	26.7
13.	Platinum Habib Bank Plc	13.6	15.4	20.3	15.3
14.	Skye Bank Plc	15.4	11.0	12.4	21.5
15.	Sterling Bank Plc	(4.0)	8.8	4.3	14.4
16.	UBA Plc	19.6	21.0	28.0	23.1
17.	Union Bank of Nigeria Plc	17.7	16.1	18.9	19.1
18.	Unity Bank Plc	12.3	11.9	18.0	21.0
19.	Spring Bank	17.1	16.0	12.3	16.1
20.	Wema Bank Plc	8.6	14.9	15.4	15.3
21.	Zenith Bank Plc	21.4	18.8	24.8	29.2

Sources: computed by the author from various annual reports and accounts and NSE fact book

## Appendix XIII: Non-Performing Loans of Sampled DMBs

S/No	NAME OF BANKS	2005 (%)	2006 (%)	2007 (%)	2008 (%)
1.	Access bank Plc	24.2	23.1	13.0	9.3
2.	Afri bank Plc	21.1	22.7	28.1	29.0
3.	Diamond Bank Plc	13.3	13.1	12.4	10.8
4.	Eco Bank Plc	17.9	18.5	17.1	14.5
5.	Fidelity Bank Plc	30.0	28.6	21.7	19.2
6.	First Bank Plc	24.5	19.5	9.9	8.0
7.	First City Monument Bank Plc	22.0	13.0	17.0	9.0
8.	First Inland Bank Plc	37.4	29.6	22.3	22.1
9.	Guaranty Trust Bank Plc	13.7	11.2	10.8	8.0
10.	Stanbic IBTC Bank Plc	9.0	8.1	5.6	4.9
11.	Intercontinental Bank Plc	39.0	34.1	19.1	26.7
12.	Oceanic Bank Plc	18.0	19.6	19.1	20.3
13.	Platinum Habib Bank Plc	17.3	19.1	26.6	29.3
14.	Skye Bank Plc	17.5	15.4	12.6	9.1
15.	Sterling Bank Plc	18.9	13.2	11.0	10.1
16.	UBA Plc	15.0	13.7	12.4	11.1
17.	Union Bank of Nigeria Plc	19.0	16.4	16.2	19.7
18.	Unity Bank Plc	29.0	26.5	23.3	19.8
19.	Spring Bank	13.0	17.8	23.0	20.0
20.	Wema Bank Plc	31.0	28.7	23.6	22.1
21.	Zenith Bank Plc	19.0	16.7	15.1	11.0

Source: Computed from various annual reports and accounts and NSE fact book



## Appendix XIV: Results of Regression Analysis

Independent variables (CG indicators)	Dependent variables (performance measures)		
	MCAP	ROA	NPL
Intercept	3.416 (3.077)	1.773 (7.710)	10.953 (4.054)
CEOTEN	0.460(0.267) **	0.833 (2.293) **	6.056 (1.682)
BM	4.682(3.443)	-0.0575(-0.204)	4.411 (1.333)
RM	-0.745 (-0.503) **	0.029 (0.094) *	-10.326(-2.418) **
R <sup>2</sup>	0.506	0.454	0.3526
Adj R <sup>2</sup>	0.382	0.317	0.190
F stat	4.092**	3.321*	2.172

Source: SPSS regression result using secondary data T-values are in ( ) \* significant at 10% level, \*\* significant at 5% level, \*\*\* significant at 1% level.

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