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EFFECT OF GOVERNMENT REGULATION ON BANKING INDUSTERIES AMONG FINANCIAL INSTITUTONS IN NIGERIA.

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Abstract
The study was to investigate the effect of government regulation on banking industries among financial institutions in Nigeria. In this study, it has been revealed that this interference on financial institution by government as a whole is a noble in the right direction. It is an important aspect of financial institution; its domain is to ensure the regulation of money by the financial institution. So to identify those problems encountered, you must ensure that good services are appropriate at the right time and place. The objective of this study has been to determine how much government regulation and the banking operations has gone in improving the banking system; also the researchers examine the role of government in regulating banking activities. Financial institution cannot stay out of danger and crises without some measure of adaptation of the regulation and policies which will help them to be more efficient and effective in their operations. It also promotes banking habits and efficiency in the delivery of banking service and thereby enhances confidence in the system. Finally, therefore it can be asserted that there are laudable changes seen in our bank today of which could not be possible if government did not come into their management.
Keywords: Effects, Regulation, Government, Banking, Institutions

Introduction

The Nigeria institution is very vibrant and highly competitive. It consists of 105 viable commercial and merchant banks which are privately owned with a total of 2,400 branches and development bank owned by the government. There about 200 registered non-bank finance houses of various sizes, part of the structural adjustment programme (SAP) introduced in 1986. This was the expansion and diffusion of the banking sector which has grown to 67 commercial and 55 merchant banks then 45 primary mortgage institution 228 branched of the people bank, 618 finance companies, 48 fully licensed by the CBN, 401 community banks and specialized bank by this null 1990's there was endemic distress in financial system which led to collapse of many of the institutions in the industry. Even though that there is some risk in embodying such rules and regulations line in their banking system such as deposit based on product lending base, product fee base, products and technology base.

Therefore, the interference has help to accept the risk job of greater mobilization of saving from the surplus units and channel them to the deficit productive units of the economy and to ensure that no unable project is frustrated due to lack of funds and greater facilitation of synergies and sartorial linkages within the economy. There are still problem resulting in such interference of which Financial Institutions are complaining of. The effect of government regulation in the management of financial institution also covers limits of permissible business risk concentration capital and liquidity adequacy and statutory returns. The monetary aspect of regulatory includes control of over-loading, general structure of leading rates, reserve requirement and foreign exchange. There is also regulation covering advertising staff loan. Loan directors and inside dealing supervision is employed to ensure effective management and control. The criticism led to gradual deregulation in 1984 and was subsequently accelerated with the adoption of (SAP) programme which gives room for the operation of free market forces given financial instructions and more direction to their operation and stimulation competitions in the financial system as a whole.

Consequently, in 1988 the Nigeria deposit insurance corporation was established with regulatory power to protect depositors against bank failure and thereby strength the financial and impacted greatly on financial institution environment.

Objectives of the Study

The broad objective of the study is to assess the effect of government regulation on banking industries among financial institutions in Nigeria. The specific objectives are to:

i. Determine the growth and survival in the faces of various banking ordinance that was consolidated in central bank number 24 decrees of 1991 and the present day decrees.
ii. Ascertain the effect of government regulation in the banking operations and type of environment it has created for the proper existence of financial instruction whether it is on the right director.

Hypothesis of the Study

H_0: There is no relationship between the growth and survival of banking industries after consolidation of Central bank.

H_1: There is relationship between government regulation and proper existence of financial institutions.

Review of related Literature

Review of related literature is discussed under the following sub-headings:

Conceptual Review

Existence of Banks

Banking came into existence in Nigeria in 1892, the British merchant came to trade, they encountered the problem of easy transaction as a result of the short-comings of the banking system which was in existence. A company known as "Elder dempster" based in Liverpool brought an already existence of existing co-operation (ABC) to Nigeria. This was in 1892 and liquidated to his parent company “Elder Dempster”.

The period of 1892-1952 when conventional banking began in Nigeria; this was a period of free all banking with no licensing requirement and no regulation of sorts to restrict and control the establishment and operation of banks. As a result of this, several ill-concerned attempts were made to establish through indigenous initiatives folded up as they were owing to inadequate capital and staff over expansion and other structural constraints.

The 1952 banking ordinance marked water shed between the era of experience and laisez-faire banking and that in which a modern and regulated financial system was to energy. The ordinance provided for the limitation banking business to established holding valid license, laid down procedure and standards for the conducts of banking businesses and prescribed capital and reserve structure for the banks by December 1953, there expatriate and three indigenous banks has been licensed by the financial secretary who was given discriminatory power to grant license to open banks, the foreign banks were banks of British west African (BBWA) Barclays's bank (DCO) and British French bank while the indigenous banks has been license by Nigeria Agbonmgh bank (Now WEMA Bank) and African Continental Bank.

The earliest support for the establishment of a legal framework for a central bank of Nigeria was premature. However, Mr. England, in his own report in 1957 favored the idea of the central bank in Nigeria. His views and recommendation form the basis for the draft legislation for the establishment of the central bank of Nigeria which was presented to the house of representative in March 1958. That act was fully implemented on 1st July 1959, when the CBN came into operation with an initial capital of #3 million.

Concept of Bank Supervision and Control

The necessity for public intervention in the economy has traditionally been justified by the need to correct market imperfections and unfair distribution of resources.

Hence, the main objectives of such intervention: pursuit of stability, equality of resource allocation and efficient use of resources from this perspective, financial regulatory mechanism and regulation of the banking industry in particular can be considered extremely important. Capital accumulation and allocation of financial resources are crucial to economic development of each country (Adam, 2009) Nwankwo (2009) Argues that the historical evolution of banking in any country provides the rationale for the regulation of banks in that country. The regulatory authorities supervise the banks to ensure that they are conducting their business either in accordance with regulation or more generally in prudent manner in the public interest.

Ogunleye (2012) summarized the rational for bank regulation as efficiently, diversity of choice, composition, and stability of financial system, macroeconomic stability and developmental and social objective. He went further to indentify four approaches to bank supervision as: information disclosure self-regulation, bank examination and takeover and financially, deposit insurance scheme. World Bank (2002) notes that good regulation and supervision will minimize the negative impact of moral hazard and price shocks on the financial system thereby leading to a reduction in bank distress and failure.

The Concept of CBN Supervision

According to CE (2009) Banking Supervision and inspection the Bullion CBN, Vol. No.3 P.77. He defines banking supervision as a matter of judgments and prudential analysis to ensure that individual banks observe laid down laws and operate within a prescribed momentary policy objective. Basically, the position of CBN entails Assessment of the health position of the commercial bank to ensure that operations are in line with expectation of the monetary authorities and law of the country.

In examining the banking system, we have the on-site function and the off-site function. The on-site function is carried out by bank examination department, while off-site function is performed by the banking supervision department. These functions however, overlap and are complementary. Rather other miscellaneous services, such as clearing, banks supervision leader of last resort e.t.c the CBN provides a cheap and efficient clearing facilities and outlet for the investments of bank surplus funds.

The CBN lends to banks by granting them short terms cleat advances or through rediscounting eligible bills presented by the banks.

Theoretical Framework

This paper adopts the classical theory of political economy and development in understanding the relationship between development finance and economic growth and development. The theory is concerned with economic growth, the factors socio-economic, political and financial, which impeded or facilitates these economic growth and development. However, it is the study of economy, production, distribution, exchange and consumption of goods and services within the context of specific politics and society. In relation to this topic the central argument of this theory is that sufficient and sustains access and inflow of finance and capital to productive sectors would enhance their capital formation, productivity and investment while insufficient finance and capital needed to them would mount a decline in their productivity. The famous scholars in this theory comprised of Adam Smith, David Ricardo, Thomas Malthus and others. Smith believes that the banking sector play an important role in channeling finance, capital, credit and investment to productive agents like agriculture, industry, entrepreneur and processing agents within the economy and therefore act as a catalyst of economic growth and development. The main implication of this theory, therefore, is banking sector credit policies, programmes and schemes aims at enhancing productivity and investment which embrace openness, competition and simplicity, will promote economic growth and development. The theory agrees with sufficient capital in form of finance and credit enhances productivity and investment, in turn accelerates economic growth and development and the reverse is the case. According to Smith, credit is the source of capital formation and capital formation is the source of high production.

Materials and Methods

Research Design

Design in research connotes the approach research intends to take in carrying out study. For the purpose of this study, survey research design was employed.

Design of the Study

The design of this study which is simple, the frame work for collection and the necessary data used was divided into six parts namely: The area of the study, population of the study, sampling procedure instrument for data collection, method of data collection and method of data analysis. This design serves as a plan which helps the research to conduct an in-depth and thorough investigative study in this project research.

Population of the Study

As already explained above, data under this heading were collected through the question approach. The questionnaire was structural and used to meet its intended purpose. It was formulated for obtaining vital and relevant information in view of the difficulties associated with research work on banks in Nigeria. In recognition of this fact, it was designed or framed to reflect open and closed ended questionnaire to ensure analogous answer consistency in responses, other reason that prompted the adoption of bias answer complexities inherent in face interview.

However, oral interview was found inevitable and extensively used to cover questions not included in the questionnaire. Reception was faster during data collection through this method than the questionnaire attempt to vital question. They simply claimed that this would amount to exposure of their organization internal policies.

Sample of the Study

The simple size used for this research was determination from the finite population of 50 with Taro Yame's statistical formula:

$$\frac{N}{1+(Ne)^2}$$

Where:

Ss = Sample size

N = population of the Study

E = Margin error

I = Constant

N = 500

E = 5% (5/100)

L = constant

$$SS = \frac{500}{1+500(0.05)^2}$$

$$\frac{500}{}$$

$$1 + 500(0.05)^2$$

$$\frac{500}{2.25}$$

$$= 222$$

Instrument for Data Collection

The instrument used for data collection in this study was basically structured questionnaire which was distributed personally by the researcher to the management in some cases; oral interview method was also adopted when necessary. Finally, personal observation method was also used. All these instruments made it possible for a reliable data to be collected for subsequent analyses in the study.

Reliability of the Instrument

The primary and Secondary is a renowned and reliable instrument for conduct research especially academic researches, this research is properly conducted and under a strict scrutiny of my supervisor, and the data collection process is reliable

Validation of Instrument

The validity and reliability of this research instruments were made possible after undergoing through the process of corrections, constructions, consultations with people who are versatile and through the process of corrections.

Method of Data Analysis

Mathematical techniques have been adopted this research for adequate comparison and possible conclusions percentages only was applied. It is used carefully in the description of the relationship and has been found simple to calculate.

PRESENTATION OF DATA AND ANALYSIS OF RESULT

QUESTION 1

Do you feel government regulation on financial institution is a noble step in the right direction?

Response	Total response	Percentage
Yes	150	68.2%
No	60	27.3%
Indifferent	10	4.5%
Total	**220**	**100%**

Source: Field Survey 2023

From the table above agree sought that 150 respondent representing 68 .4% agree that government regulation is the right direction, 60 respondents representing 27.3%were negative in their responses relative to this governmentfunction,10 of the respondents that are made up of 4.5% were neutral.

QUESTION 2

As a developing nature do you think or feel Nigeria need these regulatory function today?

Response	Total response	Percentage
Yes	180	82%
No	40	18%
No idea	0	0%

Total	**220**	**100%**

Source: Field Survey 2023

From the above table, 180 respondents representing 82% are affirmative of these question 40 respondents representing 18% disagree with the question while there is no response with no idea.

QUESTION 3

Have banks assisted industries in terms of local sourcing of raw materials within the scope of these measures?

Response	Total response	Percentage
Yes	200	91%
No	20	9%
Total	**220**	**100%**

Source: Field Survey 2023

From the table above, 200 respondents representing 91% believed that banks have assisted industries in terms of local sourcing of raw materials within the scope of these measures the regulatory role have made banks big strong and reliable while 20 respondents representing, 9% said that banks assisted industries in terms of local sourcing of raw materials within the scope of these measures.

QUESTION 4

Have there been problems encountered among banks in ensuring the total compliance of the government policies?

Response	Total response	Percentage
Yes	200	91%
No	20	9%
Total	**220**	**100%**

Source: Field Survey 2023

From the table above, 200 respondents representing 91% believed that banks have been encountering problems in ensuring the total compliance of the government policies while 20 respondents representing, 9 said that banks have not been encountering problems in ensuring the total compliance of the government policies.

Discussions and Findings

However, it was observed during the research that banks benefited immensely by the government control in the management of the activities of financial institution. For instance the researchers gather a lot of policies which have considered a threat on their reputation a good will have now be adopted a result of government debt the recent prudential guideline on banking operation issued by the central categories of debt can be considered doubtful and lost (precisely between 12 months and above) previously the bank consider its relationship with such unpleasant measure but new, it is a matter of federal government control the instruction has been complied with.

Furthermore, this study implies that a good management system witness development that has varying impact in its operation. Worthy of mention also in the fact that interference has encouraged local sourcing of raw material of our local industries (A government policy popularly known as bank wards integrated) which was abandoned for de industries variously located carelessly ar adopted and First bank was found to be am leading financial in this regard.

Despite, the fact that central bank might powers that could lead to abuse populates. champion of 23rd June 1997 although the dec good package for promise to striating oper new dynamic market, it nevertheless grant CBN more power which could be abused by some unscrupulous officers and still was able to effectively monitor the monetary system of the economy by its function, it has been able to control the rigorous and complex task here in deregulation exercise impose on the financial institution.

It also goes to buttress that more financial failures/crises will be entertained by recent increase in the paid up capital base on some of the institution notable, commercial and merchant banks.

Conclusion

Firstly, with the rising of new bank and other financial institution that has been seen keep competing with the order of the events. It had reached a stage of abandonment of armchair banking of adaptation of system approach to banking.

Secondly, in looking at the interference on the regulation systems there have been remarkable improved customer services in our financial institution. Though. This has not been reducing and completely eradicated in banks, capable and better qualified staff are joining the banking profession this helps to improve services qualified staff.

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