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Restructuring of the Nigerian Banking Sector; The commercial Bank Experience (2001-2010)

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Abstract

To enhance competitiveness, efficiency and the capacity to play the fundamental roles of the financial sector, reforms are inevitable. Modern economies are financial sector driven; sustainable economic growth and stability cannot be achieved without an effective and stable banking sector. It was in a bid to strengthen the competitive and operational capabilities of the banks in Nigeria with a view towards returning global and public confidence to the Nigerian banking sector and the economy in general that the Central bank of Nigeria instituted some restructuring strategies. This paper, sets out to examine the experience of the commercial banks during the restructurings. It identified the major restructuring strategies of the CBN which are the introduction of Universal Banking and the Abolishment, Recapitalization, introduction of Electronic banking, the establishment of Asset Management Corporation of Nigeria and the classification of commercial banks. The main objective of this study is to compare the performance of the commercial banks in Nigeria before and after restructurings. The sources of data are both primary and secondary. Four commercial banks were selected, two hypotheses were formulated and questionnaire was used to find out the impact of the reforms on the commercial banks, Simple percentages and chi-square test statistics were used as tools for data analysis and based on the analysis we conclude that the restructuring exercise improved the performances of the banks and best approaches to banking sector restructuring was recommended.

Keywords – Restructuring, Mergers, Acquisition, Universal Banking, Recapitalization

Introduction

The banking sector is the engine of growth in any economy. Through its function as a financial intermediary, banks facilitate capital formation, lubricate the production engine turbines and promote economic growth. However, banks' ability to engender economic growth and development depends on the health, soundness and stability of the system. The need for a strong, reliable and viable banking system is underscored by the fact that the industry is one of the few sectors in which the shareholders' fund is only a small proportion of the liabilities of the enterprise. It is therefore, not surprising that the banking industry is one of the most regulated sectors in any economy. The Nigerian banking sector has undergone important structural and institutional changes over the last few years. By the end of the decades of the 1990s, it was clear that the Nigerian economy was not showing signs of recovery in spite of the SAP reform, there were still traces of weaknesses in the banking sector, these and others necessitated the restructuring of banks in Nigeria. Following the global financial and economic crises that occurred between 2007 and 2009, the CBN articulated policy responses to safeguard the financial sector and address threats posed by the crises associated with the development of the financial system. These include liquidity management, hike in interest rates, exchange rates depreciation, spiral inflation, restructuring of margin loans, tightening of regulation and supervision etc. these strategies used in the restructuring of the banking sector were designed to ensure a diversified, strong and reliable banking industry, ensure the safety of depositors' fund, position the banks to play active development roles in the Nigerian economy and become major players in the sub-regional and global financial markets.

Statement of the Problem

The vision of restructuring the Nigerian banking sector is to produce healthy, big and strong banks that depositors can trust, banks that are investors-friendly, banks that will be part of the global change and which is competitive and reliable and also to encourage the emergence of regional and specialized banks.

During the regime of Governor Joseph Oladele Sanusi, Universal banking was introduced to create a level playing ground and engender competition and better customer services, to enhance investment outlets and create financial sophistication of the economy.

In Governor Charles Chukwuma Soludo tenure, he rolled out the 13-point reform agenda to ensure a diversified, strong and reliable banking industry.

The Governor Sanusi Lamido Sanusi tenure, he rolled out the blueprint for reforming the Nigerian financial system, which includes the enhancement of the quality of banks, financial system stability and evolution of healthy financial sector.

In consideration of some of the restructuring strategies adopted by the CBN, one may ask how effective the strategies are. Do these restructuring strategies achieve the desired objectives, has the strategies led to improved performance of the banks. This study shall examine the impact of banks restructuring on the performance of the commercial banks in Nigeria.

Objectives of the Study

The study will focus on the following objectives:

1.To assess the introduction of Universal banking system in Nigeria.

2.To examine the effect of the introduction of electronic banking system.

3.To assess the establishment of Asset management corporation of Nigeria.

4. To find out if the performance of the banks improved.

5. To assess Nigerian banks before and after consolidation

Research Questions

The study would examine the following questions

1. Have banks restructuring brought about increased deposit mobilization?
2. Has there been any improvement in banks' assets and shareholder's fund?
3. Has there been an increase in loans and advances and profit after tax of the banks?
4. Did the restructuring reduce corporate indiscipline, fraud and discriminatory practices in the banks?
5. Has the quality of banks service delivery improved?

Research Hypothesis

The following hypothesis were formulated and tested for the purpose of validation:

Ho: There is no significant relationship between deposit mobilization, bank assets, shareholders' fund and the various restructuring strategies of the CBN.

Ho: The Restructuring of the banking sector do not have a positive impact on the overall performance of the commercial banks.

The Concept Of Universal Banking In Nigeria

Universal banking was introduced in 2000. However, the central bank of Nigeria approved the guideline, for the implementation of universal banking from January, 2001. Prior to 2001, there had been a repeated call by merchant banks in the country for the adoption of universal banking practice. This call was sequel to their disadvantaged position, which was gradually running them out of business. The Nigerian banking system, before 2001, was characterized by commercial banking, merchant banking and other specialized banking practices such as micro-finance banks, NIDB, NBCI, etc. The call, however started when commercial banks begin to cover the areas traditionally believed to be core-competent areas of merchant banks such as leasing, advisory services etc. The universal Banking guidelines introduced a uniform licensing regime for all banks and authorized banks to engage in non-core banking financial activities, either directly as part of banking operations or indirectly through designated subsidiaries. Banks were free to choose which activity or activities to undertake (money or capital market activities or insurance marketing services or a combination of both) and were expected to comply with the guidelines specified for such activity or activities (CBN Bullion, 2000).

The Concept Of Capital Base

Generally, a certain amount of capital is required to support any form of business. But the importance of adequate capital in banking cannot be over-emphasized. A very important function of capital in a bank is to serve as a means of absorbing losses; it serves as a buffer between operating losses and insolvency. Thus, the more capital a bank has the more losses it can sustain without going bankrupt. Apart from offering protection against losses, adequate capital confers other benefits, among which are: protection of depositors and creditors in time of failure, strengthening of banks ability to attract funds at lower cost, and enhances a bank’s liquidity position – the higher the liquidity of a bank the less risky the bank is.

In a view of its significance, Central Bank of Nigeria and other regulatory authorities considers capital adequacy a primary index to monitor the banking sector. Recapitalization is a very frequently used instrument of financial sector management in Nigeria. Historically, the failure of pioneers 1930s and 1940s brought about the enactment of banking ordinance of 1952. The ordinance defined a bank and banking business and prescribed minimum capital requirements for the expatriate and indigenous banks (N25, 000 for indigenous banks and N100, 000 for expatriate banks) (Okaro (2009). Since then raising of bank capital has become the hallmark response policy of the Nigerian monetary authorities. Between the first banking ordinance (1952) and 2004, there were as many as eleven (11) amendments to the banking Act involving upward revisions of the minimum capital requirements of banks (Ezeoha, 2007).

The statement of the former governor of CBN, Professor Chukwuma Soludo clearly marks him out as an ardent exponent of the view that capitalization constitutes a limiting condition for banks "to be big financiers at home and credible players in the world arena", while briefing the press (August 14, 2007) on "strategic Agenda for the Naira" the Governor dwelt extensively on the results of the 2004 bank recapitalization exercise stating that "the banking system had become the safest and soundest it has ever been in history" because of the recapitalization exercise. His assertion was obviously based on perceived improvements in operating fundamental of banks including higher deposit mobilization, expanded long term credit delivery and improved soundness of bank credit assets which he deemed to be by – products of the recapitalization exercise.

There are however, opposing views on the issue. Shah (1996), is of the view that more capital does not automatically translate to improve bank risk management and that "the ability of more capital to reduce the insolvency risks of banks depends on what happens to the asset portfolio when new capital is introduced".

Table 2.5.1: The Nigerian Banking Sector-Pre-and Post Consolidation Result

Parameter	**Pre Consolidation (as at 2003)**	**Post Consolidation (as at 2008)**	**% I**
Banks Total Assets (₦ Billion)	2,767.78	14,932	4
Number of Bank Branches	3,382	5,409	6
Number of Bank Shareholders	5,901,565	10.033.625.	7
Number of Bank Deposits ('000)	13,649	34,553.	1
Total Bank Deposits (N' B)	1,409	8,693.	5
Employment in the Banking Sector	60,227	85,591.	4

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Credit to Industrial Sector (N' B)	619.52	3,760,84	507	1,023,467.3	1,023,961.6
Credit to Agric Sector (N' B)	62.10	114.30	84	110,840.1	176,688.3
Credit to Communication Sector (N' B)	293.70	1,107.38	227	776,521.4	821,018.6

Source: CBN Statistics Bulletin (2008, 2009, 2010)

Evidence from table above shows the progress made in the development of Nigeria financial system through the banking sector recapitalization programme. The asset base of the 24 recapitalized banks grew by 439.4% between 2003 and 2008. About 10 Nigerian banks came to the top 1000 banks in the world and 3 in top 2000 in companies in the world. Nigeria banks grew to become leading multinationals with branch expansions outside Nigeria, 37 in Africa and 9 outside Africa. Equally, the recapitalization programmes advanced the intermediation roles of the commercial banks by boosting the depth of the sector and increased the resources available for financial intermediation. The main channels through which this occurred include interest rate deregulation which led to higher real deposit rate and hence, price incentives for depositors. Greater non-price competition among banks for deposits and increased funding of the private sector added to the boom witnessed in the growth of the banking sector.

The impact of the financial sector reform on the financial depth is often measured by the indicators of financial deepening, such as money supply as percentage of GDP. In 2003, this measure was only 20.1%, compared to 28.5% and 36.6% in 2007 and 2008 respectively. There was also gradual decline in currency outside the bank (COB) from 4.2% in 2003 to 3.7% in 2008 showing increase in the use of banks by the banking public.

The Concept Of Electronic Banking

In the bid to catch up with global development and improve the quality of their service delivery, Nigerian banks have no doubt invested much on technology and have widely adopted electronic and telecommunication networks for delivering a wide range of value added products and services. They have in the last few years transformed from manual to automated systems. Unlike before when ledger-cards were used, today banking has been connected to information technology networks, thereby facilitating the practice of inter-banking and inter-branch banking transactions. Customers of the banks can now go to any part of the country where there is a branch of their bank and make withdrawals or conduct an increasing range of other banking business.

Speaking on the development, the central bank of Nigeria in its Economic Reforms and Monetary Policy explained that the reforms in the financial sector created certain salutary effect on the system. Some of which include improved service delivery through innovations and product development, the use modern technology enhanced service delivery and eliminated queue in banking halls, which used to be the common feature of banks in Nigeria.

Asset Management Corporation Of Nigeria

The global financial crises of 2009 – 2010 and the dilapidating health of the Nigeria banking sector showed the weakness in the banking sector evolved from 2005. The CBN through Governor Lamido Sanusi Intervened in August 14th, 2009, after its joint Audit of the sector with Nigeria Deposit Insurance Corporation (NDIC) discovered that some of the banks were in grave financial conditions. The audit was based on the tree criteria of liquidity, capital adequacy and corporate governance, eight banks out of the 24 commercial banks failed in the three criteria. This revealed that banks in the country were still facing those challenges that led to the 2005 mergers and acquisition. According to CBN eight banks had government equity holding above 10%, three banks had two or more members of their families on the board, no bank had complied with the requirement for independent directors and seven banks had executive directors as members of their board audit committees contrary to the provisions of the code of corporate governance for the banks in Nigeria. This culminated in the sacking of banks CEOs along with their executive directors. Consequently, the CBN injected ₦ 620 billion in the form of tier two capital into the affected banks, commenced the prosecution of the affected banks CEOs and engineered the creation of the Asset Management Corporation of Nigeria (AMCON), by the passing into law of the AMCON Act, 2010, which objective is to assist Eligible Financial Institutions (EFIS) to effectively manage and dispose off, and obtain the best achievable financial returns of Eligible Banks Assets (EBAs) (Section 4. AMCON Act 2010). In other words, to provide relief to the banks and mop up the toxic assets in the financial system, safeguard the interests of depositors, creditors and other stakeholders in the Nigerian financial system and in doing so rejuvenate the domestic economy.

The AMCON is a multipurpose resolution vehicle that is empowered to purchase non-performing assets from banks as well as inject needed capital in the form of appropriate securities (Tier 1 or Tier 2), help stimulate the recovery of the financial system, and ultimately the wider economy, by providing liquidity to banks many of which are bogged down by toxic assets and strengthen their balance sheets. Buy the non-performing loans, thereby providing capital especially for the banks in which the CBN intervene. By this it will increase access to refinancing opportunities for borrowers, increase confidence in bank's balance sheets, and therefore Nigeria's credit and risk ratings and present job losses in the banking industry. AMCON will also play a key role of facilitating M & A or capital injection by new investors into the banking sector.

Abolishment Of Universal Banking Model

The most significant of intervention by Governor Lamido Sanusi as part of his strategic initiatives for reforming the Nigerian financial system which includes: To enhance the quality of banks, ensure financial system stability and promote the evolution of a healthy financial sector was the review and eventual reversal of the universal banking policy and license which commenced in 2001. The model promised to deliver benefits of economies of scale and achieve synergy across complementary financial services business lines but the regime exposed banks to greater risks that challenged the stability of the financial system.

Commercial banks saw the introduction of universal banking system as a channel which could pave way for the establishment of subsidiaries to diversify their abundant resources. The process influenced granting of loan in the absence of collaterals, resources mismanagement, non-performing loans, and unethical banking practices. The CBN had previously raised alarm that universal banking was the main factor responsible for the 2009 banking crisis in Nigeria. The CBN Governor, Lamido Sanusi, maintained that the emergence of UB has helped corrupt managing directors of banks to channel funds from one subsidiary to another, thus creating the impression that there was liquidity where as there was a big hole. The reversal of UB policy and license would redraw the banking structure to ensure that commercial banks face their traditional business while depositors' funds are not endangered as it was experienced in the past. This new arrangement would protect commercial bank activities from pressure from noncommercial banking operations; it will allow them concentrate in the provision of their traditional banking activities. Therefore, the CBN in reviewing this arrangement required banks to focus on core banking business.

However, CBN also anticipated that some banks/banking groups may wish to retain non-core banking business. For these, it will be a requirement to do the following: Evolve into holding company model (Holdco) where a non-operating Holdco holds the investment in the bank, and each non-core banking operation in a subsidiary arrangement (subco). Commercial banks were classified into regional banks, national banks and international banks. In terms of geographical scope, regional banks are allowed to operate in a minimum of 5 and a maximum of 10 contagious states with a minimum capital base of ₦ 10 billion and it must have the word 'Regional' in its name while National banks can have branches all over the country alone with a minimum capital base of ₦ 25 billion. On the other hand, the minimum capital base for international banks is ₦ 100 billion. In line with the new regulation, all the existing universal banks were required to prepare and submit to the CBN their plans on ensuring compliance with the requirements of the new banking regime not later than 90 days from October 4, 2010.

Research Methodology

The research design for this study is both descriptive and inferential. A survey design was also used and it involves the selection of subject at random for which the questionnaires are used.

Sources Of Data

The two sources of data collection are primary and secondary data. The primary source of data is questionnaire. The questionnaire is closed-ended, requiring the respondents to choose from given options. The secondary data sources are documented work of other authors that are related to the subject matter of study. The secondary data used here include text-books from library, financial journals, materials from internet, Newspapers, CBN publications such as bullion, economic and financial reviews, economic and financial indication briefs and statistical bulletins.

Sample Size And Sampling Techniques

Sample size is the representation of the population from which it is drawn. The motive behind sampling is to use the information obtained from a part of the population to take decision on the whole. The population of the study are the staff and customers of some commercial banks in

Awka. The banks are First Bank Plc, United Bank for Africa, Guarantee Trust Bank, Access Bank Plc. A sample of 60 staff and 90 customers of the four different banks were randomly selected for this study. The procedure adopted is simple random sampling. In the determination of the sample size the Taro Yamen's statistics formula was applied

$$n = \frac{N}{1+N_e{}^2}$$

Where N = estimated population

n = sample size

e^2 = error margin

1 = A theoretical constant

$N = 240, e^2 = 5\%$

Thus: $n = \frac{240}{1+240\,(0.05)^2=150}$

150 questionnaires were administered. 60 questionnaires were distributed to the staff while 90 were distributed to the customers of the four banks.

Methods Of Data Presentation And Analysis

Data presentation and analysis was based on statistical techniques such as simple percentages and Chi-square test statistics. The percentages enable us to simplify the problem of comparison and also show the qualitative characteristics in numerical form. The Chi-square test statistics was employed to enable the researcher to statistically test the stated hypothesis for the purpose of validation and thereafter to draw conclusions accordingly. The hypothesis was tested at 5% level of significance. The formula for Chi-square test statistics is presented below:

$$X^2 = \sum \frac{(0-\mathrm{E})^2}{\mathrm{E}}$$

Where

O = Observed frequency value

E = Expected frequency value

Data Presentation And Analysis

Data analysis according to Chukwuemeka (2008) refers to processing of raw information elicited through questionnaire instrument for the purpose of relating them to the hypothesis formulated for the study.

Questionnaire Distribution And Response Rate

Table 4.2.1: Distribution of Questionnaire to Customers and Staff of the Banks and Response Rate

	Staff	Customers	Total	Percentage (%)

Administered	60	90	150	100
Returned	53	85	138	92
Unreturned	7	5	12	8

Sources: Field Survey (2012). Out of the 150 questionnaire administered, 138 were filled and returned, while 12 were not returned, hence giving a response rate of 92%.

Presentation And Analysis Of Data Based On Research Questions

Question 1

Has there been increase in loans and advances and profit-after-tax of the banks?

Table 4.3.1: Increase in Loans and Advances and Profit-tax of the Banks

Option	**Frequency**	**Percentage (%)**
Yes	102	74
No	14	10
Not sure	22	16
Total	138	100

Source: Field Survey (2012)

Table 4.3.1 Indicates that 74% of the respondents answered 'Yes', 10% answered 'No' while 16% are not sure. The majority of the respondents are of the opinion that there has been increase in loans and advances and profit-tax of the banks. It means that restrucurting increased loans and advances and profit-after-tax of the banks.

Question 2

Has the quality of banks service delivery improved?

Table 4.3.2: Improved Quality of Banks Service Delivery

Option	**Frequency**	**Percentage (%)**
Yes	125	90
No	8	6
Not sure	5	4
Total	138	100

Source: Field Survey (2012)

Table 4.3.2 shows that 90% of the respondents answered 'Yes', 6% answered 'No' while 4% are not sure. Thus majority of the respondents are of the opinion that the restructuring has improved the quality of service delivery in the banks.

Question 3

The restructuring reduced corporate indiscipline, fraud and discriminatory practices in the banks.

Table 4.3.3: Reduction in Corporate Indiscipline, Fraud and Discriminatory Practices

Option	Frequency	Percentage (%)
Yes	90	65
No	38	28
Not sure	10	7
Total	138	100

Source: Field Survey (2012)

Table 4.3.3 indicates that 65% of the respondents answered ‘Yes’, 28% answered ‘No’ and 7% are not sure. Thus majority of the respondents are the opinion that the restructuring reduced corporate indiscipline, fraud and discriminatory practices.

Hypothesis

The Chi-square test statistic, which is an important tool for hypothesis testing was used to compare the ‘observed’ frequency distribution with the ‘expected’ frequency distribution. The formula for the chi-square test statistics is as follows:

$$X^2 = \sum (0 - e)^2$$

Where:

O = Observed frequency value

E = Expected frequency value

The expected frequency value (E) is calculated by dividing the number of respondents by the possible number of responses.

$$E = \frac{\text{Total number of respondents}}{\text{Numbe or types of responses}}$$

$$= \frac{138}{3}$$

$$= 46$$

Degree of freedom

DF = (R – 1) (C – 1)

Where

R is the number of rows

C is the number of columns

DF = (R – 1) (C – 1)

(3 – 1) (2 – 1)

(2)(1)

Decision Rule

The decision rule is to accept the null hypothesis (Ho) if the calculated chi-square value is less or equal to the critical value or tabulated value and reject (Ho) if the calculated value is greater than the critical value obtained from the table.

Hypothesis 1

Ho: There is no significant relationship between deposits mobilization, bank assets, shareholder's funds and the various restructuring strategies of the CBN.

Hi: There is a significant relationship between deposits mobilization, bank assets, shareholder's funds and the various restructuring strategies of the CBN.

Table 4.5.1: Respondents View

Response	Staff	Customer	Total	Percentage (%)
Yes	53	33	86	62
No	0	27	27	20
Not sure	0	25	25	18
Total	53	85	138	100

Source: Field Survey (2012)

Table 4.5.2: Chi-square Table

Response	O	E	O-e	$(O-e)^2$	$\frac{(O-e)^2}{e}$
Yes	86	46	40	1600	34.78
No	27	46	-19	361	7.85
Not sure	25	46	-21	441	9.59
Total	138	138	0	2402	52.22

Source: Compiled from Table 4.5.1

Decision Rule -The critical or tabulated value at 5% level of significant based on 2 degree of freedom (2/0.05) is 5.991 and the calculated value, 52.22 which is greater than the critical value; we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi).

This proves that there is a significant relationship between deposit mobilization, banks assets, shareholders' funds and the various restructuring strategies of CBN.

Hypothesis 2

Ho: The Restructuring of the banking sector do not have a positive impact on the overall performance of the commercials banks.

Hi: The Restructuring of the banking sector has a positive impact on the overall performance of the commercial banks.

Table 4.5.3: Respondents View

Response	Staff	Customer	Total	Percentage (%)
Yes	51	47	98	71
No	2	20	22	16
Not sure	0	18	18	13

Total	53	85	138	100

Source: Field Survey (2012)

Table 4.5.4: Chi-square Table

Response	O	e	O-e	$(\mathbf{O}-\mathbf{e})^2$	$\frac{(\mathbf{O}-\mathbf{e})^2}{\mathbf{4}}$
Yes	98	46	52	2708	58.78
No	22	46	-24	576	12.52
Not sure	18	46	-28	784	17.04
Total	138	138	0	4068	88.34

Source: Compiled from Table 4.5.3

Decision Rule -The critical or tabulated value at 5% significant level based on 2 degree of freedom (2/0.05) is 5.991 and the calculated chi-square value is 88.34 which is greater than the critical value. We reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) which stated that the restructuring of the banking sector has a positive impact on the overall performance of the commercial banks.

Findings

1. The restructuring of the banking sector improved the overall performances of the commercial banks. The quality of banks service delivery improved, the introduction of electronic banking system enhanced efficiency in the banks by making them more productive and effective, and it has a strong impact on the overall performance of the banks by making workers performance more effective and efficient.
2. It brought about increased deposit mobilization in the banks which also results to increase in banks assets and shareholders' funds. The reforms increased depositors' confidence on the banks thereby increasing the volume of deposits available to banks for lending and for productive investments to meet the profitability needs of the shareholders and liquidity need of the customers.
3. The restructuring reduced corporate indiscipline, fraud and discriminatory practices in the banks. Before Sanusi's reforms in 2009, the behavior of some banks' chief executives officers and their respective boards of directors were unethical, it resulted to insolvency, huge amount of non-performing loans on the banks' balance sheets and lack of sound risk management processes. With the removal of these banks officials, the injection

of bailout funds and the establishment of AMCON to buy off the non-performing assets of these banks, corporate indiscipline, fraud and unethical practices reduced.

4. That there has been an increase in the loans and advances of the banks. In order to make the banking system continue giving loans so as to sustain economic growth, Asset Management Corporation of Nigeria was established to buy banks toxic assets, Credit squeeze in the system was eased, the ability of the banks to give out loan and also lend to the real sector of the economy improved.

Conclusion

That banking sector restructuring in Nigeria have been driven by distress prevention, financial sector expansion, promotion of competition and enhancement of operational efficiency. The idea underlying consolidation policy is that bank consolidation would reduce the insolvency risk of the banks through asset diversification. The sector is becoming competitive and market forces are creating an atmosphere where many banks simply cannot afford to have weak balance sheets and inadequate corporate governance practices. The abolition of universal banking did not have so much negative effect on the banks. To an extent there is now increase in accountability and transparency in the banks. The banking sector is now safe and sound, depositors and credits have more than doubled and non-performing loans as percentage of total loans have gone down. Individual banks can now finance huge projects. Electronic banking has improved banker-customer relationship, it has made banking transactions to be easier by bringing services closer to its customers.

Recommendations

In order to give the approaches to banking sector restructuring a vision in the right direction, the following recommendations are suggested for further strengthening and follow-ups:

1. Consolidation through mergers and acquisition requires time-frame. The key problems associated with recapitalization are the very high multiple increases imposed on the banks and the shortness of adjustment intervals allowed. Caution is therefore called for in the magnitude of change and time frame for adjustment in financial system recapitalization.

2. credit risk could increase in the event of sound bank merging with unsound one, thus proper strengthening of the balance sheets is imperative to those who seeks to be acquired and those who are in pursuit of expansion to avoid bank failure.
3. There should be high standard of regulatory capacities, because if there exists weak link in the discharge of its regulatory services by any of the agencies, it will pose some problems for the entire system. There should not be regulatory laxity or gaps in the part of the CBN examiners while performing their supervisory and regulatory roles.

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