

T.C.

**ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES**



**EFFECTS OF BANK RECAPITALISATION ON NIGERIAN
BANKING SYSTEM**

MSc THESIS

OLUWOLE DANIEL OGUNKOLA

Department of Business

Business Administration Program

Thesis Advisor: Assoc. Prof. Erginbay UĞURLU

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İSTANBUL AYDIN ÜNİVERSİTESİ
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DECLARATION

This thesis is dedicated firstly to the Almighty God the source of my greatest inspiration, to my parents for their prayers, financial support and help all through the period of this work, finally to everyone around me who has always been my strength and source of inspiration. (01/02/2018)



Oluwole Daniel OGUNKOLA

FOREWORD

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Oluwole Daniel OGUNKOLA

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EFFECTS OF BANK RECAPITALISATION ON NIGERIAN BANKING SYSTEM

ABSTRACT

The aim of the thesis is to investigate the effect of bank recapitalisation on Nigeria banking system. Bank recapitalization increases an amount of long term finances used in financing the organization.

The existence of effect of bank recapitalization in the Nigerian banking sector is estimated using an autoregressive regression model. To estimate the regression model data from pre and post-recapitalization periods of the Nigeria banking industry was used. The data were collected from money and credit statistics department of the CBN. Several banking variables were used to check the effect of recapitalization. The variables are base money, broad money, credit to government, credit to private sector, demand deposits, narrow money, net domestic credit, net foreign assets for the 2000-2016 period. At first, descriptive statistics of the variables are investigated. After interpretation of the descriptive statistics of the variables for both before and after recapitalisation period seasonality of the series are investigated. Based on the seasonality results all series are seasonally adjusted. Rest of the empirical application is done by using seasonally adjusted series. After these, the unit root test used to determine integration level of the variables. At last autoregressive models are estimated using stationary series for each variable. In these models the dummy variable used to see if there is a change after recapitalization period.

The results prove that recapitalization increases base and broad money of a commercial bank and it ensures more liquidity. The results also prove that after recapitalisation, a stronger and more stable banking system is seen.

Keywords: *Recapitalization, Nigeria banks , broad money, base money, demand deposit.*

SERMAYELENDİRMEİNİN NİJERYA BANKACILIK SİSTEMİNE ETKİSİ

ÖZET

Bu tezin amacı bankaların yeniden sermayelendirmesinin Nijerya bankacılık sistemi üzerindeki etkisini incelemektir. Banka yeniden sermayelendirmesi, kuruluşun finansmanında kullanılan uzun vadeli finansman miktarını arttırmaktadır.

Nijerya bankacılık sektöründe banka yeniden sermayelendirmesinin etkisinin varlığı otoregresif regresyon modeli kullanılarak tahmin edildi. Bu modelin tahmin edilmesi için Nijerya bankacılık endüstrisinin yeniden sermayelendirmesi öncesi ve sonrası verileri kullanıldı. Veriler CBN'nin para ve kredi istatistikleri bölümünden toplanmıştır. Yeniden sermayelendirmenin etkisini kontrol etmek için çeşitli bankacılık değişkenleri kullanıldı. Kullanılan değişkenler 2000-2016 dönemi için parasal taban, geniş para, kamuya verilen krediler, özel sektöre verilen krediler, vadesi mevduat, dar anlamda para, net yurt içi kredi, net yabancı varlıklar değişkenleridir. Öncelikle verilerin betimsel istatistikleri incelenmiştir. Betimsel istatistikleri yeniden sermayelendirme öncesi ve sonrası dönem için yorumlanmasından sonra serilerin mevsimselliği incelendi. Mevsimsellik sonuçlarına göre tüm seriler mevsimsellikten arındırıldı. Görgül uygulamanın buradan sonraki kısmı mevsimsellikten arındırılmış serilerle yapıldı. Bunlardan sonra değişkenlerin bütünlenme dereceleri araştırıldı. Son olarak her bir değişken için otoregresif model durağan serilerle tahmin edildi. Bu modellerde yeniden sermayelendirme sonrası bir değişiklik olup olmadığının saptanması amacıyla kukla değişken kullanıldı.

Sonuçlar sermayelendirme sisteminin ticari bankaların parasal tabanını ve geniş parasını arttırdığını ve daha fazla likiditesi sağladığını kanıtlamaktadır. Sonuçlar ayrıca sermayelendirme sonrasında daha güçlü ve istikrarlı bir bankacılık sistemi ortaya çıktığını da kanıtlamaktadır.

Anahtar Kelimeler: *Sermayelendirme, Nijerya bankaları, geniş para, taban para, vadesiz mevduat.*

1. INTRODUCTION

Like every other economy around the world, the Nigerian economy revolves round its banking system. The robustness of the banking industry has direct impact on the key indices of the economy. According to studies, it has been revealed that there is a positive correlation between the health of local banks and the local economy (Aurangzeb 2012). According to Aurangzeb, countries with good financial systems tend to experience economic growth more quickly.

Banks serve as custodians of public funds deposited by individuals, firms and governments and provides intermediation functions by linking the lenders with excess funds to borrowers with needs of funds. Banks create money through their intermediation roles of credit provision. Banks facilitates international trade by import financing, business advisory, provision of forex, business travel allowances (BTA), personal travel allowances (PTA), debit/credit cards and linking customers with their correspondence banks outside the country.

On a consistent basis, the idea of bank recapitalization and governmental reforms is a growing trend among major and growing economies of the world. Bank failures are not restricted to a certain economy and the need to consistent string up reforms is necessary for growth of the banking sector of that economy and the economy at large. In view of the significance of the banking industry to a nation's economy, government intervention is not only desirable but necessary. The first attempt to regulate the Nigerian banking industry was done by the colonial government through the passing of the Banking Ordinance Act of 1952, The Central Bank of Nigeria was established in 1959 to pilot, control, regulate and guide the banking industry.

Bank recapitalization is increasing the amount of long term finances used in financing the organization. It also means increasing the debt stock of a company or losing additional shares through existing shareholders or new shareholders or a combination of the two. It could even take the form of merger and acquisition of foreign direct investment. It is also restructuring a company's debt and equity mixture often with the aim of making a company capital structure more stable or optimal.

The Central Bank of Nigeria (CBN) has been mindful of the various risks that are prevalent in the industry. This is the reason, it announced in 2004 that all the banks should shore up their capital base from N2billion to N25billion. The reactions in the country was mixed. Some researchers were positing that the N25billion was too high and that regional banks should be allowed to recapitalize to the tune of N10 billion. Achieving 1,150% growth in capital base between July 6,2004 and 31 December 2005 was seen as mission impossible by many but there were also professionals and politicians who believed that any bank that could not meet up should surrender its license. Governor Soludo who was the then governor of the CBN insisted that, recapitalization is necessary because maintaining the security base and soundness of the existing banking structure is not a one-way approach. It should be a continuous process that is aimed at strengthening them.

The banking system in Nigeria has gone through major crisis, reforms and infusing of policies. Before the last increase in capital base structure of all commercial banks in Nigeria when Governor Soludo came at the new CBN governor, the banking system was in a mess. The Nigeria banking system was fragile and marginal. The banks were suffering from persistent liquidity, weak corporate governance, poor asset quality, insider abuses (fraud), weak capital base, unprofitable operations and over dependency on public sector funds. These factors and many more necessitated the reforms and recapitalization. Adegbaju and Olokoyo (2008) wrote that the reforms in the banking sector was necessary because of the backdrop of banking crisis due to highly undercapitalizing deposit taking banks, structure and weak management practice, tolerating corporate deficiencies and behaviour of banks and weakness in the regulatory and supervisory framework.

Reforms and recapitalization was to correct perceived or impending crises and failures. Bank consolidations are policies implemented to toughen and strengthen the sector, improve competition, embrace global trends, adopt improved techniques, exploit economies of scale, improve profitability and raise efficiency.

The aim of the study is to ascertain the after effect of recapitalization in the nation's (Nigeria) banking system, to determine if the arguments of the Central Bank of Nigeria for the recapitalization were justified, to determine if there are factors that can impede the Nigerian banking system regardless of capitalization efforts and to

determine the short and long term effects of the recapitalization exercise on the banking sector

The study is significant because of the key roles banks play in the Nigerian economy. If the banking sector fails, the economy will be badly impacted and the Nigerian economy is so important that its collapse will have ripple effects on neighbouring countries

It is also important to determine if there is a correlation between capital base and the health of a bank. The question this research wishes to answer is if recapitalization have significant effect on the nation at large. Before recapitalization exercise of 2005, the country had experience turbulent years of bank failure with citizens losing their life savings and directors of these failed banks sent to prison by the military government.

This thesis aims to make an analysis of the recapitalization of Nigerian banking sector. The study consists of data covering banks in the Nigeria banking sectors between the year 2000-2016 from the Central Bank of Nigeria money and credit statistics.

In the second chapter of the thesis, the history of the banking sector was discussed, the role of the apex bank (Central bank of Nigeria) in the Nigeria banking sector, banking failures and the Nigeria deposit insurance corporation.

In the third chapter, the different trends of recapitalization processes where studied and discussed, the reason for recapitalization and analysis of bank recapitalization process.

In the fourth chapter, a literature review was studied, analysing previous studies by other authors and briefly discussing and revising literatures bordering on bank recapitalization.

Empirical analysis forms the fifth chapter of the thesis. Firstly, definition of variables that were used in the thesis. Secondly, graphical representation and descriptive statistics of the variables. Finally, hypothesis testing using unit root test and dummy variable test.

Chapter 6 gave the various conclusions and interpretation of the empirical analysis. It also concluded and summarized the different aspects of the study and gave recommendations and possible studies for further study.

2. HISTORY OF BANKING SECTOR IN NIGERIA

2.1 History of Banking in Nigeria

Banking in Nigeria has come a long way and it started with the establishment of African Bank Corporation (ABC) in 1892. Due to the need to import and distribute shilling (currency of use) across the still colonized Nigeria, Mr Alfred Jones of the Elder Dempster and company saw the opportunity and provided funds to establish a bank in Lagos. A branch of Africa Banking Corporation was opened in Lagos in August 1891. The ABC became the first commercial bank to do business in Nigeria. Unfortunately, the bank did not exist for too long as it later became BBWA (Bank of British West Africa). BBWA was registered in December 1893 at the request of the Lagos government. The Bank of British West Africa was an example of the colonial banking system that was in vogue at that time where banks in colonial states were headquartered at London. Colonial bank was established in 1916 and they were resilient just like BBWA. The bank was very competitive and has almost the same financial bragging right like BBWA. In 1925, it was later absorbed and taken over by Barclays bank which later merged with Anglo Egyptian bank and National Bank of South Africa to form Barclays bank DCO, which is now Union Bank of Nigeria Plc.(Goodenough , 1925).

The bank was as a result of the mutual union between the Lagos state government and the ABC (Africa Banking Corporation). (Jones and Elder Dempster, 1983).

Trade and banking monopoly were exclusively held by the BBWA and it instigated the creation of another bank called “The Anglo African Bank”. Unlike the BBWA that had its headquarters in Lagos, the new bank had its headquarters in Calabar to avoid dirty competition. In 1905, the bank's name was later changed to Bank of Nigeria which was because of growth and consistency. A merger between BBWA and Anglo-African Bank came in June 20th in 1912. The merger ended the competition in the banking sector until another real competition came in the mould of Colonial bank.

Many other banks were later formed including Post Office savings bank, industrial and commercial bank, Mercantile bank was established in 1931, Nigeria penny Bank, National Bank of Nigeria and Agbonmagbe Bank which later became Wema Bank Plc was formed in 1945.

The rate at which the banks formed during this period were failing alarmed the colonial government. This prompted the setting up of the Paton Commission in 1948. The commission was led by G.D Paton. The commission found among many other issues that banking practices as at the time were largely and it was necessary to pass the first banking law in Nigeria-the banking ordinance of 1952 became the first. The legislation was meant to bring sanity into the banking industry as regards formation and operations of the banks.(Paton , 1948)

In 1948, the British and French Bank for Commerce and Industry was established. The bank later became United Bank for Africa Plc. In 1947, African Continental Bank (ACB) was formed with a capital base of approximately 250,000 pounds. ACB went on to play critical roles in the Nigeria banking space till it became distressed in 1991. The bank was resuscitated by a consortium in 2002 and it operated till 2005 when it merged with other banks to form Spring bank.

From 1892 when African Banking Corporation came on board to 1951 was usually addressed as era of “free banking” as indeed “anything goes”-there was no legislation to curb abuses in the system. The banking ordinance of 1952 introduced a new dawn to the Nigerian banking industry-a dawn of government intervention that have not ceased till date.

The banking ordinance of 1952 set standards for the banking industry, set minimum paid capital of indigenous banks at 25,000 pounds, created reserve requirements and provided for the examination of books of banks by independent examiners.

Paseda (2012) defines banking regulatory reforms in different eras. He defines this era as a free banking or laissez-faire banking. The eras are: Era of Free Banking or Laissez-Faire Banking (1891 – 1951), The Era Of Banking Regulation (Beginning From 1952), The Era Of Regulation And Indigenization (1972 – 1986), The Era of Structural Adjustment Programme (SAP)/ Financial System Deregulation (1986 – 1993), Guided

Deregulation (1994 – 1998), Universal Banking Era (1999 – 2003), Consolidation Era (2004 – 2008), Current Banking Reforms (2009 – 2012).

2.1.1 Era of free banking

In the era of free banking the banks look like a colonial banks and they wanted to receive African deposits. In this era, colonial banking was established initially and the banks were headquartered and controlled from London. Banking services in this era was not established to satisfy the needs of Nigerians but to establish British commercial interest. The establishment of indigenous banks in this era was to challenge the policies of colonialist towards Nigerians who they termed to be primitive. Nigerians became the only colony with indigenous banks among other countries in the West Africa Sub-region under the British Empire. The free banking era was an era devoid of rules, regulation and banking laws or guidelines. In the said era, banking failure among indigenous banks was a dominant feature because of bad management, fraud, inadequate capital and poor staffing methods. There was no formal banking structure for bank supervision and control. During this era many banks were founded but many of them failed because of management, capital, fraud and staff reasons. At first Industrial and Commercial Bank was established but it failed in 1930. In 1931 The Nigeria mercantile bank was founded but the bank collapsed in 1936. In 1933, the National Bank of Nigeria was created followed by Agbonmagbe Bank in 1945 which was later changed into Wema Bank. Nigeria penny bank was also created in 1945 but collapsed a year later. Africa continental bank was created in 1947 and it became one of the three successful indigenous banks in Nigeria. The eventual failure and closure of many indigenous banks was caused by many factors. Most of the banks were insufficiently founded with small paid up capital, poor management, badly kept records, early expansion of offices and most importantly, no banking regulations to stipulate how banks should be run. It was in the ending of the era, the G.D Paton report was released and the creation of the Nigeria Banking ordinance in 1952 came into existence. The G.D Paton report gave birth to the era of banking regulations.

2.1.2 Era of banking regulation

In 1952, the era of banking regulation started. The G.D Paton report was based on recommendation of the colonial authorities to investigate banking operations in

Nigeria. The era of bank regulations brought a little bit of stability in the system and it can be divided in three sub-eras and they are;

- The first era of limited regulations (1952-1955)
- The era of intensive regulation (1988-1972)
- The era of regulation and indigenization (1972-1986)

Licensing of banks and registration of banks started after the ordinance and only licensed banks were allowed to operate. Stipulated capital base was also required by banks and they were £12,500 for indigenous banks and £100,000 for foreign banks.

The ordinance also required banks to meet certain criteria and they are;

- 20% of profit should be paid into a reserve fund for maintenance
- There should be adequate level of liquidity
- Granting of unsecured loans to any one related to the banks in excess of 300 pounds should be abstained from.
- Dividends should be paid after capital expenditure has been written off
- Financial secretary should receive periodic returns

During this period, a financial secretary was appointed to manage and either refuse or withdraw licenses based on discretion and the criteria written above.

The ordinance was to be adhered to immediately by new banks but old banks were given three months period of grace. There were several loopholes in the 1952 banking ordinance despite its inherent success in regulating the sector. The loopholes were;

- For banks in need, no provision was made for assistance
- For the maintenance of their liquidity level, many indigenous banks kept idle cash
- There was no scheme to compensate depositors when a bank was not able to meet the initial capital requirement and go into liquidation since the waiting period to comply with the new capital base was 3 years.
- There was no credible examination of banks because of lack of a central bank

The CBN act of 1958 began the era of intensive regulation. Capital base was increased again but only in the foreign bank because the capital requirement for indigenous banks was still the same. The central bank was established in 1958 and banking activities

started in July 1959. The CBN became the sole police that was armed to fight bank failures and also promote the banking system.

Several important provisions were stipulated in the new banking act of 1958 which was enforced in 1962 and the provisions are;

- There was an increase in capital base and it was the same for both indigenous and foreign banks. A commendable 7 years' grace period was given to the indigenous banks to comply.
- Redefinition of the meaning and composition of liquid asset
- For the purpose of future development, banks were given the license to own real estates.
- To retain their banking license in Nigeria, foreign banks were to have funds equal to the minimum of £250,000 to the Minister of finance

The military dictatorship government instigated the increase in capital base to £300,000 for indigenous banks and £750,000 for foreign banks in 1969. The increase in capital stimulated the closure of all privately owned indigenous banks, leaving the indigenous banks owned and controlled by state/regional government. At the end of the era, the only banks that were still viable were foreign banks and state/regional government enabled indigenous banks.

2.1.3 Era of regulation and indigenization

The era of regulation and indigenization was carried out from 1972-1986. An indigenization policy was pursued by the federal government by buying certain amount of shares from all the foreign owned banks in Nigeria. The move was to influence lending and subsequently create policies that benefit the economy. The infiltration of government into the banking sector was seen in the policy in which it appointed the board members of banks and also set out guidelines for their operations.

There was relative stability in the banking sector because of government equity participation. The government was also unwilling to let banks under her control fail, despite the bank financial condition of its management. The pseudo stability in the banking sector was followed with some negative costs of its own. Bad debts increased because of the continuous unguarded lending to the government. The deposit insurance scheme was established by the government to protect depositors when there is liquidation in any government controlled banks. According to several authors, the

actions of the government, was the foundation of another phase of banking distress. Indigenization weakened the ability of the sector to safe guard itself.

There was rural banking scheme which was established in 1977 to mobilize rural savings and allocate them to rural development. At the end, problem such as illiteracy, poverty and infrastructural deficits was part of the low volume of rural businesses to cover bank costs.

2.1.4 Era of sap and financial system deregulation

The era of structural adjustment programme (SAP) and financial system deregulation was seen from 1989-1993. The SAP was created to achieve many objectives in the fumbling banking sector;

- To achieve the balance of payment viability by altering and restructuring the production and consumption patterns of the economy.
- Eliminate the distortion of price which will thereafter improve the place of allocation of resource.
- Reducing the over dependence of consumer goods importation and exportation of petroleum.
- Increasing the exportation of non-oil products
- Rationalise the role of the Nigeria public sector
- Increase the rate by which the private sector grows
- Achieving sustainable growth

To achieve the said objectives of the SAP, the strategies that were employed were;

- i. Making the Naira more stable by adopting a market determined exchange rate
- ii. Deregulation of external trade and payment arrangements
- iii. Reducing price and administrative control
- iv. Putting more faith on market forces as a major determinant of economic activity

During the SAP era, there was the deregulation of the banking sector. The deregulation increased the number of registered and licensed commercial and merchant banks from 40-120. Most of the said banks were mainly foreign exchangers (Bureau de change).

The SAP enacted policies like the establishment of the Nigeria deposit insurance corporation (NDIC) and introduction of open market operations.

The multiplication of the number of banks that occurred brought about good and bad results (mixed blessings). The increase in the number of banks brought so much competition between banks based on customer services and technological innovation but it also stretched and limited the number of qualified personnel in the banking industry. Poaching became normal between banks in order to get manpower and various standards were compromised. It also brought about internal mismanagement, insider abuse, macroeconomic instability and massive loan repayment defaults. Many banks lost their bank licenses because of systematic distress in the banking sector. SAP changed the structure of banking in the Nigerian economy.

As was stated before, the promulgation of the CBN decree No 24 of 1991, which gave independence to the CBN to be the sole creator of the banking legal framework. The independence of CBN was the answer to ineffective regulation and supervision of banks and other financial institutions/

The powers of the CBN were thus;

- The CBN acquired the powers to compile and circulate to all banks in Nigeria, a list of bank debtors whose debts to any bank had been classified by bank examiners
- The BOFIA decree gave the CBN sole licensing powers for both banks and non-bank financial institution. The decree gave the CBN powers of regulation over primary mortgage institution, discount and finance houses.
- The CBN was vested with the powers to deal with any failing bank and failed bank.

Between 1992 and 1993, the federal government divested most of its equity holdings in banks to Nigeria private investors. The reform brought about banks that were owned by private individuals and it also introduced the era of automated bank and online banking services which was effective in reducing long queues in banks. There was emergence of several new generation banks who also contested with the old generation banks.

2.1.5 Era of guided deregulation

The era of guided deregulation was from 1994-1998. Despite the new CBN and BOFIA decree, there was still instability in the banking system. At the end of 1995, 50% of banks in Nigeria were facing distress and non-performing loans of the distressed banks were up to 43%. To salvage the bank distress and foreseen liquidation, the CBN adopted certain measures and they include;

- Provision of liquidity support via accommodation facilities
- Imposition of holding action against further lending
- Bank takeovers
- Restructuring and liquidation of terminally distressed banks

The policy of guided regulation of the foreign exchange market in 1995 saw the segmentation of the official foreign exchange rate and autonomous foreign exchange market. The segmentation of both exchange market created incentives for rent-seeking, round tripping and other financial market abuses.

Another highlight of the guided deregulation era was the increase in required capital base from both commercial and merchant banks. The capital base was raised to N500 million in 1997 from N40 million and N50 million for merchant and commercial banks respectively.

Universal banking era started in 1999 with the return of civilian rule to Nigeria. Universal banking was adopted in 2000 based on pressure from merchant banks to create a level playing field for both banks. The universal banking was merely a legal attempt to legislate existing practices.

The universal banking removed the delineation between commercial and merchant banking which was instituted in the 1969 banking decree. The removal paved way for uniform licenses to be issued to all banks and for them to determine in which segment of the financial services market to operate.

Small and medium enterprises (SMEs) was set up and the small and medium enterprises equity investment scheme was undertaken, which banks set aside 10% of their annual profits for equity investment in SMEs. The restructuring and initiative was followed by the establishment of the Bank of Industry (BOI) in October 2001. The BOI and the Nigeria Industrial Development Bank (NIDB) was a major source of development since the federal government intent to use SMEs as instrument for,

- Rapid industrialization
- Sustainable economic development
- Poverty alienation
- Employment generation

The capital base of N1 billion was required for all banks.

In the five years of 2004, the CBN intensified its supervisory role over banks while making concerted efforts to shutdown illegitimate doors in the FOREX market. As part of the process of closing illegitimate doors, the apex bank suspended 21 banks for contravening foreign exchange regulations in 2002 and the Dutch Auction System (DAS) was introduced. The CBN also introduced several programmes to improve regulatory efficiency and effectiveness.

2.1.6 Consolidation era

The consolidation era was between 2004 to 2008.

A new agenda to reposition the CBN to meet financial play in the 21st century was outlined by the then CBN governor, Professor Charles Soludo on July 6, 2004.

The composition of the agenda are as follows;

1. Requirement that the minimum capitalization of banks will be N25 billion.
 - Full compliance before end of December 2005
 - Only banks that meet the requirement can hold public sector deposits and participate in the DAS by end of 2005
 - Names of banks that qualify by 31st December 2005 will be published.
2. Phased withdrawal of public sector funds from banks, starting in July 2004
3. Consolidation of banking institutions through mergers and acquisitions
4. Adoption of a risk-focused and rule based regulatory framework
 - CBN will preannounce the rules of the game and abide by them
5. Adoption of zero-tolerance in the regulatory framework, especially in the area of data/information rendition/ reporting
 - Bank MDs to sign all bank returns from henceforth
 - Manipulation of accounts/ concealment of unsavoury transactions off balance sheet will henceforth attract serious sanctions.
6. Automation of rendition of returns by banks and other financial institution

7. Establishment of hotline, confidential internet address for all Nigerians wishing to share any confidential information with the governor of CBN on the operations of any bank or the financial system.
8. Strict enforcement of the contingency planning framework for systemic banking distress
9. Establishment of an Asset Management Company (AMCON) as an important element of distress resolution
10. Promotion of the enforcement of dormant laws relating to, for instance, issuance of dud cheques, vicarious liabilities of the Board members of banks in cases of failings by the bank
11. Revision and updating of relevant laws, and drafting of new ones relating to the effective operations of the banking system

The aim of the reformation programme by the CBN was to create a diversified, strong and reliable banking sector which would;

1. Ensure the safety of depositors' money
2. Play active developmental roles in the economy
3. Become competent and competitive players both in the African and global financial systems

Out of the 89 banks, only 76 banks had a capital base of N25 billion at the end of the stipulated time. At the end of the reform, only 25 banks remained in the banking sector. Mergers and acquisition was one of the ways 76 banks shrunk to 25.

These are the criticisms that were targeted to the CBN after launching of the recapitalization idea.

1. Some observers felt the exercise was aimed at eliminating small banks and reducing the number of banks in the country.
2. Others argued that job security will be threatened by perceived reduction in number of banks
3. The exercise was criticized as an attempt to misuse share capitalization to force the emergence of mega banks whose constituents might be a strange bed fellows.

Post recapitalization and consolidation of banks came with its own downsides and they are cited below;

1. Technical incompetence of the board and management to deal with mega banks
2. Board squabbles due to the meshing of different corporate cultures
3. Disputes between management and staff
4. Increased levels of risks
5. Ineffective integration of different banking entities
6. Poor integration and development of information technology
7. Poor accounting and record systems
8. Inadequate management capacity
9. Resurgence of a high level of malpractices
10. Insider related lending
11. Rendition of false returns
12. Continued concealment and ineffective audit committee

Several banks in Nigeria had massive expansion, overseas expansion. The increase of Nigerian banking investments abroad was so much that as at September 23rd, 2008 10 banks had banking licenses I foreign countries. The banks were First Bank, Union Bank, Intercontinental Bank, Access Bank, Bank PHB, UBA, Guaranty Trust Bank, Zenith Bank, Oceanic Bank and FinBank. Guaranty Trust Bank even secured its quotation on the London Stock Exchange in 2008.

Table 2.1: Number of Development & Specialised (2000-2016)

BANKS / INSTITUTIONS	2000	2001	2002	2003	2004	2005	2006	2007	2008
DEVELOPMENT BANKS	4	4	4	6	6	6	6	5	5
SPECIALISED BANKS:	1159	747	769	774	753	757	750	709	695
Community Banks (Microfinance Banks)	881	747	769	774	753	757	750	709	695
Peoples Bank (Branches)	278	0	0	0	0	0	0	0	0
SPECIALISED FINANCIAL INSTITUTIONS:	541	244	249	252	304	316	338	315	298
Finance Houses	280	98	102	104	107	112	112	112	114
Insurance Companies (Reporting)	57	57	57	57	103	103	103	77	54
Discount Houses	5	5	5	5	5	5	5	5	5
Primary Mortgage Institutions	194	79	80	81	83	90	91	93	81
National Economic Reconstruction Fund (NERFUND)	1	1	1	1	1	1	1	1	1
National Social Insurance Trust Fund (NSITF)	1	1	1	1	1	1	1	1	1
Nigeria Deposit Insurance Company (NDIC)	1	1	1	1	1	1	1	1	1
Securities and Exchange Commission (NSE)	1	1	1	1	1	1	1	1	1
National Insurance Commission (NAICOM)	1	1	1	1	1	1	1	1	1
National Pension Commission (PENCOM)	-	-	-	-	1	1	1	1	1
Pension Fund Administrators	-	-	-	-	-	-	13	12	26
Pension Fund Custodians	-	-	-	-	-	-	4	4	5
Closed Pension Fund Administrators	-	-	-	-	-	-	4	6	7

Source: Central Bank of Nigeria, stabull-2016-002, 2016 Statistical Bulletin: Financial Statistics Published 7/28/2017

Table 2.1: Number of Development & Specialised (2000-2016) (Continues)

BANKS / INSTITUTIONS	2009	2010	2011	2012	2013	2014	2015	2016
DEVELOPMENT BANKS	5	5	5	5	5	5	5	5
SPECIALISED BANKS:	828	801	821	883	825	891	948	987
Community Banks (Microfinance Banks)	828	801	821	883	825	891	948	987
Peoples Bank (Branches)	0	0	0	0	0	0	0	0
SPECIALISED FINANCIAL INSTITUTIONS:	310	311	323	249	247	239	236	235
Finance Houses	114	114	114	65	67	69	66	66
Insurance Companies (Reporting)	49	49	61	60	53	48	49	49
Discount Houses	5	5	5	5	2	2	1	0
Primary Mortgage Institutions	98	102	102	82	82	82	82	82
National Economic Reconstruction Fund (NERFUND)	1	1	1	1	1	1	1	1
National Social Insurance Trust Fund (NSITF)	1	1	1	1	1	1	1	1
Nigeria Deposit Insurance Company (NDIC)	1	1	1	1	1	1	1	1
Securities and Exchange Commission (NSE)	1	1	1	1	1	1	1	1
National Insurance Commission (NAICOM)	1	1	1	1	1	1	1	1
National Pension Commission (PENCOM)	1	1	1	1	1	1	1	1
Pension Fund Administrators	26	24	24	20	26	21	21	21
Pension Fund Custodians	5	4	4	4	4	4	4	4
Closed Pension Fund Administrators	-	-	-	-	-	-	4	6

Source: Central Bank of Nigeria, stabull-2016-002, 2016 Statistical Bulletin: Financial Statistics Published 7/28/2017

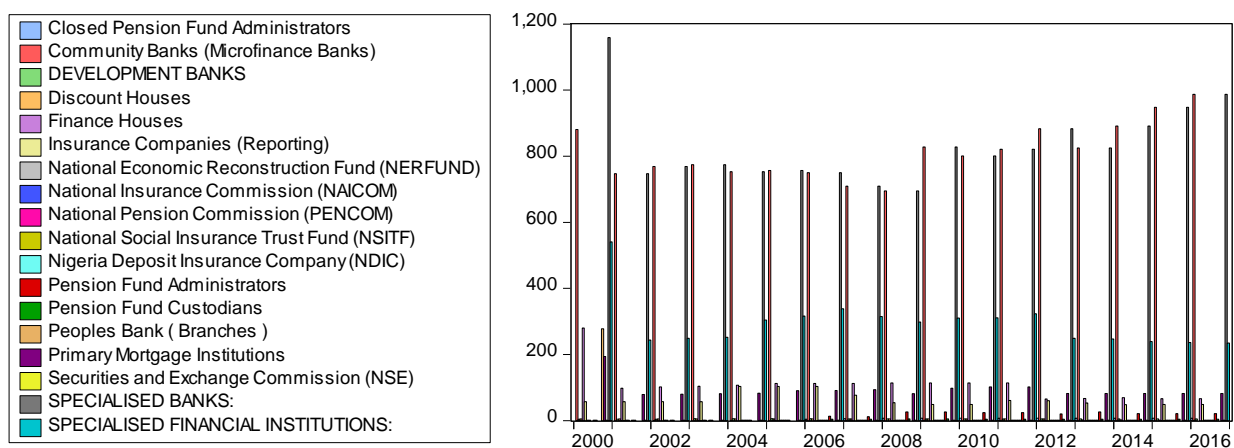


Figure 2.1 : Chart showing the number of banks from pre and post recapitalization

Table 1 above shows some industry statistics from 2000-2016. Despite the reduction banks in Nigeria to 24 in between the years, there was growth in the number of branches of bank network, increase in total assets of banks and increase in the amount of credit given to the private sector.

Despite the flaws of the N25 billion recapitalization requirement for Nigerian banks, the banks that survived became mega banks and stronger in many respect. In 2016, the amount of specialized banks and community banks (branches) increased to 987 each. By the year 2017, the number of commercial banks is 23.

Figure 1 above shows the growth of the number of banks, their branches and financial houses from 2000-2016. In 2000, the number of banks and branches was the peak (almost 1200) but after the trimming down of banks, acquisitions, mergers, liquidation and subsequent recapitalization, the number of banks came down but the banks that were remaining became mega banks with huge capital base. After the fall from 2003-2007, the number of banks increased due to recapitalization.

Table 2.2: Number of Commercial Banks in 2017

Number	Name	Old Name
1	Access Bank Plc	Access Bank Plc
2	Citibank Nigeria Limited	Nigerian International Bank Ltd
3	Diamond Bank Plc	
4	Ecobank Nigeria Plc	
5	Enterprise Bank	
6	Fidelity Bank Plc	
7	First City Monument Bank Plc	First City Monument Bank Plc
8	Guaranty Trust Bank Plc	
9	Key Stone Bank	

10	MainStreet Bank	Afribank Plc
11	Skye Bank Plc	
12	Stanbic IBTC Bank Ltd.	IBTC - Chartered Bank Plc
13	Standard Chartered Bank Nigeria Ltd.	
14	Sterling Bank Plc	NAL Merchant Bank Ltd
15	SunTrust Bank Nigeria Limited	SUNTRUST SAVINGS & LOANS LIMITED
16	Union Bank of Nigeria Plc	Union Bank Plc
17	United Bank For Africa Plc	
18	Unity Bank Plc	
19	Wema Bank Plc	Agbomagbe Bank Limited
20	Zenith Bank Plc	Zenith International Bank Ltd
21	Heritage Banking Company Ltd.	
22	ACCESS BANK PLC	
23	FIRST BANK NIGERIA LIMITED	First Bank Nigeria Plc

Source: CNB, <https://www.cbn.gov.ng/supervision/Inst-DM.asp>

2.1.7 Current banking reform

Current banking reform was from 2009-2012 and it focused on fixing and implementing some unfinished businesses of the consolidation era. The current reforms was designed to build on the successes of earlier reforms with the overriding objectives of fostering financial stability.

There were several factors that led to a fragile financial system that was obvious during the global financial crisis and recession. The factors were given by the then new CBN governor Lamido Sanusi (Sanusi, 2010) and it states as follows;

- Macroeconomic instability caused by large capital inflow
- Major failures in corporate government banks
- Lack of investor and consumer sophistication
- Inadequate disclosure and transparency
- Major weakness in the business environment
- Unstructured governance and management processes at the CBN
- Uneven supervision and enforcement
- Critical gaps in regulatory frameworks and regulations

Special examination of banks in Nigeria was carried out by the CBN in conjunction with NDIC. The report gotten was that 10 banks were in need of capital injection and N620 billion was injected into 9 banks by the CBN.

Other revelations that were revealed during the special examination were the total non-performing loans of the ten banks equalling N1,696 billion and it represented 44.38% of total loans, the provision required to resuscitate the banks equalled N1,221.51 billion, capital adequacy ratio of the ten banks were below the statutory minimum ratio of 10%, while additional capital injected into the banks was N495.83 billion.

The initiatives included the injection of N620 billion into nine banks, replacing the CEO and executive directors of eight banks of the banks with turnaround managers, reaffirming guarantee of the local interbank market to ensure continued liquidity for all banks and guaranteeing foreign creditors and correspondent banks' credit lines to ensure confidence and maintain important correspondent banking relationships.

The four pillars the current banking reform was based on;

- Enhance the quality of banks
- Establish financial stability
- Enable healthy financial sector evolution
- Ensure the financial sector contributions to the real economy.

The current banking reform era witnessed these;

- Risk based framework was emphasized for banks and other financial institution
- Enforcement of the framework against systemic banking distress
- Asset Management Corporation of Nigeria (AMCON) was created to takeover non-performing assets of banks.
- Improvement of disclosure and transparency
- Promotion of laws that are relevant for effective operations of banks
- Nigerian banks became part of global first 1000 banks
- Categorization of banks based on capitalization and sphere of influence.
 - i. Regional banks – N10 billion
 - ii. National banks – N25 billion
 - iii. International banks – N50 billion
- Developing new regulations for banks
- Enhancement of the role of CBN in SME intervention and power/manufacturing intervention
- Introduction of cashless policy.

2.2 Role of the Central Bank of Nigeria (Cbn) In the Nigerian Banking Industry.

The central bank of Nigeria is the number one regulatory body in charge of banking in Nigeria. The founding of the apex came as a result of a detailed report carried out by the then colonial government to investigate practices and management of Banks in Nigeria. The history and inception of the CBN can be traced back to the colonial times of banking administration. In between 1892-1952, there was a banking inquiry carried out by the colonial administration to check banking practices in Nigeria. G.D Paton was the one at the head of the inquiry and the report laid the basis for the 1952 first banking ordinance. The ordinance instigated the then house of representative in 1958 to draft out a policy for the creation of the CBN. The CBN started full operations in July1, 1959.

The legal framework in which the CBN operated on was gotten from the 1958 and 1969 central bank act and banking decree respectively.

After the structural adjustment programme of 1989 which brought liberation to the financial sector, the CBN became an independent entity after the BOFIA decree 24 and 25 of 1991 was acted upon to repeal the decree of 1969. The CBN became stronger and had extended powers. The powers of the CBN was not just for banks alone but non-banking financial institutions. In 1997, the total autonomy the apex bank enjoyed since 1991 was removed by the federal government based on decree no 4 in 1997.

The 1997 decree gave the Ministry of Finance supervisory powers over the CBN. The amendment gave enormous powers to the Ministry of Finance while giving CBN with a small role in monitoring of the financial institution with no room to exercise any powers.

Another amendment decree (CBN decree 37) of 1998 repealed the decree No 3 of 1997. After the 1998 decree, operational autonomy was given back to the CBN to carry out its functions. The decree gave powers to the apex bank relating to withdrawal of banking licenses of distressed banks and liquidating the banks.

BOFIA decree no 40 (amended) of 1999 empowered the CBN governor to remove any bank manager of a failing bank or other financial institution.

The CBN act of 2007 is the current legal framework the CBN operates with. The act empowers the bank to promote stability and continuity in economic management. It

also increased the objectives of the CBN to ensure monetary and price stability and rendering advice to the federal government.

The CBN is also in charge of the money and capital market. encouraged the establishment of the Lagos stock exchange and the securities and exchange commissions.

The Central Bank of Nigeria has so many functions in the financial economy of the nation. In the heat of the 2009 financial crisis, the CBN was the institution that came up with certain policies and creation of AMCON to salvage the situation. The apex bank controls the liquidity in the financial system and uses every arsenal in its disposal to initiate growth. They use three policy tools to achieve their aim and objectives.

1. The Central Bank of Nigeria in a consistent basis provides standard requirements for other banks and financial institution to follow and operate. They are the only bank involved in creating and writing policies which other banks will follow as templates for operations.
2. Member banks under the CBN buy and sell security to them using open market policies.
3. The CBN is the bank involved in bank recapitalization, deregulations, initiating reforms when the need arises.
4. The bank is the lender of last resort. It lends to aching banks that are going through distress and facing liquidation. During the 2009 crisis, the CBN in conjunction with the legislative arm of government created a bill called AMCON (Assets management corporation of Nigeria). AMCON function was to purchase toxic asset from ailing banks that were dependent on the CBN governmental support. After the purchase, the banks will be have clean balance sheet and they will intensify operations.
5. The apex bank is in charge of creating standards, implement targets for all banks and financial institutions and interest rates. The standards are used to rate the loans, mortgages, bonds, rising interest rate, slow growth and inflation.

2.3 Bank Failure in Nigeria

Bank failure and distress happens when the financial institution cannot perform or meet up with its commitment as they fall due to either insolvency or illiquidity. An illiquid bank is a bank that cannot meet its liabilities as at when due while a financial institution becomes insolvent when the value of its realizable assets is lower than the total value of its liabilities.

Bank failure in Nigeria has been there is the inception of banking before independence. From 1930-1950, the Nigerian banking system experienced her first case of turbulent bank distress and failure. Several banks failed and were liquidated. A number of 21 banks crashed between the said period and it prompted the establishment of the Central Bank of Nigeria after the first banking ordinance of 1952 came based on the report by G D Paton. The report was arranged to ensure orderly and smooth running of commercial banking in Nigeria and to prevent the establishment of banks that were not sustainable. After the first reported banking failure in Nigeria, many other examples of bank failure in Nigeria have been seen which stimulated the enactment different recapitalizations, several reforms, the establishment of NDIC (Nigeria deposit insurance scheme) and the latest crisis in 2009 that left the Nigeria banking system stranded and in total chaos. (Paton , 1952)

2.3.1 Causes of Bank Failure in Nigeria

To avert the continuous trend of bank failure, it is pertinent all stakeholders in the sector, regulators, depositors, borrowers and bank managers understands the mitigating causes and factors that contributes to bank failure. The major blames are heap on economic regulators and bank managers are dismissed when banks fail. To avoid the social costs of bank failure, cost incurred by the failed financial institution, the financial loss of bank customers, certain measures are meant to beput in place to guard against recurrent failures. Listed below are mitigating factors that causes bank failure.

Decaying economic factors : The degenerated conditions in inflation, interest and exchange rates can cause bank failure. These macroeconomic factors plus strict regulations imposed on banks can result in bank failure.

Banking regulations : Many stringent rules, general laws, rigid system can inhibit bank from choosing efficient means to achieve their goals. These stringent rules set by

regulatory body may serve as an impending factor and can contribute to total banking failure.

Deposit insurance scheme : Government established deposit insurance scheme encourages banks to dive into risky ventures, risky investments. These ventures when badly managed can lead to unpaid loans or money can be lost through fraudulent actions. Some researchers concluded that government deposit insurance scheme encourages unskilled management and fraudsters irrespective of the regulations.

Forbidding banks from expanding branches and Banking investments : Banking restrictions from establishing banks can cause banks from spreading their investments activities into different locations. Geographical restrictions plus investment prohibition can result to unsuccessful diversification of operations. Branching restrictions rules motivates banks to engage in high risk investments because banks always want to mobilize substantial amounts to stable retail deposits.

Inadequate reserve requirement : The total deposits which banks are obliged to maintain is called reserve requirement. Bank failure can arise because most banks do not keep all their deposits in statutory reserve fund.

Lender of last resort : The central bank of a country uses the mechanism of lending to help stakeholders of failing banks. The reserve of the apex banks decreases when many banks fail. Many banks will engage in risky ventures or investment because they know the central bank or apex bank will intervene when there is a failure.

Corruption and fraudulent practices : Fraud is one of the major causes of bank failure and it is predominant in the Nigeria banking system. Management fraud is the type of fraud responsible for such failures. In the 2009 banking crisis, many managing directors of banks in Nigeria were indicted for committing different level of management fraud and corruption was prevalent.

Bank deregulation : Deregulation of the banking industry allow banks to enter into high risk ventures which can lead to bank failure. Free banking encourages banks to engage in deceptive operations and over expansion which make banks fail. When banks have freedom of investment and diversification it leads to higher risk taking. This higher risk taking might eventually push bank to fail.

Political interference : One of the biggest proponents of bank failure is governmental influence. Direct lending from banks by politicians for electioneering campaign can

cause bank failure. Government influences banks to give loans to borrowers, when these loans are not paid off, they become bad loans and they eventually lead to bank failure. It can be seen in the 2009 bank crisis when many illiquid banks had issue with bad loans which were borrowed to politicians and government.

Other factors are capital requirement, regulations as regards putting a ceiling on deposit interest rates, mismanagement and poor risk management procedure such as lending practices by banks.

2.4 Role of Nigeria Deposit Insurance Corporation (Ndic) In the Nigerian Banking Industry

The Nigeria Deposit Insurance Corporation (NDIC) originated based on a systematic report released in 1983. The report was examined by committee members set up by the board of the CBN to check operations in the Nigeria banking system. The establishment of a Depositors Protection Fund was adequately recommended by the committee. The recommendation was the driving force which brought about the establishment of the Nigeria deposit insurance corporation in 1989.

The NDIC was established to strengthen the banking sector following the Structural Adjustment Program (SAP) of 1986.

Listed below are the many functions of the Nigeria Deposit Insurance scheme,

- ✓ Persuasion, based on agreed moral standards with banks. It also holds continuous interaction with bank managers/owners over enacted policies and swift implementation
- ✓ Restricting operations of distressed banks to operate and bring about self restructuring.
- ✓ It renders monetary assistance to bank.
- ✓ Management and taking control of distressed banks.
- ✓ Acquiring and galvanizing troubled banks which are in the hands of new investors.



3 RECAPITALIZATION

Aduloju et al (2009) defined recapitalization is a reform in the capital structure of a company or an organization. Furthermore, they linked recapitalization to planned replacement of faulty subsystems which refers to capital assets. Homar (2016) defined recapitalization is the change in the capital base of a company through injection of funds for resuscitation. The author further wrote that bank recapitalization is usually done in times when the financial sector is generally experiencing distress and the economy is performing worse than in normal times. Phillippon and Schnabl (2013) described efficient recapitalization minimizes ex post rent to banks and also minimize ex ante moral hazard conditional on any given likelihood of government intervention. Natashima (2015) also defined recapitalization is the public injection of capital into the banking system aimed that reducing the financial risks faced by capital-injected banks, and restoring their lending and profitability.

Ernavianti and Mazlan (2016) wrote that “recapitalization through capital injection is one of the strategies banks use to strengthen banking system from the possibility of bank failures”. The authors also added that capital injection enables banks to reduce the probability of insolvency and closure of the banks. Quoting Phillippon and Schnabl, the authors argued that well-organized recapitalization program inject equity capital against preferred stock plus warrants and continuous implementation on sufficient bank participation from from existing and and new shareholders.

3.1 Recapitalization in Other Major Economies

Recapitalization and injection of funds into the banking sector of an economy is not condition seen in only small markets but historically, it has been found that, many major economies like USA and Japan has underwent recapitalization. We will talk about recapitalization in different economies.

3.1.1 Japan

The Japanese crisis flattened itself over several years. The landmark in the history of the crisis was in 1997 when Sanyo securities went into bankruptcy. The long period of stagnation from 1991-2004, together with initial financial distress and systemic crisis was called “the lost decade”.

The basic reasons behind the crisis was a synergic process of monetary and banking sector policies with external factors like the Asian financial crisis of 1997-1998.

Marinova et al (2014) gave two functional factors that contributed to the crisis.

1. Failure to rehabilitate the banks earlier. The Japanese government didn't clean up the banks' balance sheets and also recapitalize the banks.
2. Misjudging the nature of future problems facing economy of Japanese.

Other factors were;

1. Expecting the problem with bad loans to fix itself with time, once the economy recovered
2. No regulation or legal framework in line to force bank recapitalization

There was a loss of morality in the banking sector because banks were gambling to resurrect themselves. Some banks ventured into “evergreening” (Kasahara et al, 2014).

In 1997, the Japanese experienced an unprecedented banking crisis. The economy experienced a sharp decline in bank loans and corporate investment fell in 1998 and 1999. There was a great downward slide and sharp deterioration of the willingness of banks to lend to the private sector (Kasahara et al, 2014). Due to the decline in the fortunes of the financial sector, the Japanese government injected capital into the banking sector at two separate times:

- In March 1998, a total of 1.8 trillion Japanese yen was injected into the sector
- While in March 1999, a total of 7.5 trillion Japanese yen was injected into the sector again.

The goal was to bring bank customers' and investors' confidence back and to protect the banking system's capacity to give credit to the economy.

3.1.2 Sweden

The root of the Swedish banking crisis can be traced back to the late 80's. There was deregulation in the banking sector / credit market. The deregulation was a catalyst which allowed banks to lend and increased competition in the credit market. There was a 73% increase in bank lending because of the deregulation of the sector.

The economy was becoming overheated and the commercial property market reached its peak in 1989. Credit losses in banks and financial companies increased because of the continuous collapse of the real estate sector of the economy which was the number one borrowers from banks (Marinova et al, 2014)

The continuous collapse of the real estate sector triggered a downward movement of price, bankruptcies and credit losses. From 1990-1993, credit loss reached 17% of lending. The crisis in the Swedish banking sector was caused by four major factors;

- Highly leveraged private sector
- A switch in monetary policy .
- A tax reform that increased after tax interest rates
- Upset in European currency markets in 1992.

In 1991, two major banks in Sweden, Nordbanken and Forsta Sparbanken needed capital to fulfil their capital requirement. As the major banks fell, the crisis worsened in 1992 and also engulfed the entire Swedish financial sector (systemic crisis). It was until September 1992 that a package was unveiled which contained guidelines to manage the crisis. The key factors in the rescue package were;

- A deposit insurance system was established to guarantee all claims by deposit holders and creditors
- The Swedish parliament approved the Bank Support Act, authorising the government to provide support flexibly in the form of loan guarantees, capital contributions and other appropriate measures
- Bank supervisory authorities dealt with troubled banks to minimize moral hazard. The Swedish crisis is an example of successful government intervention. There were aggregate factors like political consensus between ruling party and oppositions as well as a transparent management of the crisis.

3.1.3 United States of America

The financial crisis in the United State was triggered by a rise in sub-prime mortgage delinquencies in 2006/2007 also a steady decline of securities backed by mortgages. The increase in lower credit quality ultimately caused massive defaults which caused a meltdown of sub-prime mortgages and securitized products. There was financial market stress which became apparent in 2007/2008 and it caused bankruptcy of over 100 mortgage lenders. Government took over some lending houses while depository banks like JP Morgan rescued investment bank like Bear Stearns. Some banks got access to emergency credit lines from the Federal Reserve.

The panic subsided for some time because the government carried out actions to promote liquidity and solvency which caused;

- Price across most asset classes and commodity to fall drastically
- The risk premium in the cost of corporate and bank borrowing rose substantially
- Financial market volatility rose to levels that was rarely seen
- Many economies around the world were thrown into recession and had severe long-lasting consequences for the US and European economies.

3.1.4 Malaysia

The Malaysian banking crisis in 1997-1998 was a result of the pressure from the AFC and the depreciation of the Ringgit from RM2.50 per US Dollar to RM4.88 in 1998. The asset quality of banks in Malaysia depreciated seriously when difficulties were faced by borrowers to meet their financial obligations which resulted in a very huge non-performing loan (Ernomanti and Mazlan, 2016). There was a -7.4% decline in economic growth in 1998 while banking system worsened from 4.1% in 1997 to 13.6 % in 1998. Merging was one of the way for the banks to survive. The Central Bnak instructed the merging of banks across the sector with various restructuring and consolidation exercises from 1999-2000. There were several capital injections.

The rescue plan started with capital injection by the Central Bank to Bank Bumuputra and other capital injections, mergers and acquisition of weaker banks by stronger banks. The number of banks fell from 58 to 10 domestic banks. From 10 banks it finally fell to 8 banks.

There were two factors that influenced capital injections in the Malaysia banks and they are;

1. Capital regulation and loan write off by individual banks
2. Strong recovery efforts and good risk management practices were in place.

3.2 Recapitalization in the Nigerian Banking Industry

Bank recapitalization trends in Nigeria have come a long way from 1952 after the first banking ordinance act which brought sanity to the then unregulated banking industry. (Oluitan et al, 2015)

After the banking ordinance of 1952, the capital requirement for all commercial banks was placed at 400,000 pounds. More banks recapitalization reforms were introduced. In 1969, before the end of the Nigeria civil war, there was another capitalization for banks. N1.5 million for foreign owned commercial banks and N600,000 for indigenous commercial banks. (Ikwuagwu et al ., 2015)

With the introduction of Merchant banks into the banking scene, the capital base for all banks was increased to N2m. increase in capital base of bank increased tremendously particularly with the introduction of SAP in 1986. In 1988, capital base for commercial banks and merchant banks were increased t N5m and N3m respectively. It was increased to N10million and N6million in October the same year. Another wave of recapitalization came in 1989 and there was 100% increase in bank capitalization for commercial and merchant banks. (Uruakpa , 2017)

In February 1990, the Central Bank of Nigeria increased bank capitalization from N20 and N12 million to N50 million and N40 million for commercial and merchant banks respectively. They continue recapitalization was necessary for the fact that well capitalized banks would strengthen the banking system and the nation's economy to 31st of March 1990 was the date set aside for all back to comply or face liquidation. Twenty six banks were liquidated because they couldn't meet the baseline. In 1997 another wave of recapitalization came and a uniform N500 million baseline was initiated for both commercial and merchant banks and December 1998 was the date reached to liquidate any bank that didn't reach the benchmark.(Obienusi and Obienusi , 2015)

The risk weighted measure of capital adequacy was enforced by the CBN based on the recommendation by the Basle committee of the Bank of international settlement in 1990. In 1990, the CBN introduced guidelines for licensed banks which were in the same wavelength of both statement of standard accounting practices and capital adequacy requirements.

In 2001, Nigeria adopted a Universal banking model and the capital base was jerk up to N1 billion for old bank and N2 billion for new banks. In 2004, the capital base was jerked up again when Professor Charles Soludo became the new governor. It was increased to N25 billion for all banks and December 2005 was the expected time to comply or face liquidation. The policy brought about certain level of chaos, many banks came together in a merger while others sold shares. Twenty two banks were left after the recapitalization programme. (Ifechi and Akani, 2015)

Table 3.1: History of required bank recapitalization in Nigeria

Year	Required Capital	Remarks
1952	£12,500 £100,000	Indigenous banks Foreign banks Three years ultimatum was given for under-capitalized bank to recapitalise. (17 indigenous banks failed consequently).
1958	£12,500 £200,000	Indigenous banks Foreign banks
1962	£250,000	Both foreign and indigenous banks
1969	£300,000 £750,000	Indigenous banks Foreign banks
1979	N1,000,000 N2,000,000	Merchant banks Commercial banks
1988	N6,000,000 N10,000,000	Merchant banks Commercial banks

1989/1990	N12,000,000 N20,000,000	Merchant banks Commercial banks
1991	N40,000,000 N50,000,000	Merchant banks Commercial banks
1997	N500,000,000	Both merchant and commercial banks
1999 (1999-2002)	N1 billion	All banks
Jan 2004	N2 billion	All banks
July 2004-2005	N25 billion	The increase of 1150% came even before the expiration of the N2 billion recapitalization exercise

Source : Ajekigbe (2009)

Table 3 shows the history of required bank capitalization era in Nigeria. The first bank recapitalization was in 1952 and the required capital base was £12,500 and £100,000 for indigenous and foreign banks respectively. 1958 was the year of the second recapitalization and the capital base were £12,000 for indigenous and £200,000 for foreign banks. In 1962, the capital base was increased to £250,000 for both foreign and indigenous banks. In 1969, the capital bases were £300,000 and £750,000 for indigenous and foreign banks respectively. In 1979, Nigeria started using her own currency, the Naira and the bank base was increased to N1,000,000 for merchant banks and N2,000,000 for commercial banks. In 1988, the capital base of merchant banks was N6,000,000 while that of commercial banks was N10,000,000. 1989/1990 saw the increase of N12,000,000 and N20,000,000 for merchant and commercial banks respectively. The capital base increased systematically through the years. There was also an increase in 1991, 1997 and 1999. In January 2004, the capital base was increased to N2 billion for all banks but in less than 6 months a 1150% increase was seen. In July 2004, the capital base was increased to N25 billion.

Table 3.2: Capitalization of four top Nigerian banks pre-consolidation

	AFRICA'S TOP 4	CAPITAL USDS'M	NIGERIA'S TOP 4	CAPITAL USDS'M
1	Standard Bank	2,971	Union Bank	269
2	First Rand	1,851	First Bank	201
3	ABSA	1,715	UBA	117
4	NedBank	1,680	Zenith Bank	99
	Sub-Total	8,217	Sub-Total	686

Source: Ajekigbe (2009)

Table 4 shows the accumulated capital in US dollars of Nigeria top banks in comparison to top banks in Africa before consolidation of 2004. The table shows that the total accumulation of capital of Nigerian banks was not half the total asset of the number 4 bank in Africa (NedBank). The result is an indication that Nigeria banks were not capitalized unlike their counterparts in other African states, especially South Africa.

Table 3.3: Capitalization of top 4 Nigerian banks after consolidation (2007)

	Africa's top 4	Capital in USDS'M	Nigerian's top 4	Capital in USDS'M
1	Standard Bank	8,015	Union Bank	3,040
2	First Rand	5,169	First Bank	2,500
3	ABSA	5,089	UBA	1,696
4	NedBank	4,080	Zenith Bank	1,650
	Sub Total	22,353	Sub- Total	8,886

Source: Ajekigbe (2009)

Table 5 shows the top four Nigerian banks after bank consolidation and recapitalization in comparison with top four Africa banks. There was a total increase in the amount of total capital base of Nigerian banks and it accumulated to 39.8%.

3.2 Reasons for Recapitalization

The failure of many banks and the consequent losses sustained by the depositors and the waning trust in the banking system by the populace was the immediate cause of the appointment of the Paton's Commission in 1948. The enquiry carried out by the commission into the business of banking in Nigeria was to ascertain the level of control and regulation that should be introduced into the banking sector. Patton's report formed the basis for the banking ordinance of 1952, which for the first time introduced the issue of capitalization as a pre-requisite for opening and operating a bank in Nigeria. The ordinance restricted the establishment of banking to companies with valid licenses. To qualify for a license, the amount of paid-up capital for indigenous banks was fixed at N25,000 and N200,000 for expatriate banks. Banks were also subjected to other regulations such as maintenance of reserve into which a minimum of 20% of annual profit had to be paid until the balance on the reserve account was equal to the paid-up capital. Subsequently, all banking ordinance, amendments and regulations has always addressed the issue of capitalization.

This stipulation was aimed at strengthening existing banks in order to avoid further xobjectives of this policy includes:

1. Protection of depositor's interest.
2. Encouragement of sound banking practices in Nigeria.
3. Discourage the entry of any unserious person(s) or corporation into the industry.
4. The nurturing of an industry that is vested with public interest.
5. Ensure adequate capital for the running of the banks business.
6. Prevention of expatriate banks from dominating the industry i.e. by fixing a higher capital requirement for them.

A good capital base is a necessity for a sound effective and efficient banking system to exist in any economy, and the importance of the banking sector to any economy cannot be over-emphasized

3.2.1 Analysis of bank recapitalization process

The process of recapitalization of the banking sector is to restructure debt and equity mixture. The aim is for stability in capital structure and asset base. The process might also involve the exchange of one form of financing for another.

Nigeria bank recapitalization deals with increasing the capital base of banks. Recapitalization can be achieved by selling shares of the bank in the Nigeria security and stock exchange market. Several banks achieved the N25 billion recapitalization fund through that process. According to the then central bank governor, when the asset base of a bank is strong and sustainable, it will be difficult for the bank to get to an illiquid state.

After recapitalization in 2005, the banks in Nigeria decreased to 24 and the banks became more stable and strong at first. Even though economic analyst fought against the increase in capital base and they asked about the rationale that was behind the policy, several banks were taken over by AMCON(Asset Management Cooperation of Nigeria) and they banks included Keystone bank, Enterprise bank and Mainstreet Bank. The 2008/2009 global economic meltdown overshadowed the success of Nigerian banks and it has been unable to check post capitalization performance. The crisis crashed many sectors of the economy, the stock market crashed too and it affected financial performance of some of the banks and increased exposure.

The biggest post recapitalization challenge faced why the Nigeria banking industry was the inability of the industry and regulators to sustain and monitor the sector's explosive growth which as a result led to risk-build in the system.

4. LITERATURE REVIEW

The idea of bank recapitalization and the effect of banking reforms have been studied and researches have been carried out by many scholars.

Odior (2013) discussed about monetary policies and how the central bank of Nigeria regulate the supply and cost of money in the economy with a view to achieving government's macroeconomic objectives. The author also discussed about the need to regulate money supplied which is based on the knowledge that there is a stable relationship between quantity of money and economic activity.

Augustina et al (2010) wrote about the effect of financial innovation which include technological advances which facilitates access to information, trading and means of payment. They checked the innovation that happened during the structural adjustment programme (SAP) in 1986 had no effect in the demand of money in Nigeria. They concluded that the SAP had no significant impact on the demand for money in Nigeria.

Ifechi and Akanni (2015) examined the analysis effects of recapitalization on commercial banks survival in Nigeria. Based on their finding, they discovered recapitalization and consolidation is a welcome development that is needed by banks. The study used an ex-post-facto research design comprising of pooled data which employs the use of secondary data covering a thirteen year period pre and post recapitalization (2006-2012).

From another point of view Obialor and Alajekwu (2014) used the ordinary least square (OLS) regression analysis to investigate bank recapitalization on bank performance. They concluded that bank capitalization has no significant effect on bank profitability and asset quality. They further implored that strategies to increasing bank capitalization can be used to bank loans and advances to the productive sector of the economy.

Eyenubo (2015) examine bank recapitalization so as to see if it has led to economic prosperity in Nigeria. He used secondary data to check and measure GDP (gross

domestic product) and other bank indices. He suggested that bank recapitalization affects bank performance significantly and in turn leads to economic prosperity.

Thomas et al (2011) argued about the impact of bank reforms in organizational performance in Nigeria between 1995 and 2004. They examined the effect of interest rate deregulation, exchange rate reforms and bank recapitalization. According to econometric panel regression analysis confirmed that all the factor listed above have mixed effects on banks profitability level and net interest margin on Nigeria banks.

Oluitan and Ashamu (2015) suggested in their result that the effect of the latest recapitalization policy was positive on the operational capability of the Nigerian banking system. They also implored that harnessing of resources through mergers and acquisition gave the banks the much required funds to intermediate more effectively within the financial system.

Akinkoye and Oyelani (2014) examined and investigated real sector (Agriculture, manufacturing and building/construction) development based on the impact of bank recapitalization. They used OLS estimates to determine the direct and indirect effect of bank capital base and real sector output growth. Their conclusion was that bank recapitalization is of significant impact to real sector performance. They also concluded that Nigeria banks should be adequately capitalized to play active roles in the modern and competitive global economy.

Enoch (2013) studied the effect of bank recapitalization on lending activities in Nigeria banks. He examined the 22 banks that emerged after the 2005 recapitalization exercise. He carried out some test and analyzed the data collected using regression analysis and correlation coefficient (Cr²). His result revealed that well capitalized banks are procyclical (has positive correlation) to borrowers because they suffer less from non-performing loans.

Alalade et al (2016) in their thesis tried to find out the effect of recapitalization on the composition of banks in Nigeria, the level of bank profitability since 2008, the significant relationship between recapitalization and profitability. They used several independent variables while banks were the only dependent variable. Independent variables used are Return of assets (ROA), Return of equity (ROE), Non performing loans (NPL). They found out that there has been a persistent increase since recapitalization and it had caused greater good than harm.

Nakashima (2015) analysed the econometric evaluation of bank recapitalization programs with bank and loan level data. The paper evaluated empirically two large scale bank capital injection in 1998 and 1999. The result was that public injection of capital reduced the financial crisis faced by the capital-injected banks but did not stimulate lending and profits.

Hiroiyuki et al (2014) studied the effect of bank recapitalization policy on corporate investment. The authors developed a dynamic structural model of firm investment to quantitatively examine the effect of government capital injections into financially troubled banks on the level of corporate investments during the Japanese crisis. The result indicated that the total amount of aggregate investment in 1998 would have been lower by 1.84% if there had been no capital injection in 1998 while it would have been higher by 8.3% if the 1999 injection had taken place in 1998.

Ernovianti and Mazlan (2016) investigated the effectiveness of capital injection in the Malaysian banking sector which was adversely hit by the financial crisis. Panel data from 1997 to 2004 was used while financial data was obtained from annual reports published in bank scope and The World Bank database. Panel least square and random effect model were used to analyse the data. The result shows that recapitalization is vital for long term survival of the banking sector.

Homar (2016) analyses the effect of bank recapitalization on lending, funding and asset quality of European banks between 2000 and 2013. It was found out that the banks that received a sufficiently large recapitalization increase lending, attracted more depositor and cleaned up their balance sheet, unlike banks that received small recapitalization.

Phillipon and Schanbl (2013) analyzed government intervention to recapitalize a banking sector that restricts lending to firms because of debt overhaul. It was found out that preferred stock plus warrants reduces opportunistic participation by banks that do not require recapitalization.

Marinova et al (2014) analysed misallocation of credit resulting from banks gambling for resurrection, potential private cost of bank recapitalization through equity issuance from theoretical and empirical perspective.

5. EMPIRICAL APPLICATION

In this paper, we will employ three methods which are the graph approach, descriptive statistics and correlation analysis, we use correlation coefficient to determine if there exist an appropriate linear relationship between the variables.

5.1 Definition of Variables

The sample period is 2000-2016, The data were collected from money and credit statistics [<https://www.cbn.gov.ng>]. The variables are; narrow money (NM), broad money (BRM), net foreign assets (NFA), net domestic credit (NDC), credit to government (CG), credit to private sector (CPS), base money (BM) , demand deposit (DD) . Previous studies on this subject have employed several variables. In this study used variables are chosen to see the effect of the recapitalization on financial variables. The definition of the variables and expected response of the variables to recapitalization are given below.

Base Money:It is the total amount of a currency that is either circulated in the hands of the public or in the commercial deposits held in the central bank's reserve. According to Olanipekun and Akeju (2013), there is a positive relationship between base money and bank growth. Increase in base money increases liquidity in banks. The relationship between base money and recapitalization of banks is opposite. There will not be any need for recapitalization when the base money of a commercial bank is deep. Central bank can easily lend to ailing banks during crisis. Recapitalization increases base money and it ensures more liquidity.

Broad Money: It generally includes all demand deposits (narrow money) in commercial banks and any money held in easily accessible accounts. They are after referred to as longer term time deposits because their accounts are restricted by a specific time requirement. An increase in broad money in any form signifies positive for the banking sector and it also increases liquidity too. Olanipekun and Akeju (2013) explained that money supply exerts considerable influence on economic activities in

both developing and developed countries. Capital accumulation is indispensable in the determination of output and growth in any nation financial system. Lack of money in an economy is one of the reasons of bank failures and it retards economic growth. Recapitalization of banks increases the amount of broad money

Credit to Government: It the amount of credit a commercial bank lends to the government. There is a sizeable negative trend when the frequency of credit given to government increases. Kolapo et al (2012) wrote that credit given by banks should be adequately regulated by the regulatory bodies involved to increase efficiency because unguarded increase in credit loans given increases profitability but reduces the efficiency of banks in developing countries like Nigeria. Ikpefan (2012) discussed in his thesis that recapitalization increases the frequency by which a bank lends to the government. Recapitalization increases the money in banks' disposal and increases the rate banks give out loans and because of a steady asset base, the probability for liquidation is extremely slim.

Credit to Private Sector: Domestic credit to private sector by banks refer to financial resources provided to the private sector by other depository corporations such as through ,loans, purchases of non-equity securities and trade credits and other accounts received. Kolapo et al (2012). again wrote that increased prime lending rate to the private sector inhibit growth of banks in a long term but a well-planned lending is a major factor to increase growth of the private sector. For continuous lending to the private sector to be assured, banks need to have more money and increased capital base. So that when those credit turn to bad loans, the negative effect on the banks will not be huge (Ikpefan, 2012). Recapitalization increases the money in banks' disposal and increases the rate banks give out loans and because of a steady asset base, the probability for liquidation is extremely slim.

Demand Deposit: It consist of funds held in an account from which deposited funds can be withdrawn at any time from the depository institution such as a checking or savings account, accessible by a teller, ATM or online banking. It has no direct effect on banking performance but a bank that's well liquidated will perform her functions optimally. Demand deposit has no direct impact on bank recapitalization. As it has been discussed in previous sub-headings, there will be more money in supply and demand deposit will increase because of recapitalization.

money supply and asset base too. It is expected that after recapitalization, banks should be stronger and firmer. The liquidity of Nigeria banks will increase.

Narrow Money: Narrow money is a category of the money supply that includes all physical money like coins and currency along with demand deposits and other liquid assets held by the central bank. Olanipekun and Akeju (2013) state that an increase in money supply has the tendency to cause inflation, even though money supply is not the only reason for inflation. Increase in money supplied in any form is good for banks because it increases their liquidity and can halt liquidation. Lack of money in an economy is one of the reasons of bank failures (Elegbe, 2013) and it retards economic growth. Recapitalization of banks increases the amount of money supply and asset base too. Recapitalization increases money supply and more money in supply increases liquidity among banks.

Net Domestic Credit: Net domestic credit is the sum of net credit to the non financial public sector, credit to the private sector and other assets. Modebe et al (2014) wrote that an increase in Net domestic credit to the real sector can cause growth economic growth. It can also become bad loans like it did in the 2009 banking crisis where many banks collapsed because they couldn't recover because of bad loans given to banks and politician. Adegaju and Olokoyo (2008) explained that bank recapitalization can allow and equip banks to give credit to the real sector. More liquidity allows banks to give loans and give credit. After recapitalization, there should be more money in supply and domestic credit to the real sector will increase and because of the huge capital base of the banks, the banks will not go into crisis because of bad loans.

Net Foreign Assets: NFA positions of a country is the value of assets that a country owns abroad minus the value of the domestic assets owned by foreigners , adjusted for changes in valuations and exchange rates. Emmanuel (2013) postulated that a negative result NFA, exchange rate is bad for the banking sector. It means the CBN or the country's apex bank will have to borrow to cover the deficit and then it will increase the country's indebtedness. Bank recapitalization and increase in asset base will give more advantage to banks to do more business and overturn the deficit. With an increase in bank capital base (recapitalization), net foreign asset (NFA) of the country should move to a positive direction. More money will decrease the country's indebtedness.

(NM), broad money (BM), net foreign assets (NFA), net domestic credit (NDC), credit to government (CG), credit to private sector (CPS), base money (BM) , demand deposit (DD) .

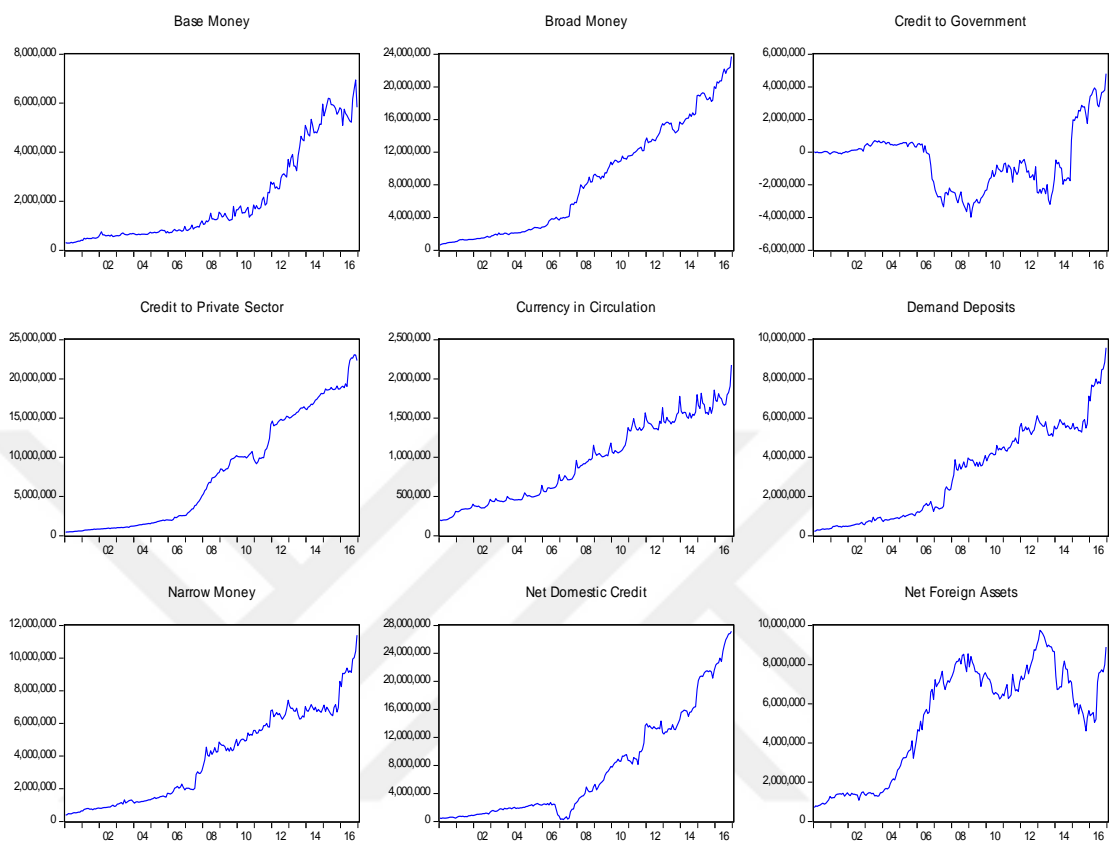


Figure 5.1: Graphical representation of variables

Figure 2 shows the base money, broad money, credit to government, credit to private sector, currency in circulation, demand deposits, narrow money, net domestic credit and net foreign assets of the Nigerian economy before and after bank recapitalization (2000-2016). The last bank recapitalization process in Nigeria was introduced in 2004 and completed in December 2005. We can use the graphs to understand the trend of the series for the sub-sample periods. The sub-sample under investigation is pre and post recapitalization periods which are 2000-2008 and 2006-2016. According to the graph, there is an increasing trend after bank recapitalization in 2005 with base money, broad money, credit to private sector, currency in circulation, demand deposits, narrow money and net domestic credit. Credit to government and net foreign assets showed a fluctuating trend in credit to government, the graph dropped down after recapitalization but peaked at the 2016 while in Net foreign assets, it peaked immediately after recapitalization but showed fluctuating trends too.

Graph is not enough to see central tendency of the periods. The result can be seen as the trend goes through the years. To have more detailed results, descriptive statistics of variables were interpreted. Table 1 provides a summary of the descriptive statistics of variables. To see if there is an effect of the recapitalization on the variables we divide full sample in two subsamples. The sub sample periods are January 2000-December 2005 and January 2006-December 2016. The sub-samples are selected based on findings by Olokoyo and Adegbaaju (2008) and Ifechi and Akani (2015). Olokoyo and Adegbaaju (2008), stated that withdrawal of public sector funds from banks, beginning from July 1st, 2004 and minimum capital base of N25 billion with a deadline of 31st December, 2005. That is the first reason we start the recapitalization process last month of the 2005. Second reason is Ifechi and Akani (2015) estimates the model below and use Chow test for the two sub-sample which are 2000-2005 and 2006-2012 using annual data.

$$\text{Prerecapitalization Period } Y_t = \lambda_0 + \lambda_1 CAR_t + \lambda_2 AQ_t + \lambda_3 MQ_t + \lambda_4 EQ_t + \lambda_5 LIQ_t + u_{1t}$$

$$\text{Post recapitalization Period } Y_t = \theta_0 + \theta_1 CAR_t + \theta_2 AQ_t + \theta_3 MQ_t + \theta_4 EQ_t + \theta_5 LIQ_t + u_{2t}$$

Where Y_t stands for measures of bank's overall conditions proxy, CAR stands for capital adequacy ratio, AQ for asset quality ratio, MQ stands for management quality ratio, EQ stands for earning quality/profitability ratio using return of capital employed as proxy, LIQ stands for liquidity ratio, λ 's, β 's, θ 's are the regression parameters and n is the number of observations (years under study).

Table 6 shows the descriptive statistics of the variable for full sample and subsamples. It shows the values of the three periods which include the full sample 2000-2016, sub sample 1 which is the period of time before bank recapitalization (2000-2005) and sub-sample 2 which is the period of time after bank recapitalization. The mean of BM (Base money) for the full sample in 2.05 million USD, 580 thousand USD for sub-sample 1 and 2.8 million USD for sub-sample 2. The result shows that base money (BM) shows the same trend as the mean. The maximum, minimum and standard deviation showed an increase in base money immediately after bank recapitalization. 8.8 million USD, 1.7 million USD and 12.2 million USD are different results of the mean of broad money for full sample, sub sample and sub sample 11 shows that there

is an increase in broad money after recapitalization. The median, maximum, minimum and standard deviation of sub-sample 1 pre-capitalization period are 1.7 million USD, 2.8 million USD, 648 thousand USD and 594 thousand USD respectively compared to median, maximum, minimum and standard deviation of post recapitalization period are 12.1 million USD, 23.7 million USD, 2.8 million USD and 5.4 million USD respectively shows an increase after bank recapitalization. Credit to government (CG) and CPS (Credit to private sector) shows the same trend in pre and post recapitalization periods. There is an increase in credit to government and credit to the private sector in post recapitalization period. The mean, median, maximum, minimum and standard deviation of demand deposit in pre recapitalization period are 674 thousand USD, 684 thousand USD.



Table 5.1: Descriptive Statistics of the variables

Full Sample (2000-2016)									
	BM	BRM	CG	CPS	CC	DD	NM	DC	NFA
Mean	2059760.	8836619.	-480943.9	8045751.	953530.3	3167595.	3926241.	7564822.	5246266.
Median	1240916.	8032912.	-71861.75	7064289.	942560.6	3508649.	4250336.	4141432.	6342093.
Maximum	6946606.	23725132.	4806982	23069635.	2179174.	9584490.	11404906	27153880	9752647.
Minimum	286456.0	678506.6	-3974801	440872.3	193939.3	227245.4	396991.9	273599.4	710751.7
Std Dev	1877289.	6683812.	1794586.	7015954.	513924.1	2367134.	2760267	7492328.	2802037.
Observation	204	204	204	204	204	204	204	204	204
Sub Sample 1 (2000-2005)									
	BM	BRM	CG	CPS	CC	DD	NM	DC	NFA
Mean	580749.0	1729399.	282123.4	1096903.	398049.1	674070.0	1009015.	1379068.	1749173.
Median	625990.4	1718902.	321959.3	1010424.	434664.5	684683.6	1027554.	1378977.	1409023.
Maximum	821745.7	2874846.	713205.5	2031565.	642388.2	11621644.	1725396.	2589269.	4110822.
Minimum	286456.0	648506.6	-123989.8	440872.3	193939.3	227245.4	396991.9	430563.0	710751.7
Std Dev	143786.7	594604.4	264132.5	442376.6	102472.4	255787.0	336084.1	663440.8	873179.0
Skewness	-0.5866596	0.103116	0.031568	0.519670	0.420646	0.079543	-0.024277	0.122589	1.312319
Kurtosis	2.427267	2.004640	1.404045	2.289844	2.553784	1.829075	1.970722	1.610582	3.580964
Observation	72	72	72	72	72	72	72	72	72
Sub Sample 2 (2006-2016)									
	BM	BRM	CG	CPS	CC	DD	NM	DC	NFA
Mean	2866494.	12249648	-897162.5	11836032	1256520.	4527700.	5517455.	10938869	7153772.
Median	1876977.	12172298	-1433740	10641373	1360786.	4662320.	5705243.	9503752.	7209237.
Maximum	6946606.	23725132	4806982	23069635	2179174.	9584490.	11404906	27153880	9752647.
Minimum	705528.3	2841028	-3974801	1946957	561626.4	1193230.	1673475.	273599.4	4607439.
Standard deviation	1895236.	5447461	2111447.	5929310	376161.4	1834721.	2125271.	7365310.	1168531.
Skewness	0.548671	0.011178	1.003759	-0.060853	-0.199643	0.028128	0.016252	0.414861	-0.088501
Kurtosis	1.750979	2.127583	2.973493	1.926621	2.045452	2.910122	2.777014	2.202908	2.599664
Jarque-Beres	15.20317	4.188866	22.16957	6.418247	5.888250	0.061835	0.279286	7.280872	1.053795
Probability	0.000500	0.123140	0.000015	0.040392	0.052648	0.969555	0.869669	0.026241	0.590434
Sum	3.78 E + 08	1.62 E +09	-1.18 E +08	1.5 E +09	1.66 E +08	5.98 E +08	7.28 E +08	1.44 E + 09	9.4 E + 08
Std Dev	4.71 E + 14	3.89E + 15	5.84 E+14	4.61E + 15	1.85 E +13	4.41 E +14	5.92 E + 14	7.11 E + 15	1.79 E + 14
Observation	132	132	132	132	132	132	132	132	132

11.6 million USD, 227 thousand USD and 2.5 million USD respectively while the statistical variables of post recapitalization period are 4.5 million USD, 4.6 million USD, 9.5 million USD, 1.19 million USD and 1.8 million USD respectively. The results follow the same trends as others except the maximum value of both which showed a greater value in pre-recapitalization (11.6 million USD) compared to post recapitalization (9.5 million USD).

The descriptive statistical findings show that bank recapitalization increased the output of various variables

It can be seen from the table and also it is expected that the variables have seasonality. Before the any modelling seasonality must be eliminated from the series than the stationarity of the series must be investigated (Ugurlu 2009, Ugurlu and Saracoglu 2010).

All series seasonally adjusted using Moving Averages method and “SA” abbreviation added the new series. Seasonally adjusted series are shown in below.

BRMSA: Broad Money Seasonal Adjusted

BMSA :Base Money Seasonal Adjusted

CPSSA:Credit to Private Sector Seasonal Adjusted

DDSA:Demand Deposit Seasonal Adjusted

NDCSA: Net Domestic Credit Seasonal Adjusted

NFASA: Net Foreign Asset Seasonal Adjusted

NMSA :Narrow Money Seasonal Adjusted

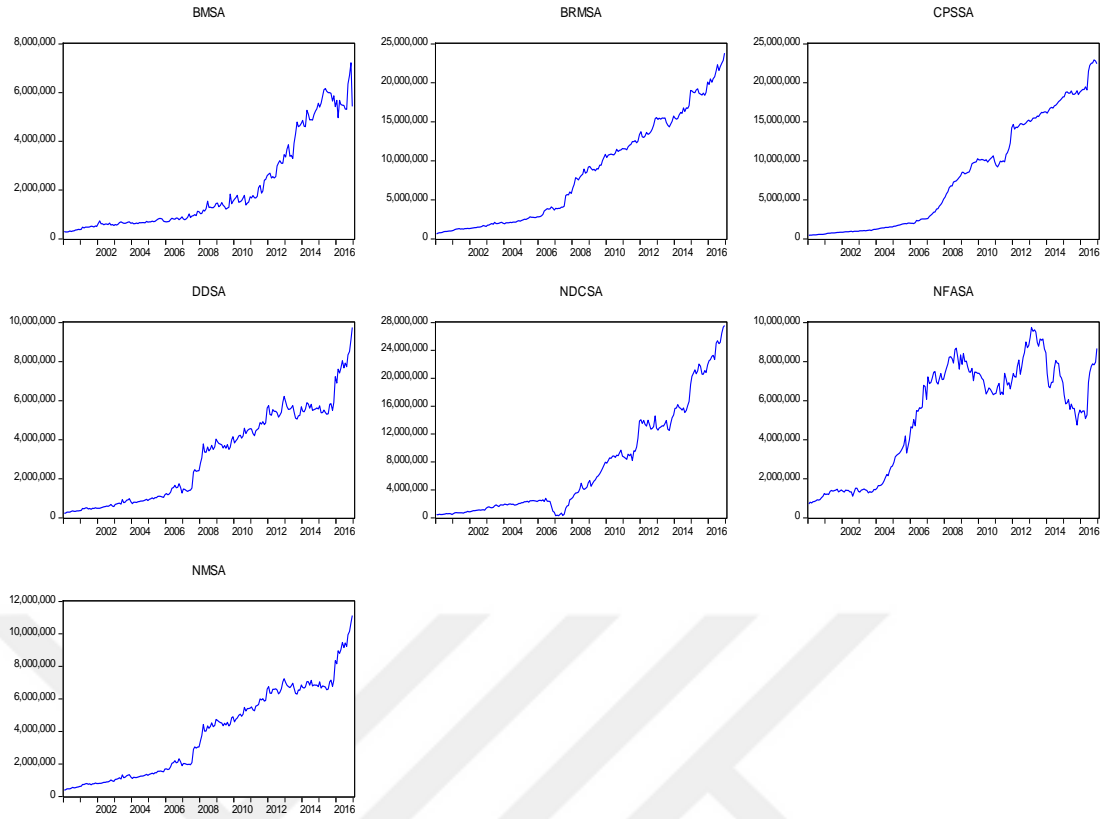


Figure 5.2: Graphs of seasonal adjusted variables

5.2.1 Unit root test

In this step, the effect of recapitalization was checked using the unit root test. Unit root tests are used to check for stationarity in a time series. A time series has stationary if a shift in time series doesn't cause a change in the shape of the distribution. They also describe unit root as one of the causes of non-stationarity. One example of a unit root test is the Dickey Fuller test which is based on linear regression. In the case of serial regression, an Augmented Dickey Fuller (ADP) test can be used. ADF handles bigger, more complex models. Diehold and Kilian (2000) also described unit root tests as a useful tool in forecasting. They wrote that rather than employing other models by default, a unit root test can be used as a diagnostic tool which can be used to guide in decision making. We use ADF test to investigate stationarity of the variables. The model and the hypothesis of the test are below (Bilgili et al,2007):

$$\Delta Y_t = \alpha_0 + \delta Y_{t-1} + \sum_{i=1}^m \gamma_i \Delta Y_{t-i} + \varepsilon_t \quad (4.1)$$

$$\Delta Y_t = \alpha_0 + \beta_1 T + \delta Y_{t-1} + \sum_{i=1}^m \gamma_i \Delta Y_{t-i} + \varepsilon_t \quad (4.2)$$

Test Hypothesis

H_0 : $\delta = 0$ Series are not stationary, there is unit root

H_a : $\delta < 0$ Series are stationary, there is no unit root

Table 5.2: Unit root results of the variables

Level	Model	BMSA	CPSSA	DDSA	NDSCA
	Constant+ Trend	-0.9633	-1.6840	-1.0078	-0.1360
	Constant	1.5446	2.3009	1.6451	2.8015
	None	3.3225	5.4758	3.3753	4.6468
Difference	Constant+ Trend	-11.9154***	-12.2345***	-15.1337***	-13.3024***
	Constant	-11.6091***	-11.8599 ***	-14.8629	-12.7695
	None	-10.9440***	-10.7127	-14.2449***	-12.0746***
Level	Model	NFASA	BRMSA	NMSA	
	Constant+ Trend	-1.5087	-1.0472	-0.8620	
	Constant	-1.2061	2.4765	1.5332	
	None	0.8452	5.4866	3.9389	
Difference	Constant+ Trend	-14.3009***	-14.2445***	-15.5668***	
	Constant	-14.3283***	-14.0012	-15.2436***	
	None	-14.1824***	-12.74401***	-14.3562	

Note: *** denotes rejection of null hypothesis at 1% level. (See Appendix I for outputs of the tests)

Table 7 summarises the unit root test results. The results show that all variables has unit root. To see the real movement of the series differenced series must be used. Figure 3 show the graph of the differenced series. “D” character is added the beginning of the abbreviation of the series to show it is differenced.

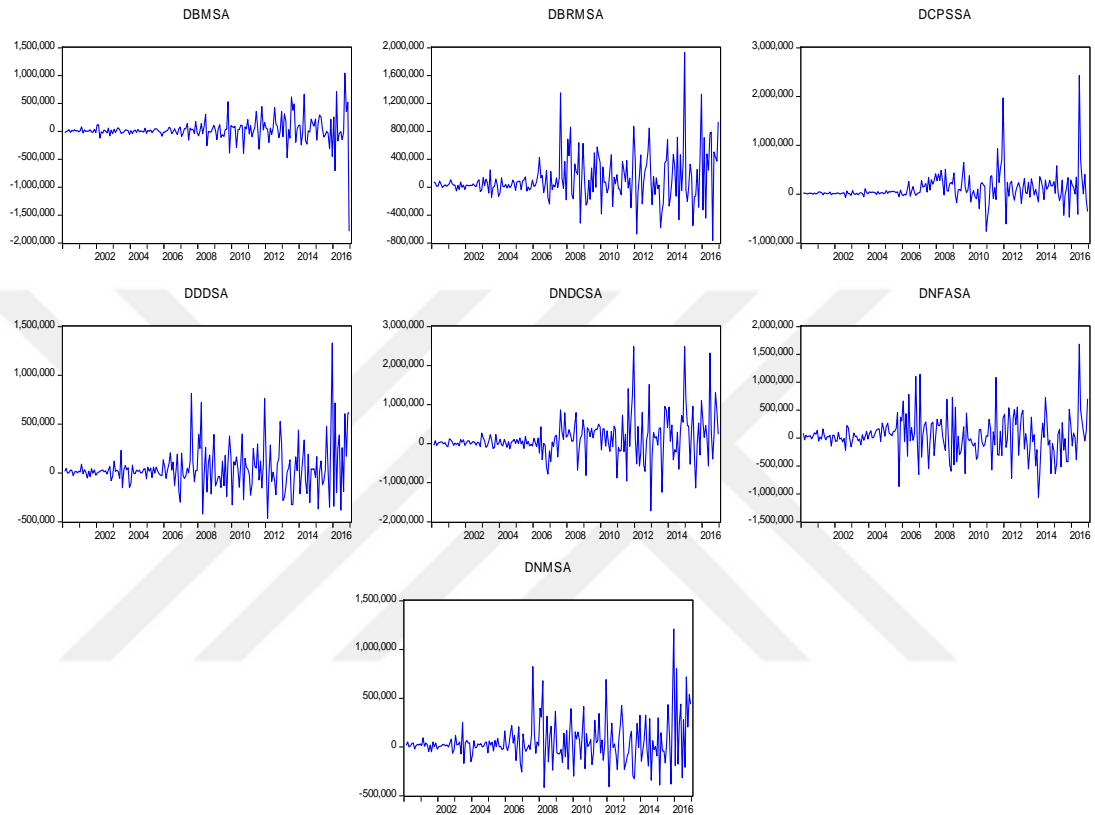


Figure 5.3: Graphs of differenced root of variables with “D”

The graphs above shows the differenced root of variables within a time frame. Graph shows the differenced roots of DBMSA (differenced base money seasonal adjusted) from year 2000 to 2006, base money was stationary and fixed with increasing or decreasing. There was no upward and downward movement (increasing or decreasing). From 2006 upwards, the fluctuating curve increased and decreased and peaked at 1 million USD at 2016 and also decreased (peaked) too at the same year. It shows that after the 2005 bank recapitalization and the increase of capital base, base money increased. The second graph shows the movement of DBRMA which is differenced broad money seasonal adjusted. Just like DBMSA, DBRSMA moved upward and downward immediately after the 2005 bank recapitalization programme. It peaked at 1.5 million USD in 2007 and it reached it highest peak in 2014 at 2 million

USD. The infusion of money due to the CBN initiated bank recapitalization in the Nigeria banking industry was the catalyst for the increase in DBRSMA. Graph 3 shows DCPSSA which stands for differenced credit to private sector seasonal adjusted. The graph shows a quiet movement from 2000-2005 (2005 was the year of recapitalization). DCPSSA increased at 2011 at 2 million USD and 2016 at 2.5 million USD. It also decreased at 2010 and 2012 at a negative of 1 million USD. DDDSA shows almost similar antecedence from 2000-2005. The graph increased in 2007 and 2008 at 800 thousand USD and 700 thousand USD respectively. It also increased in 2012 and 2016 at 800 thousand USD and 1.3 million USD respectively. DDDSA decreased at 2008 and 2012 at a negative of 500 thousand USD. Graph 5 shows DNDCSA like other differenced variables, DNDCSA was stationary from 2000-2005 but decreased in 2006, 2008, 2010, and 2011 at negative 1 million USD. It also decreased at negative 2 million USD at 2012. DNDCSA increased at 2 million USD at 2011, 2014 and 2016. DNFASA was illustrated in graph 6. DNFASA peaked at 1 million USD in 2006 and 1.5 million USD in 2016. It also decreased with a negative value of 1 million USD at 2005 and 2014. DNMSA followed the antecedence of all other variables. It peaked increasingly at 1.3 million USD at 2016 and 800 thousand USD at 2007. It also decreased in 2008 and 2012 with a negative value of 800

Sinita (2009) defined a dummy variable or indicator variable is an artificial variable created to represent an attribute with two or more distinct categories/levels. It is a numerical variable used in regression analysis to represent subgroups of the sample in a study. It is also used to distinguish different treatment groups. Dummy variable is very useful because they enable us to use a single regression equation to represent multiple groups.

Garavaglia and Sharmadun (2016) defined dummy variables as independent variables which take the value of a real person. In quantitative statistical analysis, a dummy variable is a numeric stand-in for a qualitative fact or a logical proposition. In a regression model, a dummy variable with a value of 0 will cause its coefficient to disappear from the equation and the value of 1 causes the coefficient to function as a supplemental intercept because of the identity property of multiplication by 1.

We use D2006 dummy variable in indicating the time of the regime shift which takes a value of 1 after year of 2006 and 0 otherwise. θ_0 is the slope (intercept) coefficient before the regime shift and θ_2 is the change in the slope (intercept) term due to the

shift. The results of the models and their interpretations are below (See Appendix for the outputs of the model):

$$1. DBMSA_t = \theta_0 + \theta_1 DBMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

$$\widehat{DBMSA}_t = 7653 - 0,2575 DBMSA_{t-1} + 40820 D2006$$

t	0.287545	-3.0526	0.2192
p	(0,7740)	(0,0026)	(0.2192)

The regression results show that the coefficient of dummy variable (D2006) is statistically significant. According to this result recapitalization has effect on Base Money.

$$2. DBRMSA_t = \theta_0 + \theta_1 DBRMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

$$\widehat{DBRMSA}_t = 31888 - 0,0597 DBRMSA_{t-1} + 13631 D2006 .$$

t	0.823749	-0.8315	2.8032
p	(0.4111)	(0.4066)	(0.0056)

The regression results show that the coefficient of dummy variable (D2006) is statistically significant. Thus recapitalization has effect on broad money

$$3. DCPSSA_t = \theta_0 + \theta_1 DCPSSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

$$\widehat{DCPSSA}_t = 19290 + 0,1269 DCPSSA_{t-1} + 115457 D2006$$

t	0.560209	1.792870	2.647245
p	(0.5760)	(0.0745)	(0.0088)

The regression results show that the coefficient of dummy variable (D2006) is statistically significant. Thus recapitalization has effect on credit to private sector .

$$4. DDDSA_t = \theta_0 + \theta_1 DDDSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

$$\widehat{DDDSA}_t = 14314 - 0,07853 DDDSA_{t-1} + 55360 D2006$$

t	0.531533	-1.093575	1.653140
p	(0.5956)	(0.2755)	(0.0999)

The regression results show that the coefficient of dummy variable (D2006) is not statistically significant. Thus recapitalization has no effect on Demand deposit.

$$5. DNDCSA_t = \theta_0 + \theta_1 DNDCSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

	$DNDCSA_t = 25113 + 0,081213 DNDCSA_{t-1} + 150520 D2006$		
t	0.411115	1.150084	1.970711
p	(0.6814)	(0.2515)	(0.0501)

The regression results show that the coefficient of dummy variable (D2006) is statistically significant. According to this result recapitalization has effect on net domestic credit.

$$6. DNFASA_t = \theta_0 + \theta_1 DNFASA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

	$DNFASA_t = 46688 - 0,02243 DNFASA_{t-1} - 10546.11 D2006$		
t	1.111215	-0.312417	-0.203419
p	(0.2678)	(0.7551)	(0.8390)

The regression results show that the coefficient of dummy variable (D2006) is not statistically significant. According to this result recapitalization has no effect on net foreign asset.

$$7. DNMSA_t = \theta_0 + \theta_1 DNMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

	$DNMSA_t = 19780 - 0,09842 DNMSA_{t-1} + 58612.16 D2006$		
t	0.771109	-1.383835	1.835734
p	(0.4416)	(0.1680)	(0.0679)

The regression results show that the coefficient of dummy variable (D2006) is statistically significant. According to this result recapitalization has effect on Narrow money.

In this step the effect of recapitalization was investigated using dummy variable approach. Dummy variable show the attribute with two or more distinct categories. A dummy variable with a value of 0 will cause its coefficient to disappear from the equation and the value of 1 causes the coefficient to function as a supplemental

intercept because of the identity property of multiplication by 1. If dummy variable is not statistically significant, it means that dummy variable has no effect on the used variable under consideration and if it is significant this means the dummy variable has no effect on the used variable. If the dummy variable has positive value it is interpreted as statistically significant while if dummy variable has a negative value, it is not statistically significant. In base money, dummy variable (D2006) is not statistically significant. According to this result recapitalization has no effect on base money. In broad money, that the coefficient of dummy variable (D2006) is statistically significant. Thus recapitalization has effect an broad money. In credit to private sector, the coefficient of dummy variable (D2006) is statistically significant. Thus recapitalization has effect on credit to private sector. In demand deposit, the coefficient of dummy variable (D2006) is not statistically significant. Thus recapitalization has no effect on demand deposit. In net domestic credit, the coefficient of dummy variable (D2006) is statistically significant. According to this result recapitalization has effect on net domestic credit. In net foreign asset, the coefficient of dummy variable (D2006) is not statistically significant. According to this result recapitalization has no effect on net foreign asset. In Narrow money, the coefficient of dummy variable (D2006) is statistically significant. According to this result recapitalization has effect on Narrow money. Banking variables have effect on bank recapitalization.

6. CONCLUSION

Recapitalization is a change in the capital structure of a company or an organization. It can also be defined as a planned replacement of faulty subsystems which refers to capital assets. Recapitalization is the change in the capital base of a company through injection of funds for resuscitation. As we can see from the definitions of recapitalization, it is usually done in times when the financial sector is generally experiencing distress and the economy is performing worse than in normal times. From a detailed point of view, recapitalization is the public injection of capital into the banking system aimed at reducing the financial risks faced by capital-injected banks, thereby restoring their lending and profitability.

The effect of recapitalization in the banking sector according to literatures that was examined shows that, for a failing bank or a national banking system experiencing systemic banking failure, recapitalization increases the capital base of banks and brings about stability. Also, a bank with a strong capital base will be able to lend and give out credit loans to the private sector. Recapitalization brings about customers' and investors' trust and confidence back to a once failing banking sector because of the ability to provide credit to the economy. After recapitalization, a stronger and more stable banking system is seen.

Recapitalization increases base and broad money of a commercial bank and it ensures more liquidity. With an increase in bank capital base, net foreign asset of the country will move to a positive direction. More money will decrease a country's indebtedness.

Recapitalization in the Nigeria banking sector started in 1952 after the first banking ordinance that brought about stability in the sector. The first capital base of banks in Nigeria was £12,500. The Nigeria banking sector has gone through so many eras, increase in the number of banks, deregulation and finally, recapitalization. The eras in the nation's banking sector consists of nine eras, the nine eras started from 1891 and finished in 2012.

The last recapitalization of the banking sector started in June 2004 when all banks were instructed to have an initial capital base of N25 billion.

Our data consist of data from pre and post recapitalization periods of the Nigeria banking industry. The data were collected from money and credit statistics department of the CBN. We use several banking variables to check the effect of recapitalization and they are base money, broad money, credit to government, credit to private sector, demand deposits, narrow money, net domestic credit, net foreign assets from the sample period 2000-2016.

The descriptive statistics are separated in two periods, which are pre-recapitalization and post-recapitalization. And it was found that after the recapitalization process. there was steady increase in broad money, base money, credit to government, credit to the private sector.

At first, the seasonality of the variables were investigated then all the series are seasonally adjusted.

Before the regression models were estimated, the unit root tests were used, the models were estimated using stationary series.

We used dummy variable to test if recapitalization has effect on base money and broad money because the coefficient of dummy variable is statistically significant. The same result was seen in credit to private sector and net domestic credit. Recapitalization has no effect on narrow money, demand deposit and net foreign asset.

The CBN should increase their supervisory responsibility in checking non-performing loans of banks and to check the excesses of mega banks and their owners. Further research can be carried out to check the effect of recapitalization of banks to the real sector of the economy.

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APPENDIX

APPENDIX I: UNIT ROOT TEST OUTPUTS

Null Hypothesis: BMSA has a unit root
Exogenous: Constant
Lag Length: 3 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	1.544677	0.9994
Test critical values:		
1% level	-3.463067	
5% level	-2.875825	
10% level	-2.574462	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: BMSA has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 3 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.963314	0.9455
Test critical values:		
1% level	-4.004599	
5% level	-3.432452	
10% level	-3.139991	

Null Hypothesis: BMSA has a unit root
Exogenous: None
Lag Length: 3 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	3.322598	0.9998
Test critical values:		
1% level	-2.576576	
5% level	-1.942423	
10% level	-1.615644	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(BMSA) has a unit root
Exogenous: Constant
Lag Length: 2 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	11.60919*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-3.463067	
5% level	-2.875825	
10% level	-2.574462	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(BMSA) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 2 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	11.91548*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-4.004599	
5% level	-3.432452	
10% level	-3.139991	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(BMSA) has a unit root
Exogenous: None
Lag Length: 2 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	10.94402*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-2.576576	
5% level	-1.942423	

10% level -1.615644

Null Hypothesis: CPSSA has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	5.475880	1.0000
Test critical values:		
1% level	-2.576403	
5% level	-1.942399	
10% level	-1.615659	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: CPSSA has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.684004	0.7550
Test critical values:		
1% level	-4.003902	
5% level	-3.432115	
10% level	-3.139793	

Null Hypothesis: CPSSA has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	2.30099	1.0000
Test critical values:		
1% level	-3.462574	
5% level	-2.875608	
10% level	-2.574346	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(CPSSA) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
Augmented Dickey-Fuller test statistic	11.85998*	0.0000
Test critical values:		
1% level	-3.462737	
5% level	-2.875680	
10% level	-2.574385	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(CPSSA) has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
Augmented Dickey-Fuller test statistic	12.23495*	0.0000
Test critical values:		
1% level	-4.004132	
5% level	-3.432226	
10% level	-3.139858	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(CPSSA) has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-10.71279	0.0000
Test critical values:		
1% level	-2.576460	
5% level	-1.942407	
10% level	-1.615654	

Null Hypothesis: DDSA has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	1.645189	0.9996
Test critical values:		
1% level	-3.462574	

5% level	-2.875608
10% level	-2.574346

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: DDSA has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.007868	0.9396
Test critical values:		
1% level	-4.003902	
5% level	-3.432115	
10% level	-3.139793	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: DDSA has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	3.375363	0.9998
Test critical values:		
1% level	-2.576403	
5% level	-1.942399	
10% level	-1.615659	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(DDSA) has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	14.86299*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-3.462737	
5% level	-2.875680	
10% level	-2.574385	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(DDSA) has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
Augmented Dickey-Fuller test statistic	15.13374*	0.0000
Test critical values:		
1% level	-4.004132	
5% level	-3.432226	
10% level	-3.139858	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(DDSA) has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
Augmented Dickey-Fuller test statistic	14.24491*	0.0000
Test critical values:		
1% level	-2.576460	
5% level	-1.942407	
10% level	-1.615654	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NDCSA has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	2.801553	1.0000
Test critical values:		
1% level	-3.462574	
5% level	-2.875608	
10% level	-2.574346	

Null Hypothesis: NDCSA has a unit root
 Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.136022	0.9940
Test critical values:		
1% level	-4.003902	
5% level	-3.432115	
10% level	-3.139793	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NDCSA has a unit root

Exogenous: None

Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	4.646823	1.0000
Test critical values:		
1% level	-2.576403	
5% level	-1.942399	
10% level	-1.615659	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NDCSA) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-12.76953	0.0000* **
Test critical values:		
1% level	-3.462737	
5% level	-2.875680	
10% level	-2.574385	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NDCSA) has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
--	-------------	--------

		-	
		13.30249*	
Augmented Dickey-Fuller test statistic		**	0.0000
Test critical values:	1% level	-4.004132	
	5% level	-3.432226	
	10% level	-3.139858	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NDCSA) has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

		t-Statistic	Prob.*
		-	
		12.07467*	
Augmented Dickey-Fuller test statistic		**	0.0000
Test critical values:	1% level	-2.576460	
	5% level	-1.942407	
	10% level	-1.615654	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NFASA has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.206182	0.6719
Test critical values:	1% level	-3.462574	
	5% level	-2.875608	
	10% level	-2.574346	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NFASA has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.508760	0.8237
Test critical values:		
1% level	-4.003902	
5% level	-3.432115	
10% level	-3.139793	

Null Hypothesis: NFASA has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	0.845203	0.8923
Test critical values:		
1% level	-2.576403	
5% level	-1.942399	
10% level	-1.615659	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NFASA) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	14.32832*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-3.462737	
5% level	-2.875680	
10% level	-2.574385	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Null Hypothesis: D(NFASA) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	14.30090*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-4.004132	
5% level	-3.432226	
10% level	-3.139858	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NFASA) has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
	-	
	14.18247*	
Augmented Dickey-Fuller test statistic	**	0.0000
Test critical values:		
1% level	-2.576460	
5% level	-1.942407	
10% level	-1.615654	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NMSA has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	1.826186	0.9998
Test critical values:		
1% level	-3.462574	
5% level	-2.875608	
10% level	-2.574346	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NMSA has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.862055	0.9570
Test critical values:		
1% level	-4.003902	
5% level	-3.432115	
10% level	-3.139793	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: NMSA has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	3.938395	1.0000
Test critical values:		
1% level	-2.576403	
5% level	-1.942399	
10% level	-1.615659	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NMSA) has a unit root
 Exogenous: None
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-14.35625	0.0000
Test critical values:		
1% level	-2.576460	
5% level	-1.942407	
10% level	-1.615654	

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NMSA) has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-15.56681	0.0000
Test critical values:		
1% level	-4.004132	
5% level	-3.432226	

10% level -3.139858

*MacKinnon (1996) one-sided p-values.

Null Hypothesis: D(NMSA) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=14)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-15.24369	0.0000
Test critical values:		
1% level	-3.462737	
5% level	-2.875680	
10% level	-2.574385	

*MacKinnon (1996) one-sided p-values.

APENDIX II: MODEL OUPUTS

$$1. DBMSA_t = \theta_0 + \theta_1 DBMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DBMSA
 Method: Least Squares
 Date: 11/09/17 Time: 13:04
 Sample (adjusted): 2000M03 2016M12
 Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7653.420	26616.42	0.287545	0.7740
DBMSA(-1)	-0.257512	0.084358	-3.052605	0.0026
D2006	40820.45	33120.68	1.232476	0.2192
		Mean dependent		25503.1
R-squared	0.048450	var		4
Adjusted R-squared				227107.
	0.038887	S.D. dependent var		4
		Akaike info		27.4793
S.E. of regression	222647.8	criterion		1
				27.5284
Sum squared resid	9.86E+12	Schwarz criterion		4
		Hannan-Quinn		27.4991
Log likelihood	-2772.410	criter.		9
				1.71886
F-statistic	5.066286	Durbin-Watson stat		4
Prob(F-statistic)	0.007144			

$$2. DBRMSA_t = \theta_0 + \theta_1 DBRMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DBRMSA
 Method: Least Squares
 Date: 11/09/17 Time: 13:08
 Sample (adjusted): 2000M03 2016M12
 Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31888.17	38711.04	0.823749	0.4111
DBRMSA(-1)	-0.059726	0.071822	-0.831590	0.4066
D2006	136310.9	48625.42	2.803285	0.0056

		Mean dependent	114386.
R-squared	0.038488	var	8
Adjusted R-squared			328152.
	0.028824	S.D. dependent var	8
		Akaike info	28.2258
S.E. of regression	323388.9	criterion	4
			28.2749
Sum squared resid	2.08E+13	Schwarz criterion	7
		Hannan-Quinn	28.2457
Log likelihood	-2847.810	criter.	2
			1.98011
F-statistic	3.982798	Durbin-Watson stat	9
Prob(F-statistic)	0.020138		

$$3. DCPSSA_t = \theta_0 + \theta_1 DCPSSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DCPSSA

Method: Least Squares

Date: 11/09/17 Time: 13:08

Sample (adjusted): 2000M03 2016M12

Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19290.19	34433.94	0.560209	0.5760
DCPSSA(-1)	0.126999	0.070836	1.792870	0.0745
D2006	115457.9	43614.36	2.647245	0.0088

		Mean dependent	108795.
R-squared	0.061000	var	2
Adjusted R-squared			295508.
	0.051563	S.D. dependent var	4
		Akaike info	27.9925
S.E. of regression	287788.9	criterion	8
			28.0417
Sum squared resid	1.65E+13	Schwarz criterion	2
		Hannan-Quinn	28.0124
Log likelihood	-2824.251	criter.	6
			1.99237
F-statistic	6.463831	Durbin-Watson stat	8
Prob(F-statistic)	0.001906		

$$4. DDDSA_t = \theta_0 + \theta_1 DDDSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DDDSA

Method: Least Squares
 Date: 11/09/17 Time: 13:11
 Sample (adjusted): 2000M03 2016M12
 Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14314.62	26930.81	0.531533	0.5956
DDDSA(-1)	-0.078534	0.071814	-1.093575	0.2755
D2006	55360.02	33487.81	1.653140	0.0999
Mean dependent				47031.5
R-squared	0.017698	var		2
Adjusted R-squared	0.007826	S.D. dependent var		0
Akaike info				27.5021
S.E. of regression	225209.6	criterion		9
Schwarz criterion				27.5513
Sum squared resid	1.01E+13	Hannan-Quinn		2
Log likelihood				27.5220
-2774.721 criter.				7
Durbin-Watson stat				1.97738
F-statistic	1.792701	Durbin-Watson stat		6
Prob(F-statistic)	0.169188			

$$5. DNDCSA_t = \theta_0 + \theta_1 DNDCSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DNDCSA
 Method: Least Squares
 Date: 11/09/17 Time: 13:12
 Sample (adjusted): 2000M03 2016M12
 Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25113.21	61085.66	0.411115	0.6814
DNDCSA(-1)	0.081213	0.070614	1.150084	0.2515
D2006	150520.6	76378.81	1.970711	0.0501
Mean dependent				134262.
R-squared	0.029337	var		1
Adjusted R-squared	0.019582	S.D. dependent var		6
Akaike info				29.1401
S.E. of regression	510818.6	criterion		6
Schwarz criterion				29.1892
Sum squared resid	5.19E+13	Schwarz criterion		9

		Hannan-Quinn	29.1600
Log likelihood	-2940.156	criter.	4
			1.99007
F-statistic	3.007251	Durbin-Watson stat	2
Prob(F-statistic)	0.051679		

$$6. DNFASA_t = \theta_0 + \theta_1 DNFASA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DNFASA
Method: Least Squares
Date: 11/09/17 Time: 13:13
Sample (adjusted): 2000M03 2016M12
Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	46688.83	42016.02	1.111215	0.2678
DNFASA(-1)	-0.022343	0.071516	-0.312417	0.7551
D2006	-10546.11	51844.39	-0.203419	0.8390
R-squared	0.000689	Mean dependent var		38994.0
Adjusted R-squared	-0.009354	S.D. dependent var		5
S.E. of regression	350606.0	Akaike info criterion		348977.6
Sum squared resid	2.45E+13	Schwarz criterion		28.3874
Log likelihood	-2864.133	Hannan-Quinn		28.4365
F-statistic	0.068614	Durbin-Watson stat		9
Prob(F-statistic)	0.933709			28.4073
				3
				1.98243
				8

$$7. DNMSA_t = \theta_0 + \theta_1 DNMSA_{t-1} + \theta_2 D2006 + \varepsilon_t$$

Dependent Variable: DNMSA
Method: Least Squares
Date: 11/09/17 Time: 13:13
Sample (adjusted): 2000M03 2016M12
Included observations: 202 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	19780.54	25652.07	0.771109	0.4416
DNMSA(-1)	-0.098428	0.071127	-1.383835	0.1680
D2006	58612.16	31928.46	1.835734	0.0679
<hr/>				
		Mean dependent		53064.7
R-squared	0.023301	var		3
Adjusted R-squared				215868.
	0.013485	S.D. dependent var		2
		Akaike info		27.4038
S.E. of regression	214407.7	criterion		9
				27.4530
Sum squared resid	9.15E+12	Schwarz criterion		2
		Hannan-Quinn		27.4237
Log likelihood	-2764.793	criter.		7
				1.99193
F-statistic	2.373745	Durbin-Watson stat		7
Prob(F-statistic)	0.095764			

RESUME

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CAREER OBJECTIVE

Provide necessary planning techniques to client/company and guidance in developing and adopting a practical but transparent system of progress measurement method and structure.

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- 2015** Masters of Business Administration (M.BA)
Istanbul Aydin University,Küçükçekmece,İstanbul,Turkey
- 2010** National certificate in Computer sevices and maintenance
- 2009** Bachelor of Science in Biology Science – 1st Degree
Tai Solarin University of Education, Ogun State, Nigeria
- 2005** National Certificate in internet, web and graphics designing
Federal University of Agriculture Ogun State, Nigeria..

WORK EXPERIENCE

Accountant (First bank of Nigeria) 2009-2010
Business service Agent (IGO property Development) 2011-2012
Teacher (Egba comprehensive High School)2012-2014

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Reading, swimming and watching football.

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