

Irregularities and Policies Inconsistencies: The Bane of the Nigerian Banking Subsector

B.O. Iganiga¹ and A. Asemota

Department of Economics, Ambrose Alli University, P.M.B 14 Ekpoma, Edo State, Nigeria

¹*E-mail: beniga3@yahoo.co.uk*

KEYWORDS Bank Reforms. Policies Inconsistencies. Irregularities. Bank Development

ABSTRACT In any economy, the banks which constitutes the key player in a financial system is the hub of productive activity, as it performs the vital role of financial intermediation, is the primary provider of payment services and the fulcrum of monetary policy implementation. It was in realization of this, that various governments in Nigeria have undertaken various financial reforms over the years for the banks to perform their intermediary role effectively and efficiently with maximum public confidence. To this end, the paper took a detailed review of banking sector reforms from 1986 to 2010, taking into consideration the outcomes for the four reform era in Nigeria – SAP (1986-93), the reforms lethargy (1993-1998), Pre-soludo (1999-2004) and Post-soludo (2005-2012). Using a simple descriptive analysis, the paper records that despite some noticeable achievements recorded in the banking subsector over the years resulting from the various reform strategies, the subsector is still besieged by myriads of policies inconsistencies and irregularities that tend to blur the confidence of the depositors and reduce its contributions to the development of the Nigerian economy. These policies inconsistencies and irregularities include the manipulation of accounts of some banks to show figures that do not exist to meet the #25b capital base, deteriorating bank assets, gigantic, but *hallow corporate head offices adorned with much unviable branches* asymmetric information syndrome, and capital market (IPO) irregularities, among others. To maintain overall stability in the banking subsector, the paper provided specific guidelines for banks to develop their contingency plans/actions to mitigate these unethical practices. Also, it is imperative for CBN to conceptualize *reforms as a process rather than event* to achieve stable financial development which is fundamental to the maintenance of macroeconomic stability and hence sustainable economic growth and development.

INTRODUCTION

The fulcrum of economic development world wide revolves around banking institutions which have the statutory capacity to mobilize deposits from surplus savers and grant credit facilities to deficit spenders/or investors. The potent of banks' intermediation process lies in their ability to create money through multiple credit expansion on economic activities whose recipient beneficiaries return the proceeds back to banks in the form of deposits (Adamu 2009).

The effectiveness and efficiency in which banks perform the vital role of financial intermediation between the surplus and deficit units of the economy depend largely on the level of development of the financial system (Laeven 2000).

It is to ensure its soundness that the financial sector appears to be the most regulated and controlled by the government and its agencies. Generally, the stage of development and, thus the efficiency of the system varies among countries and changes over time in the same country in tandem with the development of the real economy. In other words, more developed and sophisticated financial system tends to be associ-

ated with matured economies (Aderibiigbe 2004). As a process, the financial system adjusts to changes in the real economy just as the economy responds to developments in the financial sector. In the words of Tunde (2002), "The financial system is a super structure created on the basis of the real wealth of the community,"

In any economy, the banks which constitutes the key player in a financial system is the hub of productive activity, as it performs the vital role of financial intermediation, is the primary provider of payment service and the fulcrum of monetary policy implementation (Lemon 2005).

It is in realization of the importance of banks in economic development that various governments in Nigeria have undertaken various financial reforms over the years for the banks to perform their intermediary role effectively and efficiently with maximum public confidence (Chete 1997) Among these reforms is the consolidation of the banking sector of 2005, designed to strengthen the banking sector through recapitalization policy. Kama (2006) stressed that the policy was to increase the capital base of each bank to #25.0 billion. Also of recent, the financial sector strategy (FSS 2020) was introduced. This is a

complementary reform blueprint designed to transform the financial sector into a growth catalyst in order to make Nigeria a “financial hub” in Africa and to achieve Nigeria’s goal to become one of the top 20 economies in the world by the year 2020.

Given the catalogues of bank reform in Nigeria, the subsector is till date besieged by high level of Policies inconsistencies and irregularities. To this end, the paper will take a bird eye view of some reforms in the banking subsector over the years. Also observed cases of policies inconsistencies and irregularities that tends to mitigate stakeholders optimum judgment will also be presented.

The rest of this study is organized as follows: section 2 briefly reviews pertinent literature on Nigerian banking subsector. Section 3 presents a detailed reform polices in the banking subsector over the years. Detailed cases of policies inconsistencies and irregularities observed in spite of these reforms were discussed. Section 5 contains some recipe for sound banking in Nigeria. In section 6, the researchers present their main conclusions.

Review of Literature

Reforms are predicated upon the need for reorientation and reposition of existing status quo in order to attain an effective and efficient state (Ajayi 2005). Compos and Moses (2006) noted that policy reform means “ a renegotiation of contracts that entails direct government involvement in production toward more efficient market oriented ones” Also, Obadan (2006) posits that reforms are deliberate actions by the government to fast track, jump start and consolidate specified sector of the economy to achieve desired objectives.

Financial reforms according to Ebong (2006) are deliberate policy response to correct perceived or impending financial crises and subsequent failure. Reforms in the financial industry are aimed at addressing issues such as governance, risk management and operational inefficiencies. The vortex of most financial reforms is around firming up capitalization. Specifically, financial reforms are primarily driven by the need to achieve the objective of consolidation, competition and convergence in the financial architecture (Ndebio 2004).

Like other emerging economies, Nigeria have been involved in financial reforms on a regular basis aimed at responding to the challenges posed by some factors and developments such as systemic crisis , deregulation, globalization and technological innovations ,or acted proactively both to strengthen the financial system and prevent systemic problems as in the case in the current reforms (Imala 2005).

In Nigeria, financial sector reform was a component of the Structural Adjustment Programme (SAP) which kicked off in 1986. The introduction of the programme was on the heels of the rejection of IMF loan package with its conditionality, a decision that rejected the consensus of a national debate. The major financial sector policies implemented were the deregulation of interest rates, exchange rate and entry/exit into banking business. Other measures implemented included, establishment of the Nigeria Deposit Insurance Corporation (NDIC), strengthening the regulatory and supervisory institutions, upward review of capital adequacy standard, capital market deregulation and the introduction of direct monetary policy instruments (Nnanna 2004)

Deregulation of the financial sector requires a set of indicators that can be used for effective policy formulation, implementation and evaluation. As such, there is no precise definition in the literature of “financial sector development” However, Fry (1980) observed that the key to financial sector development is the reduction and ultimate unification of fragmented financial markets. This involves a complete set of indicators mainly covering credit intermediation, liquidity management and the risk management characteristics of the financial system (Singh 1993).

Onwioduokit (2006) posits that it is hard to find “an indicator that can directly measure the development of the financial sector. However, from the recent literature, measures of financial development include the ratio of broad money (M_2) to GDP, currency outside bank as a ratio of broad money (M_2), interest rate spread, real interest rate and gross savings as a ration of GDP. Reforms which reduce high marginal income tax rates and increase disposable incomes may not only serve to eliminate tax evasion, but also stimulate savings (Angela 2008). It has been stressed that reforms which tend to reduce the profligacy of the public sector would increase public savings and hence total savings.

From the literature, it has been observed that well spaced and implemented financial reforms have the ability to boost these financial development indicators. A peculiar feature of the reform programmes in Nigeria is the associated inconsistencies in policy implementation (Nnanna 2005). However, some studies have shown that the Nigerian financial system have benefited largely from these reforms, but all the same, the system is still yawning for improvement (Adam and Agba 2006)

AN OVERVIEW OF THE NIGERIAN BANKING SYSTEM REFORMS AND OUTCOMES

In any economy, the banking subsector is the hub of productive activity (Soludo 2007). It performs the vital role of financial intermediation, is the primary provider of payment services and the fulcrum of monetary policy implementation. The efficiency and effectiveness of financial intermediation in any economy depend critically on the level of development of the country's financial system. In effect, the underdeveloped nature of the financial system in most developing countries including Nigeria, account largely for the relative inefficiency of financial intermediation in those economies.

In Nigeria, like other developing economies, Soludo (2004) emphasized that the financial system is, in general shallow and narrow and unable to intermediate efficiently in the mobilization and allocation of resources for productive investment. In Nigeria, the financial system is dominated by banks which are typically oligopolistic in structure and tend to concentrate on short-term leading as against investments with long-term gestation period. Most importantly, the Nigerian banking subsector has been besieged by series of crises including banking failure and outright liquidation over the years. It was to stem these untold failure and hardship that series of bank reforms have been implemented.

For the purpose of this analysis, a bird eye view will be taken of some bank reforms in recent times from 1970 to 2010, taking into consideration five eras of reforms in Nigeria – Pre – SAP (1970-85), Post –SAP (1986-93), the reforms lethargy (1993-1998), Pre-Soludo (1999-2004) and Post –Soludo (2005-2010). (see Iganiga 2009) for the details.

The various bank reforms and outcomes are summarized in Table 1.

One of the major characteristics of the banking sector reforms over the years is the disorderly manner in which the reforms have been implemented in Nigeria (Iganiga 2010). Different regimes in Nigeria mean different reforms strategies and the abandonment of existing ones. This discontinuity leads to non-smooth sailing reform process and thus, obscured the appraisal and outcome of these reforms. Most often, discontinuity in reform programmes create room for policies inconsistencies and irregularities to persist in the sector.

Challenges of Policies Inconsistencies and Irregularities in the Nigerian Banking Subsector

Despite some noticeable achievements recorded in the banking subsector over the years resulting from the various reform strategies, the subsector is “Characterized by myriads of policies inconsistencies and irregularities that tend to blur the confidence of the depositors and reduce its contribution to the development of the Nigerian economy (Iganiga 2009).

This subsection is aimed at presenting the “truth” which is usually concealed about banking, the “fact – behind the news” which the general public has no access to, but which they need to know in order to make optimum judgement as stakeholders. Some of the views and opinions held by laymen, academicians stakeholders and other on-lookers concerning the banking industry in Nigeria despite these reforms are mere “policies inconsistencies and irregularities”. Some of the policies inconsistencies and irregularities are long –held mindsets which are probably difficult to change, while others are simply based on misinformation or misunderstanding of what is going on inside the hallowed edifices of banks presented as follows.

A) The Fact Behind the #25 Billion Capital Base

Increase in the capital requirement of banks to N25 billion was a well come development. It was aimed among other things is increase the liquidity strength of the banks so as to contribute meaningfully to the development of the Nation (Balogun 2007). The exercise was faithfully

Table 1: The sequence of bank reforms in Nigeria (1970-2013)

<i>Year</i>	<i>Reform instrument</i>	<i>Aim</i>	<i>Outcome/Result</i>
1970-1985	Strictly regulated.	To stabilize the banking sector.	Few banks were established.
1987	Bank licensing liberalized.	To reduce the incidence of oligopoly in the Banking the sector	Increase in the number of banks to about 119 and competition heightened.
1988	The Nigeria Deposit Insurance Company (NDIC) was established by decree No. 22 of 1988.	Established to protect the banking system against possible “bank run” and to promote public confidence and protect depositors’ interests.	Financial stability was maintained through the liquidation of distressed banks and other financial institutions.
1989	Banks permitted to pay interest on demand deposits. Auction markets for government securities introduced.	For savings mobilization	Depositors’ balance in the banks increased tremendously.
1990	Introduction of prudential guidelines. Risk-Weighted capital Standard was introduced and banks’ required Paid Up Capital was increased.—uniform accounting standard introduced.	This was to ensure accuracy, reliability and comparability of financial statement. Also, to minimize the then perceived high risk of banks failure.	The rate of banks failure was reduced.
1991	Bank licensing embargoed. Also, CBN Act No 24 of 1991 promulgated banks and others financial institutions Act (BOFIA) No 25 of 1991 also promulgated.	This was aimed at reducing the number of banks in operation	Banks failure was stemmed
1992	Privatization of government banks. Also, online banking begun.	To minimize government intervention in banking activities and facilitate private participation.	Government expenditure in the banking subsection was reduced.
1993	Open Market operation (OMO) was introduced. Five major banks was taken over and restructured.	To reduce direct control of liquidity and strengthen banks regulation and supervision.	Depository risk exposure of these Banks was reduced
2001	Introduction of universal banking.	Provides a level field for retail and wholesale bankers to interact.	Merchant banking faced out in Nigeria.
2005	The Nigeria bank consolidation programme introduced.	The Nigerian Bank shareholders fund was increased to a minimum of N25, billion to strengthen the capital base of the banks.	89 banks in Nigeria reduced to 24 through mergers and acquisitions.
2009	Five banks boards of directors were dissolved due to liquidity crises and poor risk assets quality .	To stem another round of banks failure in Nigeria.	Some of the affected banks directors were arrested
2010	CBN injected a total sum of N600 billion into the five banks facing liquidity crises.	To beef up liquidity in the affected banks.	The liquidity crises and threat of insolvency in the affected banks was aborted.
2011	Revalidation of accounts in banks	To stem bank frauds and money laundry.	The bio-dated of banks’ depositors were properly documented and dormant accounts deleted.

Source: Compiled by authors from the Literature

consummated with 24 banks scaling the hurdle. The question has been how many banks post – consolidation capital base has been satisfactorily and comprehensively verified? It was clear that Central Bank of Nigeria, the regulatory authority smelt fowl play, hence the CBN authority

has to conduct capital verification in the course of the previous consolidation.

However, there were indications that the verification carried by CBN in 2010, had to do the “source, propriety or admissibility of the funds that were garnered by the various banks that

went to the capital market or did private placement.

Babatunde (2007) confirmed that the fundamental issue that CBN authority has failed to unravel in the course of capital verification is the accounting manipulation of the books of the banks to *show figures that do not exist* just as they do on a yearly basis in respect of published accounts. Under the fashionable guise of *window-dressing*

(B) The Capital Market (IPO) Irregularities

With the exception of a few banks which have made their marks on the sands of time with a track record that everybody is seeing, it would seem that there was a “grand irregularities” that characterized the initial public offers (IPOs) that several unhealthy banks embarked upon prior to the CBN induced Capitalization Programme.

What reasons were the erring banks giving for going to the capital market? In other words, what did they say they wanted to do with the money?

The standard reasons were as follows.

- a) To up-grade information technology capacity.
- b) To carry out branch expansion.
- c) To provide working capital.

Do you know any of those weak banks that gave a different reason from the above for going to the capital market?

The truth of the matter is that most of the banks were *technically insolvent* and the shareholders no longer had anything to hold on to: In fact, they were even indebted to the depositors. This situation was caused by several years of accumulated losses which were dressed – up as profits coupled with non-performing loans that were presented as performing as well as recurrent expenses that were treated as assets (Nwaze 2010).

Thus, the only way to continue in business was to seek for injection of fresh capital which the existing shareholders did not have. Hence, the money had to be sourced from the general public which did not know the facts: since the banks concerned were involved in similar practices they gave the same reasons, that is, the irregularities.

C) The Policies Inconsistencies of Mega Banks Financing Bigger Projects

Meaningful economic contribution comes from channeling financial capital to efficient us-

ers. Capital, particularly in sub-Saharan Africa is a scarce resource (Alade 2006), it was in realization of this that the capital requirement of these banks have been contently reviewed. The underlying argument draws its strength from the new classical supply-side economics rooted in Say’s law that *supply creates its own demand* (Goldsmith 1969). That is increased capital base implies an increase in the availability of variable funds.

In Nigeria, contrary to the expectation that increased capital base should enhance the ability of banks to create credit, systemic leakages resulted in banks investing their funds in alternative and secure portfolios, in addition to exhibiting detrimental credit apathy. Also, from the literature, it has been established that the emphasis should be on *stronger banks not mega or bigger banks* as being insinuated in the consolidation programmes (Chenedu and Moughalu 2004). The issue should be *strength not size*. Only stronger banks will finance bigger projects. Size only is of no use. It is deceptive. In short, how can a consolidated bank with more than #25 billion capital base be having liquidity problems? How can such banks finance small projects let alone bigger ones? Surely, something must be wrong somewhere which needs to be corrected.

(D) Deteriorating Bank Assets

Iganiga and Ogieriakhi (2008) opined that the deterioration in the quality of assets in the banking industry mainly as a result of the growing size of non-performing loans derives mostly from the tendency for banks to provide risky loans at high interest rates. They do so either in the expectation that large losses will be covered by deposit insurance, or in the vain hope of recouping past losses through high interest rates charged to a customer who on the surface possesses the capability of paying such interest rates. The outcome is a plethora of distress borrowing at high interest rates and the roll over of maturing debt as well as the capitalization of interest payments by banks.

Prior to the enactment of the prudential guidelines in 1990 and the consolidation programme of 2005, banks charged accruing interest on non-performing credit and counted interest in such credit as income, a situation that gave a false image to the health of most banks

(Ikhide 2003). The injection of #600 billion into five banks facing liquidity crisis and the threat of insolvency by central Bank of Nigeria (CBN) in 2010 is a case in point.

Table 2: The deteriorating asset quality of Nigerian Banks (1989-2012)

	<i>Loans and advances (# billion)</i>	<i>Non-performing loans and advances (# billion)</i>	<i>Proportion of non-performing loans to total loans and advances (%)</i>
<i>Year</i>	<i>Industry</i>	<i>Industry</i>	<i>Industry</i>
1989	23.1	9.4	40.8
1990	27	11.9	44.1
1991	32.9	12.8	39.0
1992	41.4	18.8	45.5
1993	80.4	32.9	41.0
1994	109	46.9	43.0
1995	175.9	57.8	32.9
1996	231.6	72.4	33.9
1997	290.4	74.9	25.8
1998	327.2	63.3	19.3
1999	270.2	24.8	25.6
2000	519	111.6	21.5
2001	803	135.7	16.9
2002	1011	185.0	18.3
2003	1214	235.5	19.4
2004	1921	414.9	21.6
2005	2158	390.6	18.1
2006	3215	282.9	8.8
2007	3219	267.2	8.3
2008	3814	240.3	6.3
2009	4032	249.9	6.2
2010	4035	250.5	6.7
2011	4068	271.4	6.7
2012	4321	262.3	6.12

Source: NDIC Annual Report (various editions)

(E) Head Office Building and Unviable Branches

The greatest folly that some banks embark upon to their everlasting regret is the acquisition of landed property, especially the usually expensive corporate head office with depositors funds. They do this in flagrant disregard for the standard matching principle, which stipulates that such assets should be funded with equity capital and reserves (that is, share holders funds) of course, the resultant liquidity mismatch soon strangles them to premature distress and possible liquidation. There is enough lesson to be learnt from the fate that befell some banks be-

tween 1989, 1998 and 2005 and the expensive offices built by them especially in Lagos and Abuja. There edifices have since been occupied by new tenants today, long after the withdrawal of their banking licenses by regulatory authorities.

It is clear from the literature, that banks that are built to last and outlive the owners do not finance fixed assets, capital investments corporate head offices and *much room* branches unless they are using equity or reserves which must have been genuinely accumulated over time. Cosmetic endeavours only serve short-term purposes. They are deceptive.

These policies inconsistencies and irregularities have over the years scuttled the ability of the Nigerian banking subsector in the following areas:

- (1) Support deeper financial market with dependability to settle trillions of naira of transactions.
- (2) Assist the local economy with low interest loans from locally and internationally sourced funding.
- (3) Mitigate liquidity crises and threat of insolvency.
- (4) Create (at least) a leading African competitive financial system in terms of efficiency and cost.
- (5) Mustard unwavering confidence from the public.
- (6) Integrate Nigerian financial activities into global financial system.

(F) Asymmetric Information

Closely related to negative borrowing culture is asymmetric information which has been known to cause banking crisis, particularly emerging markets. Asymmetric information is described as a situation where by a borrower taking out a loan has superior information about the potential returns and risk associated with the investment project than the bank lending the money (Donli 2004).

This problem of asymmetric information is often rampant in an unstable economy as Nigeria as loans are likely to be extended for risky projects and borrowers may have incentives to misallocate borrowed funds for personal use or invest them in *projects and political campaigns*. With the benefit of hind sigh, it is clear that many NERFUND, NEXIM and many agri-

Table 3: Financial sector development Indicators in Nigeria, 1986-2009

<i>Indicator</i>	<i>Regulated (1970-1985)</i>	<i>Dereg. era, (1993-998)</i>	<i>Lethargy era, (1993-19981)</i>	<i>Pre-Soludo (1999-2004)</i>	<i>Post-Soludo (2005-2010)</i>
M ₂ /GDP (%) .	16.7	11.6	19.3	20.3	20.8
Private Sector. credit/GDP(%)	17.3	16.3	10.2	14.3	14.6
Gross savings/GDP (%)	5.5	5.5	3.3	14.4	15.3
Aggregate	33.4	33.4	32.8	50.2	50.7

v M₂/GDP is a measures the level of financial decreeing

v Private sector credit indicates the level of financial sector widening

v Gross saving/GDP: Measures the level of savings mobilization

cultural loans were diverted for personal use and for projects different for which they were extended.

The displaced directors of five banks in 2010 were found to have obtained several loans from that banks without adequate collateral and using the loans to buy landed properties in choice cities in different countries.

De Gregorio and Guldotti (1993) argued that some borrowers have been known to contract loans with the intension of not repaying from the outset. Such loans had become bad from the moment of extension.

CONCLUDING REMARKS

At the heart of economic reforms is the need to accomplish a two-fold task: restructuring of policy incentives and the key institutions in charge of its implementation. Financial sector reform focuses mainly on restructuring its institutions (regulators and operation). The financial sector also implement reforms in the banking sector which are basically incentive that enable banks to empower the private sector in order to contribute more to economic growth in Nigeria. There has been plethora of banking sector reforms in Nigeria since the Structural Adjustment Programme (SAP).

The first category of reforms from 1986 to 1993, led to the deregulation of the banking industry which, hitherto, was dominated by indigenous banks with over 60 percent of their shares owned by federal and state governments.

The second phase is the reforms lethargy (1993-1998). This was aimed at the re-introduction of regulations. During this period, the banking sector suffered deep financial distress which necessitated another round of reforms designed to manage the distress. The third phase began with the advent of democracy in 1999 which saw

the liberalization of the financial sectors accompanied by the adoption of distress resolution programmes. This era also saw the introduction of universal banking which empowered banks to operate in both retail banking and non-banking financial market.

The fourth phase began in 2004 till date and it was informed by the Nigerian monetary authorities who considered the system to be characterized by structural and operational weakness and that their catalytic role in promoting private sector led growth role promoting private sector led growth could be further enhanced through a more pragmatic reform.

Despite some noticeable achievements recorded in the banking subsector over the years resulting from the various reform strategies, the subsector is still characterized by myriads of policies inconsistencies and irregularities that tend to blur the confidence of the depositors and reduce its contribution to the development of the Nigerians economy. These policies inconsistencies and irregularities include the accounting manipulation of the books of the banks to show figures that do not exist to meet the #25b capital base, deteriorating bank assets, gigantic but hallow corporate head office adorned with *much room* branches, asymmetric information syndrome, the policies inconsistencies of mega banks to finance bigger projects and capital market; (IPO) irregularities among others.

It is one thing for monetary authorities to dole out reform strategies, and another for the reform to achieve its objectives as many banks' directors, board members, staff and even customers are out to sabotage these efforts. To ensure consistency and a more systematic approach to banking operations and distress resolution which are essential to maintain overall stability in the banking sector, the paper provides specific guidelines in addition to those stipulat-

ed in the relevant sections of BOFIA for banks to develop their own contingency plans/actions to mitigate those unethical practices. These include;

- A) To meet the capital requirements, the bank's contingency plan must address how it intends to inject additional capital from:
 - 1) Existing shareholders;
 - 2) The capital market and/or new investors (private placement);
 - 3) Secondary source, that is, debenture performance shares. Such plan should be specific realistic, achievable and time bound.
- B) Liquidity problem could be resolved through, the following,
 - 1) Standby agreement with other banks/ other financial institutions, which they can fall on.
 - 2) Balance sheet restructuring, where the problem is medium/long term in nature.
 - 3) Possession of cash drawing facility (CDF) at CBN
 - 4) Overnight drawing facility with other institutions.
 - 5) Additional sources of liquidity information should include confirmed lines of credit and loans available for sale, including types and volumes.
 - 6) The plan should identify vulnerable liabilities and alternative funding sources.
- C) Improved earnings and assets quality through,
 - 1) Effective accelerated debt recovery;
 - 2) Address compliance with procedures by officials of the bank;
 - 3) Review the credit manual and various credit committee approval level;
 - 4) Undertake a periodic review of off-balance sheet transactions.
- D) Sustained growth and development could be achieved thus,
 - 1) Unbridled branching should be curtailed.
 - 2) Branches that cannot pay their operating expenses after 3 years of existence should be closed down.
- E) Managerial and internal control requirements. Succession plan should be clearly stated as to:
 - 1) Limit the tenure of top management and board members.

- 2) The bank must develop emergency preparedness procedures to ensure the protection of the employee in the event of an emergency while at work.
- 3) Operations manuals should be reviewed at least once in two years.
- 4) The root cause(s) of the smallest internal frauds/forges should be revealed and staff culprits punished.
- 5) CBN to conduct a target examination to review the bank's internal control processes and operating manuals

REFERENCES

- Adam AJ, Agba AV 2006. Conceptual issues on savings in Nigeria. *CBN Bullion*, 30(1): 40-51.
- Adamu BI 2009. Financing gap for small and medium enterprises in the post consolidated banking sector in Nigeria. *CBN Bullion*, 33(3): 123-147.
- Aderibigbe JO 2004. An over of the Nigerian financial system. *CBN Bullion*, 28(1): 69-78.
- Adewumi Wole 1997. Management of financial sector reforms, Nigerian experience. In: A Ariyo (Ed.): *Economic Reform and Macroeconomic Management*. Department of Economics, University of Ibadan, pp. 32-45.
- Afolabi J, Mamman H 1994. The dynamics of savings in a deregulated economy: The case of Nigeria. *NDIC Quarterly*, 4(4): 34-53.
- Ajayi, M 2005. Banking sector reforms and bank consolidation: Conceptual framework. *CBN Bullion*, 29(2): 12-40.
- Alade SO 2006. Enhancing long – term savings culture in Nigeria through the National Savings Certificate. *CBN Bullion*, 30(1): 114-136.
- Andrew Solimano 1996. National savings and investment: Paradigms, puzzles, policies. *World Bank Research Observer (WBRO)*, 11(1): 87-117.
- Angela SA 2008 The 2004 Banking Sector Reform Agenda: An Evaluation. *The Nigerian Economic Society*, (NES) NEWS letter.
- Babatunde WA 2007. Impact appraisal of monetary and fiscal policy reforms on macroeconomics performance in Nigeria. *Union Digest*, 11(3 and 4): 31-54.
- Balogun ED 2007. *Banking Sector Reforms and the Nigerian Economy*. The Nigerian Economic Society Proceedings of the one day seminar held on August 24th, 2007 pp. 34-56.
- Campbell J, Mankiv NG 1990. Permanent income, current income and consumption. *Journal of Business and Economic Statistics*, 8(3): 45-57.
- Chete Louis 1997. Raising domestic savings in Nigeria in 2010. In: Adedotun Phillips, S Titilola (Eds.): *Nigerian Institute of Social and Economic Research*, Ibadan, 3: 301-311.
- Chinedu BE, Muoghalu MI 2004. Financial reforms and commercial banks operators in Nigeria: A comparison of two decades. *Union Digest*, 8(2): 32-53.
- Chukwulozie OE 2006. Life Insurance as a source of long – term savings in Nigeria: Regulator's perspective. *CBN Bullion*, 30(1): 20-30.

- De Gregorio J, Guldotti P 1993. Financial Development and Economic Growth. *IMF Working Paper*, No. 92/101, pp. 54-87.
- DonLi JG 2004. Causes of bank distress resolution option. *CBN Bullion*, 28(1): 176-185.
- Ebong BB 2006. Banking sector reforms: Opportunities and challenges. *Union Digest*, 10(1 and 2): 46-67.
- Fry MJ 1980. National savings, investment, growth and the cost of financial depreciation. *World Development*, 8: 317-327.
- Goldsmith R 1969. *Financial Structure and Development*. New Haven CT: Yale University Press.
- Iganiga BO. 2000. *The Structure of the Nigerian Financial System*. Kaduna, Nigeria: Amfitop Books.
- Iganiga BO, Ogieriakhi S 2008. The Nigerian economic policy reforms from within and without: A comparative evaluation. In: MA Iyoha, SA Igbatayo (Eds.): *The Challenges of Sustainable Growth and Poverty Reduction in Nigeria*. Department of Economics and Development Studies, Igbinedion University, Okada, pp. 323-346.
- Iganiga, BO 2009. Does financial reform reduce or raise savings: The Nigerian experience. *NDIC Quarterly*, 2: 38-76.
- Iganiga BO 2006. *The Dynamics of the Nigerian Financial System: Products, Reforms and Structure*. Kaduna, Nigeria: Amfitop Books.
- Ikhida SI 2001. Financial Sector Reforms Macroeconomic Instability and the Order of Economic Liberation: The Evidence from Nigeria. *AERC Research Paper* 112.
- Imala OI 2005. Challenges of banking sector reforms and bank consolidation in Nigeria. *CBN Bullion*, 29(2): 25- 36.
- Jhinghan ML 2003. *Macroeconomic Theory*. 11th Revised Edition. New Delhi: M.L Jhinghan.
- Kama U 2006. Recent reforms in the Nigerian banking industry: Issues and challenges. *CBN Bullion*, 30(3): 78-96.
- Laeven L 2000. Does Financial Liberalization Reduce Financial Constraints? *World Bank Report*, pp. 46-74.
- Lemo T 2005. Regulatory Oversight and Stakeholder Protection. *A paper presented at the BGL Mergers and Acquisitions Interactive Seminar* held at Eko Hotels and Suites, Victoria Island, June 24.
- Moses FO 2006. Imperative of National Savings: A case for adoption of appropriate benchmark price for crude oil. *CBN Bullion*, 20(1): 32- 39.
- Ndebio JE 2004. Financial deepening, economic growth and development: Evidence from selected Sub-Saharan African countries, *AERC Research Paper*, 142: 28-56.
- Nnanna OJ 2005. *Beyond Bank Consolidation: The Impact on Society*. CBN 4th Monetary Policy Conference held at Eko Hotels and Suites, Victoria Island, July, Lagos.
- Nnanna OJ, Dogo M 1998. Structural reform, monetary policy and financial deepening: The Nigerian experience. *CBN Economic and Financial Review*, 36(1): 1-29.
- Nnanna OJ 2003. Today's banking risks and current regulatory and supervisory framework. *CBN Bullion*, 27(3): 49-58.
- Nnanna OJ 2005. Central banking and financial sector management in Nigeria: An insider view. In: OO Fakiyesi, SO Akilo (Eds.): *Issues in Money, Finance and Economic Management in Nigeria*. Lagos: University of Lagos Press.
- Nwaze Chuku 2010. Quality and international control challenges in banks: Policies inconsistencies and irregularities. *Zenith Economic Quarterly*, 5(2): 158-167.
- Obadan MI , Odusola A F 1999. Savings, Investment and Growth Patterns in Developed and Developing Countries. National Centre for Economic Management and Administrative (NCEMA) Management, *Monograph Series, No. 1*, pp. 198-218.
- Obadan MI 2006 Globalization of finance and the challenges of National financial sector development. In: A Adeola, O Olanrenwaju (Eds.): *Applied Macroeconomics and Economic Development*. Ibadan: Univ Press, pp. 132-158.
- OgunKola EO, Bakare AO 1997. Financial liberalization process in Nigeria: An impact analysis, economic reform and macroeconomics management. In: Ademola Ariyo (Ed.): *Fiscal Federalism*. Department of Economics, University of Ibadan, Ibadan, pp. 135-174.
- Onwioduokit E 2006. Financial liberalization and savings mobilizations in Nigeria. *CBN Bullion*, 30(1): 152-162.
- Singh A 1993. The stock market and economic development: Should developing countries encourage stock markets? *UNCTAD*, Review No. 4: 165-212.
- Soludo CC 2004. Consolidating the Nigerian Banking Industry to Meet the Development Challenges of the 21st Century. *Address at the Special Meeting of the Bankers Committee*, Abuja, July 6, 2004.
- Soludo CC 2007. Macroeconomic, Monetary and Financial Sector Development in Nigeria. From <http://www.cenbank.org> (Retrieved 12th July, 2012).
- Tunde Adeoye 2002. Economic Policy Shift, Agri-climate Condition and Inflation in Nigeria 1970 – 1999. *NISER Monograph Series*, No 7, pp. 12-34.