International Journal of Economics, Business and Management Research

Vol. 5, No.07; 2021

ISSN: 2456-7760

BANKING REFORMS AND OPERATIONAL PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

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Abstract
Company failures and penalties due to ethical shortcomings have increased the need to promote, encourage, and enforce ethical principles in organizations. Such enforcement helps reduce unethical practices, increase corporate social responsibility, and foster a sain business and collaboration environment. This article identifies the two most common types of ethics programs namely integrity-based and compliance-based ethics programs. After defining these terms, the article analyzes the key differences between them based on the phases of program management that include initiation, planning, implementation, and control. The article also synthesizes key findings related to staffing for the program's management, ensuring a fit between the selected program and the organization structure, implementing appropriate staff training, and deploying processes to evaluate the program. The article also presents some implications for organizations in the current business climate and critically analyzes prior quantitative studies that were focused on the implementation of ethics programs in various industries. In concluding the work presented, the article suggests some opportunities for further research related to a possible combination of the two types of integrity programs.

Keywords: Bank reforms, merger & acquisition, loans & advances, Cash reserves and customers' deposit.

Introduction

The role of banking system is more than just institutions that facilitate payments and extend credit. It encompasses all functions that direct real resources to their ultimate user. Banking is known as the backbone of financial intermediation through the enlistment and channeling of financial resources and as such it is a known fact that the banking sector is the engine of growth in any economy. Through this function, banks facilitate capital formation, lubricate the production engine turbine and promote growth (Reference [2]). However, banks ability to engender economic growth and development depends on the health, soundness and ability of the system. As an important sector in the financial landscape bank needs to be reformed in order to enhance its competitiveness and capacity to play a fundamental role of financing investments. In

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a developing economy, such as Nigeria, financial sector development has been accompanied by structural and institutional changes and the sector generally have been recognized to play a crucial role in economic development of the Nation (Reference [12]). Banking sector reforms have come into play due to banks inability to meet up to required obligations or satisfy their stakeholders which overtime have led to subsequent failures and crisis. Nigeria just like any other highly open economy, with weak financial infrastructure, can be vulnerable to banking crisis emanating from other countries since the world has become a global village. The reforms are designed to enable the banking system develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation (Reference [13]). Thus the reforms were to ensure a diversified, strong and reliable banking industry where there is safety of depositors' money and position banks to play active developmental roles in the Nigerian economy.

Statement of the Problems

The experience from the global financial crisis has further underscored the imperatives of countries to embark on banking reforms on a regular basis. The world economy was hit by an unprecedented financial and economic crisis in 2007-2009 that resulted in a global recession. This crisis led to the collapse of many financial institutions in Nigeria, such as Oceanic Bank and Intercontinental Bank just to mention but a few. Stress test conducted on banks by CBN/NDIC audit under the former CBN Governor (Reference [24]) revealed that poor corporate governance practices, overt and undue exposure to the capital market, oil and gas sector, poor risk management practices and inadequate disclosure about the bank's financial position characterized the Nigerian banking sector. At the wake of some banks failure, many banks were merged and others were acquired thereby reducing the number of banks in Nigeria from 89 to 24 commercial banks. Based on the above development, it is unclear on how the bank reforms that resulted into mergers and acquisitions affected the operation performance of banks in Nigeria, and the level of compliance to those new reforms agenda introduced by Reference [2].

Objectives of the study

The main objective of this study is to investigate the effectiveness of banking reforms on bank’s operation performance in Nigeria. Other specific objectives include:

i. To determine the effect of pre & post merger. (2010) on loan & advances of listed banks in Nigeria.
ii. To ascertain the effect of pre & post merger (2010) on the reserves of listed banks in Nigeria.
iii. To examine the effect of pre & post merger (2010) on customers’ deposit of listed banks in Nigeria.

Review of related literature

Concept of merger and acquisition

Reference [10] defines a merger as the amalgamation of the undertakings (assets) or any part of the undertakings or interest of two or more companies. According to the Act, merger is categorized into three as follows:

i). Small merger: This consists of merger of a value of N500 million or less;

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ii). Intermediate merger: This involves business combination of a value exceeding N500 million but less than N5 billion.
iii). Large merger: This is merger arrangement where its value is N5 billion and above. Note that all intermediate and large mergers must be approved by Securities and Exchange Commission (SEC).
The term merger and acquisition are often used interchangeably to mean the same thing, and in a more common sense used in the dual form as "mergers and acquisitions" which is (abbreviated as M&A). They are however in strict technical sense not the same.
Merger is the amalgamation of the business undertaking or part of the two or more companies into one of the companies or a new company (CAMA 2020) as amended. Reference [21] describes merger as a form of business combination whereby two or more companies join together to one; being voluntarily liquidated by having its interest taken over by the other and its shareholders becoming shareholders in the other enlarged company. For example, in the 1999 merger of Glaxo Wellcome and Smithkline Beecham, both firms ceased to exist when they merged, and a new company, Glaxo Smithkline, was created. Reference [28] defined merger as the fusion of two or more companies in which one company will legally exist and continues to operate in its original name or adopt a new name. Therefore, merger can take place between two or more quoted companies or between two or more public and private company. Merger may take either of the following form:

1. Merger through absorption: this is the combination of two or more companies into an existing company.
2. Merger through consolidation: in this form of merger, all companies are legally dissolved and a new entity is created.

An acquisition on the other hand is the purchase of one organization by another. It is described as a business combination in which one completely swallows the other(s) under the leadership of a single management (Reference [27]). Acquisition takes place where a company takes over the controlling shareholding interest of another company. Usually, at the end of the process, there exist two separate entities or companies. The target company becomes either a division or a subsidiary of the acquiring company. Generally a company acquires effective control over the target company by acquiring majority shares of that company. However, effective control may be exercised with a less than majority shareholding, usually ranging between 10 percent and 40 percent because the remaining shareholders, scattered and ill-organized, are not likely to challenge the control of the acquirer.
Acquisitions can be friendly or hostile. In the case of a friendly acquisition the target is willing to be acquired. The target may view the acquisition as an opportunity to develop into new areas and use the resources offered by the acquirer. In the case of a hostile acquisition, the target company is opposed to the acquisition. Hostile acquisitions are sometimes referred to as hostile takeovers.
A review of the literatures on merger and acquisition shows that the definition of merger and acquisition significantly varies from country to country depending on factors such as the country's state of economic development, the performance of their banking sectors etc.
Mergers and acquisitions differ from a consolidation, which is a business combination where two or more companies join to form an entirely new company. All of the combining companies are

dissolved and only the new entity continues to operate (Reference [18]). The two companies combine their operations and gains strength in terms of improved performance, increased capital and enhanced profits. This kind substantially reduces the number of competitors in the segment and gives a higher edge over competition.

Reforms in the Nigerian banking industry

In July, 2004 the then Governor of Central Bank of Nigeria (CBN) Prof. Chukwuma Soludo being mindful of the deteriorating situation of the banking industry, decided to streamline the regulatory framework and to this end, a 13- point reform agenda was proposed by the central bank of Nigeria. The key elements of the 13-point reform agenda of central bank of Nigeria include:

i. Minimum capital base of N25 billion with a deadline of 31st December 2005 (that is 18months notice rather than 12 months) normally given in many countries.
ii. Phased withdrawal of public sector funds from banks.
iii. Consolidation of banking institutions through mergers and acquisitions.
iv. Adoption of a risk focused and rule based regulatory framework.
v. Zero tolerance for weak corporate governance, misconduct and lack of transparency.
vi. Accelerated completion of the electronic Financial Analysis and Surveillance System (e-FASS).
vii. Establishment of a hot line, confidential internet address for all citizens willing to share any confidential information with the Governor of the Central Bank on the operations of any bank or financial system.
viii. Strict enforcement of the contingency planning framework for systematic banking distress.
ix. Establishment of an Asset Management company as an important element of distress resolution.
x. Promotion of enforcement of dormant laws especially those relating to the issuance of dual cheques and the law relating to the vicarious liabilities of the Board members of banks in cases of failing by the bank.
xi. Revision and updating of relevant laws and drafting of new ones relating to effective operations of the banking system.
xii. Closer collaboration with the commission of the Economic and Financial crime in the establishment of the Financial Intelligence Unit (FIU) and the enforcement of the anti-money laundering and other economic crime measures.
xiii. Rehabilitation and effective management of the mint to meet the security printing needs of Nigeria.

The banking sector consolidation formed a subset of a strategic agenda put in place for ensuring exchange rate and price stability managing the interest rate and integrating Nigeria's financial system into the global financial arena. (Reference [23]), in his speech argued that strengthening and consolidating the banking system will constitute the first phase of reforms designed to ensure a diversified, strong and reliable banking sector which will further ensure the safety of depositors money, play active developmental roles in the Nigerian economy and be competent and competitive players in the African, regional and global financial systems. Due to

internationalization of finance, the trend of size has been influenced by factors such as economies of scale, efficiency in resource allocation and diversification of risk. A case of mergers and acquisitions in the banking sector is now a global observable fact.

In 2004, the Nigerian banking industry consisted of 89 banks. The industry was fragmented into relatively small, weakly capitalized banks with most banks having paid in capital of $10 million or less. The best capitalized bank had a capital base of $ 240 million as compared to Malaysia where the least capitalized bank had a capital base of $526 million at the time. Most of the smaller banks were family-owned and privately held. However, the industry was heavily concentrated with the 10 largest banks controlling 50 percent of the assets and deposits in the Nigerian banking system. The result of this new, much larger capital requirement was the consolidation of banks into larger entities. During this 18months period, there were a number of mergers and acquisitions among Nigerian banks in order to meet this new capital requirement. On 31st December, 2005, CBN announced the emergence of 24 banks from reforms after bank recapitalization. The 24 banks include UBA, First Bank, Union Bank, Guaranty Trust Bank, Zenith Bank, Intercontinental Bank, Standard Chartered Bank, Oceanic Bank, Access Bank, Ecobank, ETB, and Sterling Bannk. Others: NIB/Citibank, Fidelity Bank, FCMB Group, Wema Bank Group, IBTC Chartered, Stambic Bank, Afribank Group, Platinum-Habib Bank, Diamond Bank, Unity Bank Group, and Spring Bank. The rest are: Skye Bank Group, First Inland Bank, and Alliance Bank Group. In the end, the 89 banks that existed in 2004 decreased to 24 larger, better capitalized banks. Thirteen banks did not meet the deadline for increasing their capital base and their banking licenses were revoked.

On June 4, 2009, Lamido Sanusi took office as Governor of the Central Bank of Nigeria. Early in his term, he empanelled a special joint committee of the central Bank of Nigeria and the Nigerian Deposit Insurance Corporation to conduct a special examination of all 24 universal banks in Nigeria. On August 14, 2009, the CBN announced the results of examination of 10 banks and the report revealed that five banks were insolvent – Oceanic Bank, Union Bank, Afribank, Fin-bank and Intercontinental Bank. The aggregate percentage of non-performing loans of these five banks was 40.81 percent. In addition, these banks were chronic borrowers at the expanded discount window (EDW) of the CBN, indicating that they had little cash on hand. To improve on the banks liquidity, CBN as the lender of last resort, injected N420 billion (roughly $2.8 billion) into these banks, in form of a subordinated loan. These banks in aggregate represented significant systematic risk, as they held approximately 30 percent of the deposits in the Nigerian commercial banks.

In an unprecedented move, Sanusi published a list of names of debtors of non-performing loans held by Nigerian banks. Subsequently, the CBN completed its special examination of the remaining 14 universal banks in Nigeria to determine their solvency. As a result of this audit, on October 3, 2009, the CBN dismissed the CEO's of three additional insolvent banks – Bank PHB, Spring Bank and Equatorial Trust – Bank and injected an additional N200 billion into these banks. A fourth bank, unity Bank, was determined to be insolvent but had sufficient liquidity to meet its current obligations. Similar to the banks receiving capital injections after the August 2009 audit, these banks received funds through the Expanded Discount window of the central

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Bank of Nigeria in the following amounts: Bank PHB (N64 billion), spring (N80 billion) and Equatorial Trust Bank (N56 billion of which N30 billion has been repaid). Reference [5], observed that the reforms were to ensure the safety of depositors money, position banks to play active developmental roles in the Nigerian economy and become major players in the sub-regional, regional and global financial markets.

Merger and acquisition of banks in Nigeria

Merger and acquisition of banks was necessitated by the quest for pooling of resources together as a result of bank recapitalization reform introduced by CBN in 2004 in which commercial banks were mandated to increase their capital base to N25 billion. The main purpose of merger is to ensure a more efficient utilization of resources for economic rationalization, survival and growth which most banks in Nigeria were involved. The most valuable and effective ways of bringing together the synergies in similar organizations is through merger and acquisition and this is done to avoid the incidence of liquidation and bankruptcy in companies and also to reduce unemployment. Thus, with these means, the companies have access to growth which might be difficult to attain with their own internal resources. Moreover, the major objectives of most companies which is growth and profit maximization is achieved because now there is collective ideas and reduced competition. Many firms collapse during the structural adjustment days and those that survive did so because of their ability to meet the set goals. It became necessary for companies to put their resources together in order to survive and grow. For companies to meet up with the new form of advance technology, they should encourage merger with one another or acquire one another so as to extend their aims in firms in other countries that can produce adequate and qualitative goods and services to meet local demand and export purpose.

Reference [4], observed that the financial crisis in 2008/2009 led to special examination of the 24 banks that emerged from consolidation by CBN/NDIC team in 2009 as directed by then CBN Governor Sanusi Lamido Sanusi. The examination results revealed among others, that 10 out 24 deposit money banks were in grave financial condition. The findings from the examination led to the removal of eight (8) CEOs of the distressed banks and members of their executive management teams and their replacement with new executive managements appointed by the CBN. The CBN also injected N620 billion in the affected banks as tier 2 capital. Merger and acquisition has direct effect of positively affecting the payments system by improving scale efficiencies in the bank office payments operations as larger processing sales may yield efficiencies in processing payments information/instruments. Many of the remaining inter-bank payments may be cleared more quickly and efficiently because there are fewer end points to send payment information or payment instruments. It was also observed by Reference [4], that merger and acquisition transactions are usually encouraged as they serve as an efficient way of resolving problems of financial distress. Institutions that are troubled because of their own inefficiency or underperforming investments are often taken over as an efficient alternative to bankruptcy or other means of exit. In that type of situation, the ideal merger would be for the ailing financial institution to be merged with a conservatively leveraged one that has a complementary mix of financial products, services and target markets.

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Successful merger and acquisitions should potentially be in the public interest, particularly in the area of service delivery as the outcome is expected to add some depth to the local banking sector and make a worthwhile contribution to banking services and the banking industry in a particular country. Banks are normally prone to runs irrespective of stringent regulations, but big banks are usually preferred because confidence is crucial for banks to attract and retain deposits. Big banks have been observed to enhance the confidence of the public. Since merger and acquisition is expected to lead to large and strong banks, confidence in the nation's banking system is likely to be enhanced and this in turn may lead to improvement in banking habits of the populace thereby enhancing the efficiency of monetary policy.

The recent banks merger in Nigeria took place in 2019 between Diamond Bank and Access Bank because Diamond Bank, was faced with the possible revocation of its license due to its non-performing loans of over N150 billion and the resignation of three of its directors and chairman of the Board of Directors. This prevented Diamond Bank from facing the same fate as Skye Bank Plc which had its license revoked in September 2018 due to the depletion of its capital base. The CBN subsequently injected about N786 billion into the bank to shore up its liquidity and transferred the operations, assets and management of Skye Bank to Polaris Bank Limited, a bridge bank. Herbert Wigwe (Managing Director of the Access Bank Group) in his speech after the merger of Access Bank and Diamond Bank, stated that the merger afforded both banks the opportunity of leveraging on their distinct potentials to build a stronger bank. Diamond Bank is expected to benefit from Access bank's strong risk management culture and capital management expertise. Diamond Bank has substantial retail banking expertise and strong digital offering which Access Bank will take advantage of in their merger arrangement. Together the two companies would create one of Nigeria's leading banks, with 29 million customers and 32,000 Point of Sale (POS) terminals. It is important to note that by accepting to merge with Access Bank, Diamond Bank was able to avoid the panic frenzy into which its depositors and investors would have been plunged if it had lost its license. It was agreed that Access Bank would acquire the entire issued share capital of Diamond Bank and in consideration, Diamond Bank shareholders will receive N3.13 per share, comprising of N1.00 per share in cash and the allotment of two (2) new Access Bank ordinary shares for every seven (7) Diamond Bank ordinary shares held at the implementation date. It is in the public domain that despite the positive effect merger will have on the banking system, a stakeholder group likely to be adversely affected by the merger is the employees of the banks, particularly those of Diamond Bank. It is expected that Access Bank will lay off a considerable number of staff, especially for roles which are duplicated in both banks.

Theoretical framework

Efficiency theory

Efficiency in general describes the extent to which resources such as time, space, energy, investment etc; are well used for the intended task or purpose (Reference [33]). Efficiency theory, suggests that mergers are planned and it will only occur when they are expected to generate enough realizable synergies. Reference [31] and Reference [32] mentioned that the main motive of M &A is to gain synergy (operating and financial synergy). These synergies

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could be in the form of reduction in cost or increase in revenue. It is symmetric expectations of gains which result in a friendly merger being proposed and accepted. If the gain in value to the target is not positive, it is suggested that the target firms' owners could not serve or submit to the acquisition. Similarly, if the gains were negative to the bidders' owners, the bidder could not complete the deal. It is suggested that differential efficiency should be the major determinant of merger and acquisition strategy hence if for instance, firm ABC is more efficient than firm XYZ and firm ABC acquires firm XYZ, the efficiency of firm XYZ is likely to be brought up to the level of the firm ABC. Efficiency theory implies that some firms operate below their potential and as a result have below average efficiency. Such firms are most vulnerable to acquisition by other more efficient firms in the same industry. This is because firms with greater efficiency would be able to identify firms with good potential but operating at lower efficiency.

Resource dependency theory

Resource dependency theory is defined as an explanation of how the external resources like, skilled worker, money, technology and raw materials etc., of an organization affects the behavior of said organization. Reference [17] claim that resources of a firm is consists of tangible assets, human and other intangible assets which are put to produce productive service planned by the firm. In addition, Reference [22] noted that board members contribute to the important external resources and can maximize firms' performance. Similarly, Reference [16], states that resources dependency theory could explain the impact of social action and organizational change towards an organization. Resources dependency theory offers an externally focused perspective of why an organization might acquire or merge with another organization.

Empire building theory

This is the act of attempting to increase the size and scope of an individual or organization's power and influence. It is believed by empire building theory advocates that mergers are planned and executed by managers who maximize their own utility instead of their shareholders' value (Reference [8]). In the corporate world, this is seen at the intra-company level when managers or executives are more concerned with expanding their staffing levels and the dollar value of assets under their control than they are with developing and implementing ways to benefit shareholders. Empire building can also occur in the larger public arena when corporations take steps to acquire competitors or other firms that might offer downstream or upstream integration or other synergies. Empire building is typically seen as unhealthy for a corporation, as managers will become more concerned with acquiring greater resource control than optimally allocating resources. On a larger scale, it may lead to acquisitions or other decisions that do not ultimately benefit shareholders, increase the corporation's financial health, or bolster the company's long-term viability. The failure to screen out empire builders can lead to corporate actions that do not necessarily provide the best growth opportunities for a corporation and its shareholders, such as acquisitions made to boost the control of the company's executives.

It should be noted that this study is anchored on efficiency theory and resource dependency theory, while it is important to screen out empire builders before embarking on merger and acquisition for optimal synergistic result.

Review of empirical literature

Reference [29], carried out study on review of mergers and acquisitions in banking sector using secondary data for a thirty-year period (1993-2017) in India. The data reviewed suggest that mergers and acquisitions affect the conventional and Islamic banks in several ways. This could be explained by different approaches in handling mergers and acquisitions (i.e domestic and border) and various factors contributing to the decision of conducting mergers and acquisitions activity. They observed that very little empirical research was done on mergers and acquisitions in Islamic banking sector.

Reference [15], carried out study on CAMEL ratio on profitability banking performance (Malaysia verses Indonesia). The work analyzed profitability of banks based on the CAMEL (Capital adequacy, Asset quality, Management, Earnings and Liquidity). Capital adequacy measured by debt equity ratio (DER) and non-performing loans (NPL), Asset quality measured by return on asset (ROA). The samples were 114 (from ten banks in Malaysia and nine banks in Indonesia) since 2010-2015. The study used descriptive method and multiple regression analysis. Finally the result from regression and the CAMEL analysis has a significant relationship to the banks' profitability declining through the CAMEL analysis so that the bank should make a decision to achieve a better performance.

Reference [30], investigated pre and post performance of merger on assets quality of banking sector of India using ING Vysya Bank and Kotak Mahindra Bank as a case study. The study analyzed pre and post performance of the selected banks with the aid of CAMEL rating approach. Data were collected from secondary sources and for the purpose of analysis or to measure adequacy of data applied one sample t-test, descriptive statistics. The finding revealed that net profit after tax to net advances, gross net profit after tax to gross advances, net profit to total assets post merger performance was high and improved compared to the pre merger performance of the Kotak Mahinda bank. The study further shows that total investment to total assets of the post merger performance reduced after ING Vysya bank merged with Kotak Mahinda bank. The study concludes that, there is a significant difference between pre and post merger performance of net NPAs to net advances and total investment to total assets.

Reference [19], carried out study on the effect of mergers and acquisitions on banking sector performance in Nigeria, using ex-post facto research design and covered a period of nine years before and nine (9) years after the 2005 banking sector recapitalization exercise. Independent sample test technique was used to analyze variables under investigation and the result revealed that there is non-significant negative difference in the performance of return on assets in the pre and post merger and acquisition periods. However, the finding revealed significant negative difference for capital adequacy ratio between the periods, while bank asset shows significant positive difference between the pre and post merger and acquisition periods. The study concludes that mergers and acquisitions have significant impact on banking sector performance in Nigeria.

Reference [20], examined the impacts of mergers and acquisitions of commercial banks' performance in Nigeria using shareholders fund and profit after tax of the selected banks as proxies to measure the financial efficiency of the banks in both pre and post consolidation eras. Data collected from annual accounts of the selected banks were analyzed using correlation and

regression with the aid of Econometrics view (version 7) and findings revealed that mergers and acquisition is an effective means of ensuring the stability and profitability of the banking sector. The finding also shows that shareholders fund contributed significantly to the profit after tax of the banks, and that corporate restructuring has affected the capital adequacy of commercial banks positively.

Reference [7], examined mergers, acquisition and banking sector performance in Nigeria: A post-consolidation review and revealed that, mergers and acquisition impacted significantly on the performance of deposit money banks with profit before tax (PBT) and total assets as proxies for bank performance, but that could not be said of return on equity, where there was no significant difference between the pre merger and post mergers' periods. The result obtained from this study attest to the fact that mergers and acquisitions are not the sole panacea to improved bank performance but that issue bordering on corporate governance, sound management, and strong brands have a role to play in the overall success of any banking establishment. The study recommends that banks should concentrate on creating and maintaining strong brands as that can be their most valuable assets.

Reference [14], conducted a study on asset quality and commercial bank performance in Nigeria using secondary data obtained from the annual report and accounts of the six largest banks listed on the Nigeria Stock Exchange based on market capitalization with a simple interval of fifteen (15) year period from 1999-2013. The study adopted the use of ratios as a measure of bank performance and asset quality since it is a verifiable means for gauging the firms' level of activities. The main findings of the study revealed that asset quality had a statistical relationship and influence on bank performance.

Reference [9], examined the impact of bank consolidation on the credit delivery capacity of the Nigerian banking sector. They found that though there is evidence that bank deposit impacted lending in SMEs, there is no evidence of significant effect of bank consolidation on credit of MEs, an indication that deposit money banks may have favoured blue chips in their financial decision. In another development, Reference [6], analyzed bank consolidation on Small business financing in Nigeria using panel data over the period 2004-2011. The study covered the 23 banks that emerged from the consolidation exercise. They find a significant increase in asset base and profitability of banks in the post-consolidation period.

Reference [3], investigated the impact of mergers and acquisitions on performance of banks in Nigeria by evaluating pre-merger and post-merger financial statements of two consolidated banks. The data were analyzed and compared, and the result revealed that all the two groups produced financial gains far more than the 2+2 = 5 synergistic effects.

Reference [4], observed that bank examination conducted by joint special panel of CBN/NDIC in 2009 as directed by former CBN Governor Sanusi Lamido Sanusi revealed that Eight (8) banks failed the stress test. The banks were Intercontinental Bank Plc, Oceanic Bank Plc, Union Bank Plc, Finbank Plc, Equitorial Trust Bank, Afribank Plc, BankPHB Plc and Springbank Plc. Five of the banks found preferred investors/merger and NDIC established three (3) bridge banks to manage the assets and liabilities of failed banks that could not find a preferred investor/merger

partner. The bridge banks were mainstreet, Keystone and Enterprise Banks for former Afribank Plc, BankPHB Plc and Springbank Plc respectively. The bridge banks were sold to AMCON through share subscription, while the banking licences of Afribank Plc, BankPHB Plc and Springbank Plc were revoked by the CBN.

Reference [11], investigated performance of merged banks in Tanzania using ANC bank Ltd. And HBC bank ltd as a case study. The study analyzed the performance of the selected merged banks with the aid of CAMEL model but revealed no compelling evidence to support the assertion that mergers improves banks' performance as the study has mixed results, both improvement and deterioration in some aspects. Finally, the study recommends that banks institute robust risk-management systems to improve their performance in the post-merger period as well to increase product innovation in order to prudently invest their excess liquidity to maximize returns and policy makers/regulators in Tanzania banks.

Reference [26], examined the performance of government induced banks consolidation and macro-economic performance in Nigeria in a post consolidation period. He found out that banks consolidation may not necessarily be a sufficient tool for financial system stability and sustainable development. The study further posits that consolidation programs have not improved the overall performance of the banking industry significantly and contributed little to the growth of the real sector for sustainable development.

Reference [1], in their study on the effect of recapitalization on the bank's performance in Nigeria used descriptive research design (mean and standard deviation) and t-test and test of equality mean analytical technique and fount out that the means of bank profitability ratios such as yield on earning assets (YEA), return on equity (ROE) and return on asset (ROA) were significant. This means that there is statistical indifference between the mean of the pre and post 2004 bank recapitalization.

The above empirical literatures reviewed showed mixed result on the effectiveness of mergers and acquisitions as some authors' findings revealed that there is significant relationship between M&A and financial performance but few studies were carried out on operational performance (loans/advances, cash reserve (liquidity) and customers' deposit) in Nigeria, hence this study is set out to fill the gap.

Methodology

This study employed a descriptive type of ex post factor research design using a compared mean analysis as the method in examining the effect of banking reforms 2010 (proxy by pre & post merger) on the operation performance of listed banks (proxy by Loan/advances, Cash reserves & Customers' deposit). The population comprises of the 14 commercial banks that were listed on the Nigerian stock exchange as at 31st July 2019. The judgmental sampling method was used in selecting the sample for the study of which more than 5% (5) of the commercial banks listed were considered for the purpose of this study to meet up the generally accepted standard of sample size for any study. The following banks have been judgmentally selected to form the sample size: Access bank Plc, First bank of Nigeria Plc, UBA Nigeria Plc, Fidelity bank Plc and Zenith bank Plc. The choice of the banks selected was based on the fact that they were among

the banks that survived the stress test/examination conducted by joint audit team of CBN/NDIC in 2009 and were involved in merger and acquisition as a result of bank reforms.

Decision Criterion

Reject the null hypothesis if the calculated T values is less than or equal to 0.05.

Data analysis and discussions

Table 1 Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	preLA	5.9893	20	.92852	.20762
	postLA	6.1759	20	1.12911	.25248
Pair 2	preRESV	5.0349	20	1.14785	.25667
	postRESV	5.4908	20	1.18981	.26605
Pair 3	preCDP	6.2936	20	.96208	.21513
	postCDP	6.5047	20	1.10016	.24600

Source: SPSS Version 20

Table 1 above shows the mean value of Loan and Advances (LA) that represent the reported loans and advances of the banks in the pre-2010 banking reform period of 5.9893 and a standard deviation of 0.20762 which indicates the level of fluctuation or variation and also a post 2010 banking reform mean of 6.1759 with a standard deviation of 0.25248, which is an indication of how LA can fluctuate after the banking reform in 2010 which was geared towards a better loan management by the banks. This reveals an increase in amount of loan and advances issued out by the banks after the 2010 banking reform.

The mean value of the Reserves (RESV) that measures the amount of money the banks kept as reserves with the Central Bank of Nigeria as mandated by the 2005 banking reform in both eras. During the pre-2010 banking reform, the mean of 5.0349 was maintained by the banks with a deviation of 0.25667 and during post-2010 banking reform period a mean of 5.4908 RESV was maintained with a deviation of 0.26605.This implies that the banks kept more reserves after the 2010 banking reforms as a result of a higher reported mean size reserve in the post 2010 reform period as shown by this study which is owing to the fact that the 2010 reforms put pressure on the banks for more reserves as a result of the AMCON involvement in managing the loans of the banks to customers for fear of default in loan servicing.

Also, the Customers deposit (CDP) of the banks presents a mean of 6.2936 and 0.21513 standard deviation which measures the rate at which customers turn in their deposit and the level at which it fluctuated during pre-2010 banking reform period and a mean of 6.5047 and standard deviation of 0.24600 respectively during the post2010 banking reform period. This is an indication that the

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banks under study reported more customers deposit after the 2010 banking reform owing to the fact that the banks new loan policy encouraged more customers' to turn in their deposit.

Table 2 Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	preLA & postLA	20	.967	.000
Pair 2	preRESV & postRESV	20	.934	.000
Pair 3	preCDP & postCDP	20	.979	.000

Source: SPSS Version 20

Table 2 above presents the paired sample correlation for all the variables under investigation. The correlation results above revealed a correlation coefficient of 0.967 and significant of 0.020 for loans and advances, this means that there is a positive significant and very strong relation between the pre and post 2010 banking reform. Reserves also revealed a very strong and positive significant correlation coefficient in the pre and post 2010 banking reform. A correlation coefficient of 0.934 (93.4%) and a significance of 0.000 implies that there is a significance relationship between pre and post 2010 banking reform reserves of the banks. Finally there exist a positive, very strong and significant relationship between the customers' deposit in pre and post 2010 banking reform period, with a correlation coefficient of 0.979 (97.9%) and significant level of 0.001.

Table 3 Paired Samples Test for all variables

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	preLA - postLA	-.18654	.32957	.07370	-.34079	-.03230	-2.531	19	.020
Pair 2	preRESV - postRESV	-.45587	.42648	.09536	-.65547	-.25628	-4.780	19	.000
Pair 3	preCDP - postCDP	-.21115	.25349	.05668	-.32978	-.09251	-3.725	19	.001

Source: SPSS Version 20

The table 3 presents the result of the paired sample t-test in respect to the pre and post banking reform Loan and Advances (LA), Reserves (RESV) and Customers' Deposit (CDP) of Listed commercial banks in Nigeria.

The result reveals an overall mean and standard deviation in respect to LA in the pre and post banking reform periods as 0.18654 with a fluctuation of 0.32957. The calculated t-value at a degree of freedom of 19 stood at 2.531. The level of significant is estimated at 0.020 or 2% which is less than 0.05 or 5% level of significant for a two tailed test. This thus indicates that the test is statistically significant.

Also the table shows the overall mean in respect to Reserves of the listed commercial banks in Nigeria in the pre and post banking reform periods to be 0.45587 with a fluctuation of 0.42648. The calculated t-value at a degree of freedom of 19 stood at 4.780 at a level of significant of 0.000 which is less than 5% level of significant for a two tailed test; thus indicating that the test is statistically significant.

Finally, the table presents the result of the paired sample t-test in respect to the pre and post banking reform Customers' Deposit (CDP) of the listed commercial banks, the result reveals an overall mean and standard deviation of 0.21115 with a fluctuation of 0.25349. The calculated t-value at a degree of freedom of 19 stood at 3.725, the level of significant is estimated at 0.001 which is less than 0.05 or 5% level of significant for a two tailed test. This thus indicates that the test is statistically significant.

Test of Research Hypotheses

Ho$_1$: *The banking reform (*pre & post merger.*2010) has no significant effect on the loans & advances of listed banks in Nigeria.* Given that the calculated P-value as presented in Table 3 is 0.020 which is less than the significant level of 0.05, the null hypothesis is rejected and the alternative is accepted, thus concludes that the banking reform has a significant effect on the loans and advances of listed commercial banks in Nigeria.

Ho$_2$: *The banking reform (*pre & post merger.*2010) has no significant effect on the reserves of listed banks in Nigeria.* Given that the calculated P-value as presented in Table 3 is 0.000 which is less than the significant level of 0.05, the null hypothesis is rejected and the alternative is accepted, thus concludes that the banking reform has a significant effect on the reserves of listed commercial banks in Nigeria.

Ho$_3$: *The banking reform (*pre & post merger.*2010) has no significant effect on customers' deposit of listed banks in Nigeria.* Given that the calculated P-value as presented in Table 3 is 0.001 which is less than the significant level of 0.05, the null hypothesis is rejected and the alternative is accepted, thus concludes that the banking reform has a significant effect on customers' deposit of listed commercial banks in Nigeria.

Conclusion

This study examined the effect of banking reforms on the operational performance of listed commercial banks in Nigeria. In line with the findings of the study, the study concludes that; the pre & post merger.2010 banking reform in Nigeria has a significant effect on the operational performance (Loans and advances, Reserves & Customers' Deposit) of the listed commercial banks in Nigeria. Also, all the performance proxy under study showed a significant increase

owing to the 2010 banking reform introduced in Nigeria. This is shown in the increase in the operational performance means as shown in the study.

Recommendations

In line with the findings of the study, we therefore recommend the following:

i). Banks in Nigeria should strictly adhere to the policies introduced by the apex bank in 2010 and collaborate with the AMCON in order to deliver the mandate of loan servicing to meet the market requirement and to avoid the consequences of issuing bad loans capable of liquidating the banks. Regulatory authorities should fashion out adequate sanctions for defaulters on loan and advances.

ii). The prudential guidelines of banks should be followed to ensure that cash reserve ratio is maintained by all banks in Nigeria in order to provide liquidity needed for effective intermediation role of banks.

iii). Aggressive marketing strategy by banks is highly recommended to outsmart competitors and attract more customer deposits to cushion the effect of public sector deposits withdrawals as a result of introduction of Treasury Single Account (TSA). If this is done it will lead to improvement in the overall operational performance of banks and a healthy financial system in Nigeria.

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