TITLE PAGE

IMPACT OF BANK SECTOR REFORMS ON NIGERIA ECONOMY

BY:

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PG/12/13/215012

BEING A DISSERTATIONSUBMITTEDTED TO THE DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE, FACULTY OF MANAGEMENT SCIENCES,

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DECEMBER, 2016.

DECLARATION PAGE

I hereby declare that this research work titled " **Impact of Bank Sector Reforms on Nigeria Economy**" is my original work and has not been previously presented wholly or in part towards the award of any score or any degree.

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Certification Page

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That to the best of our knowledge, this is the original work of the candidate.

That this thesis is accepted in partial fulfillment of the requirements for the award of the degree of MSc Banking and Finance.

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DEDICATION

This dissertation is dedicated to Almighty God, and to my lovely husband, Mr. OmokiniovoTobore (ACA) for being my guardian.

ELLIOT OGHENEMAGOMA MARY

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I am most grateful to Almighty God, who made all things possible, for by strength shall no man prevail. He gives wisdom, knowledge and understanding.

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ABSTRACT

This dissertation examines the impact of Bank Sector Reforms on Nigeria Economy. As background information for the adoption of Bank Sector Reforms, it is observed that the reform in the bank sector predicted against the back drop of banking crises due to high under capitalization of existing banks, weakness in the regulatory and supervisory framework, weak management practices and the tolerance of deficiencies in the corporate governance of banks.Undercapitalisation, poor management, hostile and unfair competitions were some of the reasons for collapse of a number of banks in Nigeria. The general objective of the study is to determine the importance of the Bank Sector Reforms on the Nigeria economy, establish the effect of shareholders equity on gross domestic product, determine how retained earnings, loans and advances affect gross domestic product, establish the impact on profitability on gross domestic product. The research work was carried out in Asaba. The study covers 15 banks out of the 22 banks in Asaba, Delta State, Nigeria. The study also covers the period from 2000 – 2015 for analysis. An attempt is also made to empirically verify the prerequisite results of the secondary data. This is investigated through the exploratory design I employed to identify the factors that contribute to banks consolidation on the economic development of Nigeria. It is observed from the present regression analysis of time series, using SSPS version 22.0. The implication is that, shareholders equity, retained earnings, total asset and profitability do not have significant impact on the economic growth in Nigeria. While loans and advances have significant impact on the economic growth in Nigeria. In the light of the findings, this dissertation proposes that the regulatory authority should maintain and review the capitalization upward from time to time. The bank sector must be able to retain earnings and invest them in business ventures that in turn can generate more

earnings, and also policy makers in Nigeria economy should make policies to enhance the profitability of banks in Nigeria.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The banking sector has recently witnessed significant reforms and hard choices had to be made to tackle the lingering effects of the global financial crises, which culminated in the contraction of some banks' balance sheets with the attendant economic losses. It is worthy to note that these problems have been surmounted through series of reforms undertaken by the Central Bank of Nigeria (C.B.N). The banking sector reforms and consolidations has been ongoing economic phenomenon. Reforms generally are predicated upon the need for reorientation and repositioning of an existing status quo in order to attain an effective and efficient state. Banking reforms involves several elements that are unique to each country based on historical, economic and institutional imperatives. According to Gyrary (2012), the reforms in the banking sector predicted against the backdrop of banking crises due to high undercapitalization of existing banks, weakness in the regulatory and supervisory frame work, weak management practices and the tolerance of deficiencies in the corporate governance behaviors banks.

In line with the above, undercapitalization, poor management, hostile and unfair competitions were some of the reasons for collapse of a number of banks in Nigeria in the early 50s. The period was described as unregulated banking activities as a result of the problems. According to Odufu (2013), subsequent efforts at strengthening the regulatory framework resulted in the enactment of the following banking legislations:

- The Central Bank of Nigeria act of 1958
- The Bank act of 1969
- Nigerian Deposit and Insurance Corporation act of 1991
- The CBN act of 1991

The foregoing shows that reforms have been ongoing in the Nigerian Banking sector. The form it takes depends on the challenges posed or causative factors.

According to Dele (2015), GDP is usually measures in three ways all of which should in principle gave same result. These are the production (or output or value added) approach, the income approach and the expenditure approach. The most direct of the three is the production approach which sums the output of every class of enterprise to arrive at the total. One thing people want to know about their economy is whether its total output of goods or services is growing or sinking.

1.2 STATEMENT OF THE PROBLEM

The recent development in the banking sector indicated a mixed trend in the performance of banks. Available data from the CBN Annual reports of 2011, 2012, 2013, 2014 and 2015 indicate that the banks satisfactory rating has been on the decline since 2001 from 63 banks to 51 banks in 2004 and down to 24 banks as at 2011. And according to Nigeria Stock Exchange Publications, the number of banks in Nigeria as at February, 2016 is 22. During the years under review, the number of banks categorized as sound had exhibited a mixed trend, while the marginal banks have been on the merit. The reasons attributed to the development were undercapitalization, illiquidity, weak/poor assets quality which resulted in poor earnings. Though the banking system in Nigeria is on the average rated satisfactory, adetailed analysis of the condition of individual banks showed that no bank was

rated very sound (Soludo, 2011). It is against the above problem that the statement of research problem centered on:

1. The issue of shareholders' equity on gross domestic product.
2. The issue of retained earnings on gross domestic products.
3. The effect of loans & advances on gross domestic product.
4. The impact of total asset on gross domestic product.
5. The effect of profitability on gross domestic product.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study is to find out the Banking Sector reforms and its impact on Nigeria economy. Other purposes of this study are to:

1. establish the effect of shareholders' equity on gross domestic product (GDP).
2. determinehow retained earnings affect gross domestic product (GDP).
3. determine the effect of loans& advances on gross domestic product (GDP).
4. investigate the impact of Total Assets on gross domestic product (GDP).
5. establish the impact of profitability on gross domestic product (GDP).

1.4 RESEARCH QUESTIONS

To obtain the understanding of the studied problems, the following will be relevant:

1. To what extent does shareholders' equity affect gross domestic product (GDP)?
2. To what extent does retained earnings affect gross domestic product (GDP)?
3. How do loans and advances affect gross domestic product (GDP)?
4. Does total asset affect gross domestic product (GDP)?
5. How does profitability affect gross domestic product (GDP)?

1.5 HYPOTHESES

The research work will be guided by the following hypothesis

HO_1: There is no significant relationship between shareholders' equity and gross domestic product.

HO_2: There is no significant relationship between retained earnings and gross domestic product.

HO_3: There is no significant relationship between loans and advances and gross domestic product.

HO_4: There is no significant relationship between total asset and gross domestic product.

HO_5: There is no significant relationship between profitability and gross domestic product.

1.6 SCOPE OF THE STUDY

The research study covers the cause or effect of the Banking sector reforms. It will also show the impact on the Nigerian economy as a whole. The research work was carried out in Asaba, Delta State of Nigeria. The study covers 15 Banks namely: Access Bank Plc, Diamond Bank Plc, EcobankPlc, Fidelity Bank Plc, First Bank Plc, First City Monument Bank Plc, Guaranty Trust Bank Plc, Heritage Bank Plc, Keystone Bank Plc, Skye Bank Plc, Stanbic IBTC Bank Plc, Sterling Bank Plc, Union Bank Plc, Wema Bank Plc, and Zenith Bank Plc, all in capital city of Delta State, Nigeria.

The study covers the period from 2000 – 2015 for analysis. The data used in this research is secondary data and the type of secondary data employed is the time series data.

1.7 SIGNIFICANCE OF THE STUDY

The study is significant because the work covers a total of fifteen years of study period. It is also significant because 15 banks were used out of the 22 existing banks. The percentage of the banks covered is 68% which makes the study significant. Additionally, five variables were used; which include shareholders equity, retained earnings, loans and advances, total asset, and profitability. It is hoped that the work will contribute to both theory and practice.

1.8 LIMITATIONS OF THE STUDY

This study is limited to the impact of bank reforms in Nigeria. This study is also limited to the period because of the problems associated with non-availability of secondary data needed for the research work.

This study is also limited to the information from the respondents. Some of the respondents were even bias in releasing their information. There was also hording of information, fuel scarcity and logistics.

However, all these limitations listed above did not significantly affect this work.

1.9 DEFINITION OF TERMS

1. GROSS DOMESTIC PRODUCT (GDP):

   GDP is the total market value of all final goods and services produced in a country in a given year equal to total consumer investment and government spending plus the value of exports minus the value of import (Harward 2014)

2. SHAREHOLDERS' EQUITY:

   It is a firm's total assets minus the total liabilities. Equivalently, it is the share capital plus retained earnings minus treasury shares. Shareholder's equity represents the amount by which a company is financed through common and preferred shares (Bello 2015)

3. RETAINED EARNINGS:

   Retained earnings refers to the percentage of net earnings not paid out as dividends, but retained by the company to be re-invested in its core business or to pay debt. It is recorded under shareholder's equity on the balance sheet (Harward 2014)

4. LOANS AND ADVANCES:

   It is the difference which constitutes the main source of bank earnings. The term loan refers to the amount borrowed by one person from another. The amount is in the nature of loan and refers to the sum paid to the borrower (Harward 2014).

5. TOTAL ASSETS:

   Total asset refers to the total amount of assets owned by a person or entity. Assets are items of economic value, which are expended overtime to yield a benefit for the owner (Bello 2015)

6. PROFITABILITY:

   It is the primary goal of all business ventures. Without profitability, the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses (Odufu 2013)

1.10ORGANISATON OF THE STUDY

The study is organized into five (5) chapters as follows:

Chapter one of the study introduces the problem statement and described the specific problem addressed in the study as well design components.

Chapter two presents a review of literature and relevant information associated with the problem addressed in this study.

Chapter three presents the methodology and procedures used for data collection and analysis.

Chapter four contains an analysis of the data and presentation of the results.

Chapter five offers a summary and discussion of the researcher's findings, implications for practice and recommendations for future research.

1.11SUMMARY

A country's banking reforms and capitalization is its symbol of strength, stability and continued impact on the growth of the economy. This chapter talks about the background of the research with reference to how banking sector reforms has affected gross domestic product of the Nigerian economy through forms of shareholders' equity, retained earnings, loans and advances, total asset and profitability.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

Reforms are predicated upon the need for reorientation and reposition of existing status quo in order to attain an effective and efficient state (Ajayi 2014). Compos and Esfahani (2012) stressed that policy reform means “a renegotiation of contracts that entails direct government involvement in production towards more efficient market oriented ones” Also, Okeke (2013) posit 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 (2013), 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 (Deccan 2014). Like other emerging economies, Nigeria has 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 (Imala 2014).

In Nigeria, financial sector reform was a component of the Structural Adjustment Programme 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 2014).

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 (2013) 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. Onwioduokit (2013) 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 to GDP, currency outside bank as a ratio of broad money, interest rate spread, real interest rate and gross savings as a ration of GDP. 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 2014). However, some studies have shown that the Nigerian financial system has benefited largely

from these reforms, but all the same, the system is still yawning for improvement (Adam and Agba 2013).

This research will tell us the positive and negative effect of the Banking sector reforms objective and the possible solution to the Nigeria economy.

Conceptually, economic reforms are undertaken to ensure that every part of the economy functions efficiently in order to ensure the achievement of macroeconomic goals of price stability, full employment, high economic growth and internal and external balances (Bello 2015). Thus, banking reform in Nigeria is an integral part of the country-wide reform programme undertaken to reposition the Nigerian economy to achieve the objective of becoming one of the 20 largest economies by the year 2020. As part of the vision, the banking sector is expected to effectively play its actual role in intermediation and for the banks to be among the global players in the international financial markets. According to the C.B.N, the various reforms in Nigeria were targeted at making the system more effective and strengthening its growth potentials. In view of the fact that banks take deposits from the public, there is a need for periodic reforms in order to foster financial stability and confidence in the system. The recent 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 (Berger 2012). This crisis led to the collapse of many world renowned financial institutions and even caused an entire nation to be rendered bankrupt. In Nigeria, the economy faltered and was hit by the second round effect of the crisis as the stock market collapsed by 70 percent in 2008—2009 and many Nigerian banks sustained huge losses, particularly as a result of their exposure to the capital market and downstream oil and gas sector. Therefore, the CBN had to rescue 8 of the banks through capital and liquidity injections, as well as removal of

their top executives and consequent prosecution of those who committed some infractions. These actions became necessary to restore confidence and sanity in the banking system. According to Berger 2012, a holistic investigation into what went wrong in Nigeria leading to the banking crisis in 2008 found eight interrelated factors responsible. These are:

- Macroeconomic instability caused by large and sudden capital inflows.
- Major failures in corporate governance at banks.
- Lack of investor and consumer sophistication.
- Inadequate disclosure and transparency about the financial position of banks.
- Critical gaps in the regulatory framework and regulations.
- Uneven supervision and enforcement, unstructured governance & management processes at the CBN.
- Weaknesses in the business environment.

Each of these factors is serious in its own right. Acted together they brought the entire Nigerian financial system to the brink of collapse.

According to Bello (2015) The Nigerian economy has huge potential for growth. To realize this potential, the apex bank saw it imperative that we learn lessons from the crisis and take steps to not only fix the problems, but to also introduce measures to establish financial stability, a healthy evolution of the financial sector and ensure the banking sector contributes to the development of the real economy. As a result, the Nigerian banking system has steadily evolved, following wide and far reaching reforms embarked upon by the regulatory authorities. Following the banking crisis of 2008, the Central Bank of Nigeria articulated a blue print known as *"The Project Alpha Initiative"* for reforming the Nigerian financial system in general and the banking sector in particular. The reforms were aimed at removing the inherent weaknesses and fragmentation of the financial system,

integrating the various ad-hoc and piecemeal reforms and unleashing of the huge potential of the economy.

2.1.1 THE CONCEPT OF GROSS DOMESTIC PRODUCT

According to Prasanna Chandra (2013), the concept of Gross Domestic Product (GDP) is a monetary measure of the value of all final goods and services produced in a given period (quarterly or yearly). Nominal GDP estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparison. Nominal GDP, however does not reflect differences in the cost of living and inflation rates of the countries.

GDP is a measure of economic activity. It accounts for final outcome or value added at each stage of production, but not total output or total sale along the entire production process. GDP measures the 'use' economy; the value of finished goods and services ready to be used by consumers, business and government.

GDP is similar to the 'bottom line' (earnings0 of an accounting statement, which determine the 'value added' or the value of final use.

The most common way to measure GDP is the expenditure approach. With the expenditure approach, GDP is the sum of the following elements:

- According to Berger (2012), Total Domestic Consumption: This is the total amount spent on domestically produced final goods and services. Final goods are items that will not be re-sold or used in production within the next year.

- Total Domestic Investment Expenditure: This measurement includes not only investment in stocks and bonds but also investment in equipment such as building, computer servers and

commercial building that will be used over a long period of time. It also includes inventory goods – final goods waiting to be sold that a company still have on hand.

- Government Expenditure: This includes everything from paying of military salaries to building roads and maintaining monuments, but does not include welfare in social security payment.

- Net Export: It is the total of goods and services produced domestically and sold to foreigner minus goods and service produced by foreigners but sold domestically (import)

Using GDP as a measure of a nation's economy makes sense because it essentially a masure of how mush buying power a nation has over a giving time period. GDP is also used as indicator of a nation's overall standard of living because generally a nation's standard of living increase as GDP increases. Shareholders Equity shares were earlier known as ordinary shares. The holders of these shares are the real owners of the company. They have a voting right in the meetings of holders of the company. They have a control over the working of the company. Equity shareholders are paid dividend after paying it to the preference shareholders(Harward 2014).

According to Bello (2015), The rate of dividend on these shares depends upon the profits of the company. They may be paid a higher rate of dividend or they may not get anything. These shareholders take more risk as compared to preference shareholders.

Equity capital is paid after meeting all other claims including that of preference shareholders. They take risk both regarding dividend and return of capital. Equity share capital cannot be redeemed during the life time of the company.

2.1.2 THE CONCEPT OF SHAREHOLDERS EQUITY

According to Bierma&Drebin Allen (2013), Shareholders equity is a firm total assets minus its total liabilities. Equivalently, its share capital plus retained earnings minus treasury shares. Shareholders equity represents the amount by which a company is financed through common and preferred shares.

Shareholders' Equity = Total Assets – Total Liabilities

or

Shareholders' Equity = Share capital + Retained Earnings – Treasury shares

Shareholders' Equity comes from two main sources. The first and original source is the money that was originally invested, along with any additional investments made thereafter. The second comes from retained earnings which is the company is able to accumulate over time through its operations. In most cases, the retained earnings portion is the largest component (Adeleke 2012).

Features of Shareholders Equity:

Shareholders Equity shares have the following features:

(i) Equity share capital remains permanently with the company. It is returned only when the company is wound up.

(ii) Equity shareholders have voting rights and elect the management of the company.

(iii) The rate of dividend on equity capital depends upon the availability of surplus funds. There is no fixed rate of dividend on equity capital (Adeleke 2012)

Advantages of Shareholders Equity:

1. Shareholders Equity shares do not create any obligation to pay a fixed rate of dividend.

2. Shareholders Equity shares can be issued without creating any charge over the assets of the company.

3. It is a permanent source of capital and the company has to repay it except under liquidation.

4. Equity shareholders are the real owners of the company who have the voting rights.

5. In case of profits, equity shareholders are the real gainers by way of increased dividends and appreciation in the value of shares.

Disadvantages of Shareholders Equity:

1. If only shareholders equity shares are issued, the company cannot take the advantage of trading on equity.

2. As equity capital cannot be redeemed, there is a danger of over capitalisation.

3. Shareholders Equity shareholders can put obstacles for management by manipulation and organising themselves.

4. During prosperous periods higher dividends have to be paid leading to increase in the value of shares in the market and it leads to speculation.

5. Investors who desire to invest in safe securities with a fixed income have no attraction for such shares.

2.1.3 CONCEPT OF RETAINED EARNINGS

According to Harward (2014), retained earnings refer to the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business, or to pay debt. It is recorded under shareholders' equity in the Statement of Financial Position. It is also the portion of net profit distributed to shareholders (dividend) and the remaining portion of profit is called retained earnings. In other words, the amount of undistributed profit, which is available for investment is called retained earnings. Retained earnings is considered as internal source of long term financing and it is a part of shareholders' equity. Like an individual, companies too, set aside a part of their profit to meet future requirements. The portion of profits not distributed among the shareholders but retained and used in business is called retained earnings. It is also referred to as ploughing back of profit. This is one of the important sources of internal financing used for fixed as well as working capital. Retained earnings increase the value of shareholders in case of a growing firm.

The important features of retained earnings as a source of internal financing have been summarized below:

(i) Cost of Financing: It is the general belief that retained earnings have no cost to the company.

(ii) Floatation Cost: Unlike other sources of financing, the use of retained earnings helps avoid issue- related costs.

(iii) Control: Use of retained earnings avoids the possibility of change/dilution of the control of existing shareholders that results from issue of new issues.

(iv) Legal Formalities: Use of retained earnings does not require compliance of any legal formalities. It just requires a resolution to be passed in the annual general meeting of the company (Asiko A. 2012).

Advantages of Retained Earnings:

According to Al-Laham (2014), the advantages or benefits of retained earnings may be stated as under:

i. Cheaper Source of Financing:

The use of retained earnings does not involve any acquisition cost. The company has no obligation to pay anything in respect of retained earnings.

ii. Financial Stability:

Retained earnings strengthen the financial position of a business and thereby give financial stability to the business.

iii. Stable Dividend:

Shareholders may get stable dividend even if the company does not earn enough profit.

iv. Market Value:

Retained earnings strengthen the financial position of a company and appreciate the capital which ultimately increases the market value of shares.

Disadvantages of Retained Earnings:

Retained earnings are the result of conservative dividend policy of the company and are associated with following demerits:

i. Improper Utilization of Funds:

If the purpose for utilization of retained earnings is not clearly stated, it may lead to careless spending of funds.

ii. Over-capitalization:

Conservative dividend policy leads to huge accumulation of retained earnings leading to over-capitalization.

iii. Lower Rate of Dividend:

Retained earnings do not allow shareholders to enjoy full benefit of the actual earnings of the company. This creates not only dissatisfaction among the shareholders but also adversely affect the market value of shares.

2.1.4 THE CONCEPT OF LOANS AND ADVANCES

According to Bierma and Drebin (2013), a loan is a money received from a friend, bank of financial institution in exchange for future re-payment of the principal, plus interest. The principal is the amount borrowed. And the interest is the amount charged for receiving the loan.. Since lenders are taking a risk that you may not re-pay the loan, they have to offset that risk by charging a fee known as interest. Loans typically are secured or unsecured. A secured loan involves pledging a non-current asset (such as a house) as collateral for the loan. If the borrower defaults, or does not pay back the loan, the lender takes possession of the asset. An unsecured loan is preferred.

According to Murthy (2015), a loan refers to a debt provided by a financial institution for a certain period while advances are the funds provided by the bank; which is payable within one year.

Money lent by an entity to another entity for specific purpose is known as loans. Money provided by the bank to entities for fulfiling their short term requirements is known as advances. Loans are debts while advances are credit facilities granted to customers by banks. Loans are provided for long duration, the reverse is the case for advances. Loans can be secured or unsecured, whereas advances are generally secured by assets or by guarantee from a surety.

2.1.5 THE CONCEPT OF TOTAL ASSET

According to A. Tom Nelson (2014), total assets are the sum of all current and non-current assets and must equal the sum of total liabilities and shareholders equity combined. Total assets are the final amount of all gross investments, cash and cash equivalent, receivables and other assets as they presented on the Statement of Financial Position. The total assets that are seen in the Statement of Financial Position would include cash holding, real estate, receivables, tangible goods, intangible goods, and any other material or investment that have value to the company.Total assets refers to the total amount of assets owned by a person or entity. Assets are items of economic value, which are expended over time to yield a benefit for the owner. If the owner is a business, these assets are usually recorded in the accounting records and appear in the balance sheet of the business. Typical categories in which these assets may be found include:

- Cash
- Marketable securities
- Accounts receivable
- Prepaid expenses
- Inventory
- Fixed assets

- Intangible assets
- Goodwill
- Other assets

Depending on the applicable accounting standards, the assets that comprise the total assets category may or may not be recorded at their current market values. In general, international financial reporting standards are more amenable to stating assets at their current market values, while generally accepted accounting principles are less likely to allow such a restatement.

Owners may look at their total assets in regard to which can be converted most quickly into cash. An asset is said to be more liquid if it can be readily sold for cash, and illiquid if this is not the case. The liquidity concept is also used for the presentation of assets within the balance sheet, with the most liquid items (such as cash) listed at the top and the least liquid (such as fixed assets) listed closer to the bottom. This order of liquidity appears in the preceding bullet point list of assets (Adewoyo 2013).

Assets are also classified on the balance sheet as either current assets or long-term assets. A current asset, such as an account receivable or marketable security, is expected to be liquidated within one year. A long-term asset, such as a fixed asset, is expected to be liquidated in more than one year.

A potential acquirer will pay particular attention to the various types of assets listed on the balance sheet of a target company. The emphasis will be on judging whether the asset value stated on the balance sheet corresponds to the actual value of an asset, or if there are significant differences. If the actual value is lower, the acquirer will likely reduce the size of its bid. If an asset has a higher

value, the acquirer will have greater interest in acquiring the business, and may increase its offer price (Bitzenis 2013).

2.1.6 THE CONCEPT OF PROFITABILITY

According to James Van Home and Wachowicz (2015) profitability means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficient the management can make profit by using all the resources available in the market. Profitability is the ability of a given investment to earn a return from its use. It is an important yardstick for measuring the efficiency. The extent of profitability cannot be taken as final proof of efficiency.

Profitability is the ability of a business to earn a profit. A profit is what is left of a revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product and other expenses related to the conduct of the business activities. There are many different ways to analyze profitability. They are:

(i) Net profit margin;

(ii) Gross profit margin;

(iii) Operating profit margin; and

(iv) Return on asset.

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important (Berger 2012).

Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the business from activities like borrowing money do not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets.

Expenses are the cost of resources used up or consumed by the activities of the business. For example, seed corn is an expense of a farm business because it is used up in the production process. Resources such as a machine whose useful life is more than one year is used up over a period of years. Repayment of a loan is not an expense, it is merely a cash transfer between the business and the lender (Chow 2014).

Profitability is measured with an "income statement". This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. An Income Statement is traditionally used to measure profitability of the business for the past accounting period. However, a "pro forma income statement" measures projected profitability of the business for the upcoming accounting period. A budget may be used when you want to project profitability for a particular project or a portion of a business.

Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment.

Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a Partial Budget. Partial budgeting allows you to assess the impact on profitability of a small or incremental change in the business before it is implemented.

A variety of Profitability Ratios (Decision Tool) can be used to assess the financial health of a business. These ratios, created from the income statement, can be compared with industry benchmarks. Also, Income Statement Trends (Decision Tool) can be tracked over a period of years to identify emerging problems.

According to Fadare S. O. (2012), traditionally farmers have used the "cash method" of accounting where income and expenses are reported on the income statement when products are sold or inputs are paid for. The cash method of accounting, used by most farmers, counts an item as an expense when it is purchased, not when it is used in the business. This has been used as a method of managing tax liability from year to year. However, many non-farm business accounting systems count an item as an expense only when it is actually used in the business activities.

However, net income can be distorted with the cash method of accounting by selling more than two years crops in one year, selling feeder livestock purchased in a previous year, and purchasing production inputs in the year before they are needed.

To provide a more accurate picture of profitability, the accrual method of accounting can be used. With this method, income is reported when products are produced (not when they are sold) and expenses are reported when inputs are used (not when they are purchased). Accrual accounting uses

the traditional cash method of accounting during the year but adds or subtracts inventories of farm products and production inputs on hand at the beginning and ending of the year.

Defining Profitability

Profitability can be defined as either accounting profits or economic profits.

Traditionally, profits have been computed by using "accounting profits". To understand accounting profits, think of your income tax return. This item is used in calculating accounting profits. However, your tax statement may not give you an accurate picture of profitability due to rapid depreciation and other factors. To compute an accurate picture of profitability you may want to use a more accurate measure of depreciation (Francis 2013).

Accounting profits provide you with an intermediate view of the viability of your business. Although one year of losses may not permanently harm your business, consecutive years of losses (or net income insufficient to cover living expenditures) may jeopardize the viability of your business.

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important.

Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated (Dele 2015). However, money coming into the business from activities like borrowing money do not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets.

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Reasons for Computing Profitability

According to Harward (2014), whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment.

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Accounting Methods

According to Kayode (2012), Cash Method of Accounting: In the usage of"cash method" of accounting, income and expenses are reported on the income statement when products are sold or inputs are paid for. The cash method of accounting, used by most farmers, counts an item as an expense when it is purchased, not when it is used in the business. This has been used as a method of managing tax liability from year to year. However, many non-farm business accounting systems count an item as an expense only when it is actually used in the business activities.

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Accrual Method of Accounting: To provide a more accurate picture of profitability, the accrual method of accounting can be used. With this method, income is reported when products are produced (not when they are sold) and expenses are reported when inputs are used (not when they are purchased). Accrual accounting uses the traditional cash method of accounting during the year

but adds or subtracts inventories of farm products and production inputs on hand at the beginning and ending of the year (Khatib 2013).

Economic Profits

In addition to deducting business expenses, opportunity costs are also deducted when computing "economic profits". Opportunity costs relate to your money (net worth), your labor and your management ability. If you were not farming, you would have your money invested elsewhere and be employed in a different career. Opportunity cost is the investment returns given up by not having your money invested elsewhere and wages given up by not working elsewhere. These are deduced, along with ordinary business expenses, in calculating economic profit.

Economic profits provide you with a long-term perspective of your business. If you can consistently generate a higher level of personal income by using your money and labor elsewhere, you may want to examine whether you want to continue farming (Nnanna 2014).

2.1.7 THE CONCEPT OF BANK REFORMS

Reform is fast becoming the choice. On the one hand, there is evidence that large, global, universal banks have played a unique and productive role as providers of financial services. It is worth preserving the unique capacities of those global banks, if possible.

For example, Great Britain's Big Bang of 2013 – which not only reformed its securities trading, but also ushered in a new era of global universal banking – was not only associated with a boom in securities offerings and trading; it also produced a tripling of the ratio of bank credit to GDP from 2012 to 2015.The new global universal banks offered a rich and unique array of financial services for their global corporate clients, and unique geographical reach, which made banks useful not only

for credit, hedging, and securities offerings, but also for strategic advice about managing clients' financial structure and global operations.

Calomiris and Haber (2013) It is just as clear, however, that unless meaningful reforms are undertaken – which result in proper risk management practices and the end of too-big-to-fail bailouts – eventually the political tide will turn against global universal banking. The social costs of bailing out global banks – especially in countries like Great Britain and Switzerland, with enormous banking systems relative to their GDP – are simply too great to be tolerated.

The crisis of 2007-2009 was the most disruptive global banking crisis since the Depression, but it was not a unique event. Over the past three decades, the world has experienced a global pandemic of banking instability. Over a hundred major banking crises have occurred worldwide, with bailout costs that average about 16% of GDP, and foregone GDP costs resulting from the recessions that coincided with those credit collapses of roughly the same amount. This is unprecedented. For example, during the prior wave of financial globalization, from 1874 to 1913, there were only five country-episodes of significant banking system insolvency in the world, with much smaller resolution costs as a share of GDP. Those episodes (in Argentina, Australia, Brazil, Italy, and Norway) reflected unusual policy choices that encouraged or subsidized banking system risk; what was rare historically has become the norm.

Calomiris and Haber (2013) Theexceptionalism of the current era of banking instability gives cause for hope about the physical possibility of reform to succeed; it shows that banking systems are not inherently prone to disaster. But the exceptionalism of the current era also gives cause for pessimism: the new era of banking instability reflects a pervasive change in the politics of banking that will be hard to reverse.

The key political decision driving instability has been the protection of banks' liabilities by governments. Once governments protect banks – through a combination of explicit deposit insurance, lender of last resort assistance, and ad hoc bailouts – bank debt holders have little incentive to monitor banks' risks or to withhold funding as the result of increases in the riskiness of bank debts. In principle, prudential regulation, enforced by regulators and supervisors, can replace market discipline, and thereby prevent banks from taking excessive risks, by imposing minimum capital ratio and cash ratio requirements and other prudential rules. In practice, however, regulators and supervisors generally have not proven equal to the task.

How and Why Regulatory Discipline Fails

According to Odufu (2013), in the decades leading up to the recent banking crisis, regulators and supervisors consistently failed in three key areas: (1) they did not measure banks' risks credibly or accurately, or set sufficient minimum equity capital buffers in accordance with those risks so that banks would be able to absorb potential portfolio losses reliably, (2) they failed to enforce even the inadequate capital requirements that they did impose because supervisors consistently failed to identify bank losses as they mounted, and thus allowed banks to overstate their levels of capital, and (3) they failed to design or enforce intervention protocols for timely resolution of the affairs of weakened banks to limit the exposure of taxpayers to protecting the liabilities of feeble, "too-big-to-fail" banks.

The failures of prudential bank regulation have been visible for decades and have motivated many regulatory reform proposals by financial economists. There are credible solutions to the key policy challenges that the government faces. For the most part, my proposed solutions to those problems are not new; they have been known and advocated by financial economists for some time. The

failure to prevent the crisis was not a failure of thinking, but a failure of will on the part of our political system. Our politicians and regulators have found it expedient to offer hidden subsidies for risk taking to bankers and bank borrowers through the combination of safety net protection and ineffectual prudential regulation. Attempts to identify and rein in those subsidies have been defeated politically time and time again.

Will proposed reforms in response to the crisis this time be effective? Will reformers succeed in implementing changes in the rules of the game that would reduce the chance of a repeat of the recent crisis? The experience with post-crisis reforms in financial history offers, at best, a mixed record of responses (see Calomiris 2012, 2013); overall, it is fair to say that there is lots of cause for pessimism for a simple reason: politicians don't really have strong incentives to solve the problems of banking regulation; they have strong incentives only to pretend to do so.

The typical post-crisis response gives the appearance of diligence, as politicians and regulators assemble a laundry list of the things that went wrong in the crisis – typically defined with reference to the specific symptoms of poor policies, not the deeper incentive problems that policy errors have produced. That laundry list then gives rise to a new, more complex set of regulatory initiatives, and these laws and rules are advertised as preventing a recurrence of the problems.

Deficiencies are supposedly remedied by ever-more complex sets of rules for measuring risk, by the granting of increased supervisory discretion to a variety of new government officials with varying mandates, by scores of new research initiatives pursued by increasingly fragmented research and supervisory divisions at central banks and supervisory agencies, by the creation of new international study groups. Is it too cynical to see this exponential increase in complexity of rules, and of the regulatory and supervisory authorities charged with designing and enforcing them, as purposely

designed to reduce accountability by dividing responsibility and by making the regulatory process less comprehensible to outsiders? I don't think so.

The implicit theory behind these sorts of initiatives, to the extent that there is a theory, is that the recent crisis happened because regulatory standards were not quite complex enough, because the extensive discretionary authority of bank supervisors was not great enough, and because rules and regulations prohibiting or discouraging specific practices were not sufficiently extensive.

That theory is demonstrably false. At the core of the recent financial crisis – and the many that preceded it around the world in the past three decades – have been basic incentive problems in the rules of the game set by the government. The pre-crisis environment was one in which regulatory complexity was unprecedented, supervisory enforcement was virtually non-existent, and private risk taking at public expense was virtually unlimited. And yet this is precisely the environment that has produced the most unstable thirty years of global banking history, and the most severe financial crisis in the United States since the Great Depression (Pagono, M 1993).

The need is not for more complex rules, and more supervisory discretion, but rather, for rules that are meaningful in measuring and limiting risk, hard for market participants to circumvent, and credibly enforced by supervisors. These qualities are best achieved by constructing simpler rules that are grounded in an understanding of the incentive problems of market participants and supervisors/regulators. At the heart of the failure of regulatory discipline has been the failure to address the basic incentive problems of market participants – which benefit by gaming the system to increase the amount of risk they take at taxpayers' expense – and supervisors and regulators – who are subject to acute short-term political pressures to keep credit flowing and long-term political pressures to favor the interests of particular borrowers and lenders.

According to Bello (2015), most recently, these influences have been clearly visible – almost comically – in the new liquidity standards proposed under the Basel III rules. Ironically, cash requirements are a centuries-old prudential tool that has been used, and continues to be used in some countries, to great effect. Rather than follow hundreds of years of countless precedents by imposing a simple requirement that banks hold a substantial amount of cash assets (clearly and narrowly defined) in proportion to some observable quantity (e.g., total debt, total deposits, total assets, or total risk-weighted assets), the Basel Committee devised two complicated formulae for liquidity requirements. In each formula, the numerator (which defines liquid assets) includes non-cash assets, and the denominator requires judgment about the liquidity risk associated with various categories of bank liabilities. Not only does this standard have potentially undesirable adverse consequences (by discouraging bank liquidity creation), its complexity renders the enforcement of the standard opaque and therefore unaccountable. Then, in reaction to industry complaints that this ill-advised standard would have adverse consequences for the supply of lending, its implementation was postponed until 2019.

The keys to effective prudential regulatory reform are, first, recognizing the core incentive problems that encourage excessive risk taking and ineffective prudential regulation and supervision, and, second, designing reforms that are "incentive-robust" – that is, reforms that are likely not to be undermined by the self-seeking regulatory arbitrage of market participants, or the self-seeking avoidance of the recognition of problems by supervisors. The primary challenge is not devising effective ideas for reform, but rather, building a political coalition that will support the implementation of such ideas (Samolyk 2012).

Calomiris 2011b, 2012, Calomiris and Charles W. 2012.(1) the reform of the regulatory use of ratings that would quantify the meaning of debt ratings and hold nationally recognized statistical

rating organizations (NRSROs) accountable financially for egregious inaccuracy in forecasting the probability of default of rated debts; (2) the use of observable loan interest rate spreads as forecasts of non-performing loans for purposes of budgeting capital to absorb loan default risk; (3) the establishment of a transparent and simple contingent capital requirement that incentivizes large banks to replace lost capital in a timely way (rather than disguise losses and avoid replacing lost capital); (4) the setting of simple cash requirements for banks (this would not resemble the complicated and poorly conceived new "liquidity" requirements created by the Basel III process); (5) the creation of a simple macro-prudential rule to govern the variation in capital requirements over time, which would trigger changes only under clearly extreme circumstances, based on objective, observable criteria; (6) a reform of resolution procedures for large financial institutions that would require a pre-specified minimum "haircut" on unsecured creditors whenever the resolution authority employs taxpayer funds in the resolution (i.e., whenever there is a departure from the enforcement of strict priority in the resolution process); and (7) the establishment, as part of the "living wills" of global financial institutions that govern their prospective resolution, of clearly demarcated lines of legal and regulatory jurisdiction ("ring fencing") over the disposition of all the assets and liabilities within a bank.

This program of reform would be effective in addressing the real challenges that have threatened our financial system for decades, and continue to threaten it. Indeed, as discussed in Calomiris (2011b, 2012) and Calomiris and Herring (2012), if these standards had been in place prior to the recent crisis, it is highly unlikely that the crisis of 2007-2009 would have produced widespread banking distress or the collapse of interbank markets. If the high contractual interest rates of subprime mortgages had been used to gauge their risks (rather than the optimistic risk models of bankers) much more capital would have been required of subprime mortgages.

That is not to say that any of these seven specific ideas is perfect. Each of them, in isolation, works imperfectly, and will not always fully achieve its desired outcomes. That can be said of all rules – especially simple ones. The combination of these simple and credible reforms, however, will be very unlikely to fail to achieve its overarching goal of improved risk management, as the individual rules will act together as a sort of "belt and suspenders" for prudential risk management. At a minimum, it is clear that these proposals, taken together, would constitute a substantial improvement over the current hopelessly complex and ineffectual prudential regulatory system.

It is also beyond doubt that there are ways to improve upon and add to this list of seven ideas. A detailed examination is to require that different lines of bank business (e.g., trading) be placed in separate subsidiaries, and that these subsidiaries be required to satisfy separate prudential and corporate governance standards, in addition to those imposed on the parent bank. Furthermore, for a trading subsidiary, it would be beneficial to subject it to margin requirements that are sufficient to ensure that it cannot produce losses that could substantially affect the parent institution (Nnanna 2014).

2.1.8 THE CONCEPT OF ECONOMIC REFORMS

According to Murthy (2015), the main goals of economic reforms are to achieve the macroeconomic objectives of price stability, full employment, high economic growth, and internal and external balances. Thus, economic reforms are undertaken to ensure that all components of the economy functionoptimally.

The ongoing banking reforms in Nigeria are an integral part of the country-wide reforms being undertaken to reposition the Nigerian economy. The reforms aim at making Nigeria one of the

world's 20 largest economies by the year 2020. As part of this vision, the banking sector is expected to play its role in intermediation and be strong enough to be among global players in the international financial markets.

It is envisaged that the financial system should be robust enough to sustain one of the world's 20 largest economies. This is captured in the Financial System Strategy 2020 (FSS2020), in which the Central Bank of Nigeria (CBN) brought together stakeholders in the financial system to craft the common vision and roadmap.

Nigeria was not insulated from the global financial crisis that started in late 2007 due to the sub-prime lending in the United States. Nigeria was badly hit in late 2008, particularly by the second round of the crisis. An investigation into what caused the crisis in the Nigerian banking system in 2008 revealed eight interrelated factors. These factors include the following:
•Macroeconomic instability caused by large and sudden capital outflows
•Failuresincorporategovernance in banks (Malik 2014).

•Lack ofinvestorand consumer sophistication

•Inadequate disclosure and transparency about true financial position of several banks
•Critical gaps in the regulatoryframework and regulations•Unevensupervisionand enforcement

•Unstructured governance&management processes at the CBN and,

•Weaknessintheoverallbusiness environment.

According to Bello (2015),in the wake of the crisis, many Nigerian banks suffered huge losses due to their exposure to margin trading in the capital market and lending to the downstream oil sector. The Nigerian stock market shrank by about 70 percent in 2009 and there was unprecedented

growthin banks' non-performing loans (NPLs).

Consequently, the CBN carried out a comprehensive audit on the banks. Based on the findings from the audit, it became imperative for measures to be put in place to bring about financial stability, healthy evolution of the financial sector and ensure the banking sector contributes to the development of the real economy. This was necessary to make sure that the growth potential of the Nigerian economy is adequately harnessed.

Thus, the Central Bank of Nigeria crafted a blue print known as the Project Alpha Initiative to reform the Nigerian financial system in general, and the banking sector, in particular. The reforms were aimed at removing the entrenched weaknesses and fragmentation of the financial system, integrating the various ad-hoc and piecemeal reforms, and unleashing the huge potential of the economy. The CBN had to rescue eight banks through the injection of capital and removed the leadership of the erring banks, and prosecution commenced against those that committed infractions. This action was necessitated by the need to rebuild the much-eroded confidence in the banking system (Kayode 2012).

Thanks to the measures put in place and the far-reaching reforms embarked upon by the regulatory authorities, the Nigerianbankingsystemhasevolved.

Critical Element of Banking Reforms in Nigeria

According to Harward (2014), the current reforms, which started in 2004 with the banking consolidation programme, were driven by the need to strengthen the banking sector and make it more relevant in the quest for economic development. From inception, the policy was to grow the

banks and position them to play pivotal roles in driving development across all sectors of the economy. The consolidation entailed raising the capital base of banks from N2 billion to a minimum of N25 billion in shareholders' funds unencumbered by losses. When the exercise was concluded by the end of 2005, it reduced the number ofbanksfrom89to 25.

According to Imala (2014), beyond the recapitalisation of banks, the regulatory reforms also focused on:

•Risk andrule-basedregulatory framework;

•Zero tolerance in regulatory framework in data/information rendition/reporting and infractions;
•Strict enforcement of corporate governance principles in banking;
•Expeditious process for rendering of returns by banks and other financial institutions through e-fass, an automated solution installedbythe CBN;

• Revision and updating of relevant laws for effective corporate governance and ensuring greater transparency and accountability in the implementation of banking laws and regulations, as well as;
• The introduction of a flexible interest rate-based framework that made the monetary policy rate the operating target. The new framework has enabled the CBN to be proactive in countering inflationary pressures. The corridor regime has helped to check wide fluctuations in the interbank rates and also engendered orderly development of the money market and payment system reforms, among others.

CBN Interventions in the Real Sector of the Economy

In line with its development mandate, the Central Bank of Nigeria has, over the years, identified

key priority sectors and developed Special Schemes and Funds for tailored interventions to support and promote growth of the sectors. Some of the key interventions are: N200 Billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) The purpose of the SMECGS is to fasttrack the development of the manufacturing SME sector of the Nigerian economy by providing guarantee for credit from banks to SMEs and manufacturers.

BankingSystemIntegration

According to Soludo C. C. (2011), the CBN has taken steps to integrate the banking system into the global best practice in financial reporting and disclosure through the adoption of the International Financial Reporting Standards (IFRS) in the Nigerian banking sector by end-2010. This is aimed at enhancing market discipline and reduction of uncertainties, which limits the risk of unwarranted contagion.

New Banking Model

The Universal Banking (UB) model adopted in 2001 allowed banks to diversify into non-bank financial businesses. Following the banking consolidation programme, banks became awash with capital which lured operators into equity and venture capital funds to the detriment of core banking practices. To address the observed challenges, the Central Bank reviewed the UB model, directing banks to focus on core banking business only. Under the new model, licensed banks in the country

are authorised to undertake the following type of businesses:

•Commercial banking (either regional, national and international authorisation)

•Merchant (investment) banking

- Specialised banking (microfinance, mortgage, non-interest banking (regional and national)
- Development finance institutions

The entry of non-interest banking into the Nigerian financial system is expected to herald a new market and institutional players, thus deepening the nation's financial markets and furthering the quest for financial inclusion. Indeed, the first fully-licensed non-interest bank in Nigeria (Jaiz Bank Plc) started business on January 6, 2012.

According to Soludo (2011), the importance of Microfinance in a growing economy like Nigeria's cannot be overemphasized, given the country's potential in addressing the challenges of financial exclusion that has shut out a large population from full participation in economic activities. As at December, 2011, there were 24 banks with 5,789 branches and 816 microfinance banks, bringing the total number of branches to 6,605.

The ratio of banks branch to total population is 24,224 persons, indicating a high level of financial exclusion. This is confirmed by the 2010 Enhancing Financial Innovation and Access (EFINA) survey, which showed that 46.3 percent of Nigerians are still financially excluded compared to South Africa (26 percent), Kenya (32.7 percent) and Botswana (33 percent). Thus in 2012, the CBN will ensure the establishment of the Microfinance Development Fund (MDF) to improve access to affordable and sustainable sources of finance by Microfinance Institutions (MFIs) and Microfinance banks (MFBs), which will have commercial and social

components. This will enhance their operations and outreach as well as support the capacity building activities of the MFBs and MFIs.

It is in pursuant of this, the CBN is considering the establishment of a special Fund that will provide credit facilities exclusively to women at a single digit interest rate before the end of the year.

Payment System

The CBN recently introduced the “Cash-less” policy as part of on-going reforms to address the currency management challenges in Nigeria as well as enhance the national payment system. Given that the Nigerian economy is heavily cash-driven, this situation increased the operational costs of the banking sector, which is passed on to the customer in form of higher service charges and high lending rates. These costs are significant due to the high cost incurred in cash management, currency sorting, cash movement and frequent printing of the currency notes.

The direct cost of cash management in the industry is estimated to be N192 billion by 2012. Research has shown that about 90 percent of withdrawals by bank customers are typically below N150,000 whereas only 10 percent who withdraw above N150,000 are responsible for the astronomical rise in the cost of cash management being incurred by the generality of the bank customers. There are also risks inherent in the cash-based economy, namely high incident of robberies, increased corrupt practices, and the public’s propensity to abuse the currency notes. The CBN in collaboration with the Bankers Committee is working to create an environment where a higher and increasing proportion of transactions are done through cheques and electronic payments in line with global trends.. Interestingly, payments of up to N10 million can now be made

through the clearing system with a cheque (Soludo 2011).

The CBN recognises the need to balance the objectives of meeting genuine currency transaction demand and combating speculative market behaviour that may undermine economic growth and stabilisation measures. The cash-less policy is expected to ensure that a larger proportion of currency in circulation is captured within the banking system, thereby enhancing the efficacy of monetary policy operations and economic stabilization measures.

However, the policy does not prevent account holders from withdrawing any amount of money in cash from their accounts. It simply recognises that banking is a business and as with any business, there are costs that are sometimes shared between the business and the customers. The policy stipulates that any cash withdrawal above N500,000 for individual customers and N3million for corporate customers attracts a transaction cost from the customers.

Completion oftheRecapitalizationExercise

Accordig to Yasdani (2012), the various measures notwithstanding, there was need for some rescued banks to merge to strengthen their capital base and remain competitive in the market. Accordingly, five Transaction Implementation Agreements (TIAs) were signed among the banks. The CBN issued a letter of no objection to the banks being acquired to proceed with the merger. The signing of the legally binding TIAs for the five banks and the full capitalization of the three new banks by AMCON resolved the issue of the combined negative asset value of the eight banks rescued by the CBN. Accordingly, the recapitalization of all the five rescued banks that signed the TIAs was completed in 2011.

Effects oftheReforms

The current banking reforms have yielded some results, which include: The reforms have brought about a new mindset to the industry as banks are putting in place best practices in corporate governance and risk management. Transparency and public disclosure of transaction shaveremarkably improved.

- According to Soludo (2011) a number of banks have returned to profit and improved their balance sheets, as the recent results of their financial statementshaveshown.

- Banks are gradually resuming lending to the private sector with additional liquidity of more than N1.7 trillion injected into the banking system through the issuance of AMCON bonds, and significant progress in redirecting credit to the power sector and SMEs at single digit interest rates. These initiatives have saved and helped create thousands of jobs in the economy
- A code of corporate governance has been issued by the CBN. The CEO of banks shall serve a maximum tenure of 10 years. Furthermore, all CEOs who would have served for 10 years by July 31, 2010 ceased to function in that capacity and had handed over to their successors
- Nigerian banks are now key players in the global financial markets with many ranking within the top 20 banks in Africa and among the 1000 banks in the world
- The reforms have culminated in moderating the spread between the lending and deposit rates to 9.7 percent as at end December, 2011, from 12.2 percent in 2010. This has contributed to the existing macroeconomic stability in the economy with inflation moderating to 10.3 percent as at end December, 2011.

- The hitherto volatility in the exchange rate witnessed in the foreign exchange market has been

brought under control. The premium is within the international standard of 5.0 percent.

- Thanks to the reforms, there is now greater confidence in the banking system with the exit of distressed banks and adoption of a code of corporate governance
- Increased widespread use of e-payment services among Nigerians

Banking Reforms and theChallenges

The Nigerian banking reforms faced some challenges despite its laudable achievements. First and foremost is the wrong perception of the intent of the reforms. The introduction of the new banking model, especially specialised banking (non-interest banking), is intended to broaden the scope of financial services offered by banks in Nigeria. However, it has been given a religious connotation. The wrong perception and stiff resistance to the policy could potentially deter prospective investors in the banking industry (Odufu 2013).

More so, the reluctance of Nigerians to accept positive changes in global dynamics. Evidence shows that the excessive liquidity in the system measured by broad money (M2), narrow money (M1) and currency in circulation is partly attributed to the high cash transactions for economic activities, which has continued to undermine the efforts to achieve price stability. Yet the cash-less policy has faced tremendous resistance, despite its prospect for economic good and development and the global trend in theintensityofusage of e-payment.

The cost of doing business in Nigeria is still high when compared with developed economies or some emerging and developing countries owing to the poor state of infrastructure. That the high growth rate recorded in the last five years has not been inclusive is another challenge. This implies that the growth has not translated into sustainable development. This is responsible for

the high unemployment and poverty levels, which inevitably affect the low banking habit in the country.

Another key challenge is the quality of manpower. Real strategic change can only take place with competent and committed workforce that is constantly exposed to training and development. The competitive financial sector environment requires a highly skilled workforce that can effectively contribute to value creation within financial institutions. Hitherto, employee recruitment was merely to comply with regulatory requirement, while training was viewed as a non-revenue function that was costlyand unnecessary.

In a nut shell, the Banking sector occupies a vital position in any economy and must be subjected to continuous reforms for it to function efficiently. The modest achievements recorded so far have been largely due to greater collaboration and commitment of purpose among key stakeholders. Thus, the CBN in its efforts to develop a sound and vibrant banking system will continue to strive for the sustenance of reform policy (Murthy 2015).

2.2 THEORITICAL FRAMEWORK

According to Bello (2015), there is ample theoretical evidence reinforced by a number of empirical works, which supports a positive relationship between banking sector development and growth. Principally, the banking system functions to mobilize and channel banking resources through institutions or intermediaries from surplus economic units to deficit units. A well-developed financial enhances investment by identifying and funding good business opportunities, mobilizing, savings, enabling trading, hedging and diversifying risk, and facilitating the exchange of goods and services. These functions result in a more efficient allocation of resources, rapid accumulation of physical and human capital, and faster technological progress, which in turn result in economic

growth and, by extension, the development of the real sector. An efficient banking system is one of the foundations for building sustained economic growth and an open, vibrant economic system. In the early neoclassical growth literature, banking services were thought to play only a passive role of merely channeling household savings to investors. However, many later studies have been associated with more positive roles for the banking sector.

Schumpeter (1912) in his theoretical link between banking development and economic growth opines that the services provided by financial intermediaries are the essential drivers for innovation and growth. His argument was later formalized by McKinnon (1973) and shaw (1973), and popularized by Fry (1988) and Pagano (1993). The McKinnon-Shaw paradigm postulates that government restrictions on the operations of the financial system, such as interest rate ceiling, direct credit programs and high reserve requirements may hinder banking deepening, and this may in turn affect the quality and quantity of investments and hence have a significant negative impact on economic growth. Therefore, the McKinnon-Shaw banking repression paradigm implies that a poorly functioning banking system may retard economic growth.

The endogenous growth literature also supports this argument that banking development has a positive impact on the steady-state growth (Bencivenga and Smith, 2015; Bencivenga and Starr, 2015; and Greenwood and Jovanovic, 2011, among others). Well-functioning banking systems are able to mobilize household savings, allocate resources efficiently, diversify risks, induce liquidity, reduce information and transaction costs and provide an alternative to raising funds through individual savings and retained earnings. These functions suggest that banking development has a positive impact on growth. McKinnon (1973) and Shaw (1973) as reported in Nnanna (2014) are the most influential works that underpin this hypothesis and suggest that better functioning banking systems lead to more robust economic growth. Nnanna (2014) considered an outside money model

in which all firms are confined to self-finance. Hence, physical capital has a lumpy nature where firms must accumulate sufficient savings in the form of monetary assets to finance the investment projects. In this sense, money and capital are viewed as complementary assets where money serves as the channel for capital formation (complementarity hypothesis). The debt-intermediation view proposed by Nnanna (2014) is based on an inside money model. He argues that high interest rates are essential in attracting more savings. With more supply of credit, banking intermediaries promote investment and raise output growth through borrowing and lending. Also, King and Levine (2013) find that higher levels of banking development are associated with faster economic growth and conclude that finance seems to lead growth. Neusser and Kugler (2012) and Choe and Moosa 2012) reach the same conclusion. More specifically, the roles of stock markets and banks have been extensively discussed in both theoretical and empirical studies (Levine 2013). The key findings of studies are that countries with well-developed banking institutions tend to grow faster; particularly the size of the banking system and the liquidity of the stock markets tend to have strong positive impact on economic growth.

2.2.1 THE THEORY OF GROSS DOMESTIC PRODUCT

According to A. Tom Nelson (2014), the theory of GDP is a universal measurement developed to determine their relative potential for growth. GDP is also a significant factor that is used as data in the strategic decision making of policies in a country. GDP only measures the monetary value of goods and services and considers where monies are being generated and spent without taking into account the value.

2.2.2 THE THEORY OF SHAREHOLDERS' EQUITY

Shareholders' theory was developed by George Staaubus (2014), Professor Emeritus of Accounting at Berkeley's Hass School of Business. A company residual equity holders take the greatest risk of all the company's stakeholders, because they are the last to be re-paid if the company goes under. Shareholders equity theory is one of several equity theories. The others are proprietary theory and entity theory.

2.2.3 THE THEORY OF RETAINED EARNING

It has been proved that earning quality has a significantly negative influence on the cost of capital (Francis 2012, 2013 and 2014 and Chow 2014). According to the foregoing analysis, the mandatory reform was triggered not only by government, but also by the urgent need for the development of financial market at this stage. In the long run, market oriented resource allocation is not only needed by commercial banks but by companies. But it is also a fundamental way to improve the efficiency of resources.

2.2.4 THE THEORY OF LOANS AND ADVANCES

According to Murthy (2015) the mandatory reform was triggered not only by government but also by the urgent need for the development of the financial market. We have short term loans and long term loans.

2.2.5 THE THEORY OF TOTAL ASSET

The theory of total asset pricing is concerned with explaining the price of financial assets in a certain world. The uncertainty is described by probability distributions which can be understood as beliefs of economic agents. The theory of asset pricing studies both the valuation of risk and the

structure of these beliefs themselves, which are disciplined by the market arbitrages. The asset pricing model, in which asset Pricing Theory (APT) is of considerable relevance, can be used to access the effect of macroeconomic variables on commercial banks behavior toward creating risk assets portfolio (loans and other interest earning assets) developed by Ross (2011), the APT has been used to address the extent to which risk is associated multifactor variables is reflected to stock returns (Adeleke, 2012, Chen, Roll, and Rose 2012). This study benefits greatly from the wok of the aforementioned authors and from the variables used.

2.2.6 THE THEORY OF PROFITABILITY

It consist of two words; profit and ability. It is necessary to differentiate between the term profit and profitability at the point. The term profit, from accounting point of view, is arrived at, by deducting from total revenue of an enterprise all amount expended in earning that income. While the term profitability, according to Bello (2015) is defined as the ability of a given investment to earn a return from its use. The prediction on profitability is ambiguous. The Trade-off Theory predicts that profitable firm should be more highly levered to offset corporate taxes. Ross (2012).Fama and French (2013) on the other hand, found profit and LEV to be negatively correlated.

2.3 EMPERICAL LITERATURE REVIEW

Fadare (2012) empirically identities the effect of banking sector reforms on economic growth in Nigeria by using the data 2000 - 2005. Variables used for the study are interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate and cash reserve ratio. Results indicate that the relationship between economic growth and other exogenous variables of interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate and cash reserve ratio show the negative and insignificant. Hence it is suggested that criteria which encourage banking sectors to give more capital or start huge amount of

lending to the individuals by minimize cash reserve ratios which is not supposed to be motivated factors for economic growth if the borrowing capacity that due to these criteria it will not surpass to the growth of private sector in the form of longer term finances. To find out the solution of this problem, the financial policies should consider to reform and enforce the borrowing in small industries with proper regulatory policies and against secure type of collaterals and confirmation of guaranteed repayment of finances given to them. Jayaraman (2013) investigates Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking sector in Malaysia, The methodology employed in obtaining information about customer satisfaction in banking via a survey conducted through sample of the general consumer population. Variables are used according to time series data whether responsiveness, empathy, reliability, assurance and tangibles act as a subjective rating of appeal in the retail banking sector. Technique has been used SERVQUAL model for effective to measure customer satisfaction in the retail banking.

Kenawy (2013) investigates the Globalization and its Effects on the Banking System performance in Egypt by using descriptive quantitative analysis method, using published data and Information's in the reports of the Central Bank of Egypt, besides the books and scientific periodicals in this field. Variables used in this research are Globalization & Mergers. Results shown that financial growth process aimed at enhancing the efficiency of the national economy through management style and approach in the private and government sectors this sectors achieve a greater financial resources available to the government due to conduct a sale in some units owned and lead to the retreat of the responsibility the state budget for financing investments, and increase productivity the quantity and quality of the availability of better methods of management.

Al-Laharn (2014) studied the Development of Electronic Money and Its Impact on the Central Bank Role and Monetary Policy. This paper depends on analytical method at determining the impact of

the development of electronic money in the different areas. Data variables such as shareholders' equity, retained earnings, loans and advances, total assets and profitability. Results shows that e-money, as a network good, could become an important form of currency in the future. Such a development would influence the effectiveness and implementation of monetary policy. If an increased use of e-money substantially limits demand for central bank reserves, it would require changes in the operational target of the central bank and a closer coordination of monetary and fiscal policies.

Koivu (2012) investigates the relationship between financial sector and economic growth by using empirical methods, data variables INT = Difference between lending and deposit interest rates as percentage points. CREDIT = Ratio of bank credit to private sector to GDP. RI = Reform index. INF = Annual consumer price index as percentages. GDP growth = Real GDP growth rate. Fixed-effects panel model techniques have been used.

Haron& Ahmad (2012) investigates that The Effects Of Conventional Interest Rates And Rate Of Profit On Funds Deposited With Islamic Banking System In Malaysia by using 'Adaptive Expectation Model' to measure the effects of rate of profit declared by Islamic banks on the level of deposits placed by their customers. Data Variables are saving deposits, interest-free, Rates of Profit, results shows that relationship between the amounts of deposits placed in the Islamic banking system in Malaysia and returns given to these deposits hence which are guided by the profit motive. It is recommended that these doctrines require that Muslims should not placed profit maximization as the sole factor in establishing relationship with Islamic banks.

Gaiotti and Generale (2013) investigates the effects of monetary policy on the investment behavior of various categories of Italian firms, by using the panel from the Company.

Accounts Data Service by using based on both the accelerator and the error correction model. Data Variables are user cost, the cash flow and sales the results shown the significance levels that broadly robust to the choice of models and method, and the impact of the user cost is negative and significant. Hence the recommendation suggested that the effects of monetary policy transmitted through the financial indicators of the firms which are large enough to notice. However the financial advisors are the policy makers and it required vigilant eye at the financial figures of different companies, in order to reform and cater the monetary policies.

Din and Khawaja (2014) investigated the determinants of interest spread of the banking industry in Pakistan. By using cross section data model, data variables Concentration, inelasticity, Liquidity, Market Share, Equity, Non-performing Loans, Administrative cost,GDP growth, Inflation, Interest rate. Feasible Generalized Least Square (GLS) on pooled data technique has been used. Results shows that there is no evidence of interest spread which influence the performance factors of banking industry that also includes the other financial sectors example of which are DFI and investments funds that can serve as an alternate to banks for small savers.

Bitzenis (2013) investigate and evaluate the banking reforms in Serbia by using survey data results. The study uses the approach of pre and post-performance through many factors which are relevant to reformation of banking systems are reliability and management quality responsiveness in Serbia banking systems. Qualitative technique has been use for results ever this article also concludes the different problems and challenges face by the current system and find out the result that is positive.

Contrary to this, Malik (2014) says that reduction in investment is because of global economic crisis and its resultant factors. He concludes that a number of challenges, which are being faced by the banking industry of Pakistan, are causing hindrance to its further extention. Global economic

recession and financial crisis along with its bi-products such as increased cost of borrowing, high risk of investment, reduced return on Investment (ROl) and Pak Rupee depreciation, is one of the major hindrances. Ultimately investor suffers low profit margins and low Return on Investment or else Quality of Service (QoS) issues. Bad Law and other situation of the country prohibits the investors to invest in the businesses.

Dele (2015) investigates the banking reform in Nigeria of the perspective of Soludo's by using the data of 40 commercial and merchants bank variables used for the study are lending, interest rate and the foreign exchange policy. The study uses the descriptive statistics to test the hypothesis. Hence results indicates that recapitalization has shown significance to reform the banking services and to the growth of economy as whole. Hence the study suggested that a procedure to implement in which interest rate should be operated through monetary policy in order to move the GDP growth continuously toward the unique price and single market for local and international markets.

Dele (2015) investigates this study for structural shifts in banks sectors and other DFI financial sectors in Kenya in front of globalization. In study it is found that the Kenya has moved into international banking reforms, hence it is also reflected by the slow moving elimination of 'particular' other financial organization since 1994 and the upward trend in share of net commissions and service charges of the banks' total banking income, from ten percent in the year 1998 to growth of twenty percent in the year 2007. The results and finding of the study concluded that the sector experienced reduced concentration and presumably more competition during 2008 - 2013. Further, it is found that small banks are the least focus and take small part in (most concentrated), followed by large banks and then respectively medium-sized banks.

Bitanic and Misc (2012) investigate the effects of market-based financial sector reforms on the competitiveness and efficiency of commercial banks, and economic growth, in Zambia with the use of Macroeconomic variables such as per capita, GDP and inflation. Further, by using an endogenous growth model in which industrial production is a key for GDP growth hence the results show that structure adopted in second stage (maximize the regulatory and monitory, payments and remittances, and other financial operations of banking sector, next stage has been driven of a comprehensive financial sector development regulations which had significant and positive effects on banking cost efficiency, further in this study they was found that bank overall cost efficiencies, financial depth, stage two and stage three in which financial sector reforms has been discuss, the concluded that degree of economic freedom, and rate of inflation were significantly impact on economic growth. stage two policies and the inflation rate have negative effects however the remaining of the variables have positive results on economic growth.

Biekpe (2014) empirically investigates the factors of bank's sector competition and intermediation influences in Ghana. The finding are suggesting a market structure which are not take part in competitive environment of banking sectors in the Ghanaian banking system, in which financial intermediation managed by the hampers. The study also explains that Ghanaian banks are monopolistically edge. Mostly it is debated that the structure, as well as the other financial markets factors are, contributes an various barrier include indirect barrier to take part in contributing a maximum profits in the Ghanaian banking system. Furthermore, it is suggested that policies that motivate and stimulate greater consolidation in the financial sector would go a long way to enhance competition among banks and improve efficiency and profitability.

Poshak Wale and Qian (2013) empirically investigates that what is impact of financial reforms on assertiveness and growth efficiency of the banking industry, as well and find the long-term and

short-term impact on economic growth in Egypt during the period of 1992 to 2007. The study suggests that the reforms have a positive and significant effect on assertiveness and growth efficiency in Egypt banking industry. They also found the result which shows that government banks are generally well efficient than private banks and foreign banks which are less aggressive than domestic banks. The total inefficiency of Egyptian government banks is approximate 30 percent, which is comparable to different banks mentioned in report of African countries banking sectors. Hence it is concluded that there is a relation exist is significant in other financial industry and the banking sectors productive efficiency and economic growth and suggest in the short run but will not support in the long run. Overall, the results support that reformation in financial sectors particularly in banking sectors in Egypt will be continues process for growth in economy.

Khatib (2013) investigated the relationship between commercial banking performance and economic growth in Qatar. By using the variables of bank profit, GDP, foreign interest rates, government revenues, government expenditures and banks equity by using the regression analysis model and (OLS) techniques have been used using Data for the period from 1996-1997. furthermore stability tests for structural stability and granger causality experiments in which granger causality tests also use to analysis on all variables and other variables are suppose insignificant at acceptable. Hence the results find out that predictions through variables and model are highly effective and responsible for economic growth. The study suggests that the commercial banks are playing a large role in economic growth because of the profit making organizations. In addition among all the variables on GDP and banks equities were significant and with the positive signs, in the model equation found to be stable. Thus the financial advisors should be analysis through associations according to monetary policies and the financial factors and economic variables, the

author further suggest that the model also support to check the relation through financial factors and other countries economic growth of that country.

Yazdani (2012) investigated the role and performance of private bank's on the economic growth of Iran by using the variables economic growth, profitability, cash, and investment the analysis has been proposed through various questions by conducting two main hypotheses and five minor hypotheses for his study the part of financial sectors with relation to private ranks and what is the impact occurs on economic growth of the Islamic republic of Iran. Further the study is conducted for test and find out the significance of hypotheses, by using the statistical secondary data was selected from among private banks which include EghtesadNovin, Parsian, Karafarin, Saman, Pasargad, and Sarmayeh. In the theoretical background the study defines the bank system performance and also financial development competiveness' indices have been used. For analysis of the secondary data statistical software SPSS has been used. The method used for analysis the data is inferential statistics indices also including Spearman correlation test, Pierson correlation test, David Watson test, independent t test, variance analysis F and linear regression chart. Hence the find and results obtained through analysis shows that all variables check in the research hypotheses are exist with the definite impact on the economic growth of Iran.

Samolyk (2012) empirically investigates the relation in the bank performance and economic growth at the state level. In their study they develop a review for regional credit that explains, one of the reason which is data cost effects the banking sectors and can also influence economic performance by development ability to funds local investments. Further the model supports that government banking sectors facing problems of economic criteria where by not well financially sound, and same that no evidence need to link in the sector which is financial established. The data has been used to find relation of this credit analysis model for the period of 1983 to 1990 the data consists of regional

level and find the output of such channels which particularly, local focus on government banking sectors, further the results explain the real individual income growth in the country in consideration with NPL's which is out of the average share. Kayode (2012) investigates the effect of bank lending and economic growth on the manufacturing output in Nigeria. By using the times series data which covering a period of 20 years (1995 - 2010) The technique has been used for analysis the model is the co-integration and vector error correction model (VECM) techniques. The empirical outcomes of the study show that production volume utilize in manufacturing and bank rate of lending loans significantly affect manufacturing output in Nigeria. However, at the other hand relationship between manufacturing output and economic growth could not be successfully made and progress in the country. Hence the results shown that a mix consideration of monitory policy for central bank to ceiling off the borrowing rate effort by the government, for the manufacturers and the other development financial institution for revised the lending and growth regulations and provide competitive environment, in order to motivate investments to this sectors and made easy procedures for borrowing loans and advances from these institutions.

2.4 SUMMARY

The banking sector occupies a vital position in any economy and must be subjected to continuous reforms for it to function efficiently. The modest achievement recorded so far have been largely due to greater collaboration and commitment of purpose among key stake holders. Thus, the CBN in its effects to develop a sound and vibrant banking system will continue to strive for the sustenance of reform policy.

The banking sector reforms strengthens the Nigeria economy. This study has been able to look at the conceptual issues, the concept of gross domestic product, the concept of shareholders' equity,

the concept of retained earnings, the concept of loans and advances, the concept of total assets, and the concept of profitability. This chapter also looked at the theoretical and empirical review of the banking reforms. The chapter ended up with summary and referencing of the authors and journals that were used.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter deals with the type of research adopted. A research is the process used to collect information and data for the purpose of making business decision. The methodology includes: publication research, interview, surveys and other research techniques, present and historical information.

This chapter covers the sources, methods and procedures adopted for the purpose of data collection for the study. It will also include the techniques used for sampling and the analysis of the data collected. Asika (2012) submitted that research methodology is the structuring of investigation aimed at identifying variables and their relationship to one another.

3.2 RESEARCH DESIGN

Adewoyo (2013) defined it as the framework or plans for carrying out research studies and the guide in collecting and analyzing data. Research design is also the approach of scheme which defines the tools and strategies of the research.

In this study, the exploratory design is employed to identify the factors that contribute to banks consolidation on the economic development of Nigeria. The explanatory design is justified because it easily identifies the suitability of the dependent variables and the independent variables.

3.3 POPULATION AND SAMPLE SIZE

This study focus on the Nigerian sector in the economy taking the population as the key sector which drives the growth of the Nigeria economy. Therefore, it is enviable that samples must be drawn out of the population in experimenting the research topic. So, the researcher had the banking sector out of the key sectors in the economy as the sample size, thereby covers fifteen banks out of the existing twenty-two banks in Nigeria. This gives 68% of the entire banking sector and it is quite justified by the work of (Asika 2012).

3.4 SAMPLE TECHNIQUES

Sample technique, according to Baridam D. M. (2014) is a plan specifying two elements to be drawn from the population. There are three main types of sampling techniques which are random, systematic and strafed techniques. The sample technique adopted in this study is the simple random selection sampling which is also known as probability method. The justification is that it gives every member an equal chance of being sauced or chosen.

3.5 METHOD OF DATA COLLECTION

According to Olannye (2006) data collection is the gathering of relevant information for addressing the questions raised in the research and the problem statement.

There are two major sources of data. They include: primary source of data and secondary source of data.

Primary sources are generated by the research, while secondary source consist of already existing data used for some other work but will be found to useful in this study. Based on the objectives of this study, the secondary sources of data are employed in this research. The secondary sources of

data include: Central Bank of Nigeria Statistical Bulletin (2014) and Annual Report of Banks under study.

3.6 TECHNIQUES OF DATA ANALYSIS

In analyzing the data gathered for this work, linear regression model is employed to establish the relationship between the dependent variable using a statistical package (Statistical Package for Social Science SPSS 22.0) and independent variable, the R-square will test the degree of variation of the independent variables on the dependent variables. While the Durbin Wartson will test the level of auto correlation among the variables used in the modern specification of the study. The objective of this study is to establish the relationship existing between the banking consolidation and economic growth. Based on this, the model below has been developed for the study.

3.6.1 MODEL SPECIFICATION

The main aim of this study is to examine the effect of the reforms on the development of the Nigeria economy. This study's model is therefore specified as

$$GDP = f(SHE, RE, LA, TA, Prf) \quad - \quad - \quad - \quad - \quad (1)$$

Dependent variable as Gross Domestic Product while the explanatory variables were Shareholders' Equity, Retained Earnings, Loans and Advances, Total Assets, and Profitability.

The Model was specified in a linear estimation form as;

$$GDP = \beta o + \beta 1SHE + \beta 2RE + \beta 3LA + \beta 4TA + \beta 5Prf \quad - \quad (2)$$

If we include the error term into equation 2, it will be as thus;

$$GDP = \beta o + \beta 1SHE + \beta 2RE + \beta 3LA + \beta 4TA + \beta 5Prf + \mu \quad - \quad (3)$$

Where:

GDP = Gross Domestic Product

SHE = Shareholder's' Equity;

RE = Retained Earnings

LA = Loans and Advances

TA = Total Assets

PAT = Profitability

β = Coefficient of each variable

β_0 = Constant term

μ = Error term.

3.6.2 APRIORI EXPECTATIONS

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 > 0$

3.7 SUMMARY

This chapter discussed the research methodology that is meant to be associated with this research. The research design adopted is the exploratory design which is employed to identify the factor that contributed to bank consolidation on the economy development of Nigeria. The population and sample was examined in this research. The method of data collection employed was the secondary type on a time series collection and six variables were introduced; which are Gross Domestic Product (GDP), Shareholders' Equity (SHE), Retained Earnings (RE), Loans and Advances (LA), Total Assets (TA) and Profitability (Prf). The technique of data analysis adopted was the student T-test, F-test, R-square, and Durbin Waston.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

According to Olannye (2006), the major purpose of survey research is to determine general characteristics and opinion of a population. Therefore all data must be summarized to achieve this objective.

The data has to be classified and presented in a form that will make the important features of its variables easy to analyze. However, this chapter deals with the presentation and analysis of the aggregate data gathered from the banks under study for the purpose of empirically testing the hypotheses of the study.

4.2 DATA PRESENTATION

The following data presented below were gotten from Annual reports of the banks under study. The data is presented below:

Table 4.2.1

AGGREGATE DATA FOR SHAREHOLDERS EQUITY, RETAINED EARNINGS, LOANS AND ADVANCES, TOTAL ASSETS AND PROFITABILITY FOR DEPOSIT MONEY BANKS IN NIGERIA.

	DEPENDENT VARIABLE	INDEPENDENT VARIABLES				
YEAR	Gross Domestic Product N' Billion	Share-holders Equity ₦'000	Retained Earnings ₦'000	Loans and Advances ₦'000	Total Assets ₦'000	Profit after Tax ₦'000
2000	412.33	6768472.2	1430372	5116022.3	20467533	828150.5
2001	431.78	8261131.7	1822678	6239902.8	30189212.5	1209756
2002	451.79	11297218.3	2443142	7916931.3	46381546.5	1752789.5
2003	495.01	13978271.8	3588454	10638554.8	56369254.5	2213733
2004	527.58	22611299.3	5356022	15339149.7	102447911.9	2541597
2005	561.93	346036858	11232071	30014991.2	127997392	1945608.4
2006	595.82	75791250.3	18885417	47302016.8	205250868	4098556
2007	634.25	177030863	34726338	127097856	314455220.6	925899
2008	672.20	216912169	61132553	117326231	509148563.9	10398633.9
2009	718.98	53077146.5	15765834	115700379	380163389.5	4101561.9
2010	776.33	51286472.1	4868340	123903630	429105438.5	11233466.4
2011	834.00	49978698.7	126050.8	141291371	493978754.3	7861738.3
2012	888.89	58289588.6	6870612	169366709	607061106.2	22489503.9
2013	950.11	64297710.4	11639085	206666834	545770168.3	14948508.1
2014	67152.79	78166262.2	14170332	229072049	444689987.2	12378063.4
2015	67152.79	106439383	47567285	155776570	537352200.8	13474139.6

Source: CBN Statistical Bulletin 2016 and Annual report and Account of Banks under study.

4.2.1 DISCUSSION OF DATA

Table 4.2.1above presents the aggregate data for shareholders equity, retained earnings, loans and advances, total assets and profitability of Deposit Money Banks in Nigeria.

Gross domestic Product: Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. There was an increase in GDP for the period under study, ranging from 412.33 in year 2000, it increased to 495.82 in 2006 and recorded another increase in 2013.

Shareholders' equity represents the net value of a company, or the amount that would be returned to shareholders if all the company's assets were liquidated and all its debts repaid. From the aggregate table above it is seen that the equity position of banks is positive, in case of liquidation money is in stock for repayment of debts to existing investors.

Retained earnings refer to the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business. For the period under study retained earnings, total assets and profit after tax recorded positive values and also there was an increase as the year progressed to 2015.

4.3 TEST OF HYPOTHESES

The hypotheses involve the test of Ho_1-Ho_3 for the banks under study:

HO_1: There is no significant relationship between shareholders' equity and gross domestic product.

HO_2: There is no significant relationship between retained earnings and gross domestic product.

HO_3: There is no significant relationship between loans and advances and gross domestic product.

HO_4: There is no significant relationship between total asset and gross domestic product.

HO_5: There is no significant relationship between profitability and gross domestic product.

Decision Rule: Accept the Null hypothesis (Ho) if the P-value of the t-statistics is greater than P-value tabulated at 0.05 level of significant which is less than 95% degree of confidence, otherwise Reject H_0 and accept H_1.

Test of Hypothesis One

Table 4.3.1a

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.037[a]	.801	-.070	23500.42332	2.567

a. Predictors: (Constant), SHAREHOLDERS EQUITY

b. Dependent Variable: GROSS DOMESTIC PRODUCT

Table 4.3.1b

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8180.765	8086.905		1.012	.329
	SHAREHOLDERS EQUITY	9.226E-6	.000	.037	.139	.891

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Source: SPSS Output 22.0 (2016)

Table 4.3.1a shows a positive correlation between the independent variable shareholders equity and the dependent variable Gross domestic product (GDP) as the table revealed that the overall

coefficient of correlation (R) is 0.037 which indicates a positive relationship between shareholders equity and GDP. The coefficient of determination R^2 is 0.801 which shows that the model is accurate and fit for prediction at only 80%. The AdjR^2 is -0.070 which means that about 7% of the dependent variable is accounted for by shareholders equity and the remaining 93% is not accounted for due to some financial errors. The DW is 2.567 which show that there is no serial auto correlation between shareholders equity and GDP.

Table 4.3.1b which is the Coefficient table shows the level of significance for shareholders equity. The p-value of the t-statistics for shareholders equity is 0.891which is greater than 5% level of significance.

Test of Hypothesis two

Table 4.3.2a

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.347[a]	.271	.057	22057.39192	1.849

a. Predictors: (Constant), RETAINED EARNINGS

b. Dependent Variable: GROSS DOMESTIC PRODUCT

Table 4.3.2b

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2266.408	7333.174		.309	.762
	RETAINED EARNINGS	.000	.000	.347	1.383	.188

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Source: SPSS Output 22.0 (2016)

Table 4.3.2a shows a positive correlation between the independent variable retained earnings and the dependent variable Gross domestic product (GDP) as the table revealed that the overall coefficient of correlation (R) is 0.347 which indicates a positive relationship between retained earnings and GDP. The coefficient of determination R^2 is 0.271 which shows that the model is accurate and fit for prediction at only 27%. The $AdjR^2$ is 0.057 which means that about 5% of the dependent variable is accounted for by retained earnings and the remaining 95% is not accounted for due to some financial errors. The Durbin watson's statistics is 1.849 which shows weak serial correlation but can be tolerated in the series and it is significant and good model for prediction.

Table 4.3.2b which is the Coefficient table shows the level of significance for retained earnings. The p-value of the t-statistics for shareholders equity is 0.188 which is greater than 5% level of significance.

Test of Hypothesis three

Table 4.3.3a

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.506[a]	.896	.202	20289.16892	2.743

a. Predictors: (Constant), LOANS AND ADVANCES

b. Dependent Variable: GROSS DOMESTIC PRODUCT

Table 4.3.3b

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5180.959	8202.296		-.632	.538
	LOANS AND ADVANCES	.000	.000	.506	2.193	.046

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Source: SPSS Output 22.0 (2016)

Table 4.3.3a shows a positive correlation between the independent variable loans & advances and the dependent variable Gross domestic product (GDP) as the table revealed that the overall coefficient of correlation (R) is 0.506 which indicates a positive relationship between loans & advances and GDP. The coefficient of determination R^2 is 0.896 which shows that the model is accurate and fit for prediction at only 89%. The AdjR^2 is 0.202 which means that about 20% of the dependent variable is accounted for by loans & advances and the remaining 80% is not accounted for due to some financial errors. The Durbin watson's statistics is 2.743 which shows that there is no serial correlation in the series and it is significant and good model for prediction.

Table 4.3.3b which is the Coefficient table shows the level of significance for loans and advances. The p-value of the t-statistics for loans and advances is 0.046 which is less than 5% level of significance.

Test of Hypothesis four

Table 4.3.4a

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.349[a]	.581	.059	22041.89417	2.140

a. Predictors: (Constant), TOTAL ASSETS

b. Dependent Variable: GROSS DOMESTIC PRODUCT

Table 4.3.4b

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2251.075	9757.559		-.231	.821
	TOTAL ASSETS	3.696E-5	.000	.349	1.391	.186

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Source: SPSS Output 22.0 (2016)

Table 4.3.4a shows a positive correlation between the independent variable total assets and the dependent variable Gross domestic product (GDP) as the table revealed that the overall coefficient of correlation (R) is 0.349 which indicates a positive relationship between total assets and GDP. The coefficient of determination R^2 is 0.581 which shows that the model is accurate and fit for prediction at only 58%. The AdjR^2 is 0.059 which means that about 6% of the dependent variable is accounted for by total assets and the remaining 94% is not accounted for due to some financial errors. The Durbin watson's statistics is 2.140 which shows that there is no serial correlation in the series and it is significant and good model for prediction.

Table 4.3.4b which is the Coefficient table shows the level of significance for total assets. The p-value of the t-statistics for total assets is 0.186 which is greater than 5% level of significance.

Test of Hypothesis five

Table 4.3.5a

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.362[a]	.931	.069	21918.63580	2.833

a. Predictors: (Constant), PROFIT AFTER TAX

b. Dependent Variable: GROSS DOMESTIC PRODUCT

Table 4.3.5b

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.072	8242.683		.000	1.000
	PROFIT AFTER TAX	.001	.001	.362	1.455	.168

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Source: SPSS Output 22.0 (2016)

Table 4.3.5a shows a positive correlation between the independent variable profit after tax and the dependent variable Gross domestic product (GDP) as the table revealed that the overall coefficient of correlation (R) is 0.362 which indicates a positive relationship between profit after tax and GDP. The coefficient of determination R^2 is 0.931 which shows that the model is accurate and fit for prediction at only 93%. The AdjR^2 is 0.069 which means that about 7% of the dependent variable is accounted for by total assets and the remaining 93% is not accounted for due to some financial errors. The Durbin watson's statistics is 2.833 which shows that there is no serial correlation in the series and it is significant and good model for prediction.

Table 4.3.5b which is the Coefficient table shows the level of significance for profit after tax. The p-value of the t-statistics for profit after tax is 0.168 which is greater than 5% level of significance.

4.4 SUMMARY

The section above made emphasis on the presentation and analysis of data gotten from annual reports of the banks under study. Efforts were made to present the results in factual and original form and interpretation made, inference drawn from the results.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

Hypothesis One

The findings of the result of shareholders equity revealed that the coefficient is not significantly related to the dependent variable (GDP) because the p-value significant level (0.891) is greater than 0.05 significance level and less than 95% confidence level therefore we accept the null hypothesis (H_0) that shareholders equity does not have significant relationship on Gross domestic product in Nigeria and reject the alternate hypothesis $H_{1.}$

Hypothesis Two

The findings of the result of retained earnings revealed that the coefficient is not significantly related to the dependent variable (GDP) because the p-value significant level (0.188) is greater than 0.05 significance level and less than 95% confidence level therefore we accept the null hypothesis (H_0) that retained earnings does not have significant relationship on Gross domestic product in Nigeria and reject the alternate hypothesis $H_{1.}$

Hypothesis Three

The findings of the result of loans and advances revealed that the coefficient is significantly related to the dependent variable (GDP) because the p-value significant level (0.046) is less than 0.05 significance level and greater than 95% confidence level therefore we accept the alternate hypothesis (H_1) that loans and advances have significant relationship on Gross domestic product in Nigeria and reject the null hypothesis $H_{0.}$

Hypothesis Four

The findings of the result of total assets revealed that the coefficient is not significantly related to the dependent variable (GDP) because the p-value significant level (0.186) is greater than 0.05 significance level and less than 95% confidence level therefore we accept the null hypothesis (H_0) that total assets does not have significant relationship on Gross domestic product in Nigeria and reject the alternate hypothesis H_1.

Hypothesis Five

The findings of the result of profit after tax revealed that the coefficient is not significantly related to the dependent variable (GDP) because the p-value significant level (0.168) is greater than 0.05 significance level and less than 95% confidence level therefore we accept the null hypothesis (H_0) that profit after tax does not have significant relationship on Gross domestic product in Nigeria and reject the alternate hypothesis H_1.

5.2 CONCLUSION

The main aim of this work is to empirically examine the impact of bank sector reforms on Nigeria Economy for the period 2000 – 2015 based on the data collected from CBN statistical bulletin (2014) and annual report of banks under study.

Generally, the study shows that shareholders equity, retained earnings, total assets and profitability does not have significant impact on the economic growth in Nigeria, only loans and advances have significant impact on the economic growth in Nigeria.

Our finding thus implies that the banks should be concerned with deposits that are relatively stable, non-volatile, reduce over dependence on public sector funds and ensure that the deposit given out as loans are repaid as at when due.

5.3 RECOMMENDATIONS

The study thereby recommends the following:

1. Recapitalization is good for Nigerian banking sector. It is expedient that the regulatory authority should maintain and review the capitalization upward from time to time in order to sustain the state of revival and stability in the banking sector. In other words, the banking sector together with its complementary institutions should be strengthened and bank failures should be adequately tackled in order to improve shareholders equity.
2. The banking sector must be able to retain earnings and invest them in business ventures that, in turn, can generate more earnings, once more earnings are generated it will have positive effect on the economy in respect to paying actual tax which government can use for infrastructural development.
3. The banks should be concerned with deposits that are relatively stable, non-volatile, reduce over dependence on public sector fund and ensure that the deposit given out as loans are repaid as at when due. Banks should consider granting loans and overdraft to SME's that can accelerate the economic growth and development and avoid lending to risky sectors.
4. Deposit money banks should consider other ways to improve the quality of its asset so that it can improve banks performance and economic growth. It should also consider the implementation of good corporate governance practise as a valuable and precise way of improving what makes up its asset base (both non-current and current asset) because they

have positive multiplier effect on its performance. The bank should improve on the quality of its asset from time to time so as to increase net earnings.

5. Policy makers in Nigeria economy should make policies to enhance the profitability of banks' in Nigeria, also it is observed that tax evasion and avoidance is a key factor in affecting the economy, such issues should be strictly handled by policy makers.

5.4 CONTRIBUTION TO KNOWLEDGE

The study contributes to knowledge by:

(i) Identifying the critical indicators of banking sector reforms attracting economic growth in Nigeria;

(ii) Creating insight into policy implementation capable of driving and enhancing economic growth in Nigeria; and

(iii) Providing better and more robust reasoning and understanding of the banking reforms in Nigeria, using five dependent variables for the period under study.

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APPENDIX

GDP AND SHAREHOLDERS EQUITY

Descriptive Statistics

	Mean	Std. Deviation	N
GROSS DOMESTIC PRODUCT	8953.5363	22719.24041	16
SHAREHOLDERS EQUITY	83763924.6938	91461903.93414	16

Correlations

		GROSS DOMESTIC PRODUCT	SHAREHOLDERS EQUITY
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.037
	SHAREHOLDERS EQUITY	.037	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.446
	SHAREHOLDERS EQUITY	.446	.
N	GROSS DOMESTIC PRODUCT	16	16

	SHAREHOLDERS EQUITY	16	16

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	SHAREHOLDERS EQUITY[b]	.	Enter

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.037[a]	.801	-.070	23500.42332	2.567

a. Predictors: (Constant), SHAREHOLDERS EQUITY

b. Dependent Variable: GROSS DOMESTIC PRODUCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10679723.909	1	10679723.909	.019	.891[b]
	Residual	7731778546.990	14	552269896.214		
	Total	7742458270.898	15			

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. Predictors: (Constant), SHAREHOLDERS EQUITY

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8180.765	8086.905		1.012	.329

SHAREHOLDERS EQUITY	9.226E-6	.000	.037	.139	.891

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	8243.2080	11373.1592	8953.5362	843.79002	16
Residual	-10811.22852	58250.89453	.00000	22703.56587	16
Std. Predicted Value	-.842	2.868	.000	1.000	16
Std. Residual	-.460	2.479	.000	.966	16

a. Dependent Variable: GROSS DOMESTIC PRODUCT

GDP AND RETAINED EARINGS

Descriptive Statistics

	Mean	Std. Deviation	N
GROSS DOMESTIC PRODUCT	8953.5363	22719.24041	16
RETAINED EARNINGS	15101536.6125	17791985.37403	16

Correlations

		GROSS DOMESTIC PRODUCT	RETAINED EARNINGS
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.347
	RETAINED EARNINGS	.347	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.094
	RETAINED EARNINGS	.094	.
N	GROSS DOMESTIC PRODUCT	16	16
	RETAINED EARNINGS	16	16

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	RETAINED EARNINGS[b]	.	Enter

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.347[a]	.271	.057	22057.39192	1.849

a. Predictors: (Constant), RETAINED EARNINGS

b. Dependent Variable: GROSS DOMESTIC PRODUCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	931058733.827	1	931058733.827	1.914	.188[b]
	Residual	6811399537.072	14	486528538.362		
	Total	7742458270.898	15			

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. Predictors: (Constant), RETAINED EARNINGS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2266.408	7333.174		.309	.762
	RETAINED EARNINGS	.000	.000	.347	1.383	.188

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2322.2249	29336.5820	8953.5362	7878.48858	16
Residual	-28664.38086	58611.60156	.00000	21309.46509	16
Std. Predicted Value	-.842	2.587	.000	1.000	16
Std. Residual	-1.300	2.657	.000	.966	16

a. Dependent Variable: GROSS DOMESTIC PRODUCT

GDP AND LOANS AND ADVANCES

Descriptive Statistics

	Mean	Std. Deviation	N
GROSS DOMESTIC PRODUCT	8953.5363	22719.24041	16
LOANS AND ADVANCES	94298074.8687	76637005.83725	16

Correlations

		GROSS DOMESTIC PRODUCT	LOANS AND ADVANCES
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.506
	LOANS AND ADVANCES	.506	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.023
	LOANS AND ADVANCES	.023	.
N	GROSS DOMESTIC PRODUCT	16	16
	LOANS AND ADVANCES	16	16

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	LOANS AND ADVANCES[b]	.	Enter

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.506[a]	.896	.202	20289.16892	2.743

a. Predictors: (Constant), LOANS AND ADVANCES

b. Dependent Variable: GROSS DOMESTIC PRODUCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1979353016.403	1	1979353016.403	4.808	.046[b]
	Residual	5763105254.495	14	411650375.321		
	Total	7742458270.898	15			

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. Predictors: (Constant), LOANS AND ADVANCES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5180.959	8202.296		-.632	.538
	LOANS AND ADVANCES	.000	.000	.506	2.193	.046

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-4414.1099	29155.0313	8953.5363	11487.24805	16
Residual	-24846.56641	48984.14063	.00000	19601.19938	16
Std. Predicted Value	-1.164	1.759	.000	1.000	16
Std. Residual	-1.225	2.414	.000	.966	16

a. Dependent Variable: GROSS DOMESTIC PRODUCT

GDP AND TOTAL ASSETS

Descriptive Statistics

	Mean	Std. Deviation	N
GROSS DOMESTIC PRODUCT	8953.5363	22719.24041	16
TOTAL ASSETS	303176784.2313	214270412.70043	16

Correlations

		GROSS DOMESTIC PRODUCT	TOTAL ASSETS
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.349
	TOTAL ASSETS	.349	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.093
	TOTAL ASSETS	.093	.
N	GROSS DOMESTIC PRODUCT	16	16
	TOTAL ASSETS	16	16

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	TOTAL ASSETS[b]	.	Enter

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.349[a]	.581	.059	22041.89417	2.140

a. Predictors: (Constant), TOTAL ASSETS

b. Dependent Variable: GROSS DOMESTIC PRODUCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	940626887.904	1	940626887.904	1.936	.186[b]
	Residual	6801831382.994	14	485845098.785		
	Total	7742458270.898	15			

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. Predictors: (Constant), TOTAL ASSETS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2251.075	9757.559		-.231	.821
	TOTAL ASSETS	3.696E-5	.000	.349	1.391	.186

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1494.6494	20184.2969	8953.5362	7918.86729	16
Residual	-19295.40625	52969.30078	.00000	21294.49285	16
Std. Predicted Value	-1.319	1.418	.000	1.000	16
Std. Residual	-.875	2.403	.000	.966	16

a. Dependent Variable: GROSS DOMESTIC PRODUCT

GDP AND PROFITABILITY

Descriptive Statistics

	Mean	Std. Deviation	N
GROSS DOMESTIC PRODUCT	8953.5363	22719.24041	16
PROFIT AFTER TAX	7025106.5562	6456756.13226	16

Correlations

		GROSS DOMESTIC PRODUCT	PROFIT AFTER TAX
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.362
	PROFIT AFTER TAX	.362	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.084
	PROFIT AFTER TAX	.084	.
N	GROSS DOMESTIC PRODUCT	16	16
	PROFIT AFTER TAX	16	16

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	PROFIT AFTER TAX[b]	.	Enter

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.362[a]	.931	.069	21918.63580	2.833

a. Predictors: (Constant), PROFIT AFTER TAX

b. Dependent Variable: GROSS DOMESTIC PRODUCT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1016485934.819	1	1016485934.819	2.116	.168[b]
	Residual	6725972336.079	14	480426595.434		
	Total	7742458270.898	15			

a. Dependent Variable: GROSS DOMESTIC PRODUCT

b. Predictors: (Constant), PROFIT AFTER TAX

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.072	8242.683		.000	1.000
	PROFIT AFTER TAX	.001	.001	.362	1.455	.168

a. Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1052.7722	28669.7578	8953.5363	8231.99423	16
Residual	-27780.86719	51374.53906	.00000	21175.41394	16
Std. Predicted Value	-.960	2.395	.000	1.000	16
Std. Residual	-1.267	2.344	.000	.966	16

a. Dependent Variable: GROSS DOMESTIC PRODUCT