IOSR Journal of Humanities And Social Science (IOSR-JHSS)
Volume 25, Issue 8, Series 4 (August. 2020) 38-58
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

Banking Regulation in Nigeria: A Review Article.

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ABSTRACT
This paper is a review article on banking regulation in Nigeria. With regards to banking regulation in Nigeria, eight periods are discernible namely laissez faire banking era, 'new' banking regulation era, indigenization era, market deregulation era, guided deregulation era, universal banking era, consolidation era, the period leading from global financial crisis of 2008 to the year 2014, and lastly 2015 to date**.** One striking reason for the various laws is the need to evolve a safe and sound financial system. To achieve a more effective regulation for the Nigerian financial system, there should be a change in focus of regulation from the financial institutions to the financial products. This change of approach will also reduce regulatory duplications as products whether created by banks or non-bank financial institutions can be regulated using the same institutional structure. This change of focus from macro-regulation of institutions to micro-regulation of products should therefore be able to address some of the complexities of inter-sectoral entwinements in the financial system. In addition, a co-ordinated approach to regulation should be pursued to complement this change of focus in order to overcome existing complexities and overlapping incidence of risks, functions and portfolios of institutions.

Date of Submission: 25-07-2020 Date of Acceptance: 09-08-2020

I. INTRODUCTION

Regulation is a dynamic process. To be effective, the regulation process must change and adapt to changes in its wider environment. As in many countries of the world, the banking industry is put under serious scrutiny through regulations because of the nature of its activities. Formal econometric studies confirm that banks exert a first-order impact on economic development and that countries with strong banking systems experience faster reductions in poverty as capital flows to those with the best projects , not simply to the most powerful and wealthy (Barth, Caprio & Levine 2008; Saif-Alyousfi, Saha and Md-Rus 2020). The role of banks in the mobilization of funds is considered important to the direction and pace of economic growth and development. The general areas of banks' specialness in the economy include provision of:

(1) Information services
(2) Liquidity services
(3) Price-risk reduction services
(4) Transaction cost services
(5) Maturity intermediation services

More specifically, banks are channels for monetary policy transmission and conduits of the payment system. The failure to provide information, liquidity, price-risk reduction, transaction and intermediation services or a breakdown in their efficient provision can be costly to both the ultimate sources (households) and users (firms) of funds. The negative externalities affecting firms and households when things go wrong in the banking sector make a case for regulation. That is, banks are regulated to protect against a disruption in the provision of the services highlighted above and the costs this would impose on the economy and the society at large (Ashraf, Zheng, Jiang & Qian 2020; Frame, Mihov and Sanz 2020). Economists term such costs as social costs. For example, bank failures may destroy household savings and at the same time restrict a firm's access to credit. In addition, individual bank failures may create doubts in savers' minds regarding the stability and solvency of banks in general and cause panics and even runs on sound institutions. Thus, the need for regulation to overcome market failure. Although regulation may be socially beneficial, it also imposes private costs, or a regulatory burden, on individual bank owners and managers. For example, regulations prohibit banks from granting loans and advances beyond a defined percentage of their shareholders funds to single borrowers, the so-called obligor limits. This limit exists despite the possibility that those loans may have a positive net present value to the bank thereby creating an artificial under-investment problem for a bank that is so restricted. As in corporate finance, such artificial under-investment is an agency problem because its occurrence obviates shareholders' wealth maximization. Consequently, regulation is an attempt to enhance the social welfare benefits and mitigate the social costs of the provision of financial services. The private costs of regulation relative to its private benefits for the producers of financial services, is called the net regulatory burden.

Regulation in banking, seeking to enhance the net social welfare benefits in the provision of financial services, can be categorized into six (Saunders and Cornett, 2020: 11 – 14):

(1) Safety and soundness regulation: to protect depositors and borrowers against the risk of bank failures, for example, by requiring diversification of credits (sectoral credit allocation), specifying minimum capital required for operations, activity restrictions, and provision of safety net through deposit insurance schemes (Noman, Isa, Mia and Sok-Gee 2020; Lonati and Boujelbene 2020; Lai, Li and Chan 2020).

(2) Monetary policy regulation: Such as the imposition of cash reserve and liquidity ratios on banks to influence the volume of money supply in the economy (Caselli, Figueira, & Nellis 2020; Doan, Phan & Lin 2020).

(3) Credit allocation regulation: These regulations may require a bank to hold a minimum amount of assets in one particular sector of the economy or to set maximum interest rates, prices, or fees to subsidize certain sectors. For example, Nigerian banks have been encouraged to subsidize agricultural loans in Nigeria.

(4) Consumer protection regulation: For example, to prevent discrimination in lending especially on the basis of race, age, gender or income. Lending discrimination is a typical argument for the proliferation of indigenous banks as well as the indigenization of expatriate depository institutions (Barth, Caprio and Levine 2008; Bitar, Hassan and Saad 2020; Gaganis, Galariotis, Pasiouras and Staikouras 2020).

(5) Investor protection regulation: This is especially relevant to banks with investment banking business. Various laws exist to protect investors against abuses such as insider trading, lack of disclosure, outright malfeasance, and breach of fiduciary duties (Laeven and Levine 2007, 2009; Leuz and Wysocki 2016; Dias 2020; Hsieh and Lee 2020; Louhichi, Lonati and Bonjelbene 2020).

(6) Entry regulation: This exists through licensing and restriction on the types of business that banks may be involved (Agoraki, Kouretas and Triantopoulos 2020). Licensing will usually specify the minimum requirements to establish a bank, for example, through minimum capital regulation (Ashraf, Zheng, Jiang and Qian 2020). Arguably, this sort of regulation may increase the market power of incumbents.

With regards to Nigerian banking regulation, eight periods are discernible and these are discussed in turn below. Thus, the rest of this review is organized into three sections. Section II discusses the various era of banking regulation in Nigeria namely: the era of free banking, that is, without banking regulation in Nigeria. It was essentially a period when the colonial banks dominated the Nigerian banking space and discriminated against Africans in the provision of financial services. It was also a period when there was an absence of a central bank and the only monetary authority then was the West African Currency Board (WACB) which was no more than a glorified money changer; then the advent of regulation arose when the colonial government could no longer tolerate a laissez faire regime as a result of distress of proliferating indigenous banks. The Paton Report of October 1948 provided the basis for the Banking Ordinance of 1952. In addition, the Central Bank of Nigeria (CBN) was established by the CBN Ordinance of 1958 though after much colonial authorities' resistance. The Banking Ordinance of 1958 repealed the 1952 Ordinance. Some amendments were introduced in 1962 and seven years after, a new Banking Decree of 1969 was introduced. Next, intensive regulation under the indigenization era followed. Thereafter, market-deregulation or liberalization during the Structural Adjustment Programme (SAP) era ensued. The liberalization era was followed by the period of guided deregulation especially of the foreign exchange market. The universal banking era whereby banks could combine commercial, investment, insurance and related financial services in their business banking portfolio followed. Consolidation era which saw the emergence of mega-capitalized banks followed. 'Current banking era' which captures the period from 2009 to date is the task of section III. Finally, section IV concludes.

II. A REVIEW OF BANKING REGULATORY REFORMS (1892 – 2008)

ERA OF FREE BANKING OR LAISSEZ-FAIRE BANKING (1891 – 1951)

Commercial banking in Nigeria commenced in 1891 with the advent of the African Banking Corporation (ABC). In 1894, the operations of the bank were taken over by the Bank of British West Africa (BBWA). In 1899, a second foreign bank, Bank of Nigeria, was established. This bank was absorbed by the BBWA in 1912. BBWA had the banking field to itself for the next five years with the year 1917 seeing the advent of the Colonial (later, Barclays D.C.O. and then Union). Colonial banking in Nigeria was initially established to provide services to the colonial government and to nurture British commercial interests. It was therefore not surprising that these banks were registered in London, headquartered in London and controlled from London (Uche, 1998). The colonial banks thus fell under the regulatory jurisdiction of London and had little need for host territory regulation. They established operations in localities where British commercial interests predominated and did not aim to satisfy the needs of Africans. In the eyes of the British authorities and colonial banks, the African was too primitive to merit banking services and uncredit-worthy. The colonial banks were however willing to receive African deposits. The discriminatory policies and practices motivated the establishment of indigenous banks to challenge the status quo. In this regard, Nigeria was unique as it was the only country among the British West African colonies to establish indigenous banks alongside the colonial banking system (Uche 2000; Anyanwu, et al 1997; Nwankwo 1980).

The period 1892 to 1951 was basically a period generally referred to as the era of “free banking” or laissez-faire banking because there were no rules or guidelines controlling the activities of banks. There were no rules, regulation and/or laws that regulated the business of banking until 1952 when the first ordinance was enacted. During this period a number of indigenous banks grew up but many failed as a result of inadequate capital, bad management, poor staffing and fraud. The initial banks that were operating in Nigeria in the late 19th century had extensive British links. At the time, the United Kingdom did not have any formal and elaborate structure of banking supervision, as ‘‘[t]he regulation of banking in the UK began with informal controls by the Bank of England and was eventually placed on a statutory basis by the Banking Act 1979’’. Accordingly, from the onset there was no attempt to regulate banking in Nigeria. Most of the early foreign banks in Nigeria were established to cater for British trading interests and the banking needs of the colonial government. It was not their aim to service the indigenous people. This discriminatory attitude led to the emergence of indigenous banks. Most of these banks were poorly staffed, poorly capitalized and sometimes fraud infested (Ogowewo and Uche, 2006: 167).

Specifically, the first attempt at establishing an indigenous bank in Nigeria came in 1929 with the establishment of the Industrial and Commercial Bank. This bank failed in 1930. In 1931, the Nigerian Mercantile Bank was established but collapsed in 1936. The National Bank of Nigeria (NBN) was established in 1933 with an authorized capital of N500,000, of which only N1,152 was paid up initially. With this came the break of the monopoly of domestic banking scene by foreign banks. The Agbonmagbe Bank was set up in 1945. This bank metamorphosed into Wema Bank. Within this same period, the Nigerian Penny Bank was established but collapsed quickly thereafter in 1946. In 1947, the third successful indigenous bank, the African Continental Bank (ACB) was established with an authorized capital of N20,000. Specifically, these 3 indigenous banks owed their survival to the support of regional governments. In the period 1950-51, which is often referred to as the period of banking boom in Nigeria, about eighteen banks were hurriedly established. By the end of 1954, seventeen banks had either gone into voluntary liquidation or were closed by the police. The only survivor was the Merchant Bank, which finally collapsed in the early part of 1960 (Ajayi and Ojo, 2006:20).

The development of indigenous banks within the Nigerian economy was indeed a very turbulent one. The collapse of many indigenous banks weakened public confidence in them. A host of factors was responsible for the failure of these banks. First, many of the banks had insufficient capital. Fourteen of the eighteen banks had a paid-up capital of less than N1,200 (equivalent of six hundred pounds), and this was often used to pay off the losses incurred in the previous year. Second, many of the banks were poorly managed and lacked foresight. Third, records were either badly kept or not kept at all. Fourth, many of the banks expanded their offices too rapidly. For example, the Nigerian Farmers and Commercial Bank with a paid-up capital of about N26,000 had twenty-eight offices within a short time. Finally, there were no banking regulations to specify banking code of conduct. The distress of indigenous banks in the 1940s made it difficult for the colonial government to sustain this laissez faire banking regulatory regime in the Nigerian colony. Mr. G.D. Paton of the Bank of England was therefore appointed to review the Nigerian Banking system with a view to introducing regulation. It was the Paton Report of 1948 that led to the enactment of the Banking Ordinance 1952.

THE ERA OF BANKING REGULATION (BEGINNING FROM 1952)

In 1948, the colonial authorities set up a commission to enquire into banking business in Nigeria and make recommendations to the government on the extent as well as the form of control that was required in the country. The Paton Committee that was set up in September 1948 reported in October same year and produced the Paton Report, Report on Banking in Nigeria.

There are, at least, three discernible periods in this era of Banking regulation. The first was the era of limited regulation from 1952-1958, the era of intensive regulation from 1958-1972 and the era of regulation and indigenization (1972 – 1986). With the enactment of the 1952 Banking Ordinance came the initial attempt at regulating the banking industry. The 1952 Banking Ordinance defined banking business as “the business of receiving from the public on current account, money which is to be repayable on demand by cheque and on making advances to customers.” The Ordinance stipulated the provisions for licensing of banks. Only a registered company could hold a valid banking license. It also stipulated the procedures for banking business by prescribing minimum capital requirements for banks. Specifically, if a banking license is to be granted by the Financial Secretary, the minimum paid-up capital required for indigenous banks was £12,500 (or N25,000) and for expatriate banks £100,000 pounds (or N200,000). Specifically Banks were required to

(1) Maintain a reserve fund into which at least 20 percent of their profits had to be paid annually. This allocation had to be made until the total fund was equal to the paid-up capital;
(2) Provide an adequate degree of liquidity satisfactory to the Financial Secretary;
(3) Abstain from granting loans and advances on the security of their own shares and granting unsecured loans and advances in excess of 300 pounds to any one or more of its directors or related parties;
(4) Refrain from paying dividends until all their capital expenditure not represented by tangible assets had been written off;

(5) Make periodic returns to the Financial Secretary;

The Ordinance became effective immediately for new banks, while the existing banks were given a three-month grace period within which they were required to obtain a license and three years to comply with the provisions of the Ordinance. The Financial Secretary was given the power to refuse or to withdraw a license if, in his opinion, he was satisfied that there was some defined deficiency in the operations of a bank. Finally, another important provision of the Ordinance was the periodic examination and supervision to which the banks were subjected. This was to ensure that banks did comply with the provisions of the Ordinance.

While the 1952 Banking Ordinance was seen as a great advancement in the attempt to develop a sound financial system, it nevertheless had inherent defects. In the first place, no provision was made for assisting banks in need. More damaging to the indigenous banks was the three-year ultimatum given to comply with the provisions of the Ordinance or discontinue banking business. The fact that the indigenous banks were given a maximum period of three years to comply or face liquidation, coupled with the fact that there was no deposit insurance scheme in place to compensate depositors in the event of such a liquidation precipitated a run on those under-capitalized indigenous banks. Secondly, the single obligor limit was specified in absolute terms instead of relating it to some measure of bank-specific risk or capacity to absorb losses (e.g. capital). Third, many banks kept idle cash in order to maintain the required liquidity level. Since there was no avenue for them to invest these funds, it was indeed an economic waste. This must have hindered the efficiency of their intermediation role. The expatriate banks on the other hand were in an advantageous position. Not only could they get funds from their overseas headquarters in times of need, they also had access to the money and capital markets in London. Furthermore, in the absence of a Central Bank, the credibility of bank examination was at stake. The use of bank examiners was not as successful as envisaged because of the dubious window-dressing techniques that banks utilized to deceive the bank examiners. In addition, the laws were capable of preventing undercapitalized banks from being established, but they were incapable of preventing malpractices and abuses in banking (Ajayi and Ojo, 2006:25).

The period of intensive regulation began with the Banking Ordinance of 1958 and the CBN Act of 1958. Specifically, the new Banking Ordinance 1958 raised the minimum share capital for foreign banks from £100,000 (pounds sterling) to £200,000 (pounds sterling) while the requirement for indigenous banks remained unaltered. As Ogowewo and Uche (2006) comment, this new capital requirement had little practical impact on the Nigerian Banking industry at the time as most of the existing foreign banks had paid-up capital above the recommended minimum. Barclays Bank (DCO), for instance, had a paid up share capital of £7.1 million (1947) while that for the Bank of British West Africa was £1.2 million (1948).

Other important aspects of the Ordinance include:

(1) The raising of the proportion of profits to be transferred to the reserve fund from 20 percent to 25 percent;
(2) The prohibition of banks from trading or owning real estate except where absolutely necessary;
(3) The fixing of a limit of loans to any one person or client at 25 percent of paid-up capital; and
(4) The provision for a reserve requirement, the amount and composition of which could be changed by the Central Bank.

However, the CBN Act of 1958 gave legal backing to the establishment of the Central Bank of Nigeria (CBN). The bill establishing the CBN was passed in the Federal House of Representatives in 1958 based on the report of J.B. Loynes of 22nd August 1957. However, real banking operations did not start until July 1959. With this, the CBN was armed with the power to stipulate measures to curb bank failures. The Act gave the Central Bank the power to promote and integrate the Nigerian financial system.

From a brief historical perspective during the period in which the four British West African territories were under colonial rule, the West African Currency Board (WACB) was the colonial monetary authority. The WACB was set up in 1912 with headquarters in London. The constitution of the WACB charged it 'to provide for and control the supply of currency to the British West African Colonies, Protectorates and Trust Territories'. In practice, however, the Board was no more than a Bureau de Change issuing as much local currency as the banks wanted to buy for sterling and vice versa. Such a system satisfied the Bank of England's monetary policy objective of achieving price stability in the colonies. The price stability policy was compatible with both the British trade interests and the colonial Banks that oiled the trade mechanism. The Board remained in operation until the early 1960s. Unlike the indigenous banks, the foreign banks were happy with the WACB which ensured price stability and did not interfere with their operations. The indigenous banks however favoured the establishment of a Central Bank with the hope that such a bank could act as a lender of last resort to poorly capitalized and poorly staffed indigenous banks. In other words, Africans saw the establishment of central bank as a vehicle to assist their beleaguered banks. Also entwined in this event was the belief by indigenes that a central bank would make it easier for them to access credit, which would help power the much needed development. Such views sometimes stemmed from a misconception of central banking. Also, the WACB was seen as the financial hallmark of colonialism. Dismantling it was therefore a legitimate part of the de-colonization process. Foreign banks were uncomfortable with such views. Policies that involved taking orders from indigenous African governments, with respect to their operations, could not be accepted with joy. The WACB system, which exerted little influence on their operations, therefore suited their interests best. Further, the monopoly of the two chief banks in the distribution of government silver currency was bound to be lost with the introduction of a central bank. In addition, the Bank of England was against the establishment of central banks in under-developed economies. The Bank believed that without developed political structures, political interference in the activities of such central banks was inevitable. It was also believed that such central banks would be of little use in territories with undeveloped money markets. Furthermore, developmental functions were then outside the scope of central banking at least in colonial government circles (Uche, 2009a).

Foreign banks were not the only beneficiaries of the WACB system. The colonial government also earned seigniorage profits from the system. The motion for a central bank with lender of last resort functions, not surprisingly, did not please the Financial Secretary appointed by the colonial government who argued that Nigeria at "its stage of development" was better served by a Currency Board than a Central Bank. He was nevertheless prepared to reconsider the matter. This culminated in the revision of the motion to exclude assistance to indigenous banks. In other words, the colonial government did not consider it important that a central bank, if established, should concern itself with developmental functions such as providing assistance to the existing African banks. J. L. Fisher of the Bank of England was subsequently invited to examine the matter. He advised against the establishment of a central bank in the colony. A 1953 Report of the International Bank for Reconstruction and Development (IBRD) disagreed with the Bank of England position on central banking in Nigeria. This helped resuscitate the central banking idea in the colony and culminated in the establishment of Central Bank of Nigeria in 1958. The IBRD's report on Nigeria also influenced the establishment of a central bank in Ghana (1957), Sierra-Leone (1963) and Gambia (1971).

Amendments to the Banking Act 1958 occurred in 1962 with the following important provisions:
(1) The minimum share capital of banks was reviewed upwards: indigenous banks £250,000; foreign banks £250,000. Existing banks were given a seven-year grace period to comply with the new regulation. [This grace period was commendable compared to the three- year period of the 1952 Banking Ordinance].
(2) Foreign banks were required to give a satisfactory undertaking to the Minister of Finance to retain in Nigeria, funds equal to the minimum £250,000.
(3) The composition of liquid assets was re-defined
(4) Banks were allowed to own real estate for the purpose of future development.

Just as the seven years grace period was about to expire, a new banking decree, repealing the earlier banking legislation of 1958, was enacted by the then military dictatorship. Specifically,
(1) The minimum paid-up capital was reviewed upwards from £250,000 to £300,000 for indigenous banks. Expatriate banks were required to beef up capital to minimum of £750,000.
(2) All banks were required to be incorporated locally with the enactment of the Companies Act 1968. Only the balance sheet of their Nigerian operations was required to be published
(3) The Central Bank was given the power to monitor as well as approve banks' advertisement and also to authorize the opening and the closure of bank branches.
(4) In addition to the existing requirement for banks to transfer 25 percent of their net profit into a reserve fund until the total sum was equal to the paid-up capital, this Decree further required that a transfer of 12.5 percent of net profit be made where the amount of reserve funds was equal to, or in excess of, paid-up share capital.
(5) The CBN was strengthened to exercise its powers in maintaining monetary stability within the economy
(6) Limits were imposed on interest rates and bank lending to the private sector.

The end result of these share capital increases was the exit of private indigenous banks from the Nigerian banking space. By 1969, all the indigenous banks that survived the 1953-54 crisis had been taken over by the regional/state governments. This was because share capital increases had made private indigenous participation in bank ownership difficult (Ogowewo and Uche, 2006: 168). As Uzoaga (1986) noted:

''The cumulative effect of the successive increase [sic] in minimum capital requirements has been the socialisation of the most promising private indigenous banks as well as the erection of thorny barriers against effective participation of private indigenous companies in the banking business. Only two groups can now afford to meet easily the stringent capital requirements to operate banks in Nigeria. These are the expatriate banking companies and the statutory or state sponsored agencies.''

THE ERA OF REGULATION AND INDIGENIZATION (1972 – 1986)

During the 1970s, government acquired controlling shares in a number of foreign banks, including the "big three" commercial banks which dominated the Nigerian banking space, with the objective to "directly influence their lending policies to the maximum benefit of the economy." The motivation for the Federal Government equity participation in banking was the urgent need to control strategic industries (or what was popularly referred to as the commanding heights of the economy) and to further the indigenization policy that it was pursuing (Ajayi and Ojo, 2006:28; Uche, 2012). Uche (2012) utilizing archival evidence argues that the British government utilized both orthodox and unorthodox strategies to protect British businesses in Nigeria. The first phase of the indigenization decree was designed to reduce the foreign ownership of businesses in Nigeria including expatriate banks as a technique to clamp down on the market powers of those expatriate businesses (Alexakis and Samantas 2020). The policy of Government in banks in which it held equity was to appoint board members including the Chairman and to set out broad policy guidelines for their operations, while the daily running was left with banks' management.

While the Exchange Control Act of 1962 did not deal with banks directly, banks were however affected as the transactions were carried out through the banking system. The existing foreign exchange restrictions would necessarily affect the activities of banks. Nevertheless, the arrangement of government equity participation in banks explains the relative stability that reigned in the banking system up until the adoption of the Structural Adjustment Programme (SAP) in 1986. During this Pre-SAP era of intensive regulation and government ownership of banks, the government was unwilling to let any of its banks fail irrespective of the bank's financial condition or quality of management. Government feared the potential adverse effects on confidence in the banking system and in the economy following a bank failure. Consequently, government deliberately propped up a number of inefficient banks, thus implicitly protecting the shareholders. The stability however was accompanied with some 'private costs' in the form of substantial bad debts that resulted from lending to government and preferred sectors. In the subsequent phase (SAP era), government focus shifted from shareholders' protection (by averting bank failure) to protection of depositors through the establishment of an explicit deposit insurance scheme.

Specifically, it has been argued that the foundation of another phase of banking distress was laid during the Indigenization era. It has been severally argued that the balance sheet structure of banks (maturity mismatching of assets and liabilities and the non-marketability of some assets) render them particularly vulnerable to inflation. In the words of Merton Miller, banking is a 19th century disaster-prone technology. It is thus, in the interest of such banks to lobby for the enforcement of policies that will counter inflation which was caused by government fiscal recklessness. The huge government reserves accumulated from the oil boom at that time fuelled fiscal indiscipline. Indigenization therefore greatly weakened the ability of the banking sector to protect itself. Government ownership of the banks ensured that when it came to the inflation debate, government was simply talking to itself (Uche 2007: 11). It simply became difficult to distinguish between views of government and views of the banks. This was further complicated by the fact that the small size of the Nigerian financial system relative to the GDP effectively reduced banks' clout with respect to influencing government policies. Until fiscal recklessness is checked, the use of monetary policies alone to achieve macroeconomic stability will remain nothing more than an illusion. Thus, under this scenario and even in a democratic setting, any talk about central banking independence will be of little consequence on price stability. This argument became quite obvious with the distress that later plagued the banking industry during the SAP and Post-SAP periods.

A rural banking scheme was launched in July 1977 with the decision to allocate banks to identified rural areas on the basis of a formula which related the number of each bank's rural branches to its total branch network throughout the country. The purpose was to mobilize rural savings and channel them to rural development. Specifically, banks were required to establish over 750 rural branches over a period of 10 years. The sole aim was to mobilize the financial resources of the rural areas, promote banking habit, attract cash held in the rural areas to the banking system in order to enhance the effectiveness of monetary policy and extend credit to the rural areas. The CBN offered a number of incentives to encourage rural bank establishment, including waiving feasibility study for rural branches, excluding rural bank credits from total loans and advances (e.g. for purpose of prudential loan-to-deposit limits), granting a reasonable monopoly period in a rural branches location to enable a bank build up sizeable number of branches in the same locality; and allowing a 5 percent (from April 1980) investment allowance in excess of what is normally allowable in industrial companies (normal initial 15% and annual 10% allowed by banks as industrial enterprises). However, problems such as infrastructural deficits, poverty levels and illiteracy contributed to the low volume of rural business to cover banking overheads.

Further, the nationalization of the major banks heightened focus on compliance with the allocative policy on lending in accordance with the Banking Decree of 1969. Thus, direct control measures such as sectoral credit guidelines and interest rate controls were used to influence allocation of resources to the public and preferred sectors of the economy, notably agriculture and manufacturing.

In addition, interest rates in real terms were generally negative leading to low savings, misdirected lending and low growth. The era was characterized by poor service culture, low level of technology utilization for accounting and operations, and made banking halls the most unwelcome places to visit as long queues and the use of "tally numbers" were commonplace. It was the era of "sellers market" characterized by armchair banking. The market-driven reforms which ensued in the 1986-1993 era forced a radical change from that laid-back culture in provision of banking services. Indeed, as observed by Bitar, Hassan and Saad (2020), cultural values may be effective in implementing regulatory reforms.

THE ERA OF STRUCTURAL ADJUSTMENT PROGRAMME (SAP) / FINANCIAL SYSTEM DEREGULATION (1986 – 1993)

In **1986** the Babangida Administration, under pressure from the International Monetary Fund and the World Bank, launched the Structural Adjustment Programme. The sharp fall in oil revenues in the first half of the 1980s, accumulated trade arrears and increased debt service burden had precipitated an economic crisis which also reinforced the liberalization of government controls in the economy. SAP was therefore introduced and designed to achieve balance of payment viability by altering and restructuring the production and consumption patterns of the economy, eliminating price distortions (to improve efficiency of resource allocation), reducing the heavy dependence on consumer goods imports and crude oil exports, enhancing the nonoil export base, rationalizing the role of the public sector, accelerating the growth potential of the private sector and achieving sustainable growth. To achieve the stated objectives, the main strategies of the programme were the adoption of a market-determined exchange rate for the Naira (N), the deregulation of external trade and payments arrangements, reductions in price and administrative controls and more reliance on market forces as a major determinant of economic activity.

An integral part of this programme was the deregulation of the banking system. Bank licensing policy was liberalized thereby giving rise to a proliferation of banks and other financial institutions. For instance, during the period 1985-1992, the number of licensed commercial and merchant banks increased from 40 to 120. Most of these new banks were no more than money changers (Bureau de Change). The deregulation of the economy, loopholes and sometimes outright evasion of the law made it possible for some of the banks to survive and prosper by mainly trading foreign exchange.

Other policy thrust during the SAP era included:

(1) Deregulation of interest rate regime
(2) Establishment of the Nigerian Deposit Insurance Corporation (NDIC)
(3) Promulgation of the CBN Act 1991 and Banks and Other Financial Institutions Act (BOFIA) 1991 (Decree numbers 24 and 25 respectively);
(4) Introduction of Open Market Operations

As early as the beginning of SAP, the deregulation of interest rates was accepted as an important element of the reform process. Early in 1987, the interest rate structure was adjusted upwards. This policy was taken as a means of improving the efficiency of the banking system and improving resource allocation. The principles of maintaining a minimum level of interest rate on savings and time deposits and a maximum lending rate was retained. The controls on interest rates were removed in 1987 and the CBN adopted the policy of fixing only its minimum rediscount rate. This was to signal the CBN's desired direction of interest rate changes. Another major interest rate policy that was taken was in 1989 when the CBN announced that banks could pay interest on current account deposits while the rate to be paid would be negotiable between banks and their customers. Subsequently, the payment of interest on demand deposits was made mandatory for banks in January 1990. The purpose of this was to enhance greater competition in the mobilization of savings.

Two major changes to interest rates occurred before 1992. The first was the issuance of guidelines by the CBN on the spread of banks' interest rates. This affected the spreads between savings deposit and prime lending rates, the prime and the highest lending rates and the margin between inter-bank interest rates and prime lending rates. The second modification was in January 1991 when the government, as a temporary measure had to prescribe a maximum margin between the banks' average cost of funds and their maximum lending rates as well as a minimum level of savings deposit rates. The resultant high interest rates were suspected to inhibit investment and hence growth, thus counterproductive. In 1992, the policy of interest rate deregulation was reinstated as a result of the orderliness that has been restored to the interest rate regime. The reforms in the financial sector were designed to increase competition, and strengthen the supervisory role of the regulatory authorities. The proliferation of banks that ensued from financial liberalization brought about mixed blessings. While the increased number of banks brought about keen competition with all the different innovations, it also overstretched the limited number of qualified people in the industry. Some banks resorted to poaching in an attempt to get the necessary manpower for the management of their banks. As a result of the increasing demand for high-level manpower, given the limited supply, standards were compromised. As a result of the compromise of standards together with other defects such as rampant internal mismanagement, insider abuse, massive loan repayment defaults and macroeconomic instability, there was systemic distress in the banking sector in the Post-SAP era (between 1995 and 2000). Indeed a total of 33 terminally distressed banks had their licenses revoked between 1994 and 2000 - 2 in 1994, 2 in 1995, 26 in 1998 and 3 in 2000.

The deregulation of the economy created both risks and opportunities for the banks and there was increased competition not just amongst banks but also with non-bank financial institutions such as finance houses which were also a creation of deregulation. SAP therefore fundamentally changed the structure of banking in the Nigerian economy. The new spirit of competition meant that the decision as to whether banks failed or not was to be determined by market forces. Government therefore focused on protecting the depositors, hence the establishment of the NDIC in March 1989. Government guarantee of deposits, although limited, also necessitated closer prudential monitoring of the activities of the insured banks. Prudential Guidelines were released to ensure proper credit classification and income recognition, as part of the measures to promote the financial health of banks. The Prudential Guidelines attempted to align banking regulations with international best practices. For instance, the capital adequacy requirements were introduced in accordance with the Basel Accord and rules on classification of/ provisions for loan exposures and off-balance sheet commitments were based on International Accounting Standards. The profits declared by most banks shrunk as a result of this prudential regime and their financial condition could have been much worse had they not been allowed to spread the required provisions over a period of four years. For example, First Bank of Nigeria made a loss after tax of N205.4m in 1990 compared to a profit after tax of N106m reported for the previous year (Ajekigbe, 2009:14) . In addition, Government's directive that back-log of naira deposits for foreign exchange applications yet to be approved and all public-sector deposits be transferred to the CBN, to curb rising inflation, also triggered a liquidity crisis in the financial system. With the promulgation of the CBN Decree No 24 of 1991 and the BOFI Decree No 25 of 1991, the independence of the CBN was strengthened and its capacity to supervise both banks and non-bank financial institutions was enshrined in our legal framework. Prior to that period, one of the problems that plagued the Nigerian financial system was the lack of adequate legal framework for the effective regulation and supervision of both banks and non-bank financial institutions. In addition, the repealed CBN Act of 1958 and the Banking Act of 1969 were not only inadequate but were also riddled with ambiguities. The new CBN Decree however, made it possible for the Central Bank to report directly to the President instead of through the Ministry of Finance. Furthermore,

(1) The CBN acquired the powers to compile and circulate to all banks in Nigeria, a list of bank debtors whose debts to any bank had been classified by bank examiners (S. 52).
(2) The BOFID vested the CBN with the sole licensing power for both banks and non-bank financial institutions (S. 2,3, 56 and 57). This, therefore, brought the activities of primary mortgage institutions, discount and finance houses, etc. under the regulatory ambit of the CBN.
(3) The CBN was vested with the powers to deal with any failing (or ailing) bank and failed bank. For instance, the CBN, with the approval of the President, can assume control and management of a failing bank (S.34) and apply to a court either to purchase a failing bank for a nominal fee, for the purpose of restructuring it or liquidating it (S.36).
(4) To enhance the CBN's newly granted administrative enforcement powers, the Decrees overflow with provisions imposing high monetary penalties ranging from N5,000 to N1m as well as imprisonment terms ranging from one to ten years. The NDIC at the time endorsed the provisions of the Decrees.

Further, the practice of government equity participation in banks, as under the indigenization era, came to an end between 1992 and 1993 when the Federal Government divested most of its equity holdings in banks to Nigerian private investors. The reforms also led to the emergence of privately-owned banks that introduced online banking services and automation of banking processes, which reduced queues in banking halls. They also provided incentives for banks to innovate, offer new products and run efficiently. In effect, the structure of banking was dramatically altered with the emergence of 'new generation' banks who contested for the existing banking market space with their 'old generation' counterparts. The new generation banks thrived with their unique value proposition, to corporate, high networth individuals, high-income professionals, which was hinged on efficient services and higher interest rates on deposits following the deregulation of interest rates in 1987.

Unfortunately, and as earlier mentioned, the proliferation of banks heightened abuses in the foreign exchange market as banks sought to take advantage of arbitraging opportunities which existed between exchange rates at the official and parallel markets. Most of these banks were no more than Bureau de Changes (Uche, 2000). Also, the phenomenal growth in number of banks overstretched regulatory capacity while the growing sophistication in the design and use of financial instruments heightened credit and operational risks.

The desired reallocation of credit from the public to the private sector did not occur because of the Federal Government huge spending that resulted in ever-increasing budget deficits after 1987. Thus, government domestic borrowing ballooned which was also occasioned by the inability of the CBN to perform effectively some of its statutory functions. Huge government borrowing, therefore, crowded out the private sector from the credit markets although the problems afflicting the real sector and the arbitraging opportunities in the foreign exchange market also made granting of credit unattractive to most banks. Regulatory arbitrage - whenever exploited by banks - usually come with adverse consequences (Frame, Mihov and Sanz 2020).

One of the main objectives of the CBN is the promotion of monetary stability and sound financial system in Nigeria. The Government, however, has a considerable say in the appointment of Directors and management of the CBN. For instance, the Governor, Deputy Governors and Directors of the CBN are appointed by the President (S. 9 and 11 of CBN Decree 1991). Also the Decree only requires that the CBN shall use its best endeavour to maintain external reserves at levels considered by the Bank to be appropriate for the monetary system of Nigeria (S. 25). Doubtless, these provisions give enormous leeway for the Federal Government to influence central banking policies, especially with respect to financing government activities. This was one of the reasons why the British colonial government was reluctant to allow the establishment of a central bank in Nigeria. It was to prevent such political interference that the British colonial government ensured that the 1958 CBN Ordinance which they midwifed contained a clause specifically stating that:

'The value of the reserve. . . shall- (a) for a period of five years. . . be not less than the aggregate of an amount representing sixty per cent- of the Bank's notes and coins in circulation together with an amount representing thirty-five per cent of the Bank's other demand liabilities; (b) after five years.. . be not less than forty per cent of the aggregate of the Bank's notes and coins in circulation and other demand liabilities' (s.26).

The 1991 Decree, however, contained provisions that if adhered to will assist in the attainment of the policy objective of monetary stability. For instance, section 33 asserts that:

'the Bank may grant temporary advances to the Federal Government in respect of' temporary deficiency of budget revenue at such rate of interest as the Bank may determine. . . The total amount of **su**ch advances outstanding shall not at anytime exceed twelve and a half per cent of the estimated recurrent budget revenue of the Federal Government for the year in which the advances are granted. . . All advances made pursuant to this section shall be repaid as soon as possible and shall in any event be repayable by the end of the Federal Government financial year in which they are granted and if such advances remain unpaid at the end of the year, the power of the Bank to grant such further advances in any subsequent year shall not be exercisable, unless and until the outstanding advances have been repaid'.

Unfortunately, this important provision is rarely heeded and the CBN has continued to finance government fiscal deficits without any inhibitions, advancing more than 50 percent of the budgeted revenue in some years. Pius Okigbo, in his yet to be published report, argued that on no account should the Governor either break or be allowed to break the law. His report therefore proposed that the breach of this provision is a sufficient condition for the removal of the CBN Governor. But will such a provision help? Not necessarily. A government that flouts one law can easily flout another. In other words, the problem is not necessarily with the law but with its implementation (Uche, 2000). The challenge was heightened because Nigeria was under a military rule where checks and balances in government process were practically non-existent. Such a government was unlikely to adhere to such a stringent monetary policy requirement unless there was an incentive to do so. Since the government did not derive its powers from the electoral box, electoral considerations were of little importance. Focus might have been on policies that kept the military happy, such as preventing an insurrection within its rank and file. This was Nigeria’s experience under 16 years of unbroken military rule from 1983-1999.

Apart from the electorate, another constituency that could have supported anti-inflationary pressures/policies were banks. It has been argued that the balance sheet structure of banks (maturity mismatching of assets and liabilities and non-marketability of some assets) render them particularly vulnerable to inflation (Nassios, Giesecke, Dixon and Rimmer 2020). It is thus, in the interest of such institutions, to lobby for the enforcement of policies that will help in the attainment of the monetary policy objective of price stability (Anarfo, Abor & Osei 2020). As had already been mentioned, government fiscal indiscipline was one of the main causes of the banking crisis in the deregulation and post-SAP era. Unfortunately, Nigerian banks were unable to constitute an effective anti-inflation lobby group because they were largely government owned until the divestment of government holdings in the early 1990s. Thus, as earlier mentioned, a side-effect of the indigenization decree of the 1970s was that it destroyed the ability of banks to serve as a check against government fiscal indiscipline which causes inflation. The Indigenization decree greatly weakened the ability of the banking industry to protect its interests. Therefore, the strengthening of this potentially important group will therefore be critical in any attempt to enable the CBN to carry out its legitimate role fearlessly. A robust financial system will represent a strong constituency for low inflation which can side with the CBN should it choose to obey the law and disobey the government. In this regard, the divestment of government equity participation in banks during the later-SAP era was a welcome development.

SAP also demanded a change in strategy for training and recruiting regulators. What the programme did was to infuse entrepreneurial ingenuity into the various segments of the Nigerian economy. Entrepreneurs pushed against the boundaries of existing laws. In fact, in some cases, their operations lie outside the law. Bureaucracy, however, did not always allow the government (regulators) to rewrite the laws in order to keep pace with the activities of such entrepreneurs. Also, under a market economy, it is easy to accuse such governments of floating regulations that stifle competition. For instance, government found it difficult to restrict banks from collusion to manipulate the foreign exchange market. This was especially so given the imperfect nature of the Nigerian economy. Any interference with the market in form of regulatory controls, could tamper with the long-term workability of such markets. Another aspect of the problem was the fact that SAP extensively promoted competition among employers with respect to wages. Partly because of bureaucracy, regulators' wages – regulators' are usually employed by the government - almost always lagged behind those of private entrepreneurs. Again, partly because of bureaucracy, the regulators were slower at adapting and responding to technologically changes. The result was that the regulators had inferior credentials and expertise compared to those being regulated. Under such a circumstance, it became easy for the regulator to be compromised or outwitted by the regulatees.

GUIDED DEREGULATION (1994 – 1998)

As earlier noted, despite the promulgation of the CBN Decree and BOFI Decree both of 1991 and the extensive powers granted the CBN and the NDIC, banking stability was still threatened. This period was characterized by lots of policy reversals following the change in government and perhaps a fatigue from SAP-induced reforms. The political instability, unpredictable policy changes and rising inflation resulted in capital flight and massive withdrawal of funds by depositors.

The macro-economic policy reversal through the 1994 fiscal budget worsened the already weak position of banks. By 1994/1995, 50 percent of the banks were distressed and ratio of the aggregate non-performing loans to total loans ratio stood at 43 percent. To salvage the situation, the CBN and NDIC adopted measures, including provision of liquidity support via accommodation facilities, imposition of holding action against further lending, takeover, restructuring and liquidation of terminally distressed banks.

The official and market rates, which were merged under the Inter-bank Foreign Exchange Market (IFEM) in January 1989 were separated through a policy of "guided deregulation" of the foreign exchange market in 1995. The foreign exchange market was segmented into two: official, which accommodated government transactions at a special rate of N22 to US$1 and the Autonomous Foreign Exchange Market (AFEM) for all other users at a rate of N80 to US$1. This segmentation created incentives for "rent-seeking", round tripping and other market abuses.

As the need to attract and retain (foreign) capital within the Nigerian economy heightened, it became imperative to relax market restriction on foreign equity participation. Thus, the Nigerian Enterprises Promotion Decree No. 7 of 1995 and the Nigerian Investment Promotion Commission (NIPC) Decree No. 16 of 1995 were promulgated. These abolished all restrictions on foreign shareholding and guaranteed unconditional transferability of dividends, profits, loan repayments, interests and remittance of divestiture proceeds. The immediate effect of these reforms was a capital market boom as the number of listed securities increased together with other market indices such as overall capitalization, activity levels and relative size of the Nigerian Stock Exchange (NSE) with other African Stock Exchanges. Thus, during this period, the NSE came under the searchlight of the Standards and Poor's Emerging Markets FACTBOOK.

Another notable highlight of this period was the reform of the national payment system, following the incorporation of the Nigerian Inter-Bank Settlement System (NIBSS) and the introduction of card-based payment system in 1993. Further to this, the Magnetic Ink Character Recognition (MICR) technology for clearing cheques and the revised clearing rules became operational in 1995. Quite important too, the required capital base for both commercial and merchant banks was raised to N500 million in 1997. Prior to that time, Merchant banks and commercial banks were required to maintain a minimum capital base of N40m and N50m respectively as per BOFI Decree 1991. Table 1 below reveals history of minimum share-capitalization for Nigerian banks as required by the regulator since 1952.

TABLE 1: HISTORY OF REQUIRED BANK CAPITALIZATION IN NIGERIA

YEAR	REQUIRED CAPITAL	REMARKS
1952	£12,500 £100,000	Indigenous banks Foreign banks Three-year ultimatum was given for under-capitalized banks to recapitalize. (17 indigenous banks failed consequently).
1958	£12,500 £200,000	Indigenous banks Foreign banks
1962	£250,000	Both foreign and indigenous banks
1969	£300,000 £750,000	Indigenous banks Foreign banks
1979	N1,000,000 N2,000,000	Merchant banks Commercial banks
1988	N6,000,000 N10,000,000	Merchant banks Commercial banks
1989/1990	N12,000,000 N20,000,000	Merchant banks Commercial banks
1991	N40,000,000 N50,000,000	Merchant banks Commercial banks
1997	N500,000,000	Both merchant and commercial banks
1999(1999-2002)	N1 billion	All banks
Jan 2004	N2 billion	All banks
July 2004-2005	N25 billion	The increase of 1150% came even before the expiration of the N2billion recapitalization exercise
2009-2020	N10billion N25 billion N50 billion	Regional Banks National Banks International Banks

Source: Central Bank of Nigeria.

UNIVERSAL BANKING ERA (1999 – 2003)

With the return of civilian rule in May 1999, there was an apparent return to the path of economic reforms again. Universal banking was adopted in January 2000 in response to unprecedented pressure from merchant banks clamouring for equity - a level playing field due to their disadvantaged position especially with regards to the cost of funds. The adoption of universal banking, though, has been argued as being merely a legal attempt to legislate existing practices. Prior to that period, some commercial banks owned subsidiaries that were merchant banks. Generally, many banks had subsidiaries who were providing investment banking services, capital market, pension, insurance, registrar-ship and other related financial services.

Consequently, the functional delineation between commercial and merchant banking, brought about by the Banking Decree 1969 was effectively removed thus paving the way for uniform licences to be issued to all banks and for them to determine in which segment of the financial services market to operate.

The Small and Medium Enterprises Equity Investment Scheme, under which banks set aside 10% of their annual profits for equity investment in Small and Medium Enterprises (SMEs) was set up in August 2001. This initiative was followed by the establishment of the Bank of Industry Limited (BOI) in October 2001 following the reconstruction of the Nigerian Industrial Development Bank (NIDB), in keeping with Federal Government's intent to use SMEs as instruments for rapid industrialization, sustainable economic development, poverty alleviation and employment generation. In addition, it was during this era that a minimum capital base of N1billion was required for all banks.

In the five years to 2004, the CBN intensified its supervisory role over banks while making concerted efforts to shut down arbitrage windows in the foreign exchange markets. As part of this process, CBN suspended 21 banks for contravening foreign exchange regulations in 2002 and also introduced the Dutch Auction System (DAS). In addition, the CBN undertook an internal reform programme tagged Project EAGLE, which was designed to improve its regulatory efficiency and effectiveness.

Table 2 below shows the pre-consolidation top four Nigerian banks vis-à-vis other big African banks

TABLE 2: CAPITALIZATION OF TOP 4 NIGERIAN BANKS PRE-CONSOLIDATION (2003)

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

Source: Ajekigbe (2009:24)

From the table, the ratio of the combined capital of Nigerian top 4 banks to that of their African mega counterpart was a mere 8.3 percent. This implies that Nigerian banks were only marginal players on the African continent.

CONSOLIDATION ERA (2004 – 2008)

In his address to the Special Meeting of the Bankers Committee on July 6, 2004, the CBN Governor, Professor Charles Soludo, announced a 13-point Reform Agenda tagged "the New Agenda for Repositioning the CBN and the Financial System for the 21st Century", and outlined as follows:

1. Requirement that the minimum capitalization for banks should be N25billion
- Full compliance before end-December 2005 (18-month expiry period)
- Only banks that meet the requirement can hold public sector deposits and participate in the DAS by end 2005
- Names of banks that qualify by 31st December 2005 will be published
2. Phased withdrawal of public sector funds from banks, starting in July 2004.
3. Consolidation of banking institutions through mergers and acquisitions
4. Adoption of a risk-focused and rule-based regulatory framework
- CBN will pre-announce the rules of the game and abide by them
5. Adoption of zero-tolerance in the regulatory framework, especially in the area of data/information rendition/reporting.
- Bank MDs to sign all bank returns henceforth
- Manipulation of accounts/ concealment of unsavoury transactions off-balance sheet will henceforth attract serious sanctions
6. Automation of rendition of returns by banks and other financial institutions
7. Establishment of a hotline, confidential internet address (governor@cenbank.org) for all Nigerians wishing to share any confidential information with the Governor of the Central Bank on the operations of any bank or the financial system.
- Only the Governor has access to this address
8. Strict enforcement of the contingency planning framework for systemic banking distress
9. Establishment of an Asset Management Company as an important element of distress resolution
10. Promotion of the enforcement of dormant laws relating to, for instance, issuance of dud cheques, vicarious liabilities of the Board members of banks in cases of failings by the bank.
11. Revision and updating of relevant laws, and drafting of new ones relating to the effective operations of the banking system.
12. Closer collaboration with the Economic and Financial Crimes Commission (EFCC) in the establishment of the Financial Intelligence Unit (FIU), and the enforcement of the anti- money laundering and other economic crimes measures.
13. Single obligor limit of 10% of shareholders' funds as opposed to the present 25%, with aggregate borrowing pegged at 800% of shareholders' funds.

This was actually stated by the CBN Director of Banking Supervision.
The objective of the reform programme was to create a diversified, strong and reliable banking sector, which would (i) ensure the safety of depositors' money (ii) play active developmental roles in the economy, and (iii.) become competent and competitive players both in the African and global financial systems.
The direct impact of the reform programme was shrinkage in the number of banks from 89 to 25. Only 76 out of 89 banks made it given the deadline of December 31st 2005. 76 banks either went through some form of merger or acquisition with the exception of a few banks that stood alone.

At the launching of the re-capitalization idea, a lot of criticisms grew from the practitioners and academics alike. Some observers felt the exercise was targeted at eliminating the small banks and reducing the number of banks in the country. Job security was further threatened by perceived reduction in number or elimination of small banks. Further, the exercise was criticized as an attempt to (mis)use share capitalization to force the emergence of mega banks whose constituents might be "strange bed-fellows". A policy of forced consolidation has its downsides. In fact, consolidation – as has been noted by the Central Bank in its ''Code of corporate governance for banks in Nigeria post consolidation''– poses the following grave governance risks: technical incompetence of the board and management; board squabbles due to the meshing of different corporate cultures; disputes between management and staff; increased levels of risks; ineffective integration of entities; poor integration and development of information technology, accounting and record systems; inadequate management capacity; resurgence of a high level of malpractices; insider-related lending; rendition of false returns; continued concealment; ineffective audit committees; inadequate operational and financial controls; absence of a robust risk management system; disposal of surplus assets to boost profits so as to cover operational losses and inefficiencies; and a lack of transparency. It was, therefore, difficult to applaud this policy on the grounds that its tangential effect would be to improve corporate governance. Furthermore, it was not evident that an increase in the share capital of Nigerian banks will automatically provoke any significant attitudinal change.

Further, a policy of ''forced consolidation'' is not risk free. It increases the likelihood that value destroying consolidations may have been consummated. Mergers and acquisitions are in the best of circumstances – when they are entered into because of the identification of a strategic business objective – fraught with many difficulties. Where the strategic objective is regulatory pressure, the odds against successful consolidations increase. By ''forcing'' banks to approach mergers with an eye to achieving a balance sheet consolidation, rather than on the synergies to be created, the Central Bank increased the risk that ill-fitting entities may have consolidated their balance sheets. Consolidated entities that ended up destroying shareholder value could hardly be regarded as successful mergers (Ogowewo and Uche, 2006: 173). For instance, the experience with erstwhile Spring Bank after consolidation, until its eventual acquisition by the CBN, provides strong support for these arguments.

In fact, the collapse of many alliances (formalized in Memoranda of Understanding) during the exercise indicated that many value-destroying consolidations were in fact avoided; this in no way does not eliminate the point that some value-destroying consolidations were implemented. Ogowewo and Uche (2006) argued that the risk of shareholder value destruction was heightened in the case of banks which met the minimum capitalization figure, not through a capitalization of reserves, but instead through an issue of fresh shares. For such banks, the challenge of maintaining their pre-consolidation earnings per share post-consolidation will be formidable, since there will now be more shares in issue. Furthermore, there will be post-merger integration challenges to grapple with. Contrary to the thinking of the Central Bank, as evident from its May 2006 circular to banks, the harmony of new partners cannot be decreed by fiat. Interestingly, the Central Bank did not need to use the increase in bank share capital to goad banks towards mergers. Before the announcement of the 25 billion share capital requirement, developments in the Nigerian banking arena showed that the industry was ripe for consolidations. Following the announcement of the minimum share capital requirement of 2 billion in 2004, applications for new banking licenses had all but disappeared. Furthermore, at the end of 2003, there were about a dozen or so banks that were clear candidates for restructuring. There was, therefore, ample room for consolidation to occur in the Nigerian banking sector. The important thing to bear in mind is that absent regulatory pressure, the consolidations would have been strategic and the risk of value destroying consolidations will have been reduced. A policy of encouraging strategic consolidations, whilst intellectually tasking, is superior to a policy of ''forced'' consolidations.

As expected, banks became awash with liquidity and thus an increased appetite to be global players. This era marked massive overseas expansion of Nigerian banks. Access Bank, for instance, has subsidiaries in Cote D'Ivoire, Democratic Republic of Congo, Gambia, Rwanda, Sierra Leone and Zambia while Zenith Bank has subsidiaries in Sierra Leone and Ghana. The magnitude and speed of Nigerian banking investments abroad was such that as at September 23, 2008, ten out of 24 Nigerian banks had full-fledged licensed bank in a foreign country. The banks were First Bank, Union Bank, Intercontinental Bank, Access Bank, Bank PHB, United Bank for Africa (UBA), Guaranty Trust Bank, Zenith Bank and Oceanic Bank. The last to make the list is FinBank, formerly First Inland Bank, which announced on September 22, presence in the Gambia through the acquisition of the Arab Gambian Islamic Bank (Uche, 2009b). Further, banks approached the capital market between 2007 and 2008 to raise equity funds with some banks securing foreign listing in developed capital market. For instance, it was during this period that Guaranty Trust Bank secured its quotation on the London Stock Exchange.

Table 3 below shows some industry statistics during the period 1986-2008. It is worth mentioning that despite the reduction in the number of banks from 41 to 24, three key performance indicators have improved viz: branch network (market penetration), total assets (scale) and credit to the private sector (financial intermediation). However, when the 22-year period is disaggregated into four periods viz: 1986-93, 1993-98, 1998-2004 and 2004-2008, the inconsistency in improvement of performance indices becomes more glaring. Market penetration declined in the 1993-98 guided regulation era. Further, the proportion of total private credit being availed to small businesses continues to decline. The consolidation of the banking sector of 2004-2008 did not appear to reverse that unfavorable trend in credit allocation to small businesses. The consolidation rationalized the nature of risks that banks were willing to shoulder. Perhaps the banks' deeper pockets arising from the recapitalization increased their appetite for large ticket corporate transactions at the expense of micro and small businesses which hold the greatest potential for job creation and poverty alleviation.

Table 3: Some Banking Industry Statistics (1986- 2008)

Year	Number of Banks	Number of Branches	Total Assets (N'B)	Credit to private sector (N'B)	Credit to Small Scale Enterprises as % of total credit
1986	41	1,394	48.1	17.4	
1987	50	1,516	62.1	25.5	
1988	66	1,711	75.2	29.8	
1989	81	1,909	86.7	30.9	
1990	107	2,013	110.4	36.6	
1991	119	2,107	155.5	45.3	
1992	120	2,391	201.3	80.0	27.04
1993	120	2,382	279.9	95.5	17.41
1994	116	2,547	357.5	151.0	14.32
1995	115	2,512	465.1	211.4	15.86
1996	115	2,554	548.8	221.8	16.60
1997	115	2,477	694.9	275.0	13.12
1998	89	2,220	821.2	351.8	11.53
1999	89	2,344	1,196.0	455.2	10.43
2000	89	2,306	1,707.1	596.0	7.58
2001	90	2,306	2,247.0	855.0	6.21
2002	90	3,123	2,766.9	955.8	8.68
2003	90	3,247	3,047.9	1,301.6	7.49
2004	89	3,492	3,392.9	1,534.4	3.62
2005	89	3,357	4,389.3	2,007.4	2.54
2006	25	3,233	6,738.0	2,565.8	0.99
2007	24	4,200	10,431.0	5,056.7	0.85
2008	24	4,952	14,825.4	7,341.1	0.17
Growth (1986-93)%	16.58	7.95	28.61	27.53	
Growth (1993-98)%	-5.80	-1.40	24.02	29.80	-7.91
Growth (1998-2004)%	0	7.84	26.67	27.82	-17.56
Growth (2004-2008)%	-27.94	9.13	44.58	47.90	-54.45
Average Growth (1986-	-2.4	5.93	29.76	31.62	-17.71

2008)%					

Sources: Central Bank of Nigeria, Author's estimation.

Table 4 also presents information on the top Nigerian four banks as at the end of 2007 vis-à-vis the African mega banks. The ratio of their combined capital (of the four Nigerian banks) to the combined capital of the African mega banks has increased from 8.3 percent to 39.8 percent.

TABLE 4: Capitalization of top 4 Nigerian Banks After Consolidation (2007)

	AFRICA'S TOP 4	CAPITAL USD$'m	NIGERIA'S TOP 4	CAPITAL USD$'m
1	Standard Bank	8,015	Union Bank	3,040
2	First Rand	5,169	First Bank	2,500
3	ABSA	5,089	UBA	1,696
4	NedBank	4,080	Zenith Bank	1,650
	Sub-Total	22,353	Sub-Total	8,886

Source: Ajekigbe (2009:24)

The 'new' N25 billion capitalization requirement for banks by the CBN, despite the drawback of using share capitalization to force banking consolidation, could well have turned out to have some unintended positive consequences. Mega banks will no doubt be in a much stronger position to form a "pro-stability stakeholder group" and make the point that Government's reckless fiscal policy and its attendant macroeconomic instability is the main cause of financial instability. Until the fiscal recklessness of the Government is checked, the use of monetary policies to achieve macroeconomic stability or financial inclusion will remain nothing more than an illusion (Anarfo, Abor and Osei 2020).

III. BANKING REFORMS ERA (2009 – 2020)

This era may be sub-divided into two corresponding to the tenor of the CBN Governors viz: Mr. Sanusi Lamido Sanusi (2009-2014) and Mr. Godwin Emefiele (2014-date). The banking era of 2009-2014 may be regarded as banking reforms era under the Apex bank governorship of Mr. Sanusi Lamido Sanusi. The Governor initiated extensive banking reforms built around four pillars namely: to enhance banks' quality, to promote financial stability, enable healthy financial sector evolution, and ensuring that the financial sector contributed to the real sector of the economy. The regime focused on implementation of some "unfinished business" of the prior regime i.e. consolidation agenda. It is important to note that this era was accompanied by financial crisis in the global financial system. On a positive note, the consolidation programme helped Nigerian Banks to have built some resilience against the financial crisis. The civilian to civilian government transition in May 2007 came with a strong commitment of the Federal Government to make Nigeria one of the 20 largest economies in the world by the year 2020, and one of the broad policy frameworks for achieving this goal is the Financial System Strategy 2020 (FSS 2020). The reforms of the 2009-2014 were designed to build on the successes of earlier reforms with the overriding objective of fostering financial stability.

After the consolidation, eight major interdependent factors led to an extremely fragile financial system that was tipped into crisis by the global financial crisis and recession (Sanusi, 2010) namely:

(1) Macroeconomic instability caused by large capital inflows
(2) Major failures in corporate governance at banks
(3) Lack of investor and consumer sophistication
(4) Inadequate disclosure and transparency
(5) Major weaknesses in the business environment
(6) Unstructured governance & management processes at the CBN
(7) Uneven supervision and enforcement
(8) Critical gaps in regulatory framework and regulations

The CBN in conjunction with the NDIC initiated special examination of Nigerian banks. The reports of the special examination team revealed that ten out of 24 banks were in a grave situation, prompting capital injection of N620 billion into nine banks by the CBN. In particular,

(1)Non-performing loans in the ten banks totaled N1,696 billion, representing 44.38 percent of total loans
(2) Aggregate provisioning required in the ten banks amounted to N1,221.52 billion
(3) Capital Adequacy Ratio in the ten banks ranged between (1.01) and 7.41 percent, which were below the statutory minimum ratio of 10 percent.
(4) The additional capital injection required by the banks was N495.83 billion
(5) One key aspect of earlier reforms was Universal Banking which allowed banks to venture into different businesses and which posed a serious challenge to the regulators.

The CBN initiatives included:
(1) Injecting N620 billion into nine banks
(2) Replacing the Chief executives and executive directors of eight of the banks with turnaround managers.
(3) Reaffirming guarantee of the local interbank market to ensure continued liquidity for all banks
(4) Guaranteeing foreign creditors and correspondent banks' credit lines to ensure confidence and maintain important correspondent banking relationships

The capital injection enabled the banks to continue normal business operations and prevented a run on the banks. Depositors did not lose their funds in the beleaguered banks. However, the shareholders of the banks lost their investments because the banks' entire shareholders' wealth had been wiped out by losses that were compounded by forced prudential loan loss provisioning.
The banking reforms under the Sanusi Governorship era were based on four pillars (Sanusi, 2010) namely:
(1) **Enhance the quality of banks**
(i) Regulatory framework reform; (ii) Risk based supervision; (iii) Consumer protection;(iv) Corporate governance
(v) Disclosure and transparency
(2) **Establish financial stability**
(i) Financial stability committee
(ii) Macro prudential issues
(iii) Capital market development (as alternative to bank funding)
(iv) Counter-cyclical fiscal policies
(3) **Enable healthy financial sector evolution**
(i) Competitive banking industry structure
(ii) Improved cost structure of banks through cost control and business process outsourcing
(iii) Reliable and secure payment systems
(iv) Greater financial inclusion
(v) Improving financial infrastructure: credit bureaus and registrars
(4) **Ensure the financial sector contributes to the real economy**
(i) Improving effectiveness of existing development finance institutions
(ii) Examination of critical issues for economic development (e.g. power, port, railways)
(iii) Leveraging on CBN's role as an adviser to the Government on economic matters
(iv) Greater engagement with the Banking Industry. Specifically, this era witnessed
(v) Emphasis on a risk-based supervisory framework for banks and other financial institutions
(vi) Strict enforcement of the contingency planning framework for systemic banking distress
(vii) Establishment of the Asset Management Corporation of Nigeria (AMCON) to take- over non-performing assets of banks
(viii) Improvement in disclosure and transparency (IFRS Adoption by banks, full disclosure and common year end for Nigerian banks). December was adopted as common year-end for banks with effect from 2009. A recent study by Duru, Hasan, Song and Zhao (2020) provides evidence that informativeness of banks' financial statements, measured by the value relevance of earnings and common equity is higher in countries with stricter bank accounting regulations and countries with stronger enforcement. In other words, enforcement is complementary to bank accounting regulations in achieving higher value relevance of financial statements.
(ix) Promotion of the enforcement of dormant laws, revision and updating of relevant laws relating to the effective operations of the banking system.
(x) The categorization of banks based on Share Capitalization into three namely:
Regional Banks – N10 billion; National Banks - N25 billion; International Banks – N50 billion.
(xi) Introduction of Cheque Truncation whereby clearing cheques are retained at the receiving banks instead of being passed to the issuing/paying banks. Instead, only the images are transmitted to the issuing/paying banks.
(xii) Developing new regulation such as
(1) Review of Universal Banking: The phased break-up of mega banks from being full-service banks into specialized banks.
(2) Margin lending
(3) Prudential Guidelines
(4) Corporate Bonds
(xiii) Enhancement of the Developmental role of the CBN through:
(1) SME Interventions (Credit Guarantee Scheme)
(2) Power/ Manufacturing Intervention (Initial N500bn intervention and subsequent interventions)

(3) Introduction of the Cash less (or Cash lite) policy with the objective to reduce the volume of cash transactions in the economy. Banks as conduits of the payments system are expected to promote the use of electronic media for payment and settlement of business transactions.

The 2009-2014 also saw the introduction of the principles of interest-free lending into the financial landscape and, in fact, the granting of license on 11 November 2011 to Jaiz International Plc to operate as an Islamic bank in Nigeria. On 6 January 2012, Jaiz International commenced operations as Jaiz Bank, initially a regional bank, but has since 2016 expanded and obtained a national banking license. Jaiz Bank was the only Islamic or Non-interest bank in operation until July 2019 when another institution – named TAJBank – was granted license under the non-interest banking principles. According to the Central Bank, Islamic finance was a resilient alternative to the deeply financialized economy that had little or no impact on the real sector. Specifically, it was argued that Islamic banking, if well harnessed, would ensure a large number of people are economically independent and that classical economists such as Adam Smith and Alfred Marshall supported the idea of interest-free banking (Sanusi 2015).

The banking era of 2014-2020 may be regarded as the era of combination of interventionist currency policy and unconventional monetary policy adopted by the Central Bank of Nigeria (CBN) to increase the contribution of banks to the real economy. The Inaugural speech of the then new CBN Governor, Mr Godwin Emefiele revealed a mission to target unemployment reduction and revamping of ailing sectors of the economy that held promise for job creation through targeted lending. In other words, unemployment would play a major role in monetary policy. In an environment of dominant fiscal policy in Nigeria, monetary policy had to be unconventional and accommodative to yield the required impact on the real sector. The interventionist currency policy of the CBN is at the behest of the Presidency and it is usually facilitated through direct propping up of the domestic currency by pumping billions of dollars into the foreign exchange market. Multiple exchange rate regime was also introduced in an attempt to mask the pressure on the domestic currency and avoid currency devaluation.

Table 5 describes the Nigerian foreign exchange market windows. There are at least five foreign exchange windows in operation. The Bretton Woods institutions typically advise a unification of the exchange rates but that idea has consistently been resisted by the apex bank because towing the unification approach, despite removing uncertainty for investors and exporters, would inevitably lead to the devaluation of the naira.

Table 5: Breakdown of Nigeria's Current Foreign Exchange (FX) Windows (2020)

S/N	Window	Participants	Pre-COVID (Naira/$)	Current (Naira/$)	Level of Liquidity
1	Official exchange rate	Used for all government transactions, oil revenue accounting	306.5	361.0	Low liquidity, only $100,000 to banks daily. Implies $500,000 weekly funding of banks.
2	Investors and Exporters Windows (I&E FX)	Investors, Exporters and all domestic and foreign market players	358-366	380-390	First devalued to N380/$ in March 2020. This rate is expected to move with market forces.
3	Retail Secondary Market Intervention Window	Local corporates and manufacturers	335 - 360	380-385	$250.0million sold by the CBN every two weeks, spots and forwards.
4	Wholesale Secondary Market Intervention	Mostly large corporates through banks	335 - 360	380-385	$100.0 million sold by the CBN every week pre-COVID without auction.
5	BDCs, Invisibles, Travel	Open to all	358-369	440-460	

Sources: Financial Markets Dealer Quotation (FMDQ), CBN.

Table 6: Nigeria's Components of Aggregate Demand and Growth Trends for the Period (2011-2020)

S/N	Real Expenditure	% of 2019 GDP	Pre-recession 2011-2014	Slowdown 2015	Recession 2016	Early Recovery 2017	Recovery 2018	Recovery 2019	2020 Projections/Scenarios Bear	Base	Bull
1	Household Consumption	59.0	4.0	1.5	-5.7	-0.4	4.6	-1.5	-3.0%	-2.0%	-0.1%
2	Gross Fixed Capital Formation	15.8	2.3	-1.3	-5.0	-2.8	9.7	8.3	-4.0%	-3.5%	-1.5%
3	Government Consumption	6.0	-5.3	-11.9	-15.1	-12.4	39.9	15.0	-13.0%	-8.0%	3.5%
4	Inventory	0.7	39.7	-5.7	-1.2	20.5	3.9	-26.2	-20.0%	-15.0%	-6.0%
5	Net Exports	18.5	29.6	19.5	21.8	9.4	-17.5	7.6	-2.0%	-1.0%	0.5%
	Aggregate GDP at Market Price	100	4.7	2.7	-1.6	0.8	1.9	2.2	-3.7%	-2.4%	0.0%

Source: National Bureau of Statistics (NBS)

Table 7: Some Banking Industry Statistics (2009- 2020)

Year	Number of Banks	Number of Branches	Total Assets (N'B)	Credit to private sector (CPS) (N'B)	Credit to Small Scale Enterprises as % of total credit	GDP at Current Basic Prices (N'B)	CPS-to-GDP ratio (%)
2009	24	5436	17,522.86	9,102.05	0.17	44,285.56	20.55
2010	24	5809	17,331.56	10,157.02	0.14	54,612.26	18.60
2011	24	5454	19,396.63	10,660.07	0.16	62,980.40	16.93
2012	21	5564	21,303.95	14,649.28	0.13	71,713.94	20.43
2013	24	5639	24,468.37	15,751.84	0.13	80,092.56	19.67
2014	24	5526	27,690.11	17,131.45	0.12	89,043.62	19.24
2015	25	5470	28,369.03	18,675.47	0.10	94,144.96	19.84
2016	25	5570	32,130.45	21,082.72	0.07	101,489.49	20.77
2017	26	5714	35,146.84	22,092.04	0.07	113,711.63	19.43
2018	27	5301	38,690.64	22,521.95	0.29	127,736.83	17.63
2019	29	5437	43,531.67	24,922.94	0.71	144,210.49	17.28
2020[1]	29	5437	48,015.43	27,490.00	0.81	140,749.44	19.53
Growth % (2009-14)	0	0.33	9.58	13.48	-6.73	14.99	-1.31
Growth % (2014-19)	3.86	-0.32	9.47	7.79	42.70	10.12	-2.13
Average Growth % (2009-20)	1.74	0.00	9.60	10.57	15.25	11.08	-0.46

The researcher adjusts the 2020 GDP figure for 2.4 percent decline in output owing to COVID-19 disruption as in the base case in Table 6. The other data for 2020 are June 2020 figures.

Sources: Central Bank of Nigeria, Author's computation.

Table 6 shows the changes in the relative contributions of the components of aggregate demand to the GDP over the period (2011-2019). Household consumption continues to take the lion's share. One would expect a banking sector that supports consumers through the provision of consumer finance products (loans and related advances).

Table 7 presents some banking sector statistics for the period (2009-2020). The average annual growth rate of banks was 1.74 percent while the number of bank branches remained fairly stable. Banking system assets grew at an estimated average annual rate of 9.6 percent to 48.015 trillion naira as at June 2020. The growth in private sector credit was 10.57% which closes matches the average annual growth rate of the GDP. With credit to private sector being below 20 percent of the GDP, it remains to be seen the significant contribution of the banking system to the Nigerian economy. The situation is further worsened through a largely under-developed capital market for both debt and equity securities. For both the debt and equity market segments of the capital market, the market capitalization to GDP ratio stood at about 35 percent as at December 2019.

Other aspects of the banking reforms during the era 2009-2020 deserve some mention. The impact of the review of universal banking was questionable as banks, through their holding company structure, will effectively carry out activities that they consider profitable. Besides, the pursuit of diversified business activities may be consistent with the maximization of shareholders' wealth by these banks where markets are incomplete and imperfect – a condition that makes it difficult for investors to hold well-diversified portfolios. The failure of regulators to consider banking history in Nigeria could well imply that the industry's future is bleak post-consolidation. Financial regulators do not consider the study of banking history important, thus the absence of an archival policy that encourages the study of banking past (Uche 2007). The consequences of this are already evident in the roller-coaster nature of Nigerian banking policies. Policies are being churned out without the benefit of historical lessons. The result is that the mistakes of yesterday remain the mistakes of today. The withdrawal of universal banking model by the CBN is a clear illustration of this point. The failure of regulation in placing restrictions on the operations of universal banks was a more proximate cause of the liquidity crisis than the insider-abuses which is common to virtually every facet of the Nigerian economy.

The financial crisis in the developed countries snowballed into a global economic crisis and recession. It is this global recession, rather than the subprime mortgage crisis that caused damage to the financial system of countries with inconvertible currencies and exchange control restrictions. In other words, financial system-induced recession in some of the world's biggest economies have led to economic crisis in several developing countries. Specifically, this has resulted in declining commodity prices, investments, credit and exports. Nigerian banks that were exposed to these markets experienced significant write-down in their risk assets portfolios. The resulting liquidity and credit squeeze created problems for the financial system in Nigeria and other developing countries. Most African countries fall under this category. A review of the Nigerian financial architecture and regulation is therefore welcome at this stage. In the first instance, it will enable us address the financial stability issues that have been exposed, directly and indirectly, by the current global financial and economic crisis.

IV. CONCLUSION

This paper has attempted to review some regulatory reforms in the Nigerian Banking industry since colonial era to the current banking period. In all of this, it has not been possible to reproduce here, all the clauses of Banking Ordinances, Decrees and Acts. It must be emphasized that one striking reason for the laws is the necessity of evolving a sound financial system. Apart from strengthening the banking system as a whole to prevent a recurrence of earlier banking crises (1950s and 1990s), the Central Bank's control span widened and opportunities for effective monetary policy also enlarged. But monetary policy is never enough to guarantee macro- economic stability within which banks can thrive. The monetary policy, which is within the ambit of the CBN in promoting price stability, must be coordinated with other government policies (fiscal, commercial, income, etc) in order to realize maximum benefit to the economy especially in terms of non-inflationary growth.

Given the failure of the CBN to achieve the two objectives of monetary (or price) stability and preventing distress in the banking sector simultaneously; there is a debate as to the sustainability of the pursuit of the objectives by the Bank. This is why it has been suggested that the CBN should cease to combine the banking supervisory role with the pursuit of monetary stability. In the United Kingdom, for instance, the Financial Services Authority is responsible for the regulation and supervision of banks so that the Bank of England could concentrate on monetary policy formulation.

Further, the structural changes in the global financial system has underscored the need to rethink the traditional wisdom that places special focus on the regulation of banks mainly because of their intermediary function and consequent third party consequences of its operational failures. Uche (2009b) notes that "with intermediation fast loosing the grounds as the main source of income for conventional banks and the main source of funds for activities of business concerns, regulation based on the traditional structure of intermediation are bound to yield sub-optimal results." On whether the traditional financial architecture, that separates bank supervision and regulation from that of other financial institutions, Uche states emphatically that "the demarcations between the services being rendered by the various types of financial institutions are increasingly being blurred. The continued separation of the regulation of banks from that of other financial institutions will thus increasingly become ineffective." Thus, to achieve a more effective regulation for the Nigerian financial system, there should be a change in focus of regulation from the financial institutions to the financial products. This change of approach will also reduce regulatory duplications as products whether created by banks, insurance or securities companies can be regulated using the same institutional structure. This change of focus from macro-regulation of institutions to micro-regulation of products should therefore be able to address some of the complexities of inter-sectoral entwinements in the financial system.

On the increasing complexity of Nigeria's financial system and the overlapping incidence of functions, risks and even portfolios of financial institutions, there appears to be an urgent need for a coordinated or consolidated approach to the supervision of financial institutions. A coordinated regulation of the financial system is thus essential in order to overcome systemic leakages that may endanger the health of the financial system as argued also by Uche (2009b).

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APPENDIX

Table 8: Sectoral Distribution of Commercial Banks' Loans and Advances as at December 2019

S/N	BUSINESS LINES	N'B	N'B	% OF TOTAL
1	Agriculture		772.38	4.49
2	Industry		6,423.27	37.37
	Mining and Quarrying	11.31		
	Manufacturing	2,622.54		
	Oil and Gas, Power and Energy	3,789.67		
3	Construction		723.15	4.21
4	Trade / General Commerce		1,247.37	7.26
5	Government		1,539.27	8.96
6	Services		6,482.31	37.71
	TOTAL		17,187.77	100.00

Source: Central Bank of Nigeria