**AN EXAMINATION OF THE IMPACT OF FAILED BANKS ON NIGERIA ECONOMY**

**ABSTRACT**

This research work in failed banker is with a view to examine its impact one the Nigerian economy.  The statement of problem in this research work aimed at finding if there are reductions in the flow of inventible resources that could be channeled to the productive sector of the economy. Chapter three showed how the researcher made a random selection of 100 respondents from 3 selected banks arrived at a sample size of 50 which implies that 50 questionnaires were distributed and all were returned. Chapter four, the major finding was summed up in just one sentence which is “Bank failure has almost crippled Nigerian economy and this implies that bank failure retards the economy’s rate of capital formations and ultimately the face of economic growth concluding with chapter five, the researcher suggests that further researchers should research on the role of monetary authorities in bank failure prevention.

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**ABSTRACT**

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**CHAPTER ONE**

**INTRODUCTION**

**1.1              BACKGROUND OF THE STUDY**

The importance of the banking section in any economy is derived from its roles of financial intermediation provision of an efficient payment system and facilitating the implantation of monetary policies.  In intermediation, banks mobilize saving from the surplus limits of the economy and channel these funds to the deficit units particularly private business enterprises for the purpose of expanding their productive capacity.  In operating the payment mechanism, the banking systems liabilities serve as the medium of exchange.  In the execution of monetary policies, banks serve as agents through which there policies are implemented.  Hence, an efficient and effective banking sector is essential not only for the promotion of efficient intermediation but also for the protection of depositors’ encouragement of healthy competition maintenance of confidence in, and stability of the system and protection against systematic risk and collapse. For the banking in industry of any economy to achieve their objective the industry must be stable safe and sound. In Nigeria, there has been a rapid increase in the number of bank failure and the magnitude of the problem has reached an unprecedented level.

Currently, the problem has assumed a generalized dimension thereby making it an issue of concern to the government, the regulatory authorities the bankers the general public and the international financial institutions such as the world banks and international monetary fund (IMF).

The purpose of this research work is to evaluate the consequences of banks failure on the Nigerian economy.  Bank failure means different things to different people. To some people, a bank fails only when it ceases operation even if it has not been declared liquidated officially. In a wider bank which is unable to meet its obligations to its stakeholder as at when due arising form weakness in its financial operational and managerial conclusion which could has rendered it either illiquid and/or in solve (CBN/NDIC, 1995)

The relevant stakeholder to a bank will include the depositors, the owners of the bank and the economy at large.  From the foregoing, it will be clear that failed banks will not only include the liquidated banks but also the problem banks that have exhibited some form of weakness in their financial operational and managerial conditions which have rendered them either illiquid and/or insolvent

**1.2 STATEMENT OF THE PROBLEM**

In Nigeria, there has been a rapid increase in the number of failed banks and the magnitude of the problem has reached an unprecedented level. Bank failures in Nigerian banking industry are a problem that has of late assumed an intractable dimension.  The situation is such that regulatory authorities appear to be fighting a losing battle in their bid to sanitize the system. This has of course resulted in the erosion of public confidence in the banking system and therefore the reduction in the flow of inventible resources that could be channeled to the productive sectors of the economy. Therefore, that is why the researcher deemed it fit to examine the impact of the failed banks on Nigerian economy.

**1.3 OBJECTIVE OF THE STUDY**

Because of the central role which the banking system plays on the growth and development of any economy the objectives of this study are therefore:

1. To find out if there is loss of confidence in the banking system.
2. To find out if there is reduction in bank deposits.
3. To identify if there is any reduction in foreign investments.
4. To find out if bank failure can lead to devaluation of the Nigerian currency.
5. To find out if bank failure can lead to unemployment through retrenchment  of workers.

**1.4 RESEARCH QUESTIONS**

The researcher intends to make a critical and empirical evaluation fo the impact of failed banks on Nigerian economy.

Towards this end appropriate answers to the following research questions become necessary.

1. Is there loss of confidence in the banking system due to bank failure?
2. Is there any reduction in bank deposits due to bank failure?
3. Does bank failure lead to reduction in foreign investment?
4. To what extent can bank failure lead to devaluation of Nigerian currency?
5. Does bank failure lead to unemployment?

**1.5 RESEARCH HYPOTHESES**

**H01:** Bank failure cannot be caused by poor portfolio management.

**Ha1:** Bank failure can be caused by poor portfolio management

**H02:** Government’s debts owed to banks cannot lead to bank failure.

**Ha2:** Government’s debts owed to banks can lead to bank failure.

**H03:** Monetary authorities have no significant role to play in controlling bank failure.

**Ha3:** Monetary authorities have significant role to play in controlling bank failure.

**1.6 SCOPE OF THE STUDY**

This research work is limited to Nigeria economy only. Owing to time, financial constraints and others, the researcher was unable to cover much ground.

**1.7 ORGANIZATION OF THE STUDY**

The study was done in chapter and consists of five chapters. Chapter one introduces the study showing the background to the study, statement of the problem, research objectives, question, hypothesis, significance and scope. Chapter two take a look at the literature works of others on the subject matter of the study. Chapter three dealt with the methodology used in carrying out the study. Chapter four provides the presentation, analysis and interpretation of data. Chapter five concluded the study with summary of findings and recommendations.

**1.8 OPERATIONAL DEFINITION OF TERMS**

**Bank:** A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities either directly or through capital markets.

**Banking Industry:** In general term, it is the business activity of accepting and safeguarding money owned by other individual and entities and then lending out these money in order to earn a profit.

**Bank regulation:** a body of specific rules or agreed behaviour either imposed by some government or other external agency, or self-imposed by explicit or implicit agreement within the industry that limits the activities and business operations of financial institutions e.g. CBN/NDIC.

**Bank supervision:** Is the process of monitoring banks to ensure that they are carrying out their activities in accordance with laws, rules and regulations, and in a safe and sound manner.

**Credit:** A credit is a sum of money that is paid into your account increasing your account balance credit.

**Discount Rate:** The rate which member banks may borrow short term funds directly from a reserve bank.

**Financial Intermediation:** Financial Intermediation is the mobilization of funds from the surplus spending units at a cost or lending of such funds to the deficit spending units at a price both within and outside the shore of a country.

**Investment:** can therefore be defined as the amount of current output that ads or replaces the national stock of real production assets

**Liquidity:** This ability of a bank or business to meet its current obligations, the quality that makes an asset quickly and readily convertible into cash, the ease with which people can get their money bank from and investment the ability of an asset to the converted into cash quickly and without any price discount.

**Prudential guidelines:** Is a body of specific rules imposed by government through the Central bank aimed at ensuring prudent management and administration of banks’ funds so that reports of financial institutions are correct and reflective of their true portfolio.

Risk: exposure to damage or financial loss.

**CHAPTER TWO**

**LITERATURE REVIEW**

**Introduction**

Bank failure remains a major threat to consistent economic growth that leads to development, but to what length does it affect economic activity? The Great Depression provided researchers the basis in establishing empirical characterisation that occurred during business cycle. The impact caused by economic contraction prevalent during this phase originated due to several shocks resulting in liquidity preference increase among depositors who preferred holding more currency to demand deposits and other liabilities. To this end, capital squeeze created reduction in money supply that affected entrepreneurial financing leading to slowdown in economic activity (Friedman and Schwartz, 1963). But the degree of bank failure impact determines its classification as systemic and non-systemic. Indeed, it is emphatic to argue that the modern integration of financial market made the impact of the recent subprime mortgage crisis had immediate and inevitable influence on global economies creating a systemic shock.

In recent times, 439 banks have failed in the U.S from 2008 till date (FDIC report, 2012) likewise in Nigeria since the establishment of banking in 1892 through to the present period, a significant number of banks had failed. This sector was initially dominated by foreign banks such as the Bank of British West Africa now First Bank of Nigeria, Barclay bank now Union bank of Nigeria until local banks was licensed between 1920 through to 1930s. The rapid rate of bank failure that followed this period resulted in 21 from the 25 established indigenous banks failing leaving only 4 (Uzoaga, 1981). The main purpose of constituting local banks was to create loans accessible by SMEs but this was undermined by continuous financial distress which led to their failure (Brownbridge, 1998). The initial bank failures were attributed to lack of regulation and control, thus the establishment of the Central Bank of Nigeria in 1958. However, the institutional framework could not prevent the failing of banks. Financial distress continues to cause the liquidation of banks, 5 banks were closed in 1994, 17 distressed banks were took over by CBN in 1995 and 1 in 1996. The amendment of Bank and Other Financial Institutions Act (BOFIA) in 1991 saw the revocation of licences of 27 banks with effect from January 16, 1998 and 3 banks were closed in 2000. The 2005 banking sector reform swept away 13 additional banks and banks were reduced from 89 to 25 as at 2006. In 2009, 8 out of the 24 banks were declared insolvent due to huge non - performing loans, totalling in excess of N2.2 trillion ($14.67billion) which is equivalent to 5.2% of GDP likewise crashing the stock market capitalisation by 70% from N10.3 trillion in 2007 to N5.3 trillion in 2009. The critical question is 'Has bank failure played a pivotal role in under developing Nigeria economy over the years'? The concern about the economic constituent’s variable which bank failure affect provided the basis for this research and previous empirical literature focus on developed countries leaving a gap in developing countries like Nigeria. Therefore, this paper investigates the degree to which bank failure has affected the Nigeria economic development focusing on economic variables from 2001 – 2010.

**Definition of Corporate Failure**

Argenti (1976) defined corporate failure, he referred to a company as failed when the performance of the company is so poor that sooner or later it will close down or go into voluntary liquidation, or has already done so.

Altman differentiates between insolvency, bankruptcy and failure. According to Altman (1968), failure is when a company does not earn enough return on risk capital and such a company can go on doing this for a long time without winding up and still be able to meet its current obligations. Insolvency is a more descriptive word than failure, it is a just a temporary situation, which arises when the company cannot pay its bills when they fall due. Insolvency is more serious when it leads to bankruptcy i.e. when the firm’s liabilities exceed its assets at fair value, this means that bankruptcy occurs when the company has a negative net worth. Brabazon, et’ al, (2002) also describes a failed company as one which has been sanctioned by courts of law to have failed or gone bankrupt, this leads to voluntary wind ups, mergers or takeovers.

According to the Central Bank of Nigeria Annual Report (1995), corporate failure occurs when a financial institution has a weak deposit base, is afflicted by poor management and fails to meet capitalization requirements. A financial institution is therefore about to fail when it is faced with harsh financial, operational and managerial weaknesses which make it difficult for the institution to meet its obligations to its stakeholders.

According to Kauffman, 1995 in economic terms, a bank has failed when the value of its assets becomes lower than the value of its liabilities, therefore making its net worth negative. In such situations, the bank will not be able to pay all of its depositors on time and in full. The bank should be wound up as quickly as possible in order to ensure that all depositors are treated fairly. The longer a distressed bank is allowed to stay in business, informed customers will have to withdraw their funds at market value and the bank will lose its valuable assets. The less informed depositors and holders of longer term deposits will be left to bear the loss. This can however have a negative effect on the industry and economy as public confidence and perception is very important in order to avoid depositor panic and maintain harmony.

Friedman and Schwartz (1963) defined corporate failure in banks in terms of monetary policy; he described it as a contraction of the money supply which, on the long run, affects aggregate economic activity. A bank is said to fail, if cessation in its operations as an independent entity is induced by a regulatory agency example of such regulatory bodies are the Central Bank of Nigeria, the Bank of England, England and the Federal Reserve Bank for United States of America. A bank can also be classified as a failed when it is technically insolvent; this implies that the bank’s liabilities exceed its assets. In financial terms, banks are said to be insolvent when the present value of their capital becomes zero. At this point, the present value of the total assets of the bank is equal to the present value of its total liabilities other than its equity capital (Benston et’al, 1986).

Many people wrongly substitute bank failures with bank distress, which are different in concept. Bank distress happens before a bank failure. A bank in distress could have the opportunity of regaining its soundness, but a failed bank loses the chance of springing up again. The final verdict of a failed bank is liquidation.

**Emergence of Bank Failure**

Bank failure has been in existence for as long as banks have existed, examples of the earliest collapse are the Bardi banking family of Florence as a result of inability of Edward III of England to pay outstanding loans. In Nigeria, the Industrial and Domestic Bank was the first bank to collapse in 1930.

Several countries of the world including the developed economies with properly functioning markets and good banking systems have had major bank failures or crises in the past. Bankers are increasingly scared of general bank failures because they intensify cyclical collapse and may cause a financial crisis. These failures have led to many regulatory amendments in the affected countries. These changes are intended to reducing the likelihood of future bank failures and decrease the cost incurred during periods of bank failures as well as manage the consequences. The beginning of the last global financial crisis began with the credit crunch that emerged as a result of the collapse of the sub-prime mortgage businesses in the US. This was due to the default of high-risk loans of clients with bad credit histories, assets were lost, and investors were discouraged to take on more loans, this led to a recession in global credit markets, affected many banks and caused a number of them to fold up.

In the UK, the Baring Brothers merchant bank had serious financial problems as a result of non-performing loans issued to South America; In 1995 the bank collapsed as a result of fraud by one individual in form of speculations in Latin America and also lack of adequate internal controls measures to detect these problems compounded the problems in 1991; the Bank of Credit and Commerce International (BCCI) also experienced major crises, which was as a result of general fraud its financial statements were window dressed right from its inception in 1972 and it also concealed deposit liabilities and created false loans that generated large profits. These concealed deposits where used to fund the bank’s trading activities, which later resulted in huge losses which were covered up with more false loans and at the long run, BCCI was shutdown. Another major failure of banks in the UK, occurred in the mid 90’s within the small and medium-sized banks, these banks were mainly involved in property and hire purchase lending. During the economic recession of the early 1990’s, these small banks experienced difficulty in their balanced sheet, the asset base and collateral values of the banks also reduced. Managers of banks in the United States and Japan became worried about the intensity of the recession in the UK and reduced their investments in those banks by over 31% in one year. (BIS, 2004). This reduced cash inflow and resulted in cyclical credit losses and a run on the deposits in these banks. In 2007 the UK experienced another bank run on one of its banks - Northern Rock, the bank was involved mainly in wholesale funding and that is what distinguishes it from other UK banks. In August of the same year, there was a sharp reduction in the demand for Northern Rock’s funding, which started with a huge recalculation of credit risk in global financial markets. Northern rock was sold to Virgin money in 2008 and nationalized. The government consequently divided the bank into two, Northern Rock PLC, and Northern Rock Asset Management, into which its bad debt was placed. Most countries that also experienced the recession e.g. Germany and the US have recovered considerably in 2009 but the UK still lags behind and has not been able to recover fully from the crises in its banking sector.

In the United States, the banking crises started on a massive scale in 1930 with a failure of 256 banks in November and 352 in December that year, this led to the enactment of several laws to safeguard the industry. In achieving this, the US government promulgated the Glass-Steagall act of 1933 and introduced the Federal Deposit Insurance Corporation (Campbell & Cartwright, 2002). The structure of U.S. banking system explains the reason for the exceptional banking crises despite the fact that majority of banks were in good shape, and ordinarily should not be considered for liquidation. Over the years, empirical studies have shown that the major U.S banking panics of 1980s and 1990s were periods of increasing asymmetric information about bank risk and also non- performing assets. In 1982, Continental Illinois National Bank in the US experienced major financial crises, this lead to a loss of $10 billion in deposits and the bank had to borrow massively from the Federal Reserve’s discount window in order to manage the liquidity problems, 79 more banks failed in addition to Continental Illinois National Bank and this increased to 120 failures in 1985.The U.S suffered more banking crises in 2007 following the recent global financial crises, the early signals of distress became evident from losses incurred in the U.S. subprime loan inventors and institutions holding securitized subprime mortgages (Luc & Fabian, 2010). Later in 2007, these symptoms turned into a global incident, with losses spreading to foreign banks in Europe and as at 2009 the US recorded the worst bank failure in its history, 140 banks was said to have failed, which was as a result of high loans to assets ratio, a heavy accumulation of non-performing asset, low tier 1 ratio and capital adequacy ratio. (BIS, 2004)

In Germany, the German banking system also experienced banking crises at different periods. Examples of crises in Germany include the major banking crisis of 1931, the collapse of the Herstatt Bank in 1974 and the failure of Schroeder, Muenchmeyer, Hengst & Co because of their inability to pay their debt in 1983. (BIS, 2004). The Herstatt failure was the biggest failure in the German banking history, this failure was caused majorly as a result of its risky foreign exchange transactions and its speculation on the foreign exchange markets, after a while the bank ran into huge losses as much as four times greater than its own capital, these losses were as a result of an unexpected appreciation of the dollar; the bank never recovered from this. The Schroeder, Muenchmeyer, Hengst and Co. (SMH), a small general bank, developed serious financial problems because they gave excessive loans to many affiliated companies in the machinery building group in Luxembourg. One of the machinery building companies failed and this affected the entire group. SMH’s securities and other assets onwed by the bank were sold to Lloyd’s Bank and the remainder of the bank was dissolved (Goodhart, 1995). Another bank failure in Germany occurred in 1983 was that of MG corporation, a subsidiary of Metallgesellschaft, MG corporation attempted to hedge contracts which were of long term to supply oil products to wholesalers at predetermined prices, with short-term oil futures, the oil prices declined drastically in 1993, M.G. Corporation incurred losses on the hedge, and it had to meet broker’s demands.

There were also bank failures in Spain, in the past three decades, some of the bank failures occurred in 1978, afterwards there was another set of bank failures in some of the small banks, and in 1993 Banes to which was the fourth leading Spanish bank by amount of deposit also collapsed. The 1978 banking crisis lasted for 6 years and affected about 50 banks. This crisis began with the failure of small banks and then over the years it affected large banking systems. The Rumasa crisis started in 1983, it was a parent company consisting of 20 banks and most of its holdings were non-financial companies, the causes of this crisis where mostly general, they include, the financial crisis, poor management of banks, lack of adequate risk management measures and a lack of a strong regulatory system. In recent times, the Spanish banks are suffering a hangover from the effects of the series of economic recessions, Spain has embarked on a regulatory change, and there have been events of mergers and takeovers, the EU is also helping to solve the current problems and also prevent another crisis from occurring.

Many banks have either been temporarily suspended from operations or have failed. In an article by Bernanke, (1983) it was noted that many banks that either closed temporarily or failed were as a result of the great depression. In his article, he observed that bank failures were higher during the great depression. In 1921-1922, about 0.5% of banks failed, and about 0.2% of total deposit was lost compared to an average of 2.6% of banks and 0.4% of total deposit between 1930 and 1932.

Nigeria is not excluded in the succession of bank failures, the Anglo-African Bank was incorporated in 1899 but due to poor management, it merged with another bank in 1912. In 1925 Barclays Bank Dominion Colonial bank was established and it bought the colonial bank which was formed in 1917 both banks was called the Integrated International Bank. In the year 1929, the first domestic bank in Nigeria i.e. the industrial and commercial bank was established but due to harsh economic and administrative problems it could not survive and wound up in 1930. The Nigerian Mercantile Bank, a domestic bank was incorporated in 1931 which also liquidated due to associated setbacks. Several other banks were established between 1933 and 1952, but most of them could not survive the economic and financial challenges and therefore crumpled (Okpara, 2012).

Early signs of distress in the Nigerian banking system were first officially pointed out by the World Bank team that examined the financial sector shortly before the establishment of NDIC (Nigeria Deposit Insurance Corporation). Over 21 bank failures were recorded before 1958. These period however was known as the period of free banking in Nigeria. The era of, examination and control of banks in Nigeria started with the bank ordinance of 1952 and its subsequent amendments, in spite of the promulgation of the banking ordinance, Nigeria was faced with series of bank failures between the periods of 1952-1958. The bank failures that occurred before the establishment of the Central Bank of Nigeria were linked to lack of regulation and control, but with the promulgation of the Central Bank Act of 1958, the Nigerian banking business came under the regulation and control of the CBN. The promulgations of the central bank of Nigerian (CBN) in 1958 has not been sufficient to provide a strong backbone for the Nigerian financial industry as reflected by the events of the late 1980s, the volume of non-performing were high, bankruptcy and default in meeting depositors and inter-bank obligations were also rampant. The bad state of the banking system was revealed in the late 1980s; the government and other public sector institutions withdrew their deposits from banks to the Central bank of Nigeria (CBN). The rate of distress situations in banks became obvious and increased drastically by 88% from 1965 to 2004. In 1994, the economic condition in Nigeria was not conducive, the nation continuously witnessed high inflation rate, payments problems, huge debt burdens, productivity in the manufacturing sector was low, and there was a general financial recession. As envisaged, this situation led to reduction in the performance of banks in that year. In the same year, the highest number of commercial banks involved in frauds was recorded, the government therefore resolved to address the economic problems facing the country, this brought about a tremendous growth in the banking system in 1998 to 2000 (NDIC, 1994).The period between 2000 and 2003 was faced with another series of bank failures and this lead to the withdrawal of licenses of many banks by Central Bank of Nigeria (CBN).

The major reasons accountable for banking distress which results in bank failure re reviewed in the following subsections.

**Capital Inadequacy**

The Central bank of Nigeria (CBN) says that banks should to hold adequate capital to take care of their financial commitments, generate profit and contribute to the promotion of a good financial system; this is why the CBN recommends a minimum capital requirement ratio. This ratio helps to protect depositors in case of bankruptcy and promote the stable and efficient financial systems. This minimum capital ratio was increased from 6 percent to 8 per cent in 1996 and presently it is 22%. Capital ratio is the percentage of a bank's capital to its risk-weighted assets. The CBN also stipulated that paid-up capital and reserves should be at least 50% and a bank should maintain a ratio of 1:10 between its capital and its total credit. With the promulgation of Prudential Guidelines by the Central Bank of Nigeria, banks were required to suspend interest on non-performing loans and classified assets and also to make provisions for non-performing credit facilities. (Babalola, 2011)

When the capital of a bank falls below the minimum ratio, it indicates that the bank may be heading for failure, the inability to meet the fixed minimum capital requirements is one of the yardstick used for classifying banks as been healthy or unhealthy. A thorough examination of the financial statements of banks showed that a large number of banks in Nigeria were undercapitalized, this is attributed to low start-up capital, increase in inflation rates, inability to recover non-performing assets and the large amount of non-performing loans which some banks grant.

Goodhart et al. (1998) asserts in his article that as a bank’s capital reduces, the higher its motivation to survive and the lower the capital of a bank, the higher the possibility of its failure, therefore, the risk of failure rises with the decline of equity. Palubinskas &Stough (1999) also said that one of the measures used to reduce the rate of bank crisis is to increase minimum capital held by banks. This minimum requirement encourages banks to hold much capital which is necessary to reduce losses incurred by banks in case of bankruptcy. When banks have capital that is lower than the minimum requirement, they usually cover up the condition for fear of exposing their illiquidity. If such a situation is not effectively addressed by stakeholders and management, it could result in bank distress and then an eventual failure. A similar observation as above has been made by Goodhart et al. (1998); he asserts that adequate capital cuts down risk-taking while inadequate capital encourages banks to take risky and drastic measures towards survival.

Ogundina (1999) noted that capital in any business whether bank or any other company serves as cushion for the absorption of abnormal losses not covered by current earnings pattern. In Nigeria, large numbers of banks are undercapitalized. This situation is as a result of the fact that many of the Nigerian banks were incorporated with very little capital; this has also been worsened by the large portfolio of non-performing loans which had negative effects on the capital base of these banks. Statistics on banks’ capital disclose that 120 banks in the Nigeria required an additional capital of N5.6 billion to meet the minimum required capital prescribed by the Central bank of Nigeria.

Ogubunka (2003) also asserts that when a bank has low capital base, it should not to continue with its large scale of business activities prior to the reduction of capital. If it does without sourcing for more funds this will lead to overtrading and eventual failure. Many Nigerian banks that faced crises were affected by low capital base, as a result of this; they could not maintain their operations due to overtrading, inability to absorb losses arising from operational costs. As at 2002, the minimum paid-up equity share capital was 2 billion but it was increased to 25billion in 2004 in order to enable banks to absorb operational shocks or unexpected losses, sustain their level of business, operate profitably and thus contribute towards upholding a sound financial system.

**Inadequate Disclosure and Transparency**

Inadequate disclosure of the state of affairs of the bank was a major factor causing bank failures in Nigeria, most reports by banks to the Central Bank of Nigeria were incorrect and incomplete, and this robbed the CBN of the true information to supervise the banking industry effectively.

Sanusi in 2002 said in his speech that adequate disclosure and transparency are the key support of an organization’s corporate governance structure, because they give all the stakeholders the information required to determine whether or not shareholder’s wealth are being maximized . He said transparency and disclosure are important factors to ensure sufficient supervision of the banking sector. He further stated that lack of transparency weakens the principles of good corporate governance and the ability of the bank to manage a systemic distress. A transparent piece of information can only be meaningful if it is accessible, qualitative, and provided on time.

Anameje (2007) also stated that transparency and adequate disclosure of information are key characteristics of good corporate governance which banks must promote so as to provide stakeholders with the necessary information to judge whether management has their interest at heart. Transparency has to be taken seriously because it has been a persistent problem in the Nigerian financial industry; it has the potential of ruining the efforts of the supervisory bodies in improving the Nigerian banking system. (Imala, 2004)

Anya (2003) also found out during the course of his research that lack of transparency in Nigeria has affected the way financial activities are been conducted and has contributed to a large proportion of economic and financial crimes in the Nigerian financial system. The Nigerian banking system was founded on the trust principle between the banks and the stakeholders but banks now engage in practices which include deliberate manipulation or window dressing of financial statements in order to cover up the true state of affairs of the bank. The financial record of a bank forms the basis of supervision by the Central Bank of Nigeria in monitoring the soundness of the banking system. The manipulation of the financial statements has resulted in lack of information by regulatory authorities which would have taken adequate steps to prevent failure of the bank. Such concealment about the financial status of the bank renders the regulatory authorities handicapped until the bank eventually fails. Thus inadequate disclosure and lack of transparency has been pointed out as a major cause of bank failure in Nigeria.

**Large Non-Performing Loans**

Bank failures are usually rampant where banks have a huge portion of her loans as non-performing, which eventually will become bad. Okpara (1997) observed that loan evasion is one of the major causes of failure in banks; he pointed out factors such as intrusion by owners of the bank or officials who borrow money in form of loans without collaterals, poor risk assessment, bad appraisal methods, late approval and disbursement of loans as factors which enhance a loan default. A joint study of distress in banks by the Central Bank of Nigeria (CBN) and National Deposit Insurance Commission (NDIC) listed reasons such as bad loans and advances and fraud as causes of bank failure. Oluyemi, (2005) noted that insider abuse by owners of banks, directors and members of staff is another reason which aggravates loan defaults in banks. Many business owners and executive directors has misused their positions and violated their duties to the company by engaging in activities which are in conflict with the organizational goals, some banks involve themselves in giving of unsecured credit facilities to her directors and related companies which in most cases are more than the official lending limits. Insiders in banks acquire loans and advances without adequate collaterals which is a breach of banking regulations. Bank workers also conspire with customers to swindle banks by granting loans and advances without adequate collaterals. Most of the loan applications were badly appraised and not properly documented, therefore making such loans difficult to trace.

Ogundina (1999) found out that the Nigerian banking system has been in crises as a result as a result of large portfolios of nonperforming loans. A report by the Central Bank of Nigeria (CBN) says that the value of Non Performing Loans in the Nigerian banking industry in 1990 was ₦ 11.9billion, ₦ 1.11 trillion in December 2010 and ₦ 692 billion in August 2011, but with the efforts of the Central bank of Nigeria, the ratio of non-performing loans to total credit reduced by 29.5% between 2010 and 2011.The problem of huge non-performing loans is usually worsened by the carelessness on the part of the lending officials of the bank. Most of these loans are not granted in accordance with the basic principles of lending. A high level of non-performing loan can also be as a result of poor corporate governance practices. A thorough analysis of the Nigerian banking system in 2004 by the Central Bank of Nigeria shows that one of the problems affecting banks in Nigeria is lack of good corporate governance. The final reports of banks that liquidated in the late nineties also prove that poor corporate governance was the main cause of their failures.

**Ownership Structure and Political Interference**

Goodhart et al. (1998) noted that lending on a political basis leads to banking crisis, to buttress this statement; Caprio & Honohan (1999) also stated that governments can cause banks failure in many ways. Ownership structure is one of the major causes of financial distress and eventual failure in Nigerian banks. The involvement of the owner, particularly in government-controlled banks, has triggered distress in such banks. In private banks, quarrels among board members due to conflicting ideas and insider abuse are factors causing distress in most of them (Donli, 2004). Most banks owned by the government in Nigeria are treated as political banks, the tenures of office of their board of directors are unstable, and most times the ownership of the bank changes hands and this leads to frequent change in the composition of the board of directors and members of staff of the bank. A situation where there are political persons involved in the decision making and management of a bank can lead to subjectivity in decision making.

**Inadequate Regulation and Supervision**

Inadequacy and weakness in the supervisory sector is another cause of bank failure. Many experts monitoring the Nigerian banking industry conclude that the quick changes in the environment have been faster than the pace of regulatory improvements. Molokwu (1994) found out that the increase in the number of banks over a period of time was faster than the rate of enhancement of the supervisory competence of the financial authorities. Osayameh (1994) also agrees that while the Nigerian financial system grew in size, the growth of the supervisory section did not increase close to the rate at which the banks grew. This situation caused irregularities and destabilized the banking practice in Nigeria, Many regulatory bodies in different countries follow outdated banking regulations; most of them have neglected the enforcement of existing laws and regulations and also engaged in financially exploitive policies that use the banking system for payment of large monetary deficits. Sundararajan (1988) noted during his study of banking crises in six different countries that banking crises are characteristically linked with huge internal and external discrepancies due mainly to inadequate regulation.

**Theoretical Literature**

The Keynesian economic theory extensively explore saving and investment without seriously considering financial intermediation. However, Keynes explanation on moral hazard of lending remains a focal point in explaining economic contraction. According to Keynes, changes in lending rate and credit availability/surplus determine the level of credit contraction for the Banking System. Moreover, the supply of credit in free competitive market depends on correlation of quantity and price. But in practice, the conditions of a free competitive market for bank-loans are imperfectly fulfilled due to credit rationing by banks to borrower, the amount lent depends on the security, interest rate offered, client-firm purposes and established banking relationship. Although a fringe of unsatisfied clients who are unable to facilitate credit but to whom the bank would be quite ready to lend if it were to find itself in a position to lend more. The existence of this unsatisfied fringe allows the banking system a means of influencing the rate of investment supplementary to the mere changes in the short-term rate of interest. Assuming recession or sequence of bank failures, securing short term loans depends on established relationship between investors and financial institutions which without hinders firms’ investment.

Consequently, macroeconomic development pressurize banks in creating banking crises. Adverse macroeconomic shock threaten banks liquidity by exacerbating the inability of bank borrowers meeting debts repayment obligation. Sudden changes in aggregate spending or international capital flows may subvert the ability of domestic bank to continue facilitating lending obligations, thereby generating crisis. Furthermore, an unexpected upsurge in bank deposits demand and foreign capital create bank lending opportunities probably resulting in large doubtful loans and vulnerability to small shock (Gavin and Hausmann, 1996).

Chang and Velasco (1999) also argued that bank run could be triggered when the demand deposits and foreign short-term debt exceeds bank liquidation value. They developed theoretical model of the financial sector illiquidity for an open economy which major on capital inflow and external debt financing. They concluded that the more insolvency the banking system undergo, the more the fragility it would experience from external shocks. Oviedo (2003) however based is argument on recessions, emphasizing that its impact is adequate to produce insolvency of the banking system. Bank dependent firm required loan in facilitating projects but the risk associated with projects is not entirely diversifiable thus economic downturns tend to trigger a large ratio of poor project returns, depreciating the worth of banks’ portfolio. Nier and Zicchino (2005) also concur that losses suffered by banks during economic downturns are generated by provision made for loan-loss under prudential guidelines. They emphasized the inability of banks issuing new securities during recession are largely due to cost and uncertainty of viable return. They concluded that banks would rather cut lending than issuing new securities in order to retain its solvency.

**Empirical Literature**

There is a wide range of literature between bank failure and economic growth that cut across countries. For instance, Bernanke (1983) investigates the influence of financial crisis on GDP during the U.S Great Depression. The study was based on an argument that the contraction in money supply was insufficient in explaining the financial crisis and fall in GDP. This empirical work focused on the non-monetary channel through which supplementary effect of the financial crisis affected GDP, using regression model in analysing the effects of money and price shocks on real GDP. He found that the money shock, price shock and non-monetary variables (failed businesses liabilities and failed banks deposit) including the lagged differences were significant. However, the non-monetary outcome on the financial system resulted in short run determination of GDP. He concluded that the proxies (failed businesses liabilities and failed banks deposit) captures the nonmonetary effect and forecast the subsequent decline in output. However, Anari and Kolari (1999) empirical research employs different methodology compared to Bernanke's. The vector autoregression (VAR) and co-integration model were used to examine the non-monetary effects during the Great Depression. They employed the industrial production index, wholesale price index, nominal money stock, failed business and failed bank deposits liabilities as the explanatory variables, analysing based on monthly data from July 1929 to August 1933. They found that the actual GDP was greater than the expected GDP by 17.6 units, resulting in 30.3 units positive own shock in GDP including 5.9 and 8.0 unit negative shocks in prices and money supply respectively. While the unit shocks in failed businesses liabilities and failed banks deposit indicate insignificant level of nonmonetary effect. They further ascertain that the negative shocks in prices especially money supply contributed to GDP decline. However, the failed businesses liabilities and banks exerted no impact on the GDP declines during 1929 to 1932 but evidence shows during post-Depression that deposit of failed banks affected GDP. They concluded that ‘’when bank failures occurred for an extended period of time, the repeated shocks from the banking sector eventually began to adversely affect the real economy’’. According to Calomiris and Mason (2003), the decline in economic activity during this period resulted from reduced bank loan supply which subsequently decreased the amount of income and investment at the state and county level.

Recent studies focus on client firms of failed banks, Joeveer (2004) used the logit model to study the performance of 119 client firms of the failed ‘’Land Bank of Estonian’’ from 1996 through 2000. Analysis shows 19% illiquidity rate for firms founded between 1996 – 1997 compare to those established in 1996, while bank dependent firms have 13% probability of bankruptcy in relation to independent firms. He concluded that the certainty of losses in bank-dependent firm through decrease in liquid assets and liquidity squeeze are generated by insolvency experienced by the failed banks which serves as exogenous shocks to client firms. Kang and Stulz (2000) also state bank dependent firms performed poorly during the Japanese banking crisis in 1990 -1993. They attributed the limited supply of credit and increase in the cost of fund to losses made by bank dependent firm.

Hori (2004); Brewer et al (2002) also examined the effect of Japanese banking failure on its client’s profitability. Hori findings were however not consistent with major proposition that bank failure adversely affects client firms. He analysed over 10,000 firms including those of failed Hokkaido Takushiku Bank (HTB) from 1996 to October 2000 using sample selection method and juxtapose the profitability of client’s firm with independent firms. The profit of client and independent firms were both statistically insignificant. Both study concluded that though firm’s quality and bank mode of liquidation serves as insulator to client’s firm, the market value of client’s firm do plunge downward upon the notice of bank failures. Brewer et al (2002), however analysed 1,000 firms and the failed HTB in 1997, the long Term Credit Bank of Japan and the Nippon Credit Bank in 1998. Ongena et al (2003) however found that the near-collapse of Norwegian banking system in 1998-1991 resulted in inconsequential and temporal changes in stock prices of dependent firms.

Chava and Purnanandam (2006) also found evidence that fluctuations in financial soundness of the banking sector influence bank-dependent borrowers’ performance. The Russian banking crisis and Brazilian capital flight of 1998 was used as exogenous shock to examine the effect which U.S bank health have on bank-dependent firm (stock market performance). They used event-study methodology to approximate the market model beta subsequently adjusting the returns for all firms during the 16 days. They found that though the mean and median of both bank-dependent firm and external debt firms are statistically significant, the median (mean) of bank-dependent firms returned 5.57% (4.82%) lower compared to firms which have access to public securities market. They concluded that the harmful shock to the banking sector remain imperceptible to public securities market while losses are articulated to bank dependent firms.

Levintal (2008) studied the effect of banking shock by analysing the banking sector of 30 OECD countries over the period of 1979 – 1996 using the multi-linear log model. He looked at the disparity in banking profit, capital, reserves and its effect on the real economy. He found that a percentage (1%) decrease in bank ROA tend to reduce the aggregate GDP by 0.3% in the following year while 1 standard deviation decline in Reserves will cause GDP to decline by 0.15%. He concluded that the adverse effect of banking shock creates large externalities in countries with larger banking sector (United .States, United Kingdom, France etc), the impact of bank reserves on GDP growth is less compared to bank profit and the ‘’variation in bank capital do not show any significant effect on the real economy’’. Banking shock affects investment firms, thus investment tend to exhibit higher sensitivity to banking shocks.

Kupiec and Ramirez (2008) also argued that bank failure generates negative externalities that reduce economic growth, but poor economic growth does not trigger bank failure. They used data from pre- Depression era 1900 to 1930 to study whether bank failure affected U.S economic growth. The time frame measured depicts government policies stability but also marred with distress in the banking sector majorly in 1901, 1907 and 1920s. They employed vector auto-regression analysis (VAR) to evaluate the impact of bank failure on industrial production and GDP growth rate. An increase of 0.12% in the share failed banks liabilities resulted in 17% point reduction in industrial production growth rate causing the real GNP growth to decline by 4%. Likewise, Wagner (2009) concur that externalities arising from bank failure do not only collapse the payment system but generate loss of consumption reducing consumer’s confidence.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 Research Design**

The research method used for this study is descriptive survey. The comparative analysis was achieved by means of utilizing t-test statistic for the comparison of mean scores at 0.05 level of significance while, the responses questions were analyzed using mean and standard deviation.

**3.2 Population and sample of the study**

The population of this study includes the staff members of three banks (First Bank Plc., Zenith Bank Plc., and Eco Bank Plc.). The population was administered with questionnaire where fifty (50) questionnaires were correctly filled and returned. This figure was adopted as the sample size for this study.

**3.3 Instrumentation**

The instrument used for this investigation was Likert scale which is an interval scale-ranging from strongly Agree, Agree, Disagree and Strongly Disagree, with quantitative values ranging from 4 – 1 point. The instrument used to collect data is titled “Knowledge and Acceptability of Vasectomy‟ (KAV). The instrument (KAV) consists of thirty (13) statements or items. A weighted average of 2.5 was accepted for research question.

**3.4 Validation of the Instrument**

The instrument was validated by the Project supervisor, who ascertained the face and content validity. The reliability of the instrument was determined through test – retest method, using Pearson’s Moment Correlation. A reliability coefficient of 0.88 was obtained for the study.

**3.5 Method of data analysis**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of respondents’ response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion.

The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondent’s response

N = Total Number of responses of the sample

100 = Consistency in the percentage of respondents for each item contained in questions.

**CHAPTER FOUR**

**DATA PRESENTATION, ANALYSIS AND DISCUSSIONS**

One hundred (100) questionnaires were distributed and fifty (50) were returned. This figure was the sample size. As a result, the researcher used fifty (50) for this study when more than 50% of the respondents agree to the questions; the answer is taken as valid for the purpose of this study. In analyzing the data, the approach that will be adopted is to find out the percentage and positive and negative answers to the question posed.

**Table 1**

|  |  |  |
| --- | --- | --- |
| **Banks** | **Number of questionnaires administered**  | **Number of questionnaires returned**  |
| Zenith Bank | 35 | 15 |
| Eco Bank | 30 | 21 |
| First Bank  | 35 | 14 |
| Total  | 100 | 50 |

 **Source: Field Survey, 2019**

In table 1, 100 questionnaires were administered, but only 50 were returned fully responded to this were used for the researcher.

**RESEARCH QUESTIONS**

1. Is there loss of confidence in the banking system due to bank failure?
2. Is there any reduction in bank deposits due to bank failure?
3. Does bank failure lead to reduction in foreign investment?
4. To what extent can bank failure lead to devaluation of Nigerian currency?

**RQ1**

**Table II:** Is there loss of confidence in the banking system due to bank failure?

|  |  |  |
| --- | --- | --- |
| **Response**  | **Number of respondents**  | **Percentage (%)** |
| Yes | 42 | 84% |
| No | 8 | 16% |
| Total  | 50 | 100 |

 **Source: Field Survey, 2019**

In table II above 84% representing 42 respondents decried the loss of confidence in the banking system due to bank failure while 16% representing 8 respondents were on the negative.

**RQ2:** Is there any reduction in bank deposits due to bank failure

**Table III:** Did the banks experience reduction in customers’ deposits due to bank failure.

|  |  |  |
| --- | --- | --- |
| **Response**  | **Number of respondents**  | **Percentage (%)** |
| Yes  | 35 | 70.8 |
| No  | 15 | 29.2 |
| Total  | 50 | 100 |

 **Source: Field Survey, 2019**

In table III above, 70.8% representing 35 respondents agreed that there were reduction in customers’ deposits during bank failure while 29.2% representing 15 respondents disagreed.

**RQ3:** Does bank failure lead to reduction in foreign investment?

Table IV: Does bank failure lead to reduction in foreign investment?

|  |  |  |
| --- | --- | --- |
| **Response**  | **Number of respondents**  | **Percentage (%)** |
| Yes  | 35 | 70.8 |
| False  | 15 | 29.2 |
| Total  | 50 | 100 |

**Source: Field Survey, 2019**

70.8% believe that bank failure led to reduction in foreign investment while 29.2% disagreed to this.

**RQ4:** To what extent can bank failure lead to devaluation of Nigerian currency

**Table V:** Do you think that bank failure contributed to the devaluation of the Nigeria currency?

|  |  |  |
| --- | --- | --- |
| **Response**  | **Number of respondents**  | **Percentage (%)** |
| True  | 16 | 32 |
| False  | 34 | 68 |
| Total  | 50 | 100 |

 **Source: Field Survey, 2019**

68% of 100% responded negatively to the above question which indicates their opinion that bank failure did not contribute to the devaluation of the Nigeria currency, while 33.4% out of 100% responded positively.

**TEST OF HYPOTHESES**

**Hypothesis One:**

**H01:** Bank failure cannot be caused by poor portfolio management.

**Ha1:** Bank failure can be caused by poor portfolio management.

Table 6: Result of t-test analysis testing the null hypothesis that bank failure cannot be caused by poor portfolio management

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Variable |  | N |  | X |  | SD |  | df |  | Ls |  | Prob |  | t-computed |  | t-critical |  | Decision |
| Yes |  | 35 |  | 5.9.35 |  | 5.08 | 198 | 0.05 | 0.00 |  |  |  |  |  |  |
| No |  | 15 |  | 56.66 |  | 5.01 |  | 3.78 |  | 1.96 |  | Reject |
|  |  |  |  |  |  |  |



Table 5 shows that t-computed (3.78) is greater than t-critical (1.96), and the level of significance (0.05) is greater than the Prob. (0.00). This result rejects the null hypothesis and accepts the alternate hypothesis that bank failure can be caused by poor portfolio management.

**Hypothesis Two**

**H02:** Government’s debts owed to banks cannot lead to bank failure.

**Ha2:** Government’s debts owed to banks can lead to bank failure.

Table 7: Result of t-test analysis testing the null hypothesis that Government’s debts owed to banks cannot lead to bank failure

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Variable |  | N |  | X |  | SD |  | df |  | L*s* |  | Prob |  | t-computed | t-critical | Decision |
| Yes |  | 15 |  | 54.00 |  | 2.22 |  |  |  |  |  |  |  |  |  |  |
| No |  | 35 |  | 59.74 |  | 5.81 |  | 106 |  | 0.05 |  | 0.00 |  | 5.99 | 1.96 | Reject |

Table 7 shows that t-computed (5.99) is greater than t-critical (1.96), and the level of significance (0.05) is greater than the Prob. (0.00). This result rejects the null hypothesis and accepts the alternate hypothesis that Government’s debts owed to banks can lead to bank failure

**Hypothesis three**

**H03:** Monetary authorities have no significant role to play in controlling bank failure.

**Ha3:** Monetary authorities have significant role to play in controlling bank failure.

Table 8: Result of t-test analysis testing the null hypothesis that monetary authorities have no significant role to play in controlling bank failure

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Variable |  | N |  | X |  | SD |  | df |  | Ls |  | Prob |  | t-computed |  | t-critical | Decision |
| Yes |  | 40 |  | 59.95 |  | 4.91 | 198 | 0.05 | 0.00 | 4.52 | 1.96 | Reject |
| No |  | 10 |  | 56.71 |  | 5.02 |
|  |  |  |  |  |  |  |  |  |  |  |

Table 8 shows that t-computed (4.52) is greater than t-critical (1.96), and the level of significance (0.05) is less than the Prob. (0.00). This result rejects the null hypothesis and accepts the alternate hypothesis that monetary authorities have significant role to play in controlling bank failure.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 INTRODUCTION**

It is important to reiterate that the objective of this study was to examine the impact of failed banks on the Nigeria economy. In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in examining the impact of failed banks on Nigeria economy.

* 1. **SUMMARY**

This study was undertaken to examine the impact of failed banks on the Nigeria economy. The study opened with chapter one where the statement of the problem was clearly defined. The study objectives and research hypotheses were defined and formulated respectively. The study reviewed related and relevant literatures. The chapter two gave the conceptual framework, empirical and theoretical studies. The third chapter described the methodology employed by the researcher in collecting both the primary and the secondary data. The research method employed here is the descriptive survey method. The study analyzed and presented the data collected in tables and the hypotheses were tested using the T-test statistical tool. While the fifth chapter gives the study summary and conclusion.

* 1. **CONCLUSION AND RECOMMENDATION**

Bank failures are part of the banking business and operational risk but due to the significance of the banking system in a country and systemic risk which is caused by such failures, it is important that failures are cut to the barest minimum. Considering historical occurrences, it is very likely that there will be more bank failures in the future; therefore the banking industry should continue to be highly regulated. Bank failures can never be entirely prevented. Certainly, it should not be, because in an entirely competitive environment there should be room for natural selection. Most times regulatory and supervisory bodies try to curtail the process of failure so failure of such a bank seems like as an orderly closure and not bank crises. Internal control measures should also be enforced in banks, these measures will help to encourage operational competence and efficacy, provide useful and reliable financial information for decision making, safeguard assets and promote adherence to policies set by regulatory agencies. The Supervisory and regulatory aspect is another factor which needs to be strengthened. According to Goodhart et al. (1998) regulators have a supervisory duty to banks; however failures could be avoided when managers make efforts to address risks efficiently. Customer protection should also be an essential part of the improvement program. The Central Bank of Nigeria (CBN) should also ensure that customers are treated fairly in all their dealings with the banking industry; this will be done by setting standards of customer service for the industry and ensuring such standards are kept.

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**QUESTIONNAIRE**

**INSTRUCTION**

Please tick or fill in where necessary as the case may be.

Section A

1. Gender of respondent

A male { }

B female { }

1. Age of Respondent
2. 21-30 { }
3. 31-40 { }
4. 41-50 { }
5. Educational Status
6. None [ ]
7. FSLC [ ]
8. BSC [ ]

Others……………………………….

**SECTION B**

1. Is there loss of confidence in the banking system due to bank failure?
2. Yes
3. No
4. Is there any reduction in bank deposits due to bank failure?

a) Yes

b) No

1. Does bank failure lead to reduction in foreign investment?

a) Yes

b) No

1. To what extent can bank failure lead to devaluation of Nigerian currency?

a) Large extent

b) Minor extent

1. Does bank failure lead to unemployment?

a) Yes

b) No

11. Bank failure cannot be caused by poor portfolio management.

a) Yes

b) No

12. Government’s debts owed to banks cannot lead to bank failure.

a) Yes

b) No

13. Monetary authorities have no significant role to play in controlling bank failure.

a) Yes

b) No