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The Effect of Recapitalization on Performance of Deposit Money Banking in Nigeria

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Abstract:
This study examined the effect of banks' recapitalization on the performance of Deposit Money Banks in Nigeria, from 2000 to 2020. The study serves as a barometric measurement of the pre- and post-recapitalization performance of Nigerian banks given the problematic issues that keep arising in the banking system even after the consolidation. Data for the study were collected from the annual reports of 11 Commercial Banks in Nigeria, from 2005 to 2020 recapitalization periods. The study employed the CAMEL Composite Rating Ratios to classify the performance of each bank in the post consolidation period. Findings of the study revealed that Nigerian banks were adequately capitalized in the post-consolidation era. It was also discovered that these banks maintained strong earnings in that same period, whereas liquidity was poor in post-consolidation era. The study moreover revealed that asset quality was very poor, while management operational efficiency is averagely adequate. The study therefore recommends that to checkmate the incidence of increasing non-performing loans in the banking sector, the CBN should as a matter of urgency put stringent oversight measures to ensure that credits are only advanced to viable businesses.

Keywords: *Recapitalization, consolidation, capital adequacy, assets quality, management efficiency, earnings capacity, liquidity*

1. Introduction

The banking sector drives capital formation in the financial system by collecting deposit liabilities from surplus economic units, which are then converted into loanable funds of various quantities and distributed as credits to fund users. The role of banks in loan creation has been acknowledged as a crucial growth accelerator (Markjackson, Ekokemi, Nelson, & Okoyan, 2017). The ability of banks to promote economic growth and development, on the other hand, is dependent on the financial system's health, soundness, and capability. Banks, as a significant part of the financial landscape, must be reformed periodically in order to improve their competitiveness and capacity to play a critical role in financing investments, hence recapitalization is one of the most effective strategies to carry out this complex reforms. Monetary authorities raise commercial banks' operational capital on a regular basis to ensure banking industry's strength and sanity. It is a component of banking sector reforms, and various central banks throughout the world have successfully employed it as a monetary policy instrument (Attama & Yuni, 2021).

A detailed investigation of Nigerian financial institutions reveals that the banking industry had major liquidity problems between 1989 and 1990. The crisis led to the failure and distress of large banks, which had a negative impact on the economy as a whole. Due to the detrimental effects of the crisis, regulatory authorities forced national and international banks to expand their capital bases from N2 billion to an astounding N25 billion in 2005. The major recapitalization effort which took effect in 2006, delivered financial sector stability, also contributed to boost and preserve depositor and other stakeholder confidence (Ighoroje, Ese and Akpokerere, 2021). Some banks were forced to increase the required amount, resulting in a series of mergers and acquisitions that reduced the number of banks from 89 to 25 in 2005 (CBN, 2006). Due to sharp practices, nonperforming hazardous assets, distresses, and corporate governance difficulties, the number has continued to drop (Osuagwua & Nwokomab, 2017). Undercapitalization, lack of a rigorous risk assessment system, and regulatory leniency on the part of the Central Bank have been blamed by certain experts, including

Matouseka & Solomonb (2018) for the poor performances. The recapitalization and consolidation process were meticulously planned to reposition banks and position them as an effective vehicle for cultivating real-world growth through the availability of loans for private investment (Osuagwua & Nwokomab, 2017).

Soludo (2004) identifies a number of issues in the Nigerian banking system that necessitated consolidation and recapitalization to include poor corporate governance, gross insider abuses, insolvency, weak capital base, an over-reliance on public sector deposits, and a disregard for small and medium-sized savers. According to Soludo (2004), the reform is projected to improve performance, efficiency, stability, profitability, liquidity, and reduce bank failure by allowing banks to take on more risk. He claimed that the Nigerian banking system was facing significant issues that, if not solved, might lead to a crisis in the near future. According to him, these issues led to the Bankers' Committee and the CBN Board of Directors approving the rules and incentives on July 6, 2004. The strategy helped banking industry consolidation, allowing institutions to fulfil the necessary capital base of N25 billion by December 31, 2005. Stakeholders faced both risks and opportunities as a result of the order, which reduced the number of banks in the country from 89 to 25 at the end of the procedure. Many of the emerging banks consolidated, resulting in mergers, acquisitions, or a combination of the two, as the CBN advocated.

In 2006, shortly after the recapitalization and consolidation of Nigeria's banking industry, the Central Bank of Nigeria reported only ten healthy banks, five of which were satisfactory, and five of which were marginal and unhealthy (Oluitan, 2010). This is indeed curious. According to the CBN Chief, the Nigerian banking sector was characterized by poor corporate governance practices, overt and undue exposure to the capital market, oil and gas sector, poor risk management practices, and inadequate disclosure about the bank's financial position, according to a stress test conducted by the CBN/NDIC audit under the former CBN Governor (Sanusi, 2009). The banking system's long-term problems, such as large default loan portfolios, high loan-to-deposit ratios, bank distresses, and a weak corporate governance framework that leads to insider abuse and credit mismatch/misallocation (Central Bank of Nigeria, 2010), are causes for concern.

Given these obvious realities, it follows that the post-recapitalization period saw additional problems in the banks as a result of some interdependent factors such as macroeconomic instability caused by the sudden influx of large amounts of capital, poor corporate governance in these banks, lack of transparency in the disclosure of the banks' financial standings, the continuous wide gaps in financial regulations and laws, and unstructured management. In addition, the Nigerian banking system's post-recapitalization experience included the injection of NGN 620 billion bailout funds to save most recapitalized banks, the sacking of indicted bank CEOs and the appointment of advisers to these banks, bank restructuring and huge impaired shareholders' funds, huge non-performing loan exposure, and the establishment of the Asset Management Corporation of Nigeria (Offiong, Riman, James, Okon & Ogar, 2020). As a result, certain large and well-known banks, including Oceanic, Intercontinental, Diamond, Afri, Skye, and, most recently, Union, that made it through the recapitalization period are no longer operating because to the aforementioned issues. Given these circumstances, this study determined that it was vital to explore the effects of bank recapitalization on their performance, given the continuous bankruptcy and failures among Nigeria's commercial banks even after the implementation of the consolidation policy.

2. Literature Review

2.1. Conceptual Framework

According to Aduloju, Awoponle, & Oke (2009), recapitalization is a change in a company's or organization's capital structure. They also connected recapitalization to the anticipated replacement of damaged subsystems, which are capital assets. Homar (2016) described recapitalization as a shift in a company's capital base as a result of cash being injected for resuscitation. The article goes on to say that bank recapitalization is typically done when the financial sector is in crisis and the economy is functioning worse than it does in normal times. According to Phillippon & Schnabl (2013), efficient recapitalization reduces ex post rent to banks while simultaneously reducing ex ante moral hazard in the event of government intervention. According to Natashima (2015), recapitalization is the public injection of capital into the banking system with the goal of decreasing financial risks and restoring lending and profitability to capital-injected institutions.

Recapitalization, according to Horne (2002), is any change in capital structure, operations, or ownership that occurs outside of the normal course of business. The need to recapitalize is frequently sparked by a market that is far below the firm's full potential or intrinsic value. Gilson (1998), on the other hand, defines recapitalization as the process through which a company addresses problems of general underperformance and develops measures to improve its ability to perform better. Recapitalization, according to Akinsulire (2008), refers to changes in a company's capital structure. In some circumstances, the ownership structure is altered to improve the company's efficiency. He believes that a corporation cannot recapitalize on its own when it is in financial hardship, despite the fact that this is the case most of the time. According to Akinsulire (2008), recapitalization is a structured scheme for reviving a firm to a better structure and focus, rather than guesswork.

In a similar vein, Iskander, Meyerman, Gray, & Hagan (1999) claimed that corporate recapitalization entails reorganizing a corporation's assets and liabilities, including its debt-to-equity structure (if any), in accordance with its cash flow needs in order to improve efficiency, restore growth, and reduce overhead costs. According to Hailemariam (2001), firm executives frequently recapitalize their organizations in order to improve efficiency, minimize costs, or increase shareholder wealth. Corporate recapitalization can have a number of objectives, including making the company

more cost competitive, abandoning a failed corporate strategy, or adopting other steps to boost the company's market worth.

2.2. Bank Stability

Banking stability is defined as the lack of financial crises, which is attained through the stability of all banks in a banking system or sector (Brunnermeier, Crockett, Goodhart, Persaud, & Shin, 2009). Banking stability can be characterized as the stability of banks that are tied to one another either directly through the interbank deposits market and participations in syndicated loans, or indirectly through lending to common sectors and proprietary transactions in terms of interdependence (Segoviano & Goodhart, 2009). Banking instability can be induced by unanticipated fluctuations in economic cycles, according to Segoviano and Goodhart (2009), and the impact of booms and recessions on banking system stability varies by country.

Although both incomplete regulation and ineffective supervision are related and cannot be analysed in isolation, Barth, Caprio, & Levine (2013) suggested that banking instability can be induced by either incomplete regulation or ineffective supervision. Bank soundness, according to Lindgren, Garcia, & Saal (1996), is a bank's ability to survive unfavourable events such as bank runs, major policy changes, financial sector liberalization, and natural disasters. As a result, it represents a bank's ability to be viable and remain so even under severe economic times through its capital and reserve accounts.

Banking sector instability, according to Jokipii & Monnin (2013), is defined as the likelihood of the banking sector going bankrupt during the following quarter. They defined a banking system as insolvent when the market prices of all of the country's banks' assets are insufficient to cover the total debt at a given point in time.

2.3. Recapitalization and Bank Stability

Recapitalization may increase liquidity in the short-term, but it does not ensure the enabling macroeconomic climate needed to ensure high volume and profitability. Banks' low capitalization has rendered them prone to unethical and unprofessional behaviors such as poor loan quality in Nigeria; overtrading, which has seen them forgo the real functions of banking in favor of quick profit ventures like as FX trading (Soludo, 2004). The banking system's structure has encouraged deposit rates to be sticky, especially at the retail level, so that while banks' lending rates remain high and positive in real terms, most deposit rates, notably those on savings, are low and negative. Furthermore, the unrealistic requirements in the event of account opening have hindered grass-roots savings mobilization (Imala, 2005).

For a variety of reasons, recapitalizations should result in increased lending. First, capital improves a bank's ability to raise an insured form of debt (safer banks attract more deposits), and therefore the consequences of a decline in lending (Gambacorta and Mistrulli, 2004). Second, because regulatory capital requirements are based on the quantity of loans granted, capital boosts a bank's lending power (Gambacorta and Mistrulli, 2004). The true impact of capital increases is determined by the magnitude of the recapitalizations, the bank's capacity to meet capital requirements ex-post, and the quality of the bank's clients (Giannetti and Simonov, 2013). Recapitalizations result in more loans if the capital ratio is over a specific level (Brei, Gambacorta, and Von Peter 2013), liquidity is strong (Kim and Sohn, 2017), and profitability is high (Brei, Gambacorta, and Von Peter 2013; Cohen and Scatigna, 2016). Third, bank's recapitalization might improve lending by reducing the size of the bank's debt overhang; otherwise, they are useless in stimulating lending (Philippon and Schnabl, 2013).

3. Theoretical Framework

3.1. Buffer Theory of Capital Adequacy

Calem & Rob's (1996) buffer theory predicts that a bank approaching the regulatory minimum capital ratio will have an incentive to increase capital and reduce risk in order to avoid the regulatory penalty associated with a capital breach. Poorly capitalized banks, on the other hand, may be enticed to take additional risks in the hopes of increasing their capital.

3.2. Pro-Concentration Theories

Bank mergers and acquisitions (increasing concentration), according to proponents of banking sector concentration, are driven by economies of scale, resulting in enhanced efficiency (Demirgue-kunt & Levine, 2000). This is partly due to increasing competition among banks as a result of lower concentration in the banking market. Larger banks can diversify better; hence financial systems with a few major banks are less vulnerable than banking systems with numerous small banks, according to proponents of this 'concentration-stability' viewpoint. A more concentrated banking sector may boost revenues and hence reduce bank fragility. High profits act as a buffer against negative shocks and raise the bank's franchise value, limiting bankers' incentives to take excessive risks. Furthermore, corporate control of banks will be more effective in a concentrated banking sector since a few major banks are easier to monitor than many small banks.

3.3. Early Warning System Models

Insolvency in financial institutions is a well-known problem. Non-systemic (one bank) or systemic (many banks) banking distress and crises exist (an entire banking system). Vilen (2010) splits Early Warning System (EWS) models into two major categories when it comes to predicting non-systemic bank distress and failure: on-site and off-site assessments.

As the name implies, on-site evaluations entail bank supervisors visiting a bank's premises and evaluating bookkeeping documentation, business books, and other pertinent business and financial records in order to determine the bank's soundness and compliance with policies, laws, and regulations. Off-site analysis entails relying on publicly available data, particularly annual and quarterly reports that banks must publish and/or send to regulators. Although an on-site assessment is more comprehensive and arguably more accurate than an off-site estimate, an off-site evaluation takes less supervision, effort, and time, and hence may be performed more frequently.

3.4. Stakeholders' Theory

The traditional idea that management of corporate concerns such as banks should focus solely on the goal of profit, which Jensen (2002) calls the 'single-valued objective' of any firm is challenged by stakeholder theory. Deposit Money Banks that are stakeholder-based serve the interests of not only shareholders, but also other subjects (such as depositors, employees, creditors, borrowers, suppliers, the local community, authorities, the environment, business partners, and so on) with whom the banks have important relationships. As a result, these banks have a responsibility to create value for all of their stakeholders in a balanced and satisfactory manner (Marco & Luciano, 2015). Employees, depositors, borrowers, suppliers, the environment, and even the monetary authorities are all stakeholders in Deposit Money Banks in Nigeria, hence the stakeholder theory is pertinent to this study. As might be expected in other climes, the operations of these banks have an impact on these stakeholders. The stakeholders bear the weight of the negative outcomes when these institutions fail or are unable to carry out their functions effectively and efficiently. One method to avoid this situation is to keep a close eye on the Deposit Money Banks performances.

3.5. Empirical Review

The idea that bank recapitalization is heating up has been debated, but there is still no clear consensus in the research. As a result, themes in the literature that entail research on recapitalization procedures and their effects on bank performance are of interest. Several Researchers have investigated the effects of Recapitalization the Deposits Money Bank on their performance. So far, there is no consensus on the on the direction of the effects. While some studies indicated a positive relationship, others were negative. The influence of recapitalization on bank performance in Nigeria was investigated by Raji, Bamgbose, Olusegun, and Abidoye (2017). It is discovered that bank performance and recapitalization have a negative association. According to the findings, management should consider recapitalization as a means of assuring optimal usage and tax incentives for banks in order to compete with the rest of the world's economy. In another study, Ifechi & Akanni (2015) studied the implications of recapitalization on commercial bank survivability in Nigeria, both before and after the recession. The study used an ex-post-facto research approach with pooled data and secondary data that covered a thirteen-year period prior to and after recapitalization. Using the CAMEL framework as indications for measurement, the Chow test was utilized to examine for structural differences between the before and post periods. After recapitalization and consolidation, the result of the regression model of minimum capital base on capital adequacy, asset quality, management quality, earnings quality, and liquidity showed an increase, but only capital adequacy and management quality had a structural difference with the increment. According to the findings, bank recapitalization and consolidation is a desirable trend that the banks require. The study recommends, among other things, strict adherence to corporate governance practices, zero tolerance for misreporting and fraudulent practices, and enforcing laws such as board member liability in failing banks. Finally, every business requires an enabling environment to increase profitability. Using a panel analysis, Homar (2016) examined the impact of bank recapitalizations on lending, funding, and asset quality in European banks between 2000 and 2013. The study demonstrated that banks that receive a sufficiently big recapitalization boost lending, attract additional deposits, and clean up their balance sheets after controlling for market implied capital shortfalls. Banks that obtain a little recapitalization compared to their capital shortage, on the other hand, cut lending and downsize assets. These findings indicate that recapitalizations must be large enough to result in additional lending. In another study, Umoru & Osemwegie (2016), used the feasible GLS estimator approach on the pooled panel model to investigate the degree of relevance of the capital adequacy ratio in determining the financial behavior of Nigerian banks from 2007 to 2015. The dominating impact of capital adequacy in enhancing the financing demands of Nigerian banks was substantiated by empirical research. As a result, deposit money banks may be unable to meet their obligations and risk. From 1980 to 2017, Ighoroje & Akpokerere (2021) investigated the impact of liquidity management on bank performance in Nigeria. The study's main goal was to discover empirical evidence of how effective liquidity management influences bank performance and how to increase bank performance and liquidity. The ARDL data analysis technique created cointegration and error correction techniques, and the Granger causality test was used to study the relationship between liquidity management and bank performance. Although liquidity ratio was revealed to be the sole significant variable in the model from the individual test, the study found that the liquidity components had a long-term impact on bank performance in Nigeria. The implications of recapitalization on the Ghanaian banking industry were investigated by Obuobi, Nketiah, Awuah, & Amadi (2020). The Ghanaian banking industry has been recapitalized three times in the last decade (2007, 2012, and 2017). The study used the 2012 exercise as a benchmark to determine if bank recapitalization was worthwhile. The research employed a quantitative research method based on an ex-post factor design and used secondary data from 2007 to 2018 to calculate the study variables (cost to income ratio, profit before taxes, non-performing loans, return on assets, return on equity, net interest margin, capital adequacy ratio, liquidity ratios, and asset quality ratios). To determine if there was a statistically significant difference in banking sector performance metrics, the t-test for equality of means was performed, as well as the Levene's test for equality of variance. According to the finding, banking recapitalization has the ability to improve bank performance in the industry.

Okere & Yunisa (2019) found that capital adequacy regulations had an impact on DMB profitability in Nigeria. Over the course of eleven years, data was collected from a sample of eleven (11) publicly traded deposit money banks (2009 to 2019). The fixed effects model was used to analyse the data. The findings revealed that capital adequacy standards influence bank profitability and earnings per share of deposit money banks in Nigeria in a positive and significant way. The impacts of bank recapitalization on the profitability of Deposit Money Banks in Nigeria were studied by Okwoli, Jim-Suleiman, & Daboer (2018). The empirical study spanned the years 2005 to 2016, using fifteen banks listed on the Nigerian Stock Exchange as a case study. The study's data came from secondary sources, such as annual reports and financial statements from all of the Deposit Money Banks listed on the Nigerian Stock Exchange. The study used a causal research design, which examines current knowledge using historical data. Findings showed that bank recapitalization has an impact on asset returns (profitability).

The influence of bank recapitalization approaches such as mergers and acquisitions, equity issues, and interventions (bailouts) on the performance of the Nigerian banking system was researched by Dikko, Alifiah, & Abdulahi (2020). The data for the study were gathered via a survey approach, and the replies from regional, branch, and senior banking executives were analyzed and checked to see if bank recapitalization has an effect on the banking sector's performance. According to the results of structural equation modelling, bank recapitalization is favourably associated to bank performance. Furthermore, all recapitalization options have a positive and significant impact on bank performance, according to the findings. As a result, using recapitalization processes for undercapitalized banks during crises or regular times is strongly urged for long-term sustainability and in the banking sector, which serves as the backbone of any nation's economy. Gopar & Eba (2019) investigated the impact of recapitalization on deposit money bank growth in Nigeria. The particular aims were to research the impact of liquidity on deposit money bank growth in Nigeria, the effect of total deposit on deposit money bank growth in Nigeria, and the contributions of bank total asset on deposit money bank growth in Nigeria. According to the findings, bank total asset had a large impact on deposit money bank growth, total deposit had a positive effect on deposit money bank growth, and liquidity had a good impact on deposit money bank growth in Nigeria.

4. Methodology

Following the study of Abusharbeh, (2020) on the financial soundness of the Palestinian banking sector, this study shall employ the CAMEL (Capital Adequacy, Assets Quality, Management Operational Efficiency, Earnings and Assets Liquidity) Rating system to analyze our data. Time series data for the study will be collected from published annual reports of 11 Nigerian Banks for the period of 16 years (from 2005 to 2020). These banks are Access Bank, ECO Bank, FCMB, Fidelity Bank, First Bank, GTB, Stanbic IBTC, UBA, Union Bank, Wema Bank and Zenith Bank respectively.

4.1. CAMEL Rating System

The Uniform Financial Institution Rating system, commonly referred to the acronym CAMEL rating, was adopted by the Federal Financial Institution Examination Council on November 13 1979, and then adopted by the National Credit Union Administration in October 1987. It has proven to be an effective internal supervisory tool for evaluating the soundness of a financial firm, on the basis of identifying those institutions requiring special attention or concern. Barr, Killgo, Siems & Zimmel (2002) states that CAMEL rating has become a concised and indispensable tool for examiners and regulators. This rating ensures a bank's healthy conditions by reviewing different aspects of a bank based on variety of information sources such as financial statement, funding sources, macroeconomic data, budget and cash flow. The ratio-based CAMEL model that uses specific financial ratios to define the respective parameters. These Ratios are Capital Adequacy, Assets Quality Ratio, Management Efficiency, Earnings and Liquidity. Table 1 below gives further description of the CAMEL Ratios.

S/N	Acronym	Ratios	Description
1.	C	Capital Adequacy Ratio	$\frac{\text{Equity}}{\text{Total Capital}}$
2.	A	Asset Quality Ratio	$\frac{\text{Non} - \text{Performing Loan}}{\text{Total Loan}}$
3.	M	Management Efficiency Ratio	$\frac{\text{Operating Expenses}}{\text{Operating Income}}$
4.	E	Earnings Ratio	$\frac{\text{Net Income}}{\text{Total Assets}}$
5.	L	Liquidity Ratio	$\frac{\text{Liquid Assets}}{\text{Total Assets}}$

Table 1: CAMEL Based Ratios

4.2. Composite Rating Based on CAMEL

The composite CAMEL rating is ranked from 1 to 5 according to the status of the bank. Thus, bank performance is assessed using a rating scale as presented in Table 2. This assessment method was supported by many scholars, such as Abusharbeh, (2020), and Desta (2016).

S/N	Composite Range	Status	Description
1.	1 – 1.49	Strong	The bank's performance is very strong
2.	1.5 – 2.49	Satisfactory	The bank's performance is good, but there are some weaknesses
3.	2.5 – 3.49	Fair	he bank's performance is acceptable with some associated risk
4.	3.5 – 4.49	Marginal	The bank has many financial weaknesses that could potentially threaten its growth and development
5.	4.5 – 5.0	Unsatisfactory	The bank has a high probability of failure and bankruptcy

Table 2: Composite Rating Based on CAMEL

4.3. Classification Rating of CAMEL Parameters

Table 3 below presents the detailed classifications of the CAMEL rating system. The selected ratios are evaluated using this rating system. A rating of one indicates strong performance, while a rating of five indicates poor performance.

S/N	Ratios	Composite Rating				
		1	2	3	4	5
1.	Capital Adequacy	> 13%	12 – 12.99%	8 – 11.99%	6 – 7.99%	< 5.99%
2.	Asset Quality	< 1.5	2.5 – 1.51%	3.5 – 2.6%	5.5 – 3.6%	> 5.6%
3.	Management Efficiency	< 60%	60 – 74.9%	75 – 89.9%	90 – 99.9%	< 100
4.	Earnings	> 1%	0.6 – 0.99%	0.5 – 0.599%	0.3 – 0.499%	< 0.29%
5.	Liquidity	> 50%	40 – 49.9%	30 – 39.9%	20 – 29.9%	< 19.9%

Table 3: Classification Rating of CAMEL Parameters

5. Results of Data Analyses

5.1. CAMEL Ratio Composite Rating for Banks' Post-Consolidation Policy

5.1.1. Capital Adequacy

Table 4.1 below presents the mean of the Capital Adequacy ratios of Nigerian Commercial Banks before the implementation of Consolidation Policy of Central Bank of Nigeria.

S/N	Bank	Mean (%)	Standard Deviation (%)	Composite Rating	Evaluation / Results
1.	Access Bank	15.57	5.52	1	Strong
2.	ECO Bank	12.10	4.29	2	Satisfactory
3.	FCMB	17.12	5.88	1	Strong
4.	Fidelity Bank	18.71	7.14	1	Strong
5.	First Bank	45.66	40.88	1	Strong
6.	GTB	18.33	2.36	1	Strong
7.	Stanbic IBTC	18.78	7.69	1	Strong
8.	UBA	11.32	3.02	3	Fair
9.	Union Bank	18.06	6.01	1	Strong
10.	Wema Bank	10.42	13.25	3	Fair
11.	Zenith Bank	15.68	2.78	1	Strong
	Industry Average	18.34	8.98	1.45	Strong

Table 4: Composite Rating of Commercial Banks Capital Adequacy

The result of Capital Adequacy Rating presented in Table 4 above indicated that 8 of the banks (Access Bank, FCMB, Fidelity Bank, First Bank, GTB, Stanbic IBTC, Union Bank and Zenith Bank) are rated 1, one rated 2 (ECO Bank) and 2 rated 3 (UBA and Wema Bank). It is also visible in the Table 4 that the capital adequacy industry average is rated 1.45. These results therefore implicate that the Banks' Post-Consolidation Policy implementation boosted the capital adequacy of Nigerian Banks, showing strength in performance. However, to be specific, UBA and Wema Bank showed some level of association, that require concern.

5.1.2. Asset Quality

Table 5 below presents the result of the Asset Quality ratios of Nigerian Commercial Banks after the implementation of Bank's Consolidation Policy of Central Bank of Nigeria.

S/N	Bank	Mean (%)	Standard Deviation (%)	Composite Rating	Evaluation / Results
1.	Access Bank	4.60	4.03	5	Unsatisfactory
2.	ECO Bank	14.10	8.52	5	Unsatisfactory
3.	FCMB	6.18	6.64	5	Unsatisfactory
4.	Fidelity Bank	67.03	75.40	5	Unsatisfactory
5.	First Bank	12.28	11.67	5	Unsatisfactory
6.	GTB	3.29	1.58	5	Unsatisfactory
7.	Stanbic IBTC	8.61	5.90	5	Unsatisfactory
8.	UBA	4.93	2.85	5	Unsatisfactory
9.	Union Bank	27.98	26.09	5	Unsatisfactory
10.	Wema Bank	34.71	44.24	5	Unsatisfactory
11.	Zenith Bank	60.16	8.89	5	Unsatisfactory
	Industry Average	22.17	17.80	5	Unsatisfactory

Table 5: Composite Rating of Commercial Banks Assets Quality

The results of the Assets Quality Ratio Composite Rating in Table 5 above revealed that all the 11 Commercial Banks are rated 5 (unsatisfactory). This is very dangerous and signify that these Banks' loan portfolios are grossly non-performing, and will likely lead to bankruptcy if care is not taken. Further implication of this is that the banks' intermediation process is jeopardized.

5.1.3. Management Efficiency

Table 6 below presents the result of the Management Efficiency ratios of Nigerian Commercial Banks after the implementation of Consolidation Policy of Central Bank of Nigeria in 2004/2005.

S/N	Bank	Mean (%)	Standard Deviation (%)	Composite Rating	Evaluation / Results
1.	Access Bank	79.96	34.29	3	Fair
2.	ECO Bank	86.31	28.31	3	Fair
3.	FCMB	67.16	12.05	2	Satisfactory
4.	Fidelity Bank	76.97	16.89	3	Fair
5.	First Bank	55.48	21.19	1	Strong
6.	GTB	143.29	152.30	5	Unsatisfactory
7.	Stanbic IBTC	58.49	14.40	1	Strong
8.	UBA	114.41	49.65	5	Unsatisfactory
9.	Union Bank	73.91	16.10	2	Satisfactory
10.	Wema Bank	127.00	117.71	5	Unsatisfactory
11.	Zenith Bank	60.16	8.89	2	Satisfactory
	Industry Average	85.74	42.89	2.91	Fair

Table 6: Composite Rating of Commercial Banks Management Efficiency

Table 6 above showed the results of the management efficiency composite ratings of the 11 commercial banks after the CBN consolidation of banks in Nigeria. According to the results, the average mean of First Bank and Stanbic IBTC are 55.48% and 58.49% and received rating of 1 each. This indicates that First Bank and Stanbic IBTC have higher operational efficiency than other commercial banks in Nigeria. On the other hand, GTB, UBA and Wema Bank have highest mean of 143.29%, 114.41% and 127% respectively. These imply that GTB, UBA and Wema Bank have failed to manage their operational efficiency compared to other banks under study, which are fairly efficient in their operational management.

5.1.4. Earnings

Table 7 below presents the result of the Earnings ratios of Nigerian Commercial Banks after the implementation of 2004/2005 Consolidation Policy of Central Bank of Nigeria.

S/N	Bank	Mean (%)	Standard Deviation (%)	Composite Rating	Evaluation / Results
1.	Access Bank	1.66	0.72	1	Strong
2.	ECO Bank	1.36	1.04	1	Strong
3.	FCMB	1.27	1.09	1	Strong
4.	Fidelity Bank	1.47	0.84	1	Strong
5.	First Bank	2.98	2.51	1	Strong
6.	GTB	4.18	1.09	1	Strong
7.	Stanbic IBTC	3.04	1.34	1	Strong
8.	UBA	1.49	0.78	1	Strong
9.	Union Bank	-0.33	9.05	5	Unsatisfactory
10.	Wema Bank	-2.41	11.92	5	Unsatisfactory
11.	Zenith Bank	2.59	0.71	1	Strong
	Industry Average	1.57	2.83	1.72	Strong

Table 7: Composite Rating of Commercial Banks Earnings

Table 7 above presents the results of the composite ratings of the means of Earnings Ratio of the eleven Commercial Banks after the 2004/2005 Consolidation Policy implementation. Access Bank, ECO Bank, FCMB, Fidelity Bank, GTB, Stanbic IBTC, UBA and Zenith Bank showed adequate levels of earnings with composite rating of 1 for each of the banks. However, Union Bank and Wema Bank indicated lowest average earnings and received a rating of 5. This is not good news to the shareholders and other customers, as these two banks may struggle to absorb any potential risk that might be incurred.

5.1.5. Assets Liquidity

Table 8 below presents the result of the Assets Liquidity ratios of Nigerian Commercial Banks after the implementation of 2004/2005 Consolidation Policy of Central Bank of Nigeria.

S/N	Bank	Mean (%)	Standard Deviation (%)	Composite Rating	Evaluation / Results
1.	Access Bank	25.62	22.21	4	Marginal
2.	ECO Bank	20.01	5.94	4	Marginal
3.	FCMB	32.26	17.66	3	Fair
4.	Fidelity Bank	37.81	14.06	3	Fair
5.	First Bank	14.11	12.44	5	Unsatisfactory
6.	GTB	22.79	11.66	4	Marginal
7.	Stanbic IBTC	36.52	9.41	3	Fair
8.	UBA	39.09	17.41	3	Fair
9.	Union Bank	18.44	15.71	5	Unsatisfactory
10.	Wema Bank	21.85	10.51	4	Marginal
11.	Zenith Bank	47.02	9.49	2	Satisfactory
	Industry Average	28.68	13.32	3.64	Marginal

Table 8: Composite Rating of Commercial Banks Assets Liquidity

Table 8 above presents the results of the composite ratings of the means Asset Liquidity Ratio of the eleven Commercial Banks after the 2004/2005 Consolidation Policy implementation. It is very visible that with the average rating of 4, these banks have serious liquidity problems that requires attention. The much hit in the illiquidity problems are Access Bank, ECO Bank, First Bank, GTB, Union Bank and Wema Bank. On the other hand, FCMB, Fidelity Bank, Stanbic IBTC, UBA and Zenith Bank are fairly liquid.

5.2. Overall CAMEL Assessment

Table 9 below presents the overall CAMEL assessment of the eleven banks under study after the 2004/2005 Banks' Consolidation Policy of the CBN. These banks were further ranked according to performance.

S/N	Bank	C	A	M	E	L	Average Rating	Composite Rank
1.	Access Bank	1	5	3	1	4	2.8	4
2.	ECO Bank	2	5	3	1	4	3.0	5
3.	FCMB	1	5	2	1	3	2.4	2
4.	Fidelity Bank	1	5	3	1	3	2.6	3
5.	First Bank	1	5	1	1	5	2.6	3
6.	GTB	1	5	5	1	4	3.2	6
7.	Stanbic IBTC	1	5	1	1	3	2.2	1
8.	UBA	3	5	5	1	3	3.4	7
9.	Union Bank	1	5	2	5	5	3.6	8
10.	Wema Bank	3	5	5	5	4	4.4	9
11.	Zenith Bank	1	5	2	1	2	2.2	1

Table 9: Overall CAMEL Assessment

Overall assessment of all the 11 banks according to Table 4.15 above revealed that Zenith Bank and Stanbic IBTC demonstrated strongest performance more than the other banks with a rank of 1. More so, FCMB is ranked second, Fidelity and First Banks third, Access Bank fourth, fifth position to ECO Bank, while sixth position goes to GTB. Further results from the Table 4.15 also indicated that UBA is ranked seventh, Union Bank eighth and Wema Bank ranked last.

5.3. Sample t-Test Comparative Analysis

Table 4.16 below presents the detailed result of the analysis of the sample t-test of the CAMEL ratios of the eleven banks. This is aimed to determine if there exist differences in the financial soundness of the Nigerian Commercial Banks after the Consolidation Policy of 2004/2005 implementation.

S/N	Bank	C		A		M		E		L	
		t-Value	Sig.	t-Value	Sig.	t-Value	Sig.	t-Value	Sig.	t-Value	Sig.
1.	Access Bank	11.28	0.000	4.56	0.000	9.33	0.000	9.28	0.000	4.62	0.000
2.	ECO Bank	11.29	0.000	6.63	0.000	12.20	0.000	5.24	0.000	13.47	0.000
3.	FCMB	11.64	0.000	3.73	0.002	22.30	0.000	4.64	0.000	7.31	0.000
4.	Fidelity Bank	10.48	0.000	3.56	0.003	18.23	0.000	7.02	0.000	10.76	0.000
5.	First Bank	4.47	0.000	4.21	0.001	10.47	0.000	4.76	0.000	4.54	0.000
6.	GTB	31.03	0.000	8.36	0.000	3.76	0.002	15.34	0.000	7.82	0.000
7.	Stanbic IBTC	9.77	0.000	5.84	0.000	16.25	0.000	9.04	0.000	15.53	0.000
8.	UBA	14.98	0.000	6.92	0.000	9.22	0.000	7.59	0.000	8.98	0.000
9.	Union Bank	12.01	0.000	4.29	0.001	18.37	0.000	-0.15	0.885	4.70	0.000
10.	Wema Bank	3.14	0.007	3.14	0.007	4.32	0.001	-0.81	0.431	8.32	0.000
11.	Zenith Bank	22.53	0.000	27.06	0.000	27.06	0.000	14.62	0.000	19.82	0.000

Table 10: Results of One Sample t-Test

The results in Table 10 above revealed that the ratios of capital adequacy, assets quality, management and assets liquidity p-values of all the eleven banks are less than 5%. More so, p-values of the ratios of earnings are also less than 5% for the eleven banks, except those of Union and Wema Banks. These therefore indicate that except the two banks with the p-values of CAMEL ratios greater than 5%, there are significant differences in means of all other banks with p-values less than 5%. This further entails that the application of CAMEL technique differs from one bank to another after the CBN consolidation policy implementation.

6. Discussion of Results

Banking sector performance is very critical in the growth and development of any economy. A healthy banking system mobilizes idle funds for investment purpose through the intermediation processes, hence impacting in the economic production and consumption activities. To achieve this, regular checks, assessments, supervision and where necessary, intervention and reforms are inevitable to assure the ultimate goal of the financial ecosystem in the economic production. In this study, we examined the performance implications of the recapitalization/consolidation policy of the CBN in 2004/2005 on the 11 Commercial Banks in Nigeria. This is very much in line with the work of Lucky & Akani (2017) that examined the soundness of Nigerian quoted commercial banks, and found a significant improvement in the composite and component CAMELS rating of commercial banks after the post consolidation exercise.

Analysing the various CAMEL ratios of the Nigerian Commercial Banks, it was discovered that these money deposit banks are well and adequately capitalized to meet up with the expectations of the shareholders after the implementation of the recapitalization policy than before the policy. This finding is corroborated with the Al-abedallat (2019) that discovered that capital adequacy increased the performance of Jordanian banks measured by returns on the

assets, returns on equity, and net income. Similarly, AL-Najjar & Assous (2021) determined the ranking of Saudi banks according to CAMEL composite and overall ratings and discovered positive effects on banks' total deposits.

Also, the analyses of asset quality of the Nigerian Banks indicated a disappointing result, implying that non-performing loans and bad debts burdened the performance of these banks in the post-recapitalization periods. This is supported by the study of Bastan, Mazrael, & Ahmadvand (2016) that investigated the performance of Iranian banks and found that quality assets were the most critical factors affecting the soundness of Iranian banks. It therefore implied that these banks have undefined credit policy and are unable to efficiently manage credit risk. This finding also negates the prior work by Rahman & Islam (2018).

Further analysis revealed that management operational efficiency was deemed fairly effective after the recapitalization policy. This did not support the study of Desta (2016). It therefore indicates that Nigerian banks operating revenue is higher than their operating expenses, signifying relative prudence in resources management.

It was very much evident in the study that Nigerian banks returned high profitability after the recapitalization of the Central Bank of Nigeria. This finding is consistent with the previous study of Kullab & Yan (2018) in their ten-year based analysis of Sudanese Banks. It also supported the work of Boateng (2019) that assessed the effects of various CAMELS components on the performance of Ghanaian banks. However, the results negate the report of Denje & Olando (2021) in their study to determine the performance of Kenyan Banks. The high profitability of these banks is not in consonance with the with poor credit management result seen earlier. However, Nigerian banks diversified most of their businesses outside banking, including oil and gas, real estates, which may not be unconnected with these findings.

More findings of the study revealed that Nigerian Banks are facing serious liquidity problems which have hindered performance in line with Denje & Olando (2021), and Kullab & Yan (2018).

Lastly, analyses of individual banks revealed that Stanbic IBTC, FCMB, First Bank and Zenith Bank performances rank higher than others, whereas GTB, UBA and ECO Bank had a poor financial outing in the post consolidation period, respectively.

7. Conclusion

Nigerian Banking sector have in the past witnessed poor business performance, where most banks that were posting huge profits with big business paraphernalia were technically insolvent after performance audit was carried out on them. Some of the big banks were either bailed out by the Central Bank of Nigeria to continue to be in business, acquired by Asset Management Company of Nigeria (AMCON) as toxic assets, or acquired by smaller banks. Example is the acquisition of Intercontinental Bank and Diamond Bank by smaller Access Bank, acquisition of Afri Bank by Skye Bank and later, unknown Polaris Bank, and the Acquisition of almighty Oceanic Bank by ECO Bank. It then becomes imperative to periodically audit/evaluate the health and financial conditions of these banks irrespective of their size.

Given the place of the banking sector in the mobilization and creating credit for the private sector for economic investment, this study deemed it fit to re-examine the performance of the Nigerian Banking sector in a bid to ascertain their health conditions for effective economic delivery. The study has however made some big and curious discoveries. While it was commendable that these banks are relatively making good profits, after the bank recapitalization, credit risk management is very abysmal with bad performance across board. Primarily, the main business of banking is collecting deposits from savers and turning them to credits for private investment. But the outcome of this study implied that this fit is never achieved, hence Nigerian banks are poorly and deficiently executing their core business enterprise of effective intermediation function. It is perceived that some banks in some cases finance wrong and risky businesses including political campaign that have no viable feasibility analysis, which most often end as non-performing loans. Of course, the private sector and the economy are at the receiving ends, as small and new businesses cannot easily access credits from these banks. This may not be unconnected to the poor performance of the private sector in Nigeria because of credit assessment issues unlike in other developed countries where banking sector is the main engine of private investment.

Finally, this study therefore indicates that bank recapitalization has not really solved all the problems of the Nigerian Banks in discharging it traditional role of intermediation in the Nigerian economic space.

8. Recommendations

Based on the above findings and conclusion, the following recommendations are put forward for implementation for further enhancement of the financial performance of Nigerian banks:

- To checkmate the incidence of increasing non-performing loans in the banking sector, the CBN should put a stringent oversight measure to ensure that credits are only advanced to viable businesses.
- Additionally, on-site and off-site examination of bank books should be regularly checked by regulators to identify or predict non-systemic risks in individual banks and actions taken immediately to mitigate such risk where it occurs.
- To ensure that Nigerian banks discharge their traditional roles effectively and its impact is felt in the economy, CBN should start putting in measures to reconsolidate the system again.
- Monetary authority should stipulate a liquidity ratio that all banks must maintain to all times. This will mitigate the incessant liquidity and technical insolvency problems that is obvious in some Nigerian banks.

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