TITLE PAGE

ASSET MANAGEMENT CORPORATION OF NIGERIA (AMCON)

A CRITIQUE

BY

TASIE CHINWEIKE OKECHUKWU

PG/MBA/09/54237

IN PARTIAL FULFILMENT OF THE REQUIRMENT OF MASTERS OF BUSINSS ADMINISTRATION IN BANKING AND FINANCE UNIVERSITY OF NIGERIA ENUGU CAMPUS

SUPERVISOR : DR B.E . CHIKELEZE

FEBRUARY , 2013

ABSTRACT

One of the most conclusive lessons of economic theories over the past three centuries is that free markets if allowed to operate within the norms and fairness to all market participants, lead to enhanced growth in the overall economy. When government fails in its role as a regulator, it creates the market noise that lead to market failures. Attempts to deal with these failures in themselves sometimes deepen the problem. Sustained market failure results in economic depressions, which are significant dislocation and depletion in the national wellbeing through losses in individual wealth. In the aftermath of the global financial crises that erupted in 2007 and 2008, several governments across the world adopted emergency economic and financial measures to confront the massive financial implosions that faced the national economies. Some of these measures were put in place without thorough academic, legal and policy analysis.

These fire brigade approaches to national emergencies seemed necessary to avert national financial calamities especially where some of the leading economies in the world were prodding others to respond. In Nigeria, rash monetary authority examination of the financial crisis created uncoordinated responses that jig sawed from indictment of nearly half of the leading financial institutions in the country, forced bailout of some of the institutions through infusion of public funds, removal of financial institutions management teams, to the birth of AMCON. However there have been criticisms leveled against the establishment of AMCON, It is against this backdrop that this work examined and critiques the Asset Management Corporation Act of 2010. Consistent with the above the study sought to; examine the Act establishing the Asset Management Corporation of Nigeria in the light of other existing Acts in Nigeria; examine the rationale behind the contribution of public funds as a startup capital for AMCON; examine what constitute eligible bank assets in line with AMCON's classification of Bank Assets; and examine what constitutes debt in line with AMCON's definition of nonperforming loans. The research design adopted was the comparative research design and the ex post facto research designs to enable the researcher make use of secondary data. The findings from the research reveals that the duty of AMCON as regards being a systemic regulatory agency is in conflict with CBN, NDIC, EFCC and other existing laws put in place to strengthen the financial sector in Nigeria ; AMCON in other jurisdiction have government funds as startup capital, thus the use of government fund is not out of place as startup capital for AMCON; the Act did not give the banks , their shareholders or directors a hearing as to the classification of eligible bank assets; Act definition of debt is vague ; as regards classification of debt as performing, doubtful and nonperforming which banks are required to make provision for . The study thus recommends that government should encourage the development of a free market in Nigeria where market forces are allowed to determine price and output. It is only in such atmosphere that long term g rowth and development of the Nigerian economy could be achieved and sustained.