THE IMPACT OF RECAPITALIZATION ON THE NIGERIAN BANKING INDUSTRY

A CASE STUDY OF ZENITH BANK, UNITED BANK FOR AFRICA (UBA), AND UNION BANK.

BEING A PROJECT PRESENTED TO THE DEPARTMENT OF BANKING AND FINANCE, FACULTY OF BUSINESS ADMINISTRATION, UNIVERSITY OF NIGERIA, ENUGU CAMPUS.

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ABSTRACT

In this study the researcher evaluated the impact of bank consolidation on the performance of the Nigerian banking industry. The study was saddled with three objectives: to evaluate the impact of recapitalisation on the profitability of Nigerian banks; to evaluate the impact of recapitalisation reform on the deposit mobilisation of banks; to evaluate the impact of recapitalisation reform on the shareholders' earnings of banks. Using different statistical ratios and regression model analysis supported by the f-test (ANOVA), it was found that banking sector re-capitalization legislation has always been a means of strengthening the capital base of banks in Nigeria. It has always been achieved through legislation. Since the 1952 banking ordinance witnessed about eight (8) minimum capital legislations, all with the intent of stabilizing the nancial system. However, it was also found that with each minimum it appeared that the objectives of setting it were far from being is study also found that, though there is a significant p between bank capital and profitability, the impact of the sation exercise in Nigeria has not been felt in the areas of bility, deposit mobilisation and shareholders earnings. The ing recommendations were proffered for the study: that though ing a strong capital base is important to any business, it should be orne in mind that the banking industry is a highly leveraged industry, hence legislating minimum capital should follow the business trends in the industry. As a follow up to this, regulatory environment should be such that will enable the banks invest profitably; since robust capital base does not translate to profits automatically, banks should be encourage to mop up the excess liquidity in the economy, thus helping them have robust deposit base for meaningful intermediation; banks should be encouraged to get involved in good banking habits, as this will translate to meaningful profit. This is when it is considered at the backdrop that there is a positive relationship between bank capital and profitability.