EFFECTS OF CROSS BORDER BANKING ON GROWTH OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT: *This study examined the effects of cross boarder banking on the growth of deposit money banks in Nigeria. The objective was to examine the relationship that exists between Nigeria cross boarder banking and deposit money banks in Nigeria. Time series data was sourced from Central bank of Nigeria statistical bulletin. Growth of Nigerian deposit money banks was modeled as the function of cross boarder credit, cross boarder banking claims, cross boarder banking assets, cross boarder banking liabilities and cross boarder bank branches. The ordinarily least square method was used as data analysis method. Findings shows that cross boarder bank branches, cross boarder banking liabilities and cross boarder banking assets have positive relationship with the growth of Nigerian deposit money banks while cross boarder bank credit and cross boarder banking claim have negative effect on the growth of Nigerian deposit money banks. The study concludes that cross boarder banking have moderate effects on the Nigerian deposit money banks. We recommend that international financial policies such as cross boarder banking should be formulated by management of deposit money banks and regulatory authorities to achieve positive impact of cross boarder banking on the growth of Nigeria deposit money banks.*

KEYWORDS: cross border banking, growth of deposit money banks, Nigeria

INTRODUCTION

Since the deregulation of Nigeria economy and the internationalization of financial market in the 1980s, the country has experienced an on-going political and economic integration process that resulted to free movement of goods, services, labour, and capital across national borders. However, this was proposed by trade and investment treaties, in order to encourage inflow and outflow of financial transactions. One important element of this development has been the design and the creation of a common financial market, which facilitates new business opportunities, enhances efficiency, and reduces transaction costs for the involved companies (Thorsten,   Micheal, Dorothe   and Makoio ,2014).This process of internationalization has been enabled through advancements in communication and information technology, various product innovations, and continuous deregulation implemented by governments and policy makers (Berger et al., 2000; Lozano-Vivas et al., 2011). Furthermore, on the basis of globalization, multinational banking groups with subsidiaries and branches in many different countries have emerged and constantly grown. Banking system is much larger than they use to be and have greater exposure to global monetary shocks.

In Nigeria, Central Bank Nigeria was empowered by law to develop a framework which is in line with the Basel Core Principles on the supervision of cross border entities. This framework sets out the procedure for conducting risk based supervision of cross-border operations of Nigerian banks. It is designed to enhance the supervision of international banking groups, and facilitate effective macro-prudential supervision of banks with the purpose of safeguarding the soundness and stability of the financial system (Asira, 2013). Expansion of banking through cross border trade globally is influenced by increased innovation of financial products, regulatory reforms in financial intermediation, liberalization of markets, globalization of business, role of e-commerce in business through improved business technology. Smith and Walter (1998) emphasized this factors through documenting globalization trends, performance of cross-border trade, estimation of volume of transactions of acquired financial institutions by banks in developed work either in partial stakes or fully in emerging markets particularly in the developing countries. Conceptually, cross boarder banking refers to global linkages through cross-border financial flows among countries. It can be examined in terms of cross boarder credit, cross boarder receivables, cross boarder claims and investment.

Over the years, Nigeria government has embarked on financial sector reforms and integrates the financial institutions to global financial market for effective management of Nigerian financial assets. For instance, 14 Nigerian Deposit Money Banks were selected after the consolidation reforms to manage Nigeria's external reserve. The extent to which these policies affect the growth of deposit money banks through the cross boarder banking process remained a knowledge gap as other studies on factors that determine commercial banks profitability examined domestic factors (Kuivalainen and Sundavist, 2008; Mulatya, 2012; Petersen and Marquart, 2013). Therefore this study examined the effect of cross boarder banking on the growth of Nigeria deposit money banks.

Conceptual Reflections

Cross Boarder Banking

Cross boarder banking refers to global linkages through cross-border financial flows. This has become important as globalization, which is a process of integration of world economies, has become a reality and is facilitated by the interchange of world views, products, services, ideas, and other aspects of culture. Furthermore, the advancements in transportation and communication have helped to improve the coming together of world economies into one village. The issue of cross-border banking has become increasingly relevant for emerging markets as they integrate financially with the rest of the world. There are different forms of cross-border transactions, they include cross border capital flows, globalization of financial institutions and globalization of financial markets. Caruana (2007) described the degree to which capital is moving across borders as revolution.

Cross-Border Mergers refers to the integration of banks or financial institutions across national borders. Cross border mergers may include a bank acquiring another bank or their merging together (M&A). The Nigerian banking system is yet to be fully integrated into the cross border mergers of financial institutions. This is because domestic bank mergers is

common in Nigeria rather than across the border mergers & acquisitions. This indicates that there are other factors that contribute to the wide spread cross border consolidation of bigger foreign banks than the home banks. Berger, De Young, and Udell (2001) are of the opinion that the factor that limits the expansion of cross-border M&A in the banking sectors is the efficiency barriers. This is the dissimilarities in banking regulations and supervision across different countries, which also results in additional costs on the foreign banks (differences in regulations).

Cross-Border Financing refers to financing arrangements or activities taking place across national borders. These activities include bankers acceptances processes, cross border loans, letters of credit which originates from one country and for the benefit of a partner or an entity in another country. This process is used mainly by the multinational Companies, to be able to finance their operations in other countries where they have business interests.

Nigeria currently has four (4) foreign-owned banks out of the twenty three (23) banks in the country; they are, Ecobank, Citibank, Standard Chartered and Stanbic IBTC. There are more Nigerian banks that have branches and subsidiaries operating in some other African and European countries than other foreign banks operating within Nigeria. The rationale for banks to have subsidiaries across borders includes risk diversification and greater profit opportunities, among others. These banks, through the introduction of new financial products/services, have also helped in expanding and deepening the growth of the banking sector in the continent. The Central Bank of Nigeria implemented consolidated supervision and developed a framework for cross-border supervision in 2010. The framework sets a precondition for the presence of Nigerian banks in other countries and the execution of Memoranda of Understanding (MoU) with the host country. Foreign owned banks have different capital requirements from the domestic banks.. The Financial Services Regulation Coordinating Committee (FSRCC), coordinates the regulation of the financial system, as specified by Section 43(2) of the Central Bank of Nigeria CBN Act 2007, and comprises the Central Bank (Chairman), Federal Ministry of Finance, Corporate Affairs Commission, National Insurance Commission, Nigeria Deposit Insurance Commission (NDIC), National Pension Commission, Abuja Securities & Commodity Exchange, Nigerian Stock Exchange, Securities and Exchange Commission (SEC and Federal Inland Revenue Service (FIRS). The Committee meets bi-monthly to address issues that concerns developments in the financial and banking sector.

Cross Boarder Credit

Credit is a financial market activity where financial institutions extend credit to deficit economic units to meet their financing needs. Cross boarder credit refers to commercial banks credits across national borders. Banks, which are willing and able to expand into foreign countries, are usually efficient in their operations, sustain against competition, and possess a healthy organizational structure. These characteristics are likely to be transferred to the acquired foreign company. Accordingly, domestic banks need to adapt to the more dynamic business environment in order to remain. As a result, a higher market share of foreign-owned banks can increase the overall efficiency and competitiveness of the national banking industry and, additionally, spill over to other industrial branches (Baudino et al.,

2004). Specific components leading to higher efficiency include specialized know-how, technology, and corporate governance mechanisms. The development of an enhanced financial sector can also be accomplished without foreign influence, but the support with financial and human capital accelerates this process significantly (Barisitz, 2005). Especially in the field of risk management, foreign banks have established important techniques and improvements in the CEE region (Domanski, 2005). The increase of efficiency of the financial industry in emerging Europe has also led to a convergence towards the macroeconomic conditions of the euro area. By looking at the rating levels, a positive impact of foreign investors can be observed. Based on ratings from Standard & Poor's, the following figure illustrates that long-term foreign currency ratings have continuously increased with the entrance of foreign investors into the Table 2.4: Number of foreign branches and subsidiaries of multinational banks in Western Europe in 2009 (Data source: ECB (2010)) 23 accession countries in the end of the 1990s and the early 2000s. All countries have been rated at or above investment grade (Baudino et al., 2004)

Cross Boarder Credit Allocation

 Besides the increase of efficiency, foreign banks have also contributed to a steady increase of bank lending to domestic customers. After a period of recession in the 1990s, lending recovered in the CEE countries with the help of fresh money provided by multinational banks. Foreign institutions had the advantage to collect capital on better terms than their domestic competitors. The comprehensive expansion of credit contradicts the assumption that foreign banks could be "cherry-picking" by granting loans only to a handful of promising customers (Cardenas et al., 2003; Domanski, 2005). However, it was in general more complicated and more costly to grant credit to small and medium-sized enterprises, as opposed to household clients, because standard evaluation approaches could not be applied to these specific customers. Additionally, missing legal and accounting standards have exacerbated the process of lending even more. This was not only an issue for foreign banks but also concerned domestic institutions to the same extent. Furthermore, the rapid expansion of lending raised concerns whether all of the issued loans in emerging Europe have been screened carefully enough, in order to withstand periods of economic downturn (Barisitz, 2005; Domanski, 2005; CGFS, 2005).

Cross Boarder Banking and Financial Stability

The fast rate of credit expansion also entails dangers for financial stability in the host countries. Household credit has increased by an average of 17% annually between 2000 and 2004, due to the entrance of international banking groups. Despite this strong growth, the debt level was still moderate, since it has started at a low base. However, the development raised the need for local authorities to carefully monitor their internal markets (Domanski, 2005). Even though multinational banks have helped to cure the recession of the banking sector in Eastern Europe, the high market share of foreign banks also created new risks, based on the high dependency of the host countries on international markets. Any kind of shock to the lending countries and a corresponding withdrawal of financial resources could cause serious economic consequences for the borrowing CEE country (Baudino et al., 2004). Apart from the potential risks for financial stability, the general environment of banks in the new

member states benefits from the entrance of multinational banks. Foreign investors will increase the pressure on national governments for an improvement of the institutional framework and the quality of banking supervision as well as regulation. An adjustment of accounting standards towards IAS or EU-compatible standards for companies and a harmonization of law will further support the development of an efficient economy in emerging Europe (Barisitz, 2005). All in all, the assessment of the impact of multinational banks on the development of emerging Europe, from efficiency to the regulatory framework, is not a unilateral process. Besides the influence of foreign banks, the accession into the EU and, as a consequence thereof, the alignment with western European political standards and legal systems has also played a significant role in regards to the restructuring process of the CEE countries (Baudino et al, 2004).

Growth of Profitability

Profitability growth illustrates sales increases/decreases over time. It is used to measure how fast a business is expanding. More valuable than a snapshot of revenue, revenue growth helps investors identify trends in order to gauge revenue growth over time. Annual   revenue growth is an increase in a company's sales when compared to a previous quarter's revenue performance. The current quarter's sales figure can be compared on a year-over-year basis or sequentially. This helps to give analyst, investors and additional stakeholders and idea of how much a company's sales are increasing over time. When looking at a company's quarterly or annual financials, it is not enough to just look at the revenue for the current period. When investing in a company, an investor wants to see it grow or improve over time. Looking at the financials in comparison to a previous quarter will give a clear picture of its growth rate. Profitability growth is the increase (or decrease) in a company's sales from one period to the next. Shown as a percentage, revenue growth illustrates the increases and decreases over time identifying trends in the business.

Inter-Organizational Perspective

 The unique element of inter-organization perspective is the network oriented thought process which regular market models lack as they are not interrelated to each other. The firms in this model are networked and dependent on each other thereby the coordination is within and through the network (Mattsson and Johanson, 1988 in (Petersen and Marquart, 2013). Such coordination happens between the firms where a standardized price is just one of the component factors. The characteristics in a network include technical, legal and economic ties. Interpersonal relationships are a strong component in enhancing such business relationships. Most companies join these networks as a form of synergetic strategy to competitiveness and mitigate risks associated with individualized schemes. The unit of analysis, in this network perspective is the multiplicity of relationships drawn and how it works for the betterment of different groups of firms.

Cautionary mechanism are placed through strategic possibilities and restrictions that service to curtail activities that might break down relationship within a network (Petersen and Marquart, 2013) Although the initial internationalization step is usually as a result of domestically networking, the process outcome could end up in strengthening business action

to go beyond local borders (Vahlne and Johansen, 2009). Peerage forms the foundation of the networks by one company following another in the foreign country or establishing links that foster interrelationship. Rapidity of internationalization through networks actually adds to the critique of the original Uppsala Model but the renewed model in 2009 captures network. When entering a network, the internationalization process will often proceed more rapidly than described in the learning perspective. Johanson and Vahlne original Uppsala 12 model has especially been criticized for not being able to explain the fast advance in internationalization, and partly based on this background, the model was renewed in 2009 to focus on networks as the primary driver for internationalization.

The utility of technology to facilitate operation has successfully been used by networks to advance their entrepreneurship internationally (Hollensen, 2008). The conceptualized model for network theory has four steps that facilitate internationalization. Although the orientation is quite different from the learning perspective, the network model similarly has incremental steps leading to finalization of internationalization process (Vahlne & Johansen, 2009). The steps can be summarized as: (1) Knowledge opportunities-where needs capabilities, strategies, and networks that directly and indirectly related to the firms are recognized; (2) relationship commitment decision-a decision is taken by focal firms to increase or decrease commitment levels to one or several relationships in within its network.

The changes effected would include changes in entry mode, size of investments, organizational changes, and level of dependence; (3) Learning, Creating, Trustbuilding-The speed, intensity and efficiency of learning, creating knowledge and building trust depend on the existing body of knowledge. Opportunities are created through assistive power within networks on the market information and business intelligence and (4) Network position-relationship is established with character of knowledge ability, trust and commitment which have different level of relationships within the network. Usually changes commitment could work either strengthen or weaken the links established. Decision made with networks is deepen relationships by establishing more or new channels of engagement through strategic partnerships or interdependency in other related networks (Vahlne & Johansen, 2009).

Strategic Competition Perspective
The strategic competition perspective draws its orientation from classical economic theory on competitiveness and industrial economics (Porter, 1985).Competitive view of internationalization has been advanced by theorist working to build on Porters mechanisms. This theory suggests that internationalization is driven by both internal and external competitive factors in an enterprise (Porter, 1985; 1980). The factors could be focusing on local and global competition, entry barriers, competitors, the firm's strategic direction, administrative heritage (Ghoshal & Bartlett, 1990). The international process of banks is informed by interplay between internal and external drivers. The firms making a decision to internationalize their operations must be privy to the cost drivers, competitive drivers, government policy drivers and customer drivers. Necessity is the mother of invention; consumers globally have preferences towards standardized products as an outcome of the technological development and globalization (Levitt, 1983). The kind of appetite exhibited for certain products only found in other areas would propel the internationalization process.

Internationalization is demand driven and therefore commensurately supply must be developed thus internationalization. Through the process of cross-subsidization or portfolio-management, resources can be accumulated and developed with the intention of taking to another destination to compete. The international market in the sense of internationalization refers to one global market that local market players undergo competitive disadvantages and challenges for protecting the home market, the globalized vision is lacking. Controversially, Hamel and Prahald (1985) are categorical that internationalization process is dictated by competitive gaps and competition. Yip (1989) viewpoint is that external drivers" role is basically setting a base for a firm being anchored on internationalization process but internal capabilities and resources dictate the outcome of input from external drivers and from internationalized functions.

Kogut and Zander (2003) illustrating the important role played by both internal and external factors, expressed that the interrelationship helps in creating synergy which offers the company a competitive edge. The two controversial thoughts advanced by both Douglas and Craig (1989) and Hamel and Prahald (1985) converge at internal factors being a steady component because reaction to external factors of internationalization is do not exhibit same patterns for different companies. Douglas and Craig (1989) complemented the school of thought that internationalization has phases with increased commitment but uniquely each phase is triggered by external and internal phases. The strategic competition framework for internationalization can be mapped on the thoughts of Perlmutter (1969) who theorized country orientation against a more world-orientation in business thinking (Perlmutter, 1969).

The theory of the phases as propagated by Douglas and Craig (1989) has a convergence in the original Uppsala model as it advances the notion of phases that resembles steps and obtaining of more knowledge which is the fulcrum of learning perspective. Perlmutter (1969) perspective, describes the notion of phases from an abstract orientation as it entails transiting from an ethnocentric view towards a geocentric view based on increased market intelligence and business knowledge of targeted foreign markets. The critique on strategic competition perspective is the threshold of empirical evidence where analysis requires colossal amount of data for corroborating information. Analysis of internal and more particular complex value chain activities and their relationship to external factors and drivers is necessary but quite number assumptions have to be made before the analyzed results are admitted (Persaud, 2005).

Institutional Economic Perspective
The institutional economic perspective on internationalization(Hymer, 1976) has borrowed heavily on transaction-cost theory(Coase, 1937) which stated that the continual growth of a company reaches an optimum where internal transaction costs become equal to the cost of the same transaction on the market (Petersen and Marquart, 2013). This school of thought serves to have transaction costs as being driving the decision taken regarding vertical integration (Petersen and Marquart, 2013). These transaction costs simply include the summation of ex-ante costs and ex-post costs. Characteristically, ex-ante costs entail search cost (for finding intermediary or trading partner on the market and additional costs like for gathering market intelligence) and contracting costs relating to contractual process facilitation. On the other

hand, expost-costs incurred in setting up operations in foreign land after contracting and other costs related to monitoring and enforcement for those who are not fulfilling their obligation (Hollensen, 2011). The basic thought here is why firms internalize internationally as opposed to delegating the tasks to the market. The institutional economic perspective therefore focuses on offering insights to decisions made to internationalize, externalize and entry modes of business entities relying on transaction costs. The transaction costs dictate the direction taken by business internationalization initiative and entry mode on foreign markets (Hollensen, 2011).

This of course is subjected to market imperfections and therefore externalized activities are done in free market economies where perfect competition exists. The human element resulting from friction between 16 buyer and seller and bounded rationality accompanied by opportunistic behaviours directly has an effect on transaction costs (Williamson, 1981). Anderson and Gatignon (1986) introduced model relating transaction cost and internationalization. They established an optimal entry mode based on transactional cost based pulled different transaction cost propositions. The framework has contributed greatly to understanding factors influencing internationalization processes. The framework is however limited in the sense of resources as different companies have different levels of investments and therefore establishment of the best entry point might be a mirage or not universally applicable (Brouthers and Nakos, 2004). The internalization and transaction cost are dynamic and therefore the theory can be described as evolutionary. The use of electronic communication has revolutionized how business is done and the increased influence of external intermediaries (Andersen, 2005). This is has however, minimized transaction costs and opportunistic behaviour even though human behaviour is inherent therefore personal trust-building is not substitutable (Andersen, 2005).

One of the weaknesses of for this institutional-economic perspective is that it ignores internal transaction-costs. The challenges with institutional power-struggles within the subsidiaries or conflict of interest have not been factored (Strandskov, 1995).Ghoshal and Moran (1996) offered an advice against relying on the framework exclusively as the threat of opportunism which is not quantifiable most times bloats the transition costs. The work of Shelanski and Klein (1995) emphasized that predictions of transaction costs have empirical evidence and therefore institutional-economic perspective can be admitted for explanation of internationalization process of any business entity (Shelanski & Klein, 1995).

Empirical Review

Berglöf et al. (2009) found that a higher market share of foreign financial institutions was positively correlated with a lower reduction of cross-border lending in the fourth quarter of 2008. In addition, the general output level has declined less in CEE countries with higher foreign bank ownership. These findings 28 indicate that the presence of foreign banks in emerging Europe has reduced the impact of the global financial crisis and has increased the level of stability. An additional factor of stability for certain CEE countries during the crisis could have been their membership in the EU.

Herrmann and Mihaljek (2010) come to a similar conclusion. In a large cross-country analysis, the study confirms that a high degree of integration with advanced countries has

positive effects on the economical shape of emerging countries and a mitigating effect on the outflow of liquidity during a crisis. Navaretti et al. (2010) have published a further study, which emphasizes the stabilizing role of multinational banks and their subsidiaries within the period from 2007 to 2009. The authors assess that foreign banks have effectively provided local funds in Eastern Europe's new member states even in times of systemic distress. The loan-to-deposit ratio of foreign affiliates stayed constant and remained higher than the respective ratio of domestic banks. The researchers have found no evidence that these banks have been funneling resources away from any of their host countries. One main reason for the positive impact of foreign banks, according to the paper, is internal capital markets of multinational banking groups. Through these internal capital markets banks can transfer funds across their units and, thereby, supply liquidity to troubled foreign affiliates as well as reduce the dependency of their lending on local availability of financial resources. This works especially well in the EU, due to the highly integrated financial market, which provides the ideal framework for the effective use of internal funding channels.

Haas and van Horen (2011), eastern domestic banks as well as state banks ensured more stability during the crisis, since foreign banks lowered their lending at a faster pace and at an earlier point of time. De Haas and van Lelyveld (2011) reach a similar result. Their examination compares the lending behaviour of 199 foreign subsidiaries of the 48 largest multinational banks with a benchmark of 202 domestic banks during 2008 and 2009. Because of the high density of foreign subsidiaries in CEE countries, a considerable p 30 authors have expected an early impact of the upcoming financial crisis on the real sector of emerging Europe.

Ongena et al. (2012) analyzed the lending behaviour of two international channels, the internationally borrowing domestic banks and foreign banks, over the period from 2005 to 2009. The dataset consists of 238 banks and 43,847 firms located across countries in Eastern Europe and Near Asia. The authors have chosen these countries because they were not immediately affected by the financial crisis but maintained strong ties to the concerned western banking system. The scientific article is in line with the listed studies, which have defined a negative impact of foreign banks on local lending at the time of the crisis. The researchers conclude that foreign banks and internationally borrowing domestic banks have reduced their lending more throughout the years of the crisis, compared to locally fund domestic banks. Just like de Haas and van Lelyveld (2011). Ongena et al. (2012) assess even stronger effects when these banks are funded relatively less with retail deposits. Additionally, by examining firm-level effects, Ongena et al. (2012) find out that solely companies, which borrow money from foreign banks, experience negative real effects on average. Nevertheless, this does not apply to smaller firms. According to the study, these firms have relatively better real outcomes.

 In a study of 783 Finnish exporting firms, Kuivalainen and Sundavist (2007) used a structural equation modeling (SEM) analysis on explaining the export intensity and business performance. The findings showed failed to draw a relationship between two constructs on generalized model. The segregated study of small and large firms in seclusion painted a different picture on the results. For small firms higher internationalization intensity translates

to better sales, profits performance and is indirectly attributed to organization performance efficiency while for large firms higher internationalization intensity is reflected usually in terms of better profitability (Kuivalainen and Sundavist, 2008).

 Martin-Martin and Papadopoulos (2008) model presented the stages of the internationalization process, and its potential to influence business performance. In a cluster analysis of 200 interviewed Spanish firms, corroborated findings of an earlier works on internationalization that had four phases but added a new stage at end of the Asira, working for Standard Chartered bank commissioned a study that selected KCB and NIC bank.to study internationalization of indigenous Kenyan Banks. 24 process, globalization that was not existent in earlier model (Martin-Martin & Papadoulos, 2008).The analyzed relationship between stages of internationalization and firm performance presented mixed results from the different indicators used. The graph drawn presented non-monotonic "valleys and peaks" adulations across the relationship of performance across five stages which directly imply critical challenges at strategic points during expansion to foreign markets. The overall implication is that clear public policy guidance.

Mulder, Arjen and Slager (2008) investigated the impact of internationalization on banking performance. Using a novel data set that incorporated world's 46 largest banks in the period spanning 1980-2004, the findings showed that internationalization decreases performance measures especially on return-on-assets or return-on-sales. The negative effect is superimposed when controlling for risks or for response to time lags (Mulder, Arjen and Slager, 2008). Mulder et al (2008) deduced that the very best, the effect of internationalization can weakly be described as positive on a forward-looking performance measure as Tobin's Q. Using non-parametric test, the discrepancy in performance is explained and the result is weak evidence for a nonlinear pattern. The conclusion is internationalization cannot deliver meaningful value beyond be a threshold level of 50 percent of internationalization for banking institutions (Mulder et.al, 2008).

Slager (2006) investigated the relationship between the internationalization of banks, profitability and shareholder value. The study hypothesized that general internationalization did not have a positive contribution to profitability and the shareholder value has not increased from bank involvement in international activities. A database with internationalization measures had targeted 3 to 5 large banks in 8 countries and was constructed to monitor the performance between 1980 and 2003 which in total had 44 banks. The methodology involved the trans-nationality index was calculated for each targeted bank and combined foreign assets, foreign income and foreign staff into one index. The examination of the relationship between internationalization and performance, the study compiled information on the difference between foreign and domestic profitability and delved into investigating if more internationalization meant more profitability. He reported findings of foreign profitability being less than domestic and established a negative relationship between total profitability and internationalization. The graphed data presented a "J-Curve" shape which suggested that to some given degree of internationalization (about 40 percent of foreign staff, income and assets) costs exceed the benefits. This kind of pattern was replicated for the shareholder returns where the banks that have increased their

internationalization engagement had posted lowest shareholder return as a group, while banks that retreated had higher level of shareholder (Slager, 2006).

Buch et al. (2010) jointly estimated the determinants of risks and market power of banks and analyzed the effects of such changes with regard to number of foreign countries (the extensive margin) and the volumes of foreign assets (the intensive margin). The findings of the study were summarized into four: firstly, there is a strong negative association between risk and market power; secondly, banks with higher shares of foreign assets, in particular those held through foreign branches, have higher market power at home; thirdly, holding assets in a large number of foreign countries tends to increase bank risk and lastly, the impact of internationalization differs across banks from different banking groups and of different size (Buch, Koetter, & Koch, 2010).

Samad (2004) investigated the performance of seven locally incorporated commercial banks during the period 1994-2001. Financial ratios were used to evaluate the credit quality, profitability, and liquidity performances. The performance of the seven commercial banks was compared with the banking industry in Bahrain which was considered a benchmark. The article applied a Student's t-test to measure the statistical significance for the measures of performance. The results revealed that commercial banks in Bahrain were relatively less profitable, less liquid and were exposed to higher credit risk than the banking industry, in which wholesale banks are the main component. Another study that provides a brief but interesting account of bank performance was conducted by (Ncube, 2009) who used the stochastic frontier model to analyze the cost and profit efficiency of four large and four small South African banks. The results of the study showed that South African banks have significantly improved their cost efficiencies between 2000 and 2005 with the most cost efficient banks also being most profit efficient. However, efficiency gains on profitability over the same time period were found not to be significant.

Bungsche (2011) indicated that the impact of the financial crisis was strongest where it originated, in the USA, where the positive employment trend observed in the sector in the years before the crisis has been clearly reversed. In Europe, it had a strong impact on the European financial centre, the UK, which had a large, lightly regulated investment banking sector, and in Hungary, due to excessive public and private borrowing. In the rest of the European countries, the impact of the crisis has only been moderate, and only certain Banking groups have been significantly affected, particularly in Germany and the Netherlands, but also in Estonia, France and Sweden.

Soriano (2011) shows that Data for 2009 show that the impact of the crisis was more intense in the banking systems of the EU and the USA than in Japan (and Brazil and China, as is shown later), reflecting the fact that the financial crisis has been heavily concentrated in the former. In both areas, total assets or liabilities have been reduced, employment has declined and the number of institutions has decreased further. On the contrary, employment in the banking sector in Japan (and Brazil and China) seems to have increased during the crisis. Few research studies have explored the impacts of the current financial crisis on of bank performance.

Xiao (2009) used qualitative and quantitative tools to examine the performance of French banks during 2006– 2008. Finding shows that French banks were not immune but proved relatively elastic to the global financial crisis. Beltratti and Stulz (2009) studied the bank stock return across the world during the period from the beginning of July 2007 to the end of December 2008. They find that large banks with more deposit financing at the end of 2006 exhibited significantly higher returns during the crisis. Cornett, McNutt and Tehranian (2010) analyzed the internal corporate governance mechanisms and the performance of US banks before and during the financial crisis. They find that largest banks faced the largest losses during the crisis.

 Dietrich and Wanzenried (2011) examined how bank-specific characteristics, industry-specific and macroeconomic factors affect the profitability of Swiss commercial banks over the period from 1999 to 2009. Their results provide some evidence that the financial crisis did have a significant impact on banks profitability. Financial institutions in developing countries are beginning to suffer from a lack of short term liquidity, as retail deposits exit and non-deposit funding dries up. As the effects of the global recession spreads, the impact will be felt on financial sector asset quality, leading to the need for recapitalization of financial institutions. Lack of liquidity will also reveal underlying weaknesses in regulatory frameworks and in the management of financial institutions, requiring regulatory reforms and capacity building. Tight credit markets in developing countries are rapidly affecting the real sector, especially sectors reliant on trade finance and working capital (world Bank,2008).

Ashamu and Abiola (2012) analyzed the impact of global financial crisis on banking sector in Nigeria, the study revealed that the financial crisis has caused depression of the Nigerian capital market and drop in the quality of part of the credit extended by banks for trading in the capital market, exchange rate risk tightening of liquidity, greater loan-loss provisioning, slower growth rate of banks' balance sheet in response to the crisis and higher provisioning leading to lower profitability among others. Along the same line Kitoyta (2009) revealed that: The crisis also had little impact on the Sub-Saharan African financial systems because the financial sector in Africa remains shallow, uncompetitive and weakly integrated into the global markets. Despite the fact that money, currencies, and capital markets had the significant pressures by the crisis, they have continued to function normally, and financial institutions in most countries have been stable without emergency support from monetary authorities.

Ree (2011) examines the impact of the global financial crisis that began in late 2007 on banking sectors of Asian low income countries, by exploring bank-level data provided by Bank scope. He finds that despite relatively low financial integration, the impact of the crisis on banks, particularly the largest ones, were not insignificant. Impacts were most palpable through a loan-to-cross border funding nexus. Khamis (2010) stated that banks were less affected by the crisis than their counterparts in advanced economies, in spite of a series of shocks, there has been no systemic breakdown and the impact on bank profitability has been moderate so far.

Sangeetha (2012) studied effect of global financial crisis on the Omani commercial banks; the analysis reveals that the performances of the banks are influenced by the orientation and

strategy of the management. Some banks are strong in their marketing potential while some are effective in taking care of shareholders' interest by enhancing income and operating profit. However, some banks show their dominance in efficiency or effective cost management. The effect of global financial crisis on the Omani commercial banks has not been significant except for National Bank of Oman (NBO). The study reveals that the local commercial banks show a high degree of resilience and stability.

Anouze (2007) examined the efficiency of banks' performance in Gulf Region before, during and after s Financial and Political crisis, the overall result shows that Conventional banks perform well during political crisis, whereas, Islamic banks perform better during the financial crisis. However, this differences is not statistical significant, which means that GCC commercial banks can be equally competitive when it comes to technical efficiency. Also, there is no statistically significant relationship between bank geographical location and it is efficiency score. Moreover, the results confirm that large and small size commercial banks are more efficient than the medium size. Out of the 24 environmental factors included in the study to investigate the relationship between environmental factors (internal and external) and bank performance; only 15 factors are considered to be important in predicating the fully efficient banks. Along the same line Khamis (2010) shows that banks were less affected by the crisis than their counterparts in advanced economies, in spite of a series of shocks, there has been no systemic breakdown and the impact on bank profitability has been moderate so far.

Shafique, Faheem and Abdullah (2008) test the impact of global financial crises on the Islamic banking system, the result show Islamic banking system has also affected by the global financial crisis but performance of Islamic banks during global financial crisis is better than conventional banks. Risk in Islamic banks is less than conventional bank because of its interest free nature.

Al-Nessor (2008) reached the impact of financial crisis will vary from one country to another, depending on the complexity of its economy with the global economy and that the Gulf states will be most affected, and the reaction of Arab financial markets has been exaggerated as a result of investors said they have watched the erosion of stock prices in world markets and the withdrawal of foreign investors from the Arab markets. The impact of the U.S. mortgage crisis on Arab banks is limited, and resulted in government intervention to provide liquidity to banks to derive a liquidity crisis. The researcher believes that there will be a strong influence in the current period of infrastructure projects in the real estate sector. The researcher recommends that in the next phase to focus on how Arab economies deal with this crisis, and to avoid more shocks.

Fayez, Alnajjar and Jadara (2009) study the impact of financial crisis on the financial sector in Jordan. They study adopted a comprehensive survey of companies listed in the Amman stock exchange, in order to identify the most important effect of the global financial crisis on the financial sector in general, and its constituent sectors particularly in Jordan, For the movement of the index for each sectors of the financial sectors, their study found that Jordan like other countries in the world has been affected by global financial crisis, but to lesser

extent due for the lack of modern financial instruments in the financial market such as derivatives.

Berger and Bouwman (2010) examined the effect of pre-crisis bank capital ratios on banks' ability to survive financial crises, market shares, and profitability during the crises. Their finding shows that capital helps banks of all sizes during banking crises; higher capital helped banks to increase their probability of survival, market shares, and profitability. Others studied the real effects of deterioration in bank health or competition during the financial crisis on bank performance.

Almeida, Campello, Laranjeira, and Weisbenner (2009) and Duchin, Ozbas and Sensoy (2010) studied the effect of the recent financial crisis on corporate investment. Results show that the corporate investment declines significantly following the onset of the crisis.

Tarawneh (2006) compared of financial performance in the Banking Sector in Oman, the impact of a total of five Omani commercial banks with more than 260 branches were financially analyzed, and simple regression was used to estimate the impact of asset management, operational efficiency, and bank size on the financial performance of these banks. The study found that the bank with higher total capital, deposits, credits, or total assets does not always mean that has better profitability performance.

Literature Gap

Berglöf et al. (2009) found that a higher market share of foreign financial institutions was positively correlated with a lower reduction of cross-border lending in the fourth quarter of 2008. This study is a foreign study, concluding from this study on Nigeria will lead to type one or types two error, this study therefore will examine the effect of cross boarder banking on the growth of Nigeria deposit money banks.

 Ongena et al. (2012) analyzed the lending behaviour of two international channels, the internationally borrowing domestic banks and foreign banks, over the period from 2005 to 2009. The dataset consists of 238 banks and 43,847 firms located across countries in Eastern Europe and Near Asia. This study does not focus on the relationship between cross boarder banking and the growth of Nigeria banking sector, from the above gap the present study will focus on the effect of cross boarder banking on the growth of Nigeria deposit money banks.

Mulder, Arjen and Slager (2008) investigated the impact of internationalization on banking performance. Using a novel data set that incorporated world's 46 largest banks in the period spanning 1980-2004, the findings showed that internationalization decreases performance measures especially on return-on-assets or return-on-sales. This study is a foreign study, concluding from this study on Nigeria will lead to type one or types two error, this study therefore will examine the effect of cross boarder banking on the growth of Nigeria deposit money banks.

METHODOLOGY

This study used quasi experimental research design to examine the effect of cross boarder banking on the growth of Nigeria deposit money banks. The secondary sources of data as used in the study include Central Bank of Nigeria (CBN) Publications and the federal office of statistics. From theories, principles and empirical findings, the model below is specified in this study. To bring the independent variables to equal value to the dependent variables, the variables are deflated using total assets of deposit money banks.

GP= f (CBC, CBC, CBA, CBL, CBR)   1

It is empirically stated as

$$GP = \beta_0 + \beta_1 CBC + \beta_2 CBC + \beta_3 CBA + \beta_4 CBL + \beta_3 CBR + \mu$$ 2

 Where

GP=   Growth of deposit money banks profitability

CBC =   cross boarder banking credits

CBC =   cross boarder banking claims

CBA   =   Cross boarder banking assets

CBL   =   cross boarder banking liabilities

CBR =   Cross boarder Branches measured by percentage increase/ decrease of number   deposit money banks abroad

β_0 =   Intercept Term

β_1 - β_4 =   Coefficients

μ   =   Error term

A-Priori Expectation of the Result

The explanatory variables are expected to have positive and direct effects on the dependent variables (Growth of deposit money banks profitability). That is a unit increase in any of the variables is expected to increase Growth of deposit money banks profitability. This can be express mathematically as a_1, a_2, a_3, a_4, $a_5 > 0$.

Data Analysis Techniques

A.   The Statistical (First-Order) Approach: The following statistical tools shall be employed in our estimated data analyses.

1.   **R-Squared (Coefficient of Determination):**   The R-square otherwise known as coefficient of determination shall be used to measure goodness of fit. In other words, it tells us thee extent at which changes in the explanatory variables can explain change in the dependent variables. It is measured in percentage.

2.   **The t-Test:**   This is a test of the permanent estimate to ascertain whether the explanatory variables are statistically significant or not. The 5% level of significance shall be chosen to carry out this test.

3.   **The F-test:**   This is a test of overall significance. It is used to ascertain whether the overall parameter estimate is statically significant or not. The 5% level of significance shall be chosen to carry out this test.

The Econometric (Second-Order) Approach

1.   **Diagnostic Test:**   In order to verify the best assumptions of the OLS, the following diagnostic tests shall be carried out:

i.   Test for mulitcollinearity

ii.   Test for Autocorrelation

iii.   Test for Heterosive elasticity

iv.   Test for normality distribution of all

v.   Test for regression specification error.

Method of Data Analysis

The data obtained in this study shall be estimated and analyzed, following prevalent econometric procedure that will include:

Unit Root Test
 Most of time series have unit root as demonstrated by many studies including Nelson and Plosser (1982), Stock and Watson (1988) and Campbell and Peron (1991). Therefore, their means of variance of such time series are not independent of time. Conventional regression technique based on non-stationary time series produce spurious regression and statistic may simply indicate only correlated trends rather true relationship Granger and Newbold (1974). Spurious regression can be detected in regression model by low Durbin Watson and relatively moderate R^2. Therefore, to distinguish between correlation that arises from share trend and one associated with an underlying causal relationship; we use both the Augmented Dickey fuller (Dickey and Fuller, 1979, 1981)

$$X_t = \mu + \Theta X_{t-1} + \varepsilon_t \qquad\qquad 3$$

The null hypotheses for the ADFstatistic test are H_0.
Non stationary (unit root) and H_0: Stationary respectively

Cointegration Test

To search for possible long run relationship amongst the variables, we employ the Johansen and Juselius (1990) approach as

$$\lambda_{max} = -TIn(1 - \lambda_{r+1}) \qquad 4$$

It tests the null hypothesis of r cointegrating vectors against the alternative hypothesis of r + 1 cointegration vectors.

Granger Causality

In case we do not find any evidence for cointegration among the variables, the specification of the Granger causality will be a vector autoregression (VAR) in the first difference form. However, if will find evidence of cointegration, there is the need to augment the Granger-type causality test model with a one period lagged error term. This is a crucial step because as noted by Engel and Granger (1987).

$$Y_t = \alpha_o + \sum_{i=1}^{n} \alpha_1^y Y_{t-1} \sum_{i=1}^{n} X_{a1} X\mu \qquad 5$$

and

$$X_t = \beta_o + \sum_{i=1}^{n} \beta_1^y Y_{t-1} \sum_{i=1}^{n} X_{\beta1} X Y_t \qquad 6$$

Error Correction Model (ECM)

Co-integration is a prerequisite for the error correction mechanism. Since co-integration has been established, it is pertinent to proceed to the error correction model.

ANALYSIS AND DISCUSSIONS OF FINDINGS

Table 1: Ordinary Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CBR	1.489244	0.634832	2.345888	0.0266
CBL	0.335124	0.694717	0.482389	0.6334
CBC01	-1.354584	0.855985	-1.582486	0.1252
CBC	-0.560223	0.184246	-3.040615	0.0052
CBA	0.371579	0.301944	1.230624	0.2291
C	92.28258	47.83048	1.929368	0.0643
R-squared	0.478091	Mean dependent var		38.43697
Adjusted R-squared	0.381441	S.D. dependent var		11.30815
S.E. of regression	8.893688	Akaike info criterion		7.371526
Sum squared resid	2135.637	Schwarz criterion		7.643619
Log likelihood	-115.6302	Hannan-Quinn criter.		7.463077
F-statistic	4.946631	Durbin-Watson stat		1.787790
Prob(F-statistic)	0.002422			

Source: Extract from E-view

The estimated regression model on the effect of cross boarder banking on the growth of Nigeria deposit money banks found that the independent variables can explain 47.8 percent variation on the dependent variable. The f-statistics and the probability value justifies that the money is significant while the Durbin Watson statistics proved the presence of serial auto-correlation among the variables within the time series. Evident from beta coefficient proved that cross broader branches, cross boarder liabilities and cross boarder assets have positive

effect on the growth of deposit money banks in Nigeria while cross boarder and cross boarder credit have negative effect on the dependent variable. The presence serial autocorrelation enable us to test for unit root using augmented Dickey Fuller unit root test.

Table 2: Unit Root Test

Variable	ADF	1 %	5%	10%	Prob.	Decision	Remark
GP	-5.411222	-3.679322	-2.967767	-2.622989	0.0001	Reject H0	Stationary
CRB	-6.284970	-3.661661	-2.960411	-2.619160	0.0000	Reject H0	Stationary
CBL	-6.186225	-3.689194	-2.971853	-2.625121	0.0000	Reject H0	Stationary
CBC	-7.483298	-3.661661	-2.960411	-2.619160	0.0000	Reject H0	Stationary
CBA	-6.106868	-3.679322	-2.967767	-2.622989	0.0000	Reject H0	Stationary
CBC01	-7.483298	-3.661661	-2.960411	-2.619160	0.0000	Reject H0	Stationary

Source: Extract from E-view

Results from unit root test proved that all the variables are stationary at first difference. This allows us to accept the alternate hypotheses that the variable is stationary. The stationarity of the variables enable us to test for cointegration using Johansson cointegration test.

Table 3: Cointegration Test

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.756553	110.9741	95.75366	0.0030
At most 1	0.563938	67.17560	69.81889	0.0798
At most 2	0.535194	41.44652	47.85613	0.1748
At most 3	0.292137	17.69636	29.79707	0.5886
At most 4	0.136434	6.985714	15.49471	0.5793
At most 5	0.075647	2.438493	3.841466	0.1184
Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.756553	43.79848	40.07757	0.0182
At most 1	0.563938	25.72909	33.87687	0.3375
At most 2	0.535194	23.75016	27.58434	0.1437
At most 3	0.292137	10.71064	21.13162	0.6761
At most 4	0.136434	4.547222	14.26460	0.7975
At most 5	0.075647	2.438493	3.841466	0.1184

Source: Extract from E-view

The results found no cointegration equation the dependent variable and independent variable, this imply that we accept the null hypotheses that there is no long run relationship between the dependent variables and independent variables.

Table 4: Estimated Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.746375	1.314006	1.329047	0.2067
D(GP(-1))	0.245096	0.190334	1.287718	0.2203
D(CBR(-1))	0.899655	0.695354	1.293808	0.2182
D(CBR(-2))	-1.065187	0.753117	-1.414371	0.1808
D(CBR(-3))	-0.723864	0.672788	-1.075918	0.3015
D(CBL(-1))	1.298359	0.597327	2.173614	0.0488
D(CBL(-2))	-0.984470	0.606163	-1.624103	0.1283
D(CBL(-3))	-0.023665	0.607362	-0.038963	0.9695
D(CBC01(-1))	3.371087	1.497432	2.251246	0.0423
D(CBC(-1))	0.588242	0.208006	2.828001	0.0142
D(CBC(-2))	0.343502	0.198157	1.733489	0.1066
D(CBC(-3))	0.033434	0.187501	0.178315	0.8612
D(CBA(-1))	-0.963611	0.328347	-2.934736	0.0116
D(CBA(-2))	-0.827260	0.291317	-2.839721	0.0139
D(CBA(-3))	-0.704360	0.228948	-3.076505	0.0088
ECM(-1)	-0.780138	0.230952	-3.377928	0.0049
R-squared	0.871982	Mean dependent var		0.533103
Adjusted R-squared	0.724268	S.D. dependent var		11.78972
S.E. of regression	6.190804	Akaike info criterion		6.785109
Sum squared resid	498.2387	Schwarz criterion		7.539479
Log likelihood	-82.38408	Hannan-Quinn criter.		7.021368
F-statistic	5.903194	Durbin-Watson stat		1.961146
Prob(F-statistic)	0.001311			

Source: Extract from E-view

The estimated error correction model found that the independent variables can explain 87.1 percent variation on the dependent variable. The beta coefficient proved the relationship between the dependent variable and the independent variables at various lags. However the ECM coefficient proved that the model can adjust at the speed of 78% which is very adequate in place of disequilibrium.

Table 5: Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
CBR does not Granger Cause GP	31	1.42453	0.2588
GP does not Granger Cause CBR		0.14298	0.8674
CBL does not Granger Cause GP	31	0.69211	0.5095
GP does not Granger Cause CBL		1.88806	0.1715
CBC01 does not Granger Cause GP	31	0.56923	0.5729
GP does not Granger Cause CBC0		1.01855	0.3751
CBC does not Granger Cause GP	31	1.49216	0.2435
GP does not Granger Cause CBC		0.44308	0.6468
CBA does not Granger Cause GP	31	1.66348	0.2090
GP does not Granger Cause CBA		0.60143	0.5555

Source: Extract from E-view

The granger causality as shown in the table above found that there is no causal relationship between the dependent variable and the independent variables. This contrary to our expectations and can be blamed on international financial crises in 2007/2008 that led crash of Nigeria financial market.

DISCUSSION OF FINDINGS

The internationalization of the financial market has broader the investment horizon of deposit money banks and other financial institutions across national boarder. The effect of this cross boarder financial claims cannot be over emphasized most especially the emerging financial market like Nigeria. The objective of this study was to investigate the effect of cross boarder banking on the growth of Nigerian banking industry. Evident from the empirical result justifies 47.8 percent variation on the growth of Nigeria banking industry can be traced to variation in cross boarder banking indices as modeled in this study.

The beta coefficient of the variables proved that cross boarder bank branches, cross boarder banking claim and cross boarder banking assets have positive effect on the growth of Nigerian banking industry such that a unit increase on the variables will led to 14.8 percent, 3.3 percent and 3.7 percent increase on the growth of Nigeria banking industry. This study confirm the objective of financial globalization and financial integration such as the internationalization of Nigeria capital market and the policy of cross boarder capital flow. The findings confirm the findings of Recc, (2011) on the positive impact of cross boarder capital flows on the performs of deposit money banks in Pakistan but contradict the findings of Khamis (2010) on the negative impact of of global financial crises on the performance of commercial banks in South Africa.

However, the study found that cross boarder credit and cross boarder claims have negative effect on the growths of Nigerian banking industry such that a unit increase will lead to 13.5 decrease and 5.6 decrease on the growth of Nigeria banking industry. This study is contrary to our expectation and contrary to the objective of the financial globalization and internationalization. The negative effect could be traced to global financial crises such as 2007/2008 global financial crises.

CONCLUSION

From the findings we draw the following conclusions:

That cross boarder bank branches have positive and significant relationship with growth of deposit money banks in Nigeria. That cross boarder bank liabilities have positive and significant relationship with growth of deposit money banks in Nigeria.

That cross boarder bank assets have positive and significant relationship with growth of deposit money banks in Nigeria. That cross boarder bank credit have negative and significant relationship with growth of deposit money banks in Nigeria. That cross boarder banking claim have negative and significant relationship with growth of deposit money banks in Nigeria.

Recommendations

From the findings of the study, we make the following recommendations.

1. Cross boarder bank branches should be strengthen to enhance cross boarder credit to the Nigerian banking industry.

2. Cross boarder banking liabilities should be properly managed to achieve positive net inflow to the Nigerian banking industry.

3. There is need for proper management of cross boarder credit in the Nigeria banking industry as this can enhance banking system stability in Nigeria.

4. Cross boarder assets should be integrated and properly managed to achieve banking sector growth in Nigeria.

5. Cross boarder banking claim should be well designed and properly managed to enhance growth of Nigeria banking industry.

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