European Journal of Accounting Auditing and Finance Research

Vol.3, No.3, pp. 40-53, May 2014

Published by European Centre for Research Training and Development UK (www.ea-journals.org)

NIGERIAN BANKING REFORMS IN STRATEGIC FINANCIAL MANAGEMENT PERSPECTIVE: LEAST SQUARE SPECIFICS

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ABSTRACT: *From strategic financial management standpoint, reform-driven capital restructuring process has three critical stages which are the diagnostic stage of identifying the cause of a problem, the prescriptive stage of proffering appropriate solution-bound course, and the monitoring stage of following up and seeing remedial recipes through to actualization and sustainability. Banking reforms in characteristic symbolism have not been so thorough in the Nigerian economy over the years. Adopting ordinary least square regression analytical framework, this study examines bank capital as predictor variable in relation to aggregate private sector credit and gross domestic product as respective criterion variables. Financial data (time series) are drawn from related publications of the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation covering 23 years (1985-2008), a focal time frame which captures the critical banking reform vicissitudes of the Nigerian economy. The analytical results clearly establish efficacy of bank capital as significant determinant of the dynamics of aggregate private sector credit and gross domestic product in Nigeria. The strategic redirection being advocated underscores conscientious fixing of the age-long monitoring - stage missing link. This should be facilitated by creation of functional corporate governance, judicial/legal, and digital tracking substructures in a holistic banking frame*.

KEYWORDS: Banking reforms, Nigerian economy, Strategic Analysis

INTRODUCTION

Banking reform involves systematic review of rules and regulations governing banking practice with a view to achieving systemic stability and sustainability while conscientiously creating meaningful wealth for shareholders (Adam, 2005). It facilitates introduction of policies that would attract the right incentives for financial institutions to take the lead in empowering productive private sector outfits for accelerated economic growth. From the strategic financial management perspective, the fragility of one bank may undermine the functionality of several banks in the economy. Over the years, this contagion reality had sparked system-wide volatility not only in less-developed and developing countries but also the emerging and advanced economies of the world. The Nigerian experience dates back to pre-independence times, with the liberalization of banking in the colonial era. This led to the emergence of so many indigenous banks but they were characterized by lean capital and amateur executive/operative human resources. There was high incidence of overtrading, since there was no central bank at the time to

regulate the granting of licenses and supervision of banking operations. Between 1927 and 1951, 25 banks were established but by the end of 1951, 22 had crashed (Imala, 2005). According to Onoh (2002), the major causes of bank failures in Nigeria included absence of a regulatory and supervisory authority to mainstream the activities of banks. The void also implied absence of a lender of last resort in the midst of severe undercapitalization and massive over-branching realities. There were also cases of branch mismanagement, fraud, poor customer patronage, and acute illiquidity.

These setbacks among others necessitated the first banking reforms in Nigeria in 1952. The subsisting Banking Ordinance did stipulate that all old and new commercial banks should operate with valid banking licenses. The banks were accordingly required to hold nominal capital of 25,000 pounds and minimum paid-up share capital of 12,500 pounds. Minimum cash reserve and liquid asset holdings of banks were equally specified. Subsequently, the Ordinance was embellished with the 1958 and 1962 Banking Acts, primarily altering and emphasizing the provision of the new minimum share capital and reserve levels by the banks. The Banking Act of 1969 and the Banking and Other Financial Institutions Decree (BOF1D) of 1991 also came up, bringing alongside major regulatory changes in the structure and business of banking in Nigeria. Under this reform regime, banking business was redefined to include:

- Acceptance houses,
- Discount houses, and
- Merchant/ commercial banks; and other financial institutions.

The reforms majorly reconditioned the licensing and share capital requirements of banks, as well as regulatory, supervisory and monetary policy management. In 1986, the nation was compelled by austere circumstances to introduce structural adjustment programme (SAP). It was geared towards reinventing and driving a more productive Nigerian economy, anchored on the instrumentality of deregulation. The SAP regime essentially allowed the forces of demand and supply to determine money market rates (cost of funds) and other monetary fundamentals in the economy. The liberalization of bank licensing was again given more impetus. However, the lofty endeavours were not well strategically managed. Inherent institutional threats and weaknesses worsened and eventually led to the collapse of more indigenous banks in the 1980s and 1990s. Many commercial and industrial organizations also closed down as their huge deposits were suddenly lost. The firms were unable to raise working capital for routine operations while importation of raw materials productive undertakings was hampered. Several small and medium industries (SMIs) also went down. Consequently, the gross domestic product attributable to the real sector dropped significantly, inflation rate rose dramatically and unemployment grew astronomically.

The collapse of the banks also brought enormous problems to the economy with wide-spread crisis of confidence, colossal divestment and obvious foreign investor disinterest/disenfranchisement (Adebiyi, 2002; Ross, 2004; Tornell & Martinez, 2004). These are issues of strategic financial management concern, given that what affects the banks also affects other critical economic units of the nation. The banking reforms introduced in 2005 witnessed so much stress, uncertainty and anxiety even as it mildly addressed the waning confidence of the

general public. Investors and depositors needed their funds to be fully guaranteed. Unfortunately, many banks still succumbed to severe institutional stress due to gross capital inadequacy. Their frailties greatly impaired the quality of assets even as nonperforming assets became very unbearable and constituted huge burden to the financial system. The financial intermediation role of the banks was also threatened, causing related macroeconomic activities to seriously slow down. Nonetheless, two critical issues in the 2004/2005 reform exercise attracted so much concern and reaction, which were:

- The bank recapitalization requirement of ₦25billion before the end of December, 2005; and
- The bank consolidation option of merger and acquisition (M&A).

Other peculiarities of the exercise was the fine-tuning of traditional monetary policy instruments to deal with excess liquidity in the economy which had been behind the the double digit inflation grip on the economy for so long (Kama, 2006; Toby, 2006). This was done particularly to curtail inflationary pressure and reduce the demand for limited supply of foreign exchange. Several measures were taken to check growing excess liquidity. These included rationalization of sector-specific credits so as to give more discretion to banks in respect of administration of credit operations, deregulation of interest rates, promotion of savings mobilization and resource allocation, as well as floatation of stabilization securities and special treasury bills to mop excess liquidity in the economy (Ojo, 2005). In the light of these dynamics, this study critically examines Nigerian banking reforms in strategic financial management perspective using bank capital as focal determinant of aggregate private sector credit and gross domestic product. Pertinently, the research questions are:

- To what extent does bank capital determine aggregate private sector credit?
- To what extent does bank capital determine gross domestic product?

The research hypotheses logically elicited are formulated in null version, as follows:

Ho_1: Bank capital does not significantly determine aggregate private sector credit; and
Ho_2: Bank capital does not significantly determine gross domestic product.

LITERATURE REVIEW

The first phase of the banking reforms in Nigeria relates to the period spanning 1952-1985. The participation of indigenous investors in the banking business from 1927-1951 and the attendant high incidence of failures necessitated the reforms. The first attempt at regulating the industry involved enactment of the Banking Ordinance in 1952. Subsequently, efforts were intensified to strengthen the regulatory framework with the primary motive of bringing about systemic stability (Imala, 2005). The major legislative instruments introduced at the time were:

- The Central Bank of Nigeria Act of 1958; and
- The Banking Act of 1969.

With the enactment of the relevant Act, the Central Bank of Nigeria became an organ of the federal government designed to regulate the Nigerian banking industry. Accordingly, the apex bank came up with measures to instill direct monetary control, and that was the main concern of the banking industry from 1952 to 1985. Characteristically, the key elements of the banking reforms were:

- Restriction of the private sector from engaging in banking business;
- Stipulation of minimum capital requirements for existing/new banks;
- Specification of reserve requirements;
- Regulation of interest rate;
- Articulation of selective credit guidelines/ceiling; and
- Formalization of other direct monetary control instruments.

The second phase of Nigerian banking reforms saw the upward review of bank capital to ₦2 billion as well as adoption of prudential guidelines. Universal banking was also proposed and experimented with in the economy. The changing economic climate and the attendant challenges occasioned by globalization further heightened the need for strategic financial rethink. Yet the reforms merely sought to address impending conventional issues through the amendment of the Banking Act and introduction of new legislations, particularly:

- The Central Bank of Nigeria Act of 1991, which amended and repealed the Act of 1958 and was also reviewed in 1998 and 1999; and

- Banks and Other Financial Institutions Act of 1991, which also amended and repealed the Banking Act of 1969 and was also reviewed in 1998 and 1999.

There was obvious need for the reforms to strengthen the regulatory and supervisory authorities in the task of restructuring and repositioning the financial sector for greater efficiency and macroeconomic synergy. Consequently, the above legislations facilitated the establishment of the Nigeria Deposit and Insurance Corporation (NDIC) in 1992. Essentially, the highpoints of the second phase of the Nigerian banking reforms, thus, addressed monetary policy management proceedings, interest rate administration, foreign exchange management, financial market liberalization, and institutional building/corporate governance in the financial sector. In comparative strategic financial management limelight, the banking reform experiences in one country should provide vitally important lessons for macroeconomic consideration by other countries, especially for those who intend to or had barely commenced their own reforms. The lessons drawn from such developments should assist intending nations to articulate policies and guidelines that will redefine systemic productivity and stability with little or no negative macroeconomic consequences. On this basis, this study underscores analytical consideration of Nigerian banking reforms in strategic financial management perspective, with cross-border reform references.

With respect to Malaysia, Aziz and Duenwald (2002) stated that banking reforms were introduced in reaction to the Asian financial crises in 1990s. This generated tremendous public research interest because of the resilience of the financial system and the entire economy. To ward off attendant contagion, policy measures were introduced which helped to manage banks' exposure to real estate and capital market-related risks. The financial regulatory authorities strictly defended the national currency (exchange rate), followed by series of critical interventions in 1998 and 1999. The highpoints included blanket guarantee for all bank deposits, establishment of an assessment company and bank restructuring/recapitalization agency, as well as introduction of capital/monetary controls. Specifically, the key elements sought to beef up prudential regulations with establishment of dedicated firms charged with the responsibility of consolidating, recapitalizing and rationalizing banking and allied financial institutions using least cost solution principles. Accordingly, between 1999 and 2001, 54 banking institutions were reported to have been successfully consolidated into ten banking groups.

The economy also better withstood the impact of financial crisis and spent less in mitigating the contagion by maintaining strong strategic macroeconomic fundamentals. Prior to the Asian crisis in 1997, inflation rate in Malaysia as at end 1996 was 3.5 percent compared to 7.9 percent in Indonesia; and 4.9 percent in Thailand. Furthermore, most capital inflows into economy were of longer term nature, especially in the form of foreign exchange. Investors, thus, capitalized on and took advantage of the large/flexible windows created by government. The country also had only one large government-owned commercial bank which is in contrast with what obtained in Nigeria and many other African countries where the banking sector was for so long dominated by government. Besides, Malaysia's better developed capital market was reported to have maintained limited banking sector financing risk exposure over the years. Considering the Yugoslav case, Beck & Levine (2002) explained that banking industry restructuring was motivated by the need to promote healthy banks to carry out desired financial intermediation role more efficiently and effectively. It was also to strategically provide innovative services consistent with world standards. The consolidation programme, therefore, shored up the capital base of existing banks through mergers and takeovers. This gave allowance for foreign banks to participate in the banking industry through additional capitalization, infrastructure provision/upgrade, as well as investment in new banking products and operating technologies. In Japan, banking reforms addressed the existing regulatory and supervisory gaps, emphasizing the imperativeness of safety net arrangements as well as mechanisms for speeding up resolution of banks' non-performing loans (NPLs). With the drive to strategically revitalize the banking system, the reforms emphatically compelled the government to, among others:

- Work with the Bank of Japan (BOJ) to halve the bad loan ratios of big banks;
- Consider the possibility of establishing a new system for prompt infusion of state capital into undercapitalized banks (pre-emptive capital injections);
- Ensure tightening of assessment of capital adequacy and asset quality of banks, facilitated by discounted cash flow (DCF) techniques;
- Adoption of stricter criteria in checking banks' use of deferred taxes; and

- Conversion of bank preference share holdings of government to common stock to foster resuscitation and nationalization financially-impaired institutions.

The Japanese approach indeed has also been comprehensively strategic. In the United States of America, the anchor of banking reforms at a time was institutional consolidation merger and acquisition. Consequently, the number of banks declined steadily from about 1400 in the mid-1980s to 1222 in 1990 and further to 825 a decade later. The first wave of amalgamation/consolidation in the 1980s was prompted by the desire of stronger banks to acquire their weaker and undercapitalized counter-parts; while the second phase was in response to the legislation that liberalized interstate branch banking. Similar experiences have been recorded in many parts of the world, including Europe, Asia, Latin America, and Africa, although they were enunciated, initiated and effectuated for different reasons (Durevall & Ndungu, 2001; Simatele, 2003; Jhingan, 2010; Gbosi, 2005). Unfortunately, attempts to sustain the American banking sector at the top have not been without intermittent setbacks and upheavals, including the relatively recent volatility that rocked the mortgage sector and eventually culminated in the global financial crises. It, therefore, stands to reason that banking reform would in the least be necessary but not sufficient condition to redress threats, weaknesses and overall fragility of the banking sector if critical issues and focal fundamentals are not put in proper strategic financial management perspective.

Bank consolidation in many Asian economies boosted competitive market forces and the developments created an atmosphere where banks could no longer afford to have weak balance sheets and poor corporate governance mechanisms. Paradoxically, the Nigerian environment is not isolated from these global realities and hence the imperativeness of enunciating and effectuating reforms in strategic financial management perspective. It is gratifying that the Nigerian banking reforms of 2004-2005, which later extended to 2008, sought to address structural and operational challenges of the banks but the extent to which they have forged a stronger and more virile banking sector that would play critical developmental roles in transforming the Nigerian economy into a more competitive player in the global financial system still leaves much to be desired. At a time, the financial intermediation role of the banks was so heavily impaired that the financial system was in disarray (vividly disjointed and dysfunctional). The Central Bank of Nigeria announced the reform and in compliance, the entire Nigerian banking industry embarked on recapitalization as the first phase (Adeyemi, 2005; Ajayi, 2005). Specifically, the thrust of the second phase banking reforms sought to ensure:

- A minimum capital of N25 billion naira latest 31 December, 2005;
- Consolidation of banking institutions through merger and acquisition;
- Phase - withdrawal of public sector funds from banks, beginning July, 2004;
- Adoption of a risk-focused and rule-based regulatory framework;
- Zero tolerance for weak corporate governance, misconduct and lack of transparency;

- Accelerated completion of the Electronic Financial Surveillance System (eFASS);
- Establishment of asset management company;
- Enforcement of dormant laws;
- Revision and updating of relevant laws; and

European Journal of Accounting Auditing and Finance Research
Vol.3, No.3, pp. 40-53, May 2014
Published by European Centre for Research Training and Development UK (www.ea-journals.org)

- Closer collaboration with the Economic and Financial Crime Commission (EFCC) and the establishment of the financial intelligence unit.

Without prejudice to the individual merits of the above highpoints, the monitoring for viability and sustainability dimension of the strategic financial management frame underscores the imperativeness of sound corporate governance (The Institute of Chartered Accountants of Nigeria, 2006; Agundu, 2006; Aborode, 2005).

RESEARCH METHODOLOGY

This study involves analysis of bank capital (BC) in regressing relation to aggregate private sector credit (APSC) and gross domestic product (GDP) with co-integration consideration. Two variables are said to be co-integrated if they have long term or equal relationship. Being a pretesting process, it helps analysts to avoid pretending about relationship of research variables. It checks the tendency to inadvertently recognize spurious regressions arising from parametric economic analytical apparatus, especially as many theoretical constructs and conceptual frameworks are based on equilibrium assumption (Engle & Granger, 1987; Patterson, 2000; Agbahiwe, 2013; Agundu, Akani & Agbahiwe, 2013). Financial data (time series) for this study are drawn from publications of the CBN and NDIC covering a period of 23 years (1986-2008). This period is quite remarkable as it comprehensively captures the banking reform vicissitudes of the Nigerian economy. The relationships are herein modeled using ordinary least square (OLS) regression method, with the following specifics:

Model 1
$APSC = f(BC)$
$APSC = a_o + a_1 BC$
$APSC = a_o + a_1 BC + \mu$
a' priori economic expectation: $a_1 > 0$

*Model 2***:**
$GDP = f(BC)$
$GDP = a_o + a_1 BC$
$GDP = a_o + a_1 BC + \mu$
a' priori economic expectation: $a_1 > 0$

Where:
a_o = Constant;
a_1 = Regression coefficient; and
μ = Stochastic error term.
The requisite financial data for analysis are contained in Tables 1, 2, and 3:

Table 1: Nigerian Banks' Capitalization as at 2006

S/N	Institution	Capital ₦'billion
1.	Union Bank of Nigeria	100.10
2.	Zenith Bank Plc	116.50
3.	First Bank of Nigeria Plc	83.40
4.	UBA Group Plc	41.70
5.	Intercontinental Bank Plc	156.90
6.	Guaranty Trust Bank Plc	37.30
7.	IBTC Chartered Bank Plc	32.70
8.	Oceanic Bank International Plc	37.70
9.	First City Monument Bank Plc	25.20
10.	Skye Bank Plc	30.00
11.	Spring Bank Plc	30.00
12.	Fidelity Bank Plc	29.00
13.	Afribank Nigeria Plc	29.00
14.	Wema Bank Plc	28.20
15.	Access Bank Plc	28.80
16.	Diamond Bank Plc	35.00
17.	First Inland Bank Plc	28.00
18.	Ecobank Nigeria Plc	29.30
19.	Unity Bank Plc	27.00
20.	Sterling Bank Plc	27.00
21.	Equitorial Trust Bank Plc	28.40
22.	Standard Chartered Bank Ltd	26.00
23.	Platinium Habib Bank Plc	28.40
24.	Stanbic Bank Ltd	26.60
25.	Nigeria International Bank Ltd	25.00
Total		**866.4**

Source: CBN Annual Reports (2006)

Table 2: Nigerian Banks' Capitalization as at December 31, 2008

S/N	Bank	Bank Capital @ Dec. 31 2007 (₦'Billion)	Bank Capital @ Dec. 31 2008 (₦'Billion)
1.	Access Bank Nig Plc	25.59	161.94
2.	Afribank Nigeria Plc	27.20	127.15
3.	Diamond Bank Plc	49.77	109.01
4.	Ecobank Nigeria Plc	27.37	42.18
5.	Equitorial Trust Bank Ltd	32.12	32.12
6.	First City Monument Bank Plc	27.65	124.32
7.	Fidelity Bank plc	27.12	127.08
8.	First Bank Nigeria Plc	307.00	313.60
9.	First Inland Rank Plc	20.35	108.21
10.	Guaranty Trust Bank Plc	142.98	151.48
11.	Stanbic-IBTC Bank Plc	35.11	67.40
12.	Intercontinental Bank Plc	172.65	191.08

13.	Nigeria International bank Ltd	28.36	28.75
14.	Oceanic Bank Plc	210.60	206.39
15.	Bank PHB Plc	31.62	90.47
16.	Skye Bank Plc	25.58	75.59
17.	Spring Bank Plc	43.54	(47.16)
18.	Standard Chartered bank Ltd	26.36	27.93
19.	Sterling Bank Plc	22.89	16.62
20.	United Bank for Africa Plc	154.51	178.11
21.	Union Bank Plc	94.74	108.14
22.	Unity Bank Plc	30.77	15.51
23.	Wema Bank Plc	26.20	23.09
24.	Zenith Bank	103.57	310.02
Total		**1,712.64**	**2,789.04**

Source: *NDIC Annual Reports & Accounts (2008)*

Table 3: Nigeria's Gross Domestic Product (1986-2008)

Period	US Dollar ($)
1986	143,623.9
1987	203,037.1
1988	275,198.2
1989	403,762.9
1990	497,351.3
1991	574,282.1
1992	909,754.2
1993	1,132,181.2
1994	1,457,129.7
1995	2,991,941.7
1996	4,135,813.6
1997	4,300,209.0
1998	4,101,026.3
1999	4,799,966.0
2000	6,850,228.8
2001	7,055,331.0
2002	7,984,385.3
2003	10,136,364.0
2004	11,673,602.2
2005	14,894,500.0
2006	18,222,800.0
2007	22,848,900.0
2008	24,313,514.0

Source: CBN Statistical Bulletin (1986-2008)

Table 4: Naira Exchange Rate (1986-2008)

Period	US Dollar ($)
1986	4.0800
1987	4,5900
1988	7.3900
1989	8.0400
1990	9.9100
1991	17.4500
1992	22.4100
1993	22.0000
1994	81.2000
1995	81.0000
1996	82.0000
1997	83.8000
1998	94.0000
1999	101.7000
2000	111.9400
2001	111.9400
2002	120.9700
2003	129.3500
2004	133.5000
2005	129.0000
2006	127.0000
2007	124.7600
2008	117.7800

Source: CBN Statistical Bulletin (2008)

Pertinently, considering the above statistical enumerations, banking reforms if strategically articulated and implemented should translate to sustainable short- and long-run macroeconomic fundamentals characteristic of most productive societies in the global economy.

RESULTS AND DISCUSSION\

The outcomes of OLS regression analytical process are presented in Tables 5 and 6:

Table 5: Hypothesis 1 Test Results (BC & APSC Match)

Variable	Coefficient	Standard Error	t-Statistic	Prob.
BC	65.09537	10.21287	6.373858	0.0000
C	-316067.4	307564.6	-1.027645	0.3158
R-squared	0.659235	Mean dependent var.		1043483.
Adjusted R-squared	0.643008	S.D. dependent var.		1778564.
S.E. of regression	1062671.	Akaike info criterion		30.6734 1
Sum squared resid.	2.37E+13	Schwarz criterion		30.77215
Log likelihood	-350.7442	F-statistic		40.62606
Durbin-Watson stat.	0.376732	Prob. (F-statistic)		0.000003
Model 1: APSC = f(BC)				
Dependent Variable: APSC		Included observations: 23		
Method: OLS		Sample: 1986-2008		

Table 6: Hypothesis 2 Test Results (BC & GDP Match)

Variable	**Coefficient**	**Standard Error**	**t-Statistic**	**Prob.**
BC	309.6463	24.90435	12.43342	0.0000
C	50480.42	750004.	0.067307	0.9470
R-squared	0.880403	Mean dependent var.		6517604.
Adjusted R-squared	0.874708	S.D. dependent var.		7320906.
S.E. of regression	2591351.	Akaike info criterion		32.45620
Sum squared resid.	141E+14	Schwarz criterion		32.55494
Log likelihood	-371.2463	F-statistic		154.5900
Durbin-Watson stat.	0.452687	Prob. (F-statistic)		0.000000
Model 2: GDP = f(BC) Dependent Variable: GDP Method: OLS		Sample: 1986-2008 Included observations: 23		

Regarding BC and APSC analytical match, the ultimate parametric result impresses a rejection of the null hypothesis, establishing that bank capital significantly determines aggregate private sector credit in the Nigerian economy in the analytical period. The adjusted R^2 of 0.643 indicates that 64.3% variations in the criterion variable are explained by the predictor variable in the analytical period. Impliedly, only 35.7% of criterion variable dynamics are accounted for by factors outside OLS Regression Model 1. Furthermore, the t-statistic of 6.37 with probability of 0.00 is higher than the Table t-value at 0.05 and 0.01 significance levels respectively. The F-statistic of 40.62 is also significantly higher than the table of F-value at 0.05 and 0.01 confidence levels respectively, affirming overall fit of OLS Regression Model 1.

With respect to BC and GDP analytical match, the ultimate parametric result impresses a rejection of the null hypothesis, establishing that bank capital significantly determines gross domestic product in the Nigerian economy in the analytical period. The adjusted R^2 of 0.875 indicates that 87.5% variations in the criterion variable are explained by the predictor variable in the analytical period. Impliedly, only 22.5% of criterion variable dynamics are accounted for by factors outside OLS Regression Model 2. Furthermore, the t-statistic of 12.43 with probability of 0.00 is higher than the Table t-value at 0.05 and much higher at 0.01 significance levels respectively. The F-statistic of 154.59 is significantly higher than the table of F-value at 0.05 and 0.01 confidence levels respectively, affirming overall fit of OLS Regression Model 2. Strategic management of these macroeconomic fundamentals is vitally critical to galvanizing and realizing banking industry targets in Nigeria (Masson & Pattillo, 2003; Adeyemi, 2005; Ebong, 2006). The GDP, for instance is one primary indicator used to gauge the health of a nation's economy. It represents the total financial value of all goods and services produced over a specific time period, thus reflecting the productive strength/capacity of an economy. Usually, GDP is expressed in comparison with a previous year's equivalent. Measuring it may be practically cumbersome, but basically, it may be determined by:

- Aggregating what everyone had earned in the economy in the year under review (referred to as the *income approach*), or

- Aggregating what everyone had spent in the economy in the period under review (referred to as the *expenditure approach*).

Logically, both approaches should culminate in fairly the same national economic aggregate for the analytical period. The *income approach* specifically entails adding up all the compensation accorded and meted to employees, the gross profits recorded by incorporated and non-incorporated firms, and the taxes (subsidies deducted) afforded by payers. The *expenditure approach* which is seemingly more common approach specifically entails adding up all consumption, investment, government spending and net exports (imports deducted). Thus, economic productivity, which is what GDP represents, has got to do with everyone in an economy. Accordingly, if an economy is healthy, there will be low unemployment rate and subsequent wage increases as businesses will demand more labor input to meet the demands of the growing economy. A significant change in GDP, up or down, usually reflects on the nation's stock market fundamentals. It is, thus, incontrovertible that a fragile economy usually precipitates low profits for companies, which in turn lead to low stock prices (Gbosi, 2005; Agundu, Akani & Agbahiwe, 2013). By this reality, investors have real cause for worry when GDP growth goes the negative direction. This is what justifies the adoption of the aggregate in assessing whether a country is in boom, normal or recession in her national economic cycle.

CONCLUSION

This study examined Nigerian banking reforms in strategic financial management perspective. Using ordinary least square regression framework, appropriate proxies were specified to include bank capital for banking reforms as well as aggregate private sector credit and gross domestic product respectively for national economic aggregates. Characteristically, bank capital serves several institutional purposes which relate to bank lending to customers, acquisition of fixed assets, discharging of operational costs and absorption of losses arising from risky investment undertakings. Banks have to maintain capital adequacy and possibly consolidate their capital base over and above the normal level in order to meaningfully accommodate losses arising from credit and operational risks.

Understanding that banking volatility usually gravitate and culminate in economic crisis with dire consequences on output, employment and other macroeconomic targets. It is strategically imperative to review subsisting rules, regulations, and allied measures governing bank operations. Over the years, the Nigerian economy had witnessed spiraling cases of bank crashes immediately attributed to capital inadequacy but a remote consideration goes in the direction of overall strategic financial management deficiency, particularly on the part of bank executives and board members. Regulatory authorities should help matters by committing more to the professional ideals of banking monitoring and supervision, which is a critical perspective of the strategic financial system restructuring process (Aborode, 2005; The Institute of Chartered Accountants of Nigeria; Agundu, 2012). Banking supervisory managers should be well exposed and continuously trained to keep pace with international standards and global best practices. The strategic dimensions for critical consideration and emphasis in the Nigerian banking industry are creation of:

- Functional corporate governance substructures to continuously instill trust-anchored ethics;
- Stringent judicial/legal substructures to continuously drill institutional practices; and
- Swift digital tracking subsystems to continuously foil attempts to abuse electronic banking and associated information and communication technology (ICT) tendencies.

The right quantum of bank capital represents the right capacity of banks to absorb losses arising from credit and operational risks. Grappling with systemic inadequacies has been a major challenge to banking stakeholders in Nigeria. With appropriate strategic financial management frameworks in Nigerian banks, capitalization fundamentals should definitely contribute to significant banking reform efficacy as enunciated in the Basle Accords, endorsed by over 120 national signatories around the world. Intermittently, bank capital should be comprehensively diagnosed, commensurately raised, and strategically managed to avert the excruciating banking ordeals that characterized the economic deregulation era of the mid-1980s, in which scores of indigenous banks crashed, causing colossal waste of national assets and huge loss of banking fortunes. Contemporary global banking reforms and recipes mean brighter days ahead for banks and their numerous publics and Nigerian banks should strategically comply to harness their stake in it.

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