

# FINANCIAL SECTOR REFORMS AND BANKING REGULATION IN NIGERIA

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## Abstract

*Reforms are a popular term in financial literature. It is concerned with the various steps taken by different government in different countries to put their financial system in a healthy state. In this study the authors identified the banking industry as one of the main sub-sectors of the financial sector. Consequently any reform in the financial sector has a direct impact on the banking sub-sector. Also the authors identified the objectives of financial reforms to include the removal of inefficiencies in financial intermediation, maintaining stability and sound financial system. It is therefore imperative that the growth of any economy is depended on the state of the financial sector. The findings showed that banking is the most regulated business all over the world because of its function of providing a meeting place for lenders and borrowers. In order to ensure the safety of depositors' funds, the banking industry in Nigeria has passed through different phases of regulation since banking started in Nigeria in 1892. The period 1892 to 1951 is regarded as a period of free banking era because there were no regulations. The period witnessed the advent and collapse of so many commercial banks. It was this event that led to the enactment of the banking ordinance of 1952. This was the first attempt to regulate banking activities in Nigeria.*

**Key Words:** Reforms, Financial sectors,

Financial intermediation, Institutional regulation  
Integrated agency, Unified agency.

## Introduction

One of the factors that have informed reforms in the financial sector all over the world is the desire to ensure a sound financial system. The importance of the financial sector in any society stems from its role as a catalyst for economic growth and development. Balogun (2007) asserted that "financial sector reforms is that aspect of economic reforms which focus mainly on restructuring financial sector institutions (regulators and operators) via institutional and policy reforms".

Also commenting on the objective of reforms Farugi (2007) in Abdul Qayyum (2010) puts it thus: financial sector in Pakistan has been under reforms process since the early 1990's. The objectives of these reforms have been the removal of inefficiencies of financial intermediations and maintaining stability and enhancing growth". Osiegbu (2005) collaborated the above assertions, by arguing that the major aim of regulating the financial system of a country is to ensure the safety of the country's financial system, by checking competitive equities and other inefficiencies".

From the above we can conclude that reforms in the financial sector are fundamental to attaining

sustainable economic development of nations. The banking sector is a subset of the financial sector. The role of financial intermediation in an economy is performed by the banking industry. The banks provide the forum for those with surplus fund in the economy (surplus sector) to meet with those with financial deficit in the economy (deficit sector) Olusemore (2004) puts it thus: "Banks are in the business of making money through what is professionally called financial intermediation. By this, we mean that banks provide a link between the surplus sectors and the deficit sectors of the economy. The surplus sectors are the firms, households or government institutions that have surplus funds over and above their immediate requirements. On the other hand, the deficit sectors are the economic units whose immediate funding requirements cannot be met from their own resources".

#### Functions of Banks

Based on the main function of banks, which is the linking of the various sub-sectors of the economy through financial intermediation, it could be argued that the banking industry is a veritable instrument for achieving the following objectives:

- to create money through what is known as bank money.
- to increase the volume of money in circulation by liberalizing loans which could lead to inflation
- to control the volume of money in circulation.

Due to the close link between the financial sector and the banking sector, any reform in the financial sector will have a direct impact on the banking industry. Since banking affects every sub-sector of the economy, it can be seen as an agent for regulating economic activities, either by fueling inflation or deflation. Also any speculation about bank distress will lead to financial contagion in the nation. A financial contagion is a general state of panic, where members of the public withdraw large sums of cash from banks to their homes, for the fear of losing their deposits with the banks. At such times, people prefer to keep their money at homes instead of keeping them in the banks. Such situation, if not properly checked, could lead to loss of confidence in the banking industry. This is why the banking business is the most regulated business all over the world.

Even though banking is the most regulated industry in Nigeria, there are still incidences of bank failure,

merger and take-over. These have raised a lot of questions. Among which are: (1) Does it mean that the regulatory authorities (CBN and NIDC) have not been effective in the performance of their work? or (2) does it mean that the regulatory frame work is defective? These problems are addressed in this study. Also the focus of this study is to outline the various stages of reforms in the financial sector and their effects on the banking industry since 1892 when what was then known as the African Banking Corporation was established in Nigeria.

#### Conceptual Frame Work

Reforms in the financial sector are a continuous process all over the world. Rules and regulations that were formally adopted by regulatory agencies may seem inappropriate today. Hence the need to continually review the institutional structure of regulatory and supervisory agencies in the financial sector. Ilewellyn (2006) asserted that in many countries governments have been reviewing their institutional structures of financial regulation and in some countries major changes have been made.

He raised three strategic issues which have been contested by finance experts. They are as follows:

- (1) whether to have integrated prudential agencies encompassing all financial firms and markets, or whether regulation and supervision should be conducted on the basis of specialist agencies for banking, securities, insurance etc.
- (2) the role of the central bank in this area, and
- (3) whether or not conduct-of-business regulation should also be included within a single all-embracing agency or whether this should be conducted by a dedicated agency."

He further argued that while many countries are moving in the direction of integrated agency for prudential regulation and supervision (i.e a single agency is charged with the regulation of banks, insurance and securities) the United Kingdom still operate a unified agency. In a unified system, the agency responsible for financial institution regulation is also responsible for conduct of business regulation and supervision. The body is known as Financial Services Authority in the United Kingdom.

However, in Nigeria there are separate agencies responsible for financial sector and business enterprises supervision and regulation. Based on a two surveys conducted by Carmichael *et al* (2004),

Hewellyn 1999 and Healey 2001, he argues that it is evident that there is no single model for optimal institutional structure. Equally, there is no single model adopted by all countries. Each model has its advantages and disadvantages, the unified agencies inclusive.

Furthermore it is an illusion to believe that there is a single, superior model of institutional structure that is applicable to all countries. He asserted that the optimal structure may to some extent depend upon the structure of a country's financial system etc.

### **Objective of the Study**

The study is set to achieve the following objectives:

- (1) To examine the relationship between the financial system and the banking system
- (2) To outline the stages of banking regulation in Nigeria
- (3) To evaluate the tools for bank regulation
- (4) To analyse the effect of regulation on the banking industry.

### **Research Questions**

The following questions derived from the objectives of the study are designed to elucidate detailed discussion on the topic and to highlight the main points of the study:

1. What is the relationship between the financial system and the banking system?
2. What are the various phases of banking regulation in Nigeria?
3. What are the tools for banking regulation?
4. What are the effects of regulation on the banking industry?

### **Research Methodology**

The data for this study were sourced mainly from secondary sources. Khan (2000), asserted that the extent of financial development depends on the volume of bank credit as well as the stock market capitalization. In this study, the authors' analyse how banking regulation can lead to a sound financial system. Conversely a sound financial system will lead to a sound economy. Among the instrument employed in the analysis are changes in bank capital and the various legislative regulations introduced into the banking industry from 1952 till date.

### **The Financial System and Banking Institution**

The financial system occupies a central position in the economic activities of every nation. Every economic

activity is in one way or the other linked with the financial system.

Udenwa (1997), asserted that "The Nigerian financial system comprises the supervisory/regulatory institutions, the banking sector and the non-bank financial institutions". Also a study team organized by CBN and NIDC, which was headed by Chief E.E. Inang put it thus: the financial system refers to the totality of the regulatory and participating institutions, including financial markets and instruments involved in the process of financial intermediation". CBN/NDIC (1995:3).

One important point worthy of note from the above definitions is that all the writers agreed that the Nigerian financial system is made up of the regulatory authorities (among which are the CBN and NDIC), the banks and non-financial institutions such as insurance company. While analyzing what a financial system is, the Embassy of Nigeria, Dublin (2004 – 2010), affirmed that the Nigerian financial system comprises bank and non-bank financial institutions which are regulated by the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Nigeria Deposit insurance corporation (NDIC), security and Exchange Commission (SEC), National Insurance Commission (NIC), Federal Mortgage Bank of Nigeria (FMBN), and the National Board for Community Banks (NBCB).

The banking institution occupies a pivotal position within the financial sector and in the economy of nations. Consequently anything that happens in the banking sector has the potential of spreading quickly to other parts of the economy. This is one of the reasons why banking is the most regulated business all over the world.

### **Objectives of Banking Regulation**

According to Soyibo (1996), the objectives of banking regulation, and emphasis, differ among countries. However, he identified the following as the most common objectives: a. Prudential – to reduce the level of risk bank creditors are exposed to (i.e. to protect depositors)  
b Systematic risk reduction – to reduce the risk of disruption resulting from adverse trading conditions for banks causing multiple or major bank failures  
c. Avoid misuse of banks. – to reduce the risk of banks being used for criminal purposes, e.g. laundering the

- proceeds of crime
- d. To protect banking confidentiality
- e. Credit allocation – to direct credit to favoured sectors

#### **Rationale for Bank Regulation/Supervision**

Osiogbu (2005), identified six factors as the rationale for bank regulation/supervision. According to him, the regulatory authorities (CBN/NDIC) tries to achieve the following by regulating and supervising the activities of Deposit Money Banks. These are to:

- Prevent the destabilizing effects of some activities of banks.
- Stabilize the economy by influencing the ability and willingness of banks to make loan and investments.
- Control interest rate charged and paid by banks
- Safe guard depositors fund
- Protect all categories of depositors
- Prevent effect of panic withdrawal of funds on a bank that customers believe is facing financial difficulties

It should be noted that banking sector reforms could either mean strict control over the activities of banks or granting of more freedom to banks to determine their modus operandi. It also includes liberalizing the conditions of entry into the banking industry.

#### **The relationship between the financial system and the banking system**

From the studies above the researchers concludes that the banking system is one of the many systems that make up the financial system. Consequently any reform in the financial system cuts across the banking system. Banking activities affect virtually all economic activities in a society, hence a discussion on banking reforms deserve special attention.

#### **The various phases of banking regulation in Nigeria**

Ikhide and Alawode (2001) had argued that an extensive reform of the financial sector began in Nigeria in 1987 as part of the structural Adjustment programme. They further argued that prior to that years, the Nigerian financial system was repressed, as evidenced by ceilings on interest rates and credit expansion, selective credit policies, high reserve requirement, and restriction on entry into the banking industry. The constrain of the period inhibited banks

ability to mobilize savings and facilitate productive investment, they argued.

However CBN/NDIC (1995) classified banking reforms into four (4) different headings, corresponding to four different periods. They are as follows:

#### **(a) Free Banking Era (1892–1951)**

This period was characterized with free entry and exists in the banking industry. They indicated that the early commercial banks in Nigeria were of foreign origin. Secondly the banking system itself was designed to facilitate colonial business interest. They pointed out that the period is usually referred to as the era of “free banking” or the period of “banking boom” in Nigeria because, apart from the complete absence of any law governing the establishment and running of the banks during this period, the setting up of banks was not related to the capacity of the economy to effectively absorb the sharp growth in financial assets. As a result, most of the banks were hurriedly established and they also hurriedly went into liquidation.

On the other hand Tonwe (1993), opined that before 1952, there were no indigenous laws regulating the practice of banking in Nigeria. The applicable laws then were the common law of England and the status of general application. He argued that the reputable banks operating in Nigeria then were branches of multi-national corporations such as the Bank of British West African and Barclays Bank. He noted that there were several mushroom banks which swindled monies deposited with them by the banking public. The effect was a declining confidence in the industry and the need for indigenous banking law. He concluded that the enactment of the Banking Ordinance 1952 was the first step taken by the Government of Nigeria to arrest fraudulent practices in the industry.

#### **(b) Emergence of Banking Regulation (1952–1958)**

According to CBN/NDIC (1995), the massive bank failure witnessed in the economy during the free banking era led to the enactment of the 1952 Banking Ordinance. The Ordinance was therefore the first attempt to regulate banking business in Nigeria. Two major reforms were introduced by the ordinance. These were: (1) For a bank to operate in Nigeria it

must be an incorporated company and (2) The company must hold a valid license. The license provides for procedures and standard for the conduct of banking business.

The license was to be issued by the Minister of Finance. The Minister also has the power to withdraw the license whenever the bank is found not to be operating within the operational guidelines. The ordinance could be judged to be successful in that it prevented the establishment of unviable commercial banks. It provided an orderly manner for the conduct of banking business. It reduced the incidence of bank failure.

**(c) Era of Consolidated Growth/ Establishment of Central Bank of Nigeria (1959-1985)**

This period is described as era of consolidated growth in that it saw the emergence of the Central Bank of Nigeria. The CBN Act was enacted in 1958 and by July 1959, the bank commenced work as the apex regulatory body in the financial system. As part of CBN developmental effort, the period witnessed the establishment of a capital market. The market which started in 1960 as the Lagos Stock Exchange, later metamorphous into the Nigerian Stock Exchange. CBN efforts also led to the establishment of several development banks during the period.

**(d) Era of Financial System Deregulation (1986-1993)**

This period which coincided with the adoption of the

structural adjustment programme (SAP) was characterized by explosion in the number of new banks that sprang up. A lot of structural changes took place as a result of the deregulation of banking practice. Among the changes were:

- (i) Relaxation of the conditions for licensing new banks. This led to growth in number of banks from 41 in 1986 to 119 by 1991.
- (ii) The introduction of the inter-bank Foreign Exchange Market (FEM) and the establishment of the system of foreign currency Domiciliary Accounts, which led to increase earnings for many banks. Ogbor (1994) argued that the banking reform during the Structural Adjustment era did not achieve their state objectives precisely because the reforms were ill-implemented. It has been argued that the main objective of the reforms was to enhance economic efficiency and effective's resource allocation through service – driven or private sector driven competition. Whether the objective was achieved or not is another subject matter.

The changes that took place during the period could be classified under three headings viz. Exchange rate, interest rate and monetary policy, Banking and capital market. The details of these changes are as outlined in the tables below

**Table 1: (A) Exchange Rate**

S/N	year	Changes
1	1986	Establishment of the first-tier and second-tier (autonomous) foreign exchange markets.
2	1988	Bureaux de change established.
3	1992	Devaluation of the official exchange rate.
4	1994	Reintroduction of exchange controls and suspension of bureaux de change.
5	1995	Exchange controls relaxed. Operation of bureaux de change permitted. Autonomous foreign exchange market introduced
6	1996	Official fixed foreign exchange market operated for Government transactions Continued operation of the autonomous foreign exchange market.

Source: *An Outline of Financial Sector Reform in Nigeria*

**Table 2: (B) Interest Rate and Monetary**

1987	Deregulation of interest rate
1989	Auction market for Government securities introduced. Continued use of direct monetary policy instruments (cash reserve requirements)
1990	Introduction of stabilization securities for liquidity management
1991	Reintroduction of interest rate controls/
1992	Removal of interest rate controls. Liberalization of bank credit market.
1993	Introduction of indirect monetary instruments (open market operations)
1994	Re-imposition of interest controls, Review of Central Bank operations
1995	Continuation of interest control Initiated fiscal reforms.
1996	Retention of interest controls continuation of fiscal reforms

Source: *An Outline of Financial Sector Reform in Nigeria*

**Table 3: (C) Banking and Capital Market**

1987	Deregulation of bank licensing
1988	Restrictions on bank portfolio relaxed. Deposit guarantee scheme established
1989	Review of Banks' capital adequacy standards
1990	Reform of accounting procedure for banks
1991	Embargo on bank licensing Strengthening of bank regulation and supervision
1992	Privatization of banks commenced. Deregulation of the capital market
1993	Restructuring of distressed banks
1994	Liquidation of banks
1995	Liberalization of capital flows.
1996	Liberalization of the capital market continues.

Source: *An Outline of Financial Sector Reform in Nigeria*

While commenting on banks reforms in Nigeria, Balogun (2007) identified four stages. According to him the first stage is the "financial systems reforms of 1986 – 1993". The period was characterized with the deregulation of the banking industry. The second stage he said began in late 1993 – 1998, with the re-introduction of regulation. Similarly, the third phase began with the advent of democracy in 1999. During the period there was a return to liberalization (deregulation) of the banking sector, which was accompanied with the adoption of distress resolution programmes. It was during this era that the universal banking system was introduced. The fourth phase he said began in 2004. It is the researchers view that since professor Charles Soludo was appointed Governor of CBN on 29<sup>th</sup> May 2004, the era could as well be called Soludo era.

#### **Soludo Era (2004 – 2009)**

Prof. Soludo had argued that prior to 2004 the Nigerian financial system could not deliver on its defined roles and was characterized by:

1. Low aggregate banking credit to domestic economy (20% as percentage of GDP)
2. Systemic crisis: growing resort to Central Bank bail out
3. Inadequate capital base
4. Oligopolistic structure-10 (out of 89) banks accounted for over 50% of total banking system asset
5. Poor corporate governance
6. Low banking/population density-1:30,432
7. Payment system that encouraged cash-based transactions

8. Insurance industry was weak, undercapitalized
9. Pension Funds were largely absent
10. Stock market was shallow

One of the major reforms of the period was re-capitalization of banks capital base from N2 billion to N25 billion. The direct consequences of the new capital base was a reduction in the number of existing commercial banks from 89 to 25 banks with adequate capital base

**According to Soludo (2007) Elements of the Reforms in the banking industry consolidation includes:**

1. Increased bank capital base from \$ 15 million to \$ 200 million through:
2. Merger and acquisition, and/or injection of fresh capital
3. Adoption of risk focused and rule-based regulatory framework
4. Adoption of zero tolerance in data returns by DMBs
5. Automation of the banking system through e-FASS
6. Plan to establish an Assets Management Company as an important element of distress resolution
7. Strict enforcement of the contingency planning frame work for systematic banking distress

It was during this period that the concept of Micro financial bank was introduced. Existing community banks then were given up to 31<sup>st</sup> December 2005 to convert to micro-finance banks or be phased out.

#### **Sanusi Lamido Sanusi era (2009 till date)**

As at June 2009 when Lamido Sanusi took over as the Chief Executive of CBN there were 24 Deposit Money Banks operating in Nigeria. The reduction from 25 to 24 followed the merger of Stabic and IBTC chartered bank. It could be argued that the reforms embarked upon by sanusi are not innovations initiated by him, but a consolidation on the reforms initiated by his predecessor. The steps taken so far by the CBN Chief executive has attracted so much controversy that one begins to wonder if there are no better ways of handling the issues. According to Ayirinde and Utomwen (2010), on assumption of office in June 2009, Sanusi set up a committee to examine the books of the 24 banks. The result of the examination of the first 10 banks examined was made public in Lagos on 14<sup>th</sup> August. It led to the removal of the Chief Executives of five of the banks. The banks are Oceanic banks, Intercontinental banks, Afri-bank,

Union bank and Finbank, whose Chief executives were accused of carrying excessively high level of non-performing loans in their books. The Chief executives were also accused of poor corporate governance practices, high risk lending and lax credit administration system.

Similarly, the release of result of the remaining 14 banks on 2<sup>nd</sup> October 2009 showed that three banks, - Bank PHB, Equatorial Trust Bank and Spring Bank were also guilty of the offence of the first five banks. Consequently their managing directors were equally removed. CBN then released N420 billion and N200 billion for the five and three banks as bailout respectively.

Wikipedia (2010) defined bailout as follows: "A bailout is an act of giving capital to an entity (a company, a country, or an individual) in a danger of failing in an attempt to save it from bankruptcy, insolvency, or total liquidation and ruin; or to allow a failing entity to fail gracefully without spreading contagion".

Ayorinde and Utomwen (2010) asserted that "The CBN action is also being blamed for contraction in credit to operators in the economy by the banks, which became noticeable immediately after the apex bank's intervention. But unarguably, the most publicized issue against the CBN action verged on allegation of ethnic bias, with accusation that Sanusi's action was part of a long-term plan by some interests in the North to surreptitiously take over some of the banks owned by Southerners to redress the imbalance in ownership of financial institutions engendered in the Nigerian banking industry in the aftermath of the 2005 consolidation in the sector." Whether these arguments are true or not is outside the scope of this study.

#### **Reforms Initiated By Sanusi**

Sanusi could be credited with the following reforms in the financial sector:

- (a) Presentation of Proposal for the establishment of Asset Management Company (AMC) to the National Assembly. The company when establishment will stimulate growth of the capital market. The bill for its establishment is already before the national assembly.
- (b) Office Tenure for bank's Chief Executive Officers (CEOs); The reform states that with

effect from October 2010, banks' CEOs will spend a maximum of ten years in office. Isa (2010); opined that CBN introduced a tenure system for CEOs and directors in order to check abuses in the banking sector and entrench transparency in the system.

- (c) Disclosure requirement: banks are now compelled to state the true state of their financial positions in their balance sheets. The banks are requested to state both the performing and non-performing loans. This has led to some banks declaring losses. It could be argued that the disclosed requirement has led to transparency in banking.
- (d) Abolition of Universal banking
- (e) Introduction of categorization of commercial banks. According to Obafemi (2010), as from 4<sup>th</sup> October 2010, Commercial banks are to be categorized into three groups. They are Regional banks, National banks and international/Global banks.

**Regional banking:** the regional banks are to operate in a minimum of 6 States and a maximum of 12 states within 2 geographical zones, including the Federal Capital Territory, Abuja. The Capital base is N10 billion.

**National banking:** According to Sanusi, banks with national banking authorization are to operate in all the 36 States of the federation. They are to have N25 billion as capital base.

**International/Global Banking:** Banks with international/global banking authorization are to have branch network in all the states of the federation. They are to operate foreign branches in designated countries of their choice. The capital base is N50 billion.

- (f) Accounts update.

The most recent of Sanusi reforms is account updates. Commercial banks customers are to furnish their banks with their recent personal data. The exercise is also known as "operations know your customers". The exercise is aimed at eliminating surrogate account holders from the banking system. By the end of December 2010, account holders who failed to furnish their banks with the necessary details will have their account declared dormant. However by extension, the deadline was shifted to 31<sup>st</sup> January 2011.

It could be argued that the reforms introduced by Sanusi have a far reaching effect on the banking system. If these reforms are judiciously implemented it could put Nigerian banks on a high standard compared to what is obtainable in countries with advanced banking systems.

#### The tools for banking regulation

Osiegbu (2005) identified the following as tools used by countries' central banks for regulating commercial banks.

- (i) Capital requirements
- (ii) Reserve and liquidity requirements
- (iii) Monetary Policy circulars and bank supervision
- (iv) Control over lending activities
- (v) Limitations on Prices paid and charged
- (vi) Corporate governance
- (vii) Financial reporting and disclosure requirements
- (viii) Credit rating requirements
- (ix) Large exposures restrictions
- (x) Related party exposure restrictions

#### The Effects of Regulation on the banking industry

Balogun (2007) asserted that one of the effects of regulation on banks is the prescription of capital base for the industry. He argued that before Structural Adjustment Programme (SAP) there was no specified capital requirement for banks. However following the adoption of SAP, a limit of N1 billion was prescribed for commercial banks and about N500 million for Merchant banks. This was subsequently increased to N2 billion prior to Soludo era. During Soludo era Commercial banks were mandated to re-capitalize to N25 billion. He further argued that post-SAP era witnessed rapid expansion in number of banks increased from 40 in 1985 to 120 in 1993. During the post-reform era some banks became distressed and were liquidated, thereby reducing the number of existing banks to 89 in 1998. Consequent upon consolidation the number of banks further reduced to 25 in 2006.

Soludo (2007) said 16 Nigerian banks are now among the first 1000 banks in the world as a result of consolidation. Also 5 out of the top 10 banks in Africa are Nigerian banks. Contributing to the discussion Williamson (1999) puts it thus: in a repressed financial system the decision as to who and what sector gets credit is largely made by the government while in the market system it is made by the bankers.

In 2010 a new concept was introduced into the effect of regulation. The concept is that of identifying those behind failed banks. Sanusi (2010) puts it thus: "What we do know is that we have today, among those parading themselves as role models in society, people who profited from failed banks. Owners and managers who go on to become governors and senators. Bad debtors who are multi-billionaires, having taken the money belonging to those poor dead souls and not paid back".

It is this concept that informed the removal of 8 CEOs and their subsequent trial in courts.

### **Conclusion**

Financial sector reforms are an indispensable exercise in the attainment of a sound financial system in any economy. A Country financial system embraces all the financial institutions such as commercial banks, mortgage institutions, development banks and non-financial institutions like insurance companies and pension institutions. It also include the regulatory authorities. In Nigeria the main authorities are CBN, NDIC and the Federal Mortgage Bank.

Banking is one of the main institutions that constitute the financial sector of a country. The role of the banks is that of financial intermediation. It mobilizes fund from the surplus sector of the economy and passes on to the deficit sector of the economy. The money the banks give out is not the bank money but deposits fund. Care should be taken in handling depositors' funds. Any sign of distress in the banking sector could lead to panic withdrawer of monies from the banks and the consequent of loss of faith in the industry. Since banking services cover all the sector of the economy, government pays special attention to the management of banks. This is why banking is the most regulated business all over the world.

In Nigeria, banking regulation started in 1952 with the enactment of the Banking Ordinance of 1952. Since then the sector has passed through series of regulations and liberalizations. Some of the regulations have led to some of the CEOs of banks send to jail. Today the Nigerian financial sector could be said to be in a healthy state.

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