Banking policy, banks efficiency and job security in Nigeria

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Banking reforms, banks effectiveness, fresh graduates' employment, job insecurity

Abstract

Nigerian banking industry has been experiencing series of reforms from the colonial era to date. Though, the banking reforms in Nigeria were intended to make the banks flourish, reliable and strong enough to finance other key sectors of the Nigerian economy. These objectives challenge the banks operating in the country in terms of their business sustainability, employee job security and customers' satisfaction. This article provides a chronological overview of banking reforms, implementation, supervisory role of the apex bank and banks' performance in Nigeria. The current study adopted a critical examination of literature on banking policies, supervisory role of the apex bank and banks performance in Nigeria to establish the influence of banking reforms on banks effectiveness and job security. The quantitative data in the Central Bank of Nigeria statistical bulletin were extracted and analysed. The results show that banking reforms in terms of recapitalisation of banks contributed significantly to the performance of the financial sector in Nigeria as it enabled expansion of the banking network. The capital base enhances banks' purchasing power in acquiring the IT applications required to fully integrate into electronic banking operations in Nigeria. There were high levels of retrenchment of experienced bankers to reduce the wage bills. Conversely, demand for fresh graduates during the post-consolidation period was high in the banking sector. This study recommends that the reserve bank should also regulate the issue of employee job insecurity in the banking industry.

Introduction

The influence of banking regulations on commercial banks sustainability from global and local perspectives is key research areas. For example, the importance of global perspective on this area of study cannot be over-emphasised due to high levels of integration of the world economy propelled by electronic banking applications. The changing nature of information and communication technologies across the globe have threatened traditional banking operations with extinction (Adegbaju & Olokoyo, 2008). This explains why the World Bank formulated global banking regulations and policies, leaving countries with little or no choice but to comply. High levels of compliance are required for sustainable competitive advantage in the banking industry, both at international and local levels. Therefore, Nigeria's apex bank had no other choice than to formulate banking regulations and policies in line with the latest developments in the global economy. The banks recapitalisation exercise in 2005 challenged business sustainability of operating commercial banks in Nigeria. A number of commercial banks could not meet the huge capital requirement. The risk would had been averted if top management personnel were proactive in making adequate preparations to meet the new millennium challenges, in which sustainability of commercial banks is just one of the challenges in the banking industry (Atiku & Fields, 2016). Corporate entrepreneurial orientations are essential in making adequate preparations and responding to the variations in external and internal business environments. Commercial banks operating in Nigeria are obligated to comply with the directives of the apex bank.

Central banks in various countries across the globe formulate banking reforms, demonstrated in their capital requirements or recapitalisation of banks, official supervisory powers, and measuring banks' market power. Barth, Caprio, and Levine (2004) examined the influence of bank regulations and supervisory services of apex banks on commercial banks' performance among 107 selected countries, a survey founded by World Bank in 2001. The data was used to examine the relationship among banking regulations, supervisory services, sustainability and banks' financial performance. They submitted that there was a positive relationship between capitalisation as one of the banking regulations and financial performance of commercial banks, in terms of their sustainability, stability and development. In terms of supervisory regulations, countries where banks were privately owned easily complied with the monitoring agency and also recorded outstanding financial performance when compared with countries where banks were owned by the government. The variation could be further explained by high levels of corruption, and lack of stability, development and efficiency.

Naceur and Omran (2011) investigated the impact of bank regulations and financial reforms on commercial banks' performance in the Middle East and North Africa (MENA). They selected a sample of one hundred and seventy-three (173) commercial banks in ten (10) MENA countries: Egypt, Lebanon, Jordan, Morocco, Tunisia, Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates. They classified the first five North African countries as non-oil countries, while the remaining five Middle East countries were classified as Gulf countries. The study made use of secondary data collected from the Bankscope database provided by Fitch/IBCA/Bureau Van Dijk, where the annual reports of all the banks investigated were extracted to investigate the performance ratio from 1988 to 2005. Their submission was that bank regulations and financial reforms, specifically recapitalisation, have a positive influence on bank performance as indicated by all the banks' performance indicators (net interest margin, cost efficiency and rate of return on investment) covered in the study. The findings also corroborated the directions of banks' performance recorded in the stock markets of the various countries investigated. This confirms that consolidation of commercial banks in MENA countries has a significant (positive) impact on banks' financial performance.

Nigeria's apex bank was not been left behind in formulating banking policies. The banking regulations and policies that were periodically reviewed include bank capital requirements, lending and interest rates, maximum daily withdrawal limits on electronic banking applications and official supervisory powers (Soludo, 2004; Sanusi, 2012; Alade 2013). Nigeria is the largest economy on the African continent ("Country Reports - Nigeria," 2014). The country is home to 47% of West Africa's population, with an estimated population of more than 158 million (World Bank, 2014). Nigeria is one of the most prominent countries in Africa (Okonjo-Iweala & Osafo-Kwaako, 2007), regarding her population and economic contribution to the continent. The banking sector is a crucial sector for the growth and development of other sectors of the economy as well as the overall economy (Soludo, 2004; Sanusi, 2012; Alade, 2013). This paper investigates the influence of banking policies and regulations, as well as the supervisory role played by the Central Bank of Nigeria (CBN) on banks' efficiency and employee job security as an antecedent to economic growth and development. This study examines key literature relating to banking regulations, consolidation and its impact on the financial sector.

Recapitalisation of commercial banks in Nigeria is one of the banking regulations that has received attention from scholars and has had a fundamental impact on the performance of these banks (Adegbaju & Olokoyo, 2008; Anifowoshe, Genty, & Atiku, 2011; Onaolapo, 2008; Somoye, 2008; Umoren & Olokoyo, 2007). Umoren and Olokoyo (2007) studied the pre- and post-consolidation performance of commercial banks in Nigeria by analysing the four-year post-consolidation profitability ratio of seven (7) merged commercial banks. The secondary data collected from the commercial banks annual reports and accounting data before their merger. The study revealed significant differences between pre-consolidation (pre-merger) and post-consolidation (post-merger) financial performance. All the commercial banks investigated recorded outstanding performance after the consolidation exercise. This finding is not surprising, it corroborates the banks' performance on the Nigerian stock market in the specified period, and the literature on merger and acquisitions also suggests improved performance (Anifowoshe et al., 2011). Furthermore, mergers among the commercial banks investigated reduced the negative effects of the capital base on business sustainability and outcomes of commercial banks in Nigeria. The merged banks were able to recover easily from the huge capital base a few years after the consolidation exercise.

Conversely, Somoye (2008) conducted an empirical examination on the impact of the 2005 post-consolidation of commercial banks on performance. The study used published statements of accounts from twenty (20) of the twenty-five (25) commercial banks in existence. The data collected from the apex bank (CBN) also forms part of his sources. The submission was that the post-consolidation exercise has not significantly increased the aggregate performance of commercial banks in Nigeria, but had a slight impact on the sustainable development of the real sectors of the economy. The major shortcoming of the study was over-reliance on the 'cooked' statements of accounts by these commercial banks, which were often biased, based on reasons best known to the banks. This explains the discrepancy between the bank's improved performance on the stock market after the consolidation exercise and the submission that, the post-consolidation exercise has not significantly increased the aggregate performance of commercial banks in Nigeria. In reality, the recapitalisation exercise led to an increase in the commercial banks' capital base, resulting in expansion of the banking networks and branches, creating more competition in the sector, and acquisition of the information and communication technologies required to promote electronic banking applications (Ikoku & Okorie, 2010).

Adegbaju and Olokoyo (2008) investigated the relationship between the recapitalisation and performance of Nigerian banks using secondary data collected from the annual reports of the Nigeria Deposit Insurance Corporation (NDIC). The authors adopted a ratio analysis to compare the profitability ratio of a three-year pre-consolidation period with other three years of post-consolidation periods, using 2001 as a base year. While they submitted that there were statistical differences between the profitability ratio of the pre-consolidation of 2001 and the post-consolidation of 2001, the post-consolidation profitability ratio does not indicate improved performance. The limitation of Adegbaju and Olokoyo (2008) study was that it was restricted to the period of three years, in which the banks had not fully recovered from the huge capital base. Therefore, there is need to devise an objective means to investigate the relationship between the post-consolidation of banks in Nigeria, employees job security and performance in the banking sector. The historical development of banking operations as well as banking policies and regulations in Nigeria are presented in the next section.

Historical overview of the banking policies in Nigeria

The historical development of banking operations in Nigeria dates back to 1892 and was administered by the colonial masters (Alade, 2013). The journey which led to the establishment of banks for Africa began in 1945 (Somoye, 2008). The first banking regulation or policy in Nigeria was the banking ordinance of 1952 (Osabuihien, 2008; Alade, 2013). Through this, the colonial government raised the capital base of foreign commercial banks in Nigeria from 200,000 pounds to 400,000 pounds (Adegbaju & Olokoyo, 2008). This marked the beginning of banking regulations and policies, especially bank recapitalisation, in Nigeria.

In 1958, the Loynes Commission was established by the federal government in line with the guidelines of the World Bank report (Somoye, 2008). The result was the promulgation ordinance of 1958, which led to the establishment of the CBN (Somoye, 2008). The year 1959 was a landmark in the historical development of the Nigerian banking system when the Treasury bill ordinance was promulgated (Somoye, 2008). This led to the passage of the first Treasury bill in the second quarter of 1960 (Somoye, 2008). The intention was to make Nigerian banks more internationally competitive. It is also important to note that recapitalisation of banks in Nigeria goes hand in hand with new amendments to existing banking regulations and policies. For instance, in 1969, there were two different sets of minimum capital base (N1.5m and N600, 000) for banks in Nigeria (Adegbaju & Olokoyo, 2008). The N1.5m capital base was meant for foreign banks while the N600, 000 capital base was the required capital base for local or indigenous commercial banks in Nigeria. By 1979, the merchant banks were established in Nigeria with a minimum capital base of N2m (Somoye, 2008). The Structural Adjustment Programme (SAP) in 1986 also liberalised the financial sector (Osabuohien, 2008).

The capital base for commercial banks and merchant banks was increased to N5m and N3m, respectively in February, 1988 (Adegbaju & Olokoyo, 2008). The capital increased again, from N5m in February to N10m in October (Adegbaju & Olokoyo, 2008), while that for merchant banks increased from N3m in February to N6m in October (Adegbaju & Olokoyo, 2008). In 1989, the capital base for commercial banks was upped to N20m, while that for merchant banks was raised to N12m (Adegbaju & Olokoyo, 2008). These increases were based on the assumption that recapitalisation of the banking sector would strengthen the financial sector, which would have a spill-over effect on other key sectors of the national economy.

The banking sector in Nigeria suffered another huge increase in capital base for commercial banks from N20m to N50m in February, 1990 (Adegbaju & Olokoyo, 2008). The capital base for merchant banks was increased from N12m to N40m the same year. A deadline of 31st March, 1997 was issued to banks whose capital base was below the required minimum paid up capital to comply or face liquidation (Adegbaju & Olokoyo, 2008). By January 1998, 26 of these banks had been liquidated for non-compliance. The capital base for commercial and merchant banks was raised to a uniform minimum capital base of N500 million with effect from December, 1998 (Adegbaju & Olokoyo, 2008). Universal banking regulations were adopted by the CBN in 2001 and capitalisation was further increased from N500 million to N1 billion for all existing banks and N2 billion for new commercial banks in Nigeria (Adegbaju & Olokoyo, 2008).

Between 1952 and 1978, there were about 45 banks in Nigeria with different minimum capital bases (Somoye, 2008). The number of banks rose to 54 between 1979 and 1987 (Somoye, 2008). There was a huge increase in the number of banks in the country between 1988 and 1996, when 112 banks was recorded due to introduction of the Structural Adjustment Programme (SAP) in the mid-1980s (Adegbaju & Olokoyo, 2008; Somoye, 2008). Between 1997 and 2004, the number of banks was reduced to 89 due to the introduction of uniform minimum paid up capital by the CBN, coupled with the adoption of universal banking regulations in 2001 (Somoye, 2008). The universal banking regulations resulted in a huge increase in the minimum capital base to a billion for existing banks and N2b for new banks. The number of banks in Nigeria declined drastically to 25 in 2005, as a result of the huge increase of minimum capital base from N2b to N25b (Onaolapo, 2008). There were 10 recapitalisation exercise conducted by the apex bank in Nigeria between 1952 and 2005 (Oluitan, Ashamu, & Ogunkenu, 2015), as presented in Table 1.

Table 1: Banks recapitalisations in Nigeria

Year	Type of bank	Amount
1958	Commercial	£400,000:00
1969	Foreign & Indigenous	N1.5Million & N0.6 Million
1979	Commercial	N2.0Million
1988 – February	Commercial & Merchant	N5.0Million & N3.0Million
1988 – October	Commercial & Merchant	N10.0Million & N6.0Million
1989	Commercial & Merchant	N20.0Million& N12.0Million
1990	Commercial & Merchant	N50.0M & N40.0M
1997	Commercial & Merchant	N500.0M for all banks
2001	Existing & New	N1.0Billion & N2.0Billion
2005	Commercial	N25.0Billion

Source: Oluitan et al. (2015:81).

As evident in Table 1, the 2005 capital base for commercial banks operating in Nigeria was huge, which explains why the number of commercial banks (i.e. from 89 to 25) was drastically reduced. A merger between two commercial banks reduced the number of commercial banks in Nigeria to 24 in 2008 (Sanusi, 2012). At the time of this study, there were Nineteen (19) commercial banks in Nigeria: First Bank, Access Bank (acquired Intercontinental bank), Citi Bank, Diamond Bank, Ecobank Nigeria (acquired Oceanic bank), Heritage Bank Plc acquired Enterprise Bank (formerly Spring Bank), Fidelity Bank, First City Monument Bank, Keystone Bank (formerly Bank PHB), Guaranty Trust Bank, Skye Bank acquired Main Street Bank (formerly Afribank), Standard Chartered Bank, Stanbic IBTC Bank, Sterling Bank (acquired Equatorial Trust bank), Union Bank of Nigeria, United Bank for Africa, Unity Bank, Wema Bank, and Zenith Bank.

Methodology

The current study adopted a critical examination of literature relevant to banking policies, supervisory role of the Central Bank of Nigeria (CBN), and commercial banks performance in Nigeria to establish the influence of banking reforms on banks effectiveness and employee job security in the Nigerian banking industry. Numerical and non-numerical data were extracted from the CBN statistical bulletin and analysed using descriptive statistics. Also, a critical analysis of empirical studies on the link between recapitalisation and commercial banks efficiency in Nigeria was conducted. Table 2 illustrates disbursement of loans by commercial banks to key sectors in Nigeria, prior to 2005 banks recapitalisation.

Results and Discussion

This section presents the results and discussion of numerical data collected from the CBN and analysed using descriptive statistics. The quantitative analysis is necessary in establishing the trends of banks recapitalisation and commercial banks finance to other sectors of the Nigerian economy. In terms of loans or advances to the production, general commerce, and services in the pre and post-consolidation period in Nigeria. The results show financial responses from commercial banks to the banking reforms formulated by the apex bank in Nigeria.

Table 2: Pre-consolidation of commercial banks and sectorial loans disbursement in Nigeria (Naira in billion)

Sectors	1998	1999	2000	2001	2002	2003	2004
Agriculture	27.18	118.52	146.50	200.86	227.62	242.19	67.74
Manufacturing	96.73	435.58	518.75	717.79	888.08	997.67	332.11
Mining	22.85	112.99	133.14	222.23	295.19	329.23	131.06
Commerce exports	29.77	76.57	98.11	115.41	111.77	136.83	31.35
Other govt. miscellaneous	96.36	522.32	899.26	1,539.84	2,083.57	2,633.53	956.99

Source: Adopted from CBN (2004:41).

As shown in Table 2, the recapitalisation of commercial banks in 2002 to a minimum of one billion for established banks and two billion naira for new banks, contributed sharply to the total loans allocated to key sectors of the economy. The total loans disbursed by commercial banks to all key sectors of the Nigerian economy from 1998 to 2003 followed incremental trends, despite the review of paid up capital required by the apex bank. Conversely, the total loans allocated to key sectors of the economy in 2004 dropped drastically as a result of the pronouncement by the then Governor of the CBN. This led to another recapitalisation from two billion naira to twenty-five billion naira in 2005. Figure 1 provides a graphical illustration of the sharp decline in sectoral loan disbursement.

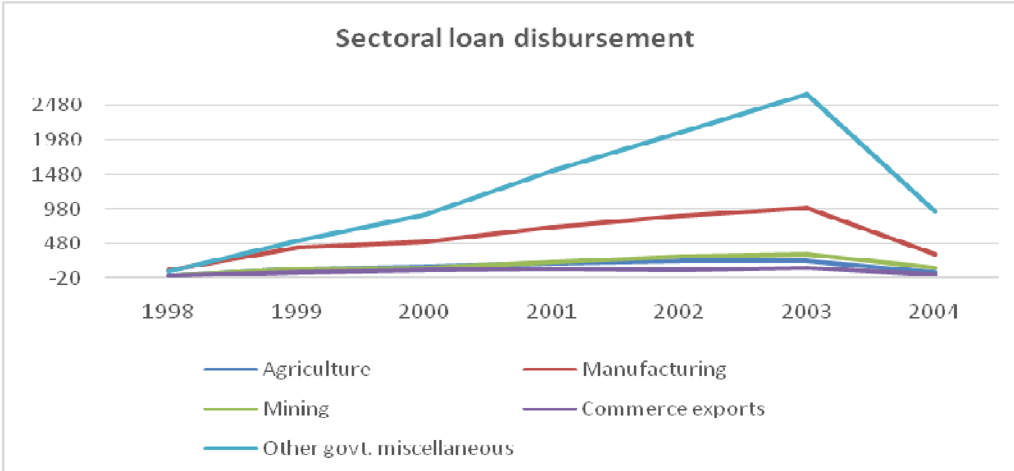

Figure 1: Sectoral loan disbursement

The 1,250% increments might be responsible for the shortfall in the total loans disbursed in 2004 to key sectors of the economy, since most of the banks were also faced with the challenge of raising funds through acquisitions, mergers and public offers on the Nigerian stock market to meet the deadline set by the apex bank. As evident in Figure 1, one can conclude that 2001 recapitalisation of commercial banks had significant effects on finances to the manufacturing sector and other government miscellaneous expenses between 2001 and 2003. The drastic decline in 2004 explains commercial banks' preparations to meet the huge capital base (from N2 to N25 billion) pronouncement by the then Central Bank's Governor.

4.1 Performance indicators of commercial banks in the pre-consolidation period

This covers the performance indicators of commercial banks in Nigeria prior to their consolidation in 2005. Table 3, showcases trends in total credit and level of investments by commercial banks from 1998 to 2004. It shows that total credit and investments increased consistently, with the exception of investments in 2001 with a 148% decrease (CBN, 2004). This was due to the commercial banks' preparations to meet the deadline of the apex bank's 2002 recapitalisation exercise.

Table 3: Performance indicators of commercial banks from 1998 – 2004 (Naira in billion)

Year	Total credit	Investments	Deposit liabilities (adjusted)		
			Demand	Savings	Time
1998	272.90	52.99	142.25	101.37	61.26
1999	353.08	193.41	202.15	128.37	110.77
2000	508.30	285.29	345.00	154.41	164.62
2001	796.16	192.73	470.07	217.58	240.68
2002	954.63	435.60	544.70	244.82	311.19
2003	1,210.03	434.30	638.73	313.20	342.54
2004	1,519.24	677.96	808.66	359.47	438.05

Source: Adopted from CBN (2004:60).

The integration of the world economy occasioned by globalisation and propelled by rapid technological innovations, shifted attention from traditional banking to modern day electronic banking (Adegbaju & Olokoyo, 2008). In an effort to move Nigerian banking operations in this direction, the CBN came up with series of regulations and standards to match global standards. One of such measures was the recapitalisation of commercial banks from a two billion naira (N2 billion) capital base in 2002 to a twenty-five billion naira (N25 billion) capital base in 2005 (Somoye, 2008).

Prior to the bank recapitalisation of 2005, there were eighty-nine (89) banks with three thousand, four hundred and ninety-two (3,492) branches in urban and non-urban centres as at December 2004 (Soludo, 2004). According to Soludo, these banks were characterised by structural and operational weaknesses such as a low capital base, insolvency and liquidity, overdependence on public deposits and foreign trading, and poor quality assets. Shortly after the 2005 consolidation of commercial banks, the number of commercial banks operating in Nigeria declined to twenty-five (25).

The CBN's report cited in Umoren and Olokoyo (2007) notes that, twenty-five (25) commercial banks emerged through mergers, acquisitions and public offers on the Nigerian stock market at the end of the recapitalisation exercise from the existing eighty-nine (89) banks, while 14 were liquidated. Those that survived were able meet the huge increase in capital base from two billion naira in 2002 to twenty-five billion naira in 2005 (Abdou, Agbeyo, Jones, & Sorour, 2016; Umoren & Olokoyo, 2007).

4.2 Banks and macroeconomic indicators in Nigeria in the post-consolidation period

Table 4 provides an overview of the impact of banking reforms on macroeconomic indicators in Nigeria from 2005 to 2011.

Table 4: Banking and macroeconomic indicators

Indicators	2005	2006	2007	2008	2009	2010	2011
Lending rate (%)	17.8	17.3	16.4	15.3	19.6	15.7	16.8
Fixed deposit rate per annum (%)	8.8	7.5	8.0	12.4	12.2	3.5	7.1
Inflation rate (%)	11.6	8.5	6.6	15.1	13.9	11.8	10.3
Growth rate (GDP %)	6.5	6.0	6.5	6.0	7.0	7.9	7.7
Number of banks	25	24	24	24	24	24	24
Bank Branches (No)	3535	4579	4579	5134	5656	5799	5810
Average exchange rate ($/#)	132.2	126.6	125.8	118.5	148.9	150.3	153.7

Source: Adopted from Sanusi (2012:121).

Table 4 shows that the recapitalisation of the banking industry had a fundamental impact on the viability of commercial banks in Nigeria. It created solid purchasing power for the acquisition of more assets required for the expansion of the banking networks across the country. As evident in Table 4 and Figure 2, the number of bank branches in Nigeria rose from 3,535 in 2005 to 4,579 in 2007, and subsequently to 5,810 branches in 2011.

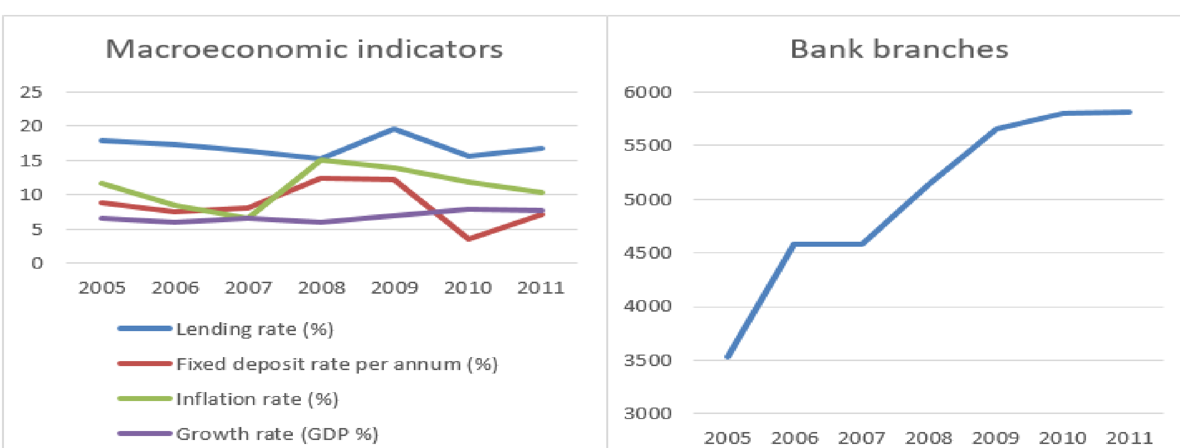

Figure 2: Macroeconomic indicators and number of banks' branches

Although, the number of banks was drastically reduced to 24 in 2006 (Sanusi, 2012), this implies that the surviving banks are sufficiently or financially viable to compete at international level, considering the drastic increase in their networks across the country. GDP rose from 6.0% in 2006 to 7.7% in 2011 (Sanusi, 2012). The percentage of lending rate, fixed deposit rate and inflation rate mainly followed the same trend from 2005 to 2011 (Sanusi, 2012).

1.3 Post-recapitalisation and job security in the banking industry

A huge increase in capital base ought to provide opportunities for network expansion and create more employment opportunities in the banking industry. Although, there were monumental increment in the number of commercial banks branches across the country in the post-consolidation period. The latest recapitalisation of commercial banks in Nigeria has resulted into massive retrenchment of experienced banks' employees. The trade unionism in the industry was weak, as such no organised labour could fight for the interests of displaced employees (Inyang, Enuoh, & Ekpenyong, 2014). Rather than collectivism, individualism was more pronounced in the Nigerian banking industry. Coupled with the fact that the Nigerian Labour Law was inadequately implemented, many employers of labour infringed on workers' rights on a daily basis (Idowu, 2013; Inyang et al., 2014). Conversely, there were high demands for fresh graduates in the Nigerian banking industry. For example, the banks find it cheaper to employ and train National Diploma (ND) holders than to keep experienced employees with masters' degrees on their payroll. The approach of reducing overhead costs by the commercial banks operating in Nigeria contributes to high levels of job insecurity in the banking industry. Another source of job insecurity is merger and acquisitions (Abdou et al., 2016; Idowu, 2013), many jobs were also lost as a result of inability of commercial banks to meet minimum capital requirement of N25 billion (Anifowoshe et al., 2011). For example, a situation whereby 89 banks were drastically reduced 19 banks could be used to explain the level of employee job insecurity in the Nigerian banking industry.

Conversely, the banks capitalisation enables acquisition of information and communication technologies to fully integrate into electronic banking (e-banking) operations (Anifowoshe et al., 2011; Atiku, et al., 2011). E-banking applications in turn necessitate a continuous learning and development culture in line with technical know-how in IT department of the banks (Kehinde et al., 2012). Apart from knowledge acquisition regarding technical know-how of latest technology, there are other impacts of new technology in the banking industry. For example, efficiency in service delivery leading to customers' satisfaction, sales revenue and profitability are some of the impact of new technology in the banking industry (Abubakar & Tasmin, 2012; Muhammad, Gatawa, & Kebbi, 2013). Accordingly, the use technology has become the main stay of the banking sector, the same way the banking sector is the main stay of any robust economy worldwide (Abubakar & Tasmin, 2012). E-banking could be referred to as a form of business process improvement in the banking industry to ensure total customers satisfaction.

In-spites of the positive impacts of new technology, the following adverse effects of new technology need to be adequately managed in the Nigerian banking industry. The use of electronic banking applications in the Nigerian banking industry is another factor responsible for job loss (Atiku, Genty, & Akinlabi, 2011). For example, the use of automated teller machines has displaced many teller officers in the banking industry. Another instance of job loss in the Nigerian banking industry is the adoption of internet, mobile and telephone banking applications, which were made available to customers twenty-four hours a day (Agwu & Carter, 2014). These e-banking applications render many employees redundant, as a result of twenty-four hours a day availability to customers and high levels of productivity to the commercial banks. Though, the issue of cyber security of e-banking applications in Nigeria is a major concern for both commercial banks and their customers in Nigeria (Olayemi, 2014). Therefore, new technology should be adopted in a digitised and densely populated economy with great emphasis on employment related matters and cyber security issues.

4.4 Post-consolidation of commercial banks and sectoral disbursement of loans in Nigeria

The consolidation of commercial banks had a fundamental influence on the sectoral disbursement of loans and advances in Nigeria (Alegieuno, 2010). The bank recapitalisation serves as an enabler for other key economic sectors. The sum of 67.74 billion naira in loans was disbursed to the agricultural sector in 2004, it was reduced shortly after the consolidation exercise to 48.56 and 49.39 billion naira in 2005 and 2006, respectively (Alegieuno, 2010). The reason for this may attributable to the fact that most commercial banks had not fully recovered from huge increase in the capital base from 2 billion to 25 billion naira in 2005. The year 2007 marks a period of recovery for most commercial banks in Nigeria, as shown in Table 5; the total loans disbursed to the agricultural sector rose from 49.39 in 2006 to 149.57 billion naira in 2007, an increment of over 300%.

Table 5: Latest recapitalisation of commercial banks and sectoral loans disbursement (Naira in billion)

Sectors	2004	2005	2006	2007	2008	2009	2010
Agriculture/forestry	67.74	48.56	49.39	149.57	106.35	135.7	128.41
Manufacturing	332.11	352.04	445.8	487.58	932.8	993.46	987.64
Mining and Quarrying	131.06	172.53	251.48	490.71	846.94	1,190.73	1,178.10
Real estate	-	-	-	-	466.8	778.14	670.30
Commerce exports	31.35	26.43	52.69	66.55	75.2	45.87	44.81
Imports	-	-	-	-	144.88	1,199.21	898.38
Service/public utility	-	-	-	-	45.85	74.78	50.63
Transport and Communication	-	-	-	-	1,304.45	776.58	821.02
Financial institutions	-	-	-	-	714.47	352.2	871.44
Government	-	-	-	-	714.47	352.20	374.41
Miscellaneous	956.99	77.15	1,724.95	3619.07	2,622.12	2,890.61	1,681.29
Total	1,519.25	676.71	2,524.31	4,813.48	7,706.43	8,912.14	7,799.40

Source: Adapted from Alegieuno (2010:168).

As illustrated in Table 5, loans distributed to the agricultural sector decreased by approximately 141% (106.35 billion naira) in 2008 compared with 2007. The global economic meltdown of 2008 might be responsible of this decline. Finally, loans worth of 135.7 billion naira were allocated to the sector in 2009; this represents a percentage increase of 127.6 from the previous year (Alegieuno, 2010). The manufacturing sector on the other hand is a critical sector to economic growth and the development of a nation (Sanusi, 2012). Total annual loans distributed to the manufacturing sector increased from 332.11 to 993.46 billion naira between 2004 and 2009, as illustrated in Table 5. Despite the global economic meltdown of 2008, the most significant loans disbursement was recorded; from 487.58 billion naira in 2007 to 932.8 billion naira in 2008, an increase of 191% (Alegieuno, 2010). The manufacturing sector also received the highest amount of loans in 2008. This may be attributable to the efforts of the CBN to boost the economy via funding interventions in the manufacturing sector. Figure 3 presents loans disbursement to the production industry from 2004 to 2013.

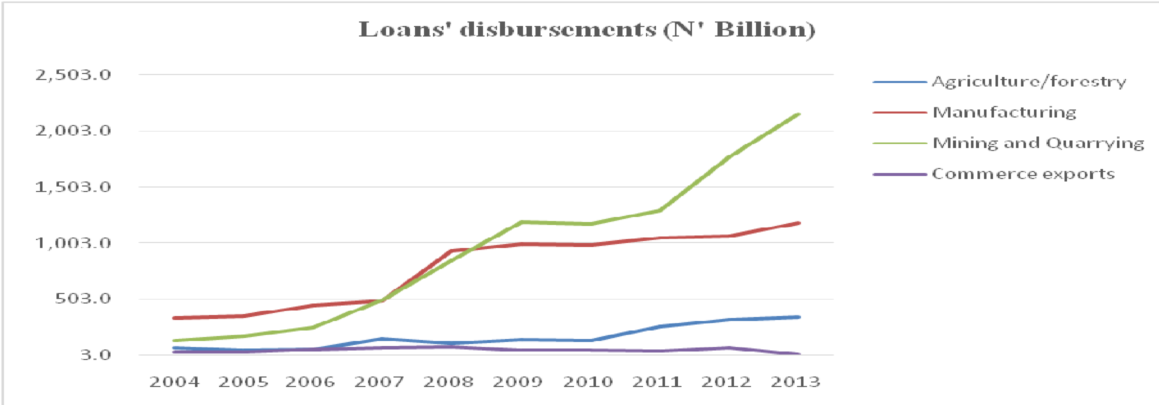

Figure 3: Loans disbursement to the production industry

Source: CBN Statistical Bulletin (2015).

There were significant improvement in the amount of loans disbursed to the mining and quarrying sector from 2004 to 2013, which is the highest loans distribution when compared with other production lines in Nigeria. The recapitalisation of commercial banks in Nigeria also reflects on the amount of loans allocated to the manufacturing sector by the remaining commercial banks in Nigeria. The loans disbursed to the agricultural sector improves slightly between 2010 and 2013. This result shows that agricultural sector was not adequately funded by commercial banks operating in Nigeria. The least funded was the exports segment under general commerce sector (CBN, 2015). The commercial banks and the apex bank as key sector for financing other industries should inject more funds to exporting locally finished products and services to other countries. The economies of scale and high growth in the domestic market can be attained through exports of domestic products to the foreign markets (Shen, 2015).

4.5 Commercial banks loans to small scale enterprises in the post-consolidation period.

Statistically, the amount of loans distributed by the commercial banks to small scale enterprises in Nigeria experienced huge reduction in the post-consolidation period judging from the trends presented in Figure 4.

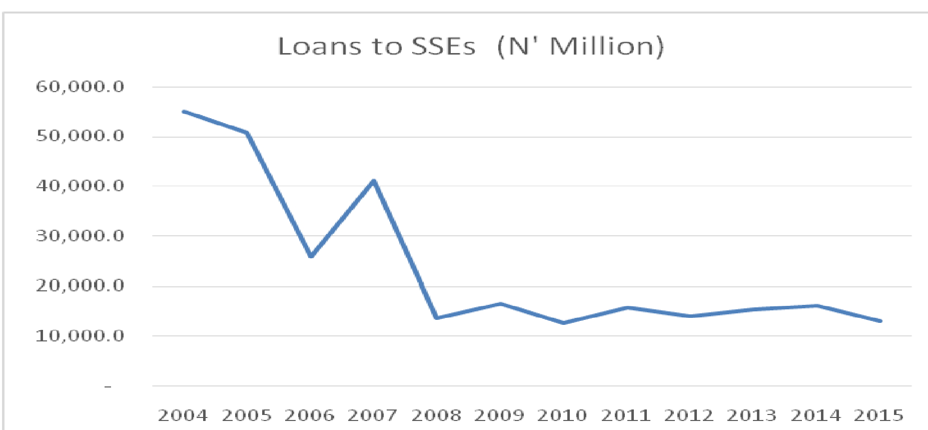

Figure 4: Commercial Banks Loans to Small Scale Enterprises in Nigeria

Source: CBN Statistical Bulletin (2015).

This result is surprising, but corroborates the findings of Ogujiuba, Ohuche, and Adenuga (2004). One would expect that recapitalisation of commercial banks will increase the levels of finance to small scale enterprises in Nigeria, unfortunately; the reverse is the case. The introduction of the microfinance banks in Nigeria in 2005 (Acha-Ikechukwu, 2012) might be responsible for low levels of credit facilities to small businesses in Nigeria by commercial banks after recapitalisation exercise. The micro-finance banks were established in Nigeria for the purpose of financing the small scale enterprises.

4.6 Post-consolidation of commercial banks and supervisory roles

In 2009, the CBN in conjunction with Nigeria Deposit Insurance Corporation (NDIC) evaluated the financial strengths of the country's 24 commercial banks. The report revealed that eight commercial banks were insolvent and their Chief Executive Officers (CEOs) were found guilty of double standards on loans disbursement, as well as a lack of financial discipline (Alade, 2013). This led to indefinite suspensions of the affected banks' CEOs and interim management boards were appointed to run them with the sum of N620 billion. Part of the joint efforts by the CBN and the NDIC was strengthened supervisory services. This led to the establishment of electronic Financial Analysis and Surveillance System (eFASS) (Sanusi, 2012), an online platform that enables banks and other financial institutions in Nigeria to upload data electronically to the CBN and NDIC. The eFASS made the day-to-day supervisory role of these two regulatory bodies much easier and reduced the level of human error in the returns

Another initiative by the CBN led to the establishment of the Asset Management Corporation of Nigeria (AMCON) in line with the promulgation of its authorising Act by the National Assembly in 2010 (Sanusi, 2012; Alade, 2013). The corporation is mandated to curb the issue of non-performing loans in the banking sector. According to Alade (2013), the ratio of non-performing loans to the aggregate credit system has been significantly reduced from 34.4% as at 4th quarter, 2010 to less than 5% as at end of 4th quarter, 2011.

5 Conclusions and Recommendation

This paper provided a basic understanding of banking policy and regulation from a global and local perspective. It presented the background of the study and theoretically examines banking reforms, banks efficiency and job security in Nigeria. The historical development of banking operations as well as an overview of banking reforms in Nigeria shows that there were 10 banks recapitalizations between 1952 and 2005. The background information was instrumental in establishing the effects of various banking reforms on commercial banks' performance in Nigeria. The impact of banking reforms on commercial banks performance was assessed by evaluating selected performance indicators in the pre- and post-consolidation periods. The total loans disbursed to key sectors in the Nigerian economy in the pre- and post-consolidation periods was used to measure the impact of banking reforms on commercial banks' performance. This paper concludes that CBN's reforms in terms of recapitalisation of commercial banks contributed significantly to the performance of the financial sector in Nigeria as it enabled expansion of the banking networks. The huge capital base enhances banks purchasing power in acquiring the information and communication technology required to fully migrate into e-banking operations in Nigeria. The e-banking applications such as; automated teller machines, online banking, and mobile banking are positively associated with job insecurity in the Nigerian banking industry. This study reveals that recapitalization of commercial banks also led to massive retrenchment of banks' employees in Nigeria. As a replacement strategy there were high demands for fresh graduates in the last post-consolidation period.

The agencies and other platforms established to assist the apex bank, concerning CBN's supervisory role were instrumental in the realisation of financial credibility and sustainability in the financial sector in Nigeria. This study recommends that the reserve bank should also regulate the issue of employee job insecurity in the banking industry. The policy makers should consider the employment related matters at the drawing board, having established the influence of banking reforms on job security in Nigeria. The commercial and microfinance banks might consider improving the level of loans and advances to small scale enterprises in Nigeria, which could have spillover effects on employment generation and economic growth and development of the country.

6 Limitation and future research direction

This study theoretically examines banks recapitalisation, commercial banks efficiency and job security in the banking industry. The shortcoming of the study was the use of secondary data from the Central Bank of Nigeria statistical bulletin and descriptive statistical analysis to establish the trend of recapitalisation, banks efficiency and job security in the pre and post consolidation periods in Nigeria. Future research may consider investigating banking reforms and employment related issues in the banking industry. Further research may consider collection of both primary and secondary numerical data and subjecting the data into inferential statistical analyses to empirically establish the relationship between the variables. This will ensures data and methodological triangulation, as well as the credibility of the future research.

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