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Returns on Investment of Deposit Money Banks (DMBs) in Nigeria

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Abstract

This paper provides an in-depth study on the history and evolution of Commercial Bank characteristic factors and other Macroeconomic variables on the financial industry performance indices in Nigeria from 1977 **t**o 2010. The work employed a 3-stage procedure in the assessment of Commercial Bank characteristic factors and other Macroeconomic variables on Total Credit, Investment, and Commercial Bank Lending and Deposit Rate. The essence is to assess the impact of environmental factors on efficiency of commercial banks in Nigeria within the period of study. While investigating relationships between bank efficiency and bank specific factors such as lending rate, deposit rate, Liquidity, Cash Reserve, and Inflation and also the impact of bank efficiency on those bank level factors as well as financial deepening. The study using econometrics approach revealed that apart from credit risk, Lending, Deposit rates, and Investments are associated with large bank size as evident in the network of branches. The results indicated that Returns and Profitability of Commercial Banks are significantly affected by Macroeconomic variables and other characteristic factors. As such macroeconomic policies are likely to promote low inflation while stable output growth may boost credit expansion to the benefit of the Nigerian economy.

JEL classification numbers: B22, B41, C22, E44, G32, L10, N57
Keywords: Banks, Profitability, Economy, Investment, Liquidity

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1 Introduction

The history of the Nigeria banking system connects with growth and burst cycles in the number of operating banks and their branches. Signs of growth are usually experienced when the policy environment presents questionable business opportunities within the banking sector. In other words, there seems a sudden policy shift that makes it easy for ordinary business people to initiate processes that creates access to public funds in the name of bank deposits. The banking industry as regulated by the Central Bank of Nigeria is mad**e** up of Deposit Money Banks usually referred to as Commercial Banks and other Financial Institutions which includes Micro-Finance Banks, Finance Companies, Bureau De Change, Discount Houses and Primary Mortgage Institutions.

The statement of research problem in this study stems from the fact that banks appear very profitable in Nigeria, whether returns on assets are assessed on country by country, income group or by individual banks. The Nigerian economy observed in the present dispensation has been characterized by worsening economic fortunes in terms of reduced growth, increased unemployment, galloping inflation, high incidence of poverty, worsening balance of payment conditions, high debt burden and increasing unsustainable fiscal deficit. There are management challenges confronting Nigeria banks since the advent of indigenous banks. Aside losses experienced by depositors, shareholders, employees and other stakeholders, the level of confidence in the financial system has been negatively affected

In the light of the above, some research questions become feasible as follows: Are banks really profitable in Nigeria? Does Bank profitability reflect bank-specific risk? Does weak economic performance exposes banks to risk? Are there management challenges confronting Nigeria banks?

The objective of this study is to assess the determinants of profitability in terms of their returns on investment in the Nigerian banking sector. In essence, **b**ank profits as an important source for equity is imperative. If bank profits are reinvested, it is expected that it should lead to safer banks and consequently high level of profits. This could promote financial stability and economic development. The scope of this study covers the period between 1977 and 2010. The theoretical base of this study is based on the anticipated income theory.

2 Preliminary Notes

The anticipated Income Theory was developed between 1940 and 1950 (Prochnow, 1949). The theory depends on loan portfolio as liquidity source. In essence, banks' liquidity can be planned if scheduled loan payments are based on future income of the borrower at a point in time. Thus, the theory recognises the influence of the maturity structure of the loan and investment portfolio on liquidity position of banks. Just like other similar theories, anticipated income theory major flaws is in the instalmental loan repayments. Since instalmental loan repayments provides regular stream of liquidity, they may not be adequate in meeting unstructured emergencies in terms of cash requirements in the banking system.

The banking operation began in Nigeria in 1892 under the control of the expatriates and by 1945, some Nigerians and Africans had established their own banks. The evolution of Banking in Nigeria is basically intertwined with the history of economic development.

West African produce traded in the Guinea Coast (Nigeria) and Gold Coast (Ghana) while Elder Dempster & Company was in the forefront of the drive to establish an organized banking system in Nigeria. In May 1893, the old ABC transformed to Bank of British West Africa (BBWA). The Colonial bank entered the West Africa Banking scene in 1917. In April 1920, the world price of major Nigerian cash crops dropped significantly and this caused adverse effect on the banks' profitability. Net losses were recorded in most businesses. The volume of bank deposits, bills of exchange and dividend rate declined by more than 50% most business went bankrupt. The banks engaged in merger and acquisition with other big banks abroad to remain in business (Adekanye, 2010).

The BBWA allied itself to London Westminster & Parr's Bank Limited and Union Bank of England while the Colonial Bank allied itself with Barclays Bank in England. In 1925 Barclay Bank DCO (Dominion, Colonial and Oversea) was formed. The establishment of the defunct National Bank of Nigeria (NBN) was on a good footing, it marked the first serious attempt by Nigerians to own, operate and control a financial institution. It was prudently managed then. In recognition of possibility of loan losses the owners of NBN formed a finance subsidiary called Mutual Aids Society to manage loan that are considered too risky for the bank. Most doubtful loan accounts were collected by having to sell it at a discount to Mutual Aids Society who will in turn initiate a legal action to recover the loan. Compared with the two expatriate banks, the National Bank was very insignificant but it has abundance of hope for the Nigerian business community at that time

In essence, about 26 indigenous commercial banks were established between 1929 through 1959. However, due to poor management, inexperience and numerous internal control problems it was not surprising that most of these banks could not withstand intense competition from the expatriate banking institutions.

In literature, details on the determinants of bank profitability has focused on both the returns on bank assets and equity as well as net interest rate margins. It has traditionally explored the impact on bank performance of bank-specific factors, such as risk, market power, and regulatory costs. More recently, research has focused on the impact of macroeconomic factors on bank performance. Using accounting decompositions as well as panel regressions, Al-Haschimi (2007) studied the determinants of bank net interest rate margins in 10 SSA countries. The result of the study revealed that credit risk and operating inefficiencies explained most of the variation in net interest margins across the region. As such, macroeconomic risk had limited effects on net interest margins in the study. Several studies have been carried out on the factors affecting the profitability of commercial banks.

Haslem (1968) analyzed the differential effects of management and other selected variables (size, location and changes in economic environment) on commercial banks' profitability. Thus, the operating relationships through which these effects are transmitted became imperative and relative profitability was determined. The study tested the hypothesis that there are significant differences in member bank profitability arising from differences in management and other specified variables. The study categorized US banks into 8 groups depending on deposit base and tested samples of banks from these groups based on their year-end reports for 1963 and 1964. The study showed that all variables tested – management, size, location and timing significantly affected relative profitability and the majority of operating relationships that determine profitability.

The issue of bad management on the performance of banks has become a world- wide challenge. The World Bank identified four types of mismanagement which are prominent

in the banking industry and it undermines the health and profitability of banks. These includes technical mismanagement, cosmetic mismanagement, desperate mismanagement and fraud. Technical mismanagement involving inadequate policies, lack of standard practices, prevalence of over-extension, poor lending, mismatching of assets and liabilities, weak and ineffective internal control systems and poor or lack of strategic planning have been prevalent in the Nigerian banking industry (Alashi, 2002).

McCall and Walker (1973) studied commercial banks in New Hampshire to determine whether or not control by mutual savings banks affect commercial bank profitability and also focused on the role that ownership and control play on profitability of banks in analyzing the impact of ownership and control on some banks in the United States. It was concluded that management or owner-controlled status did not affect the profit rates of these banks. In Nigeria, the impact of ownership and control on the performance of banks is significantly different. Alashi, 2002 identified ownership structure as one of the major variables that could be used to explain financial distress in Nigerian banks.

Studies on factors impacting on profitability of commercial banks were also extended to market structure. Several studies have analyzed the impact of market structure on profitability in banking sector and mostly concluded that market structure does not significantly influence profitability (Bryan (1972); Fraser and Rose (1971)). In contrast, Heggestad ((1977) in the study of bank pricing behaviour affirmed that prices of bank services decreases with the degree of monopoly in banking markets.

There are equally several studies which focused on the determinants of net interest margins of banks. In A comprehensive international study, Demirgu-Kent and Huizing (1999) investigated the determinants of bank interest margins (which is a key profitability indicator) using bank-level data from 80 countries for the period 1988 to 1995. The variables considered include those accounting for bank characteristics, macroeconomic conditions, explicit and implicit bank taxation, deposit insurance regulation, overall financial structure and underlying legal and institutional indicators. In another vein, their performance study of retail banks in Hong Kong focused on the empirical relationships between the market interest rate, and banks' net interest margin classified-loan ratio as the main factors influencing bank profits.

Researches on factors impacting on profitability of commercial banks have also been vigorously extended to market interest rate sensitivities. Since revenues of commercial banks are largely from interest income, it follows that fluctuations in interest rates should have an impact on the profitability and overall financial performance of these banks. In principle, the most straightforward means for evaluating the impact of market interest rate changes on commercial bank profits is to calculate the net present value effect of an interest rate change. The change in the banks net worth is the change in existing assets' market value less the change in existing liabilities' market value or by comparing asset and liability durations. The duration methods were applied in Samuelson (1945) and it showed that under general conditions, banks profit increases with rising interest rates and as such the banking system as a whole is immeasurably helped rather than hindered by increase in the rate(s) of interest.

There have been some studies relating to the profitability of commercial banks in Nigeria. Ogunlewe (2001) in a study of the monetary policy influence of bank's profitability, using data from Nigerian banks found the determinants of bank profitability to include reserve ratio, permissible credit growth, stabilization securities and exchange rate. In a study of monetary policy and banks' profitability in Nigeria found determinants of banks profitability to include total deposits, Treasury bill rates and lending rates. Uchendu

(1995) investigated the effect of monetary polices on the performance of Nigerian commercial banks. He found that whether you use all banks data, six banks or the then three large banks' data, the dominant factors influencing bank profitability are interest rates, exchange rate, bank reserves, banking structure and unit labour costs, particularly when return on capital is used as measure of profitability. He concluded that stable and realistic monetary and banking policies are important for the profitability of commercial banking business in Nigeria.

The study by Uchendu is significant because it is an attempt to shed more light on the factors that influence commercial bank profitability in Nigeria. By so doing, it assists the industry managers in identifying the dominant variables to manage in order to improve performance. Nyong (1996) extended the study to include other monetary policy indicators and concluded that bank reserves exerted positive and statistically significant influence on the profitability levels of commercial banks in Nigeria. Ahmad (2003) reported that interest on loan is the largest constituent of income for Nigerian banks as evidenced from available data and that movement from one interest regime to another could have some effects on the profitability of banks in the system. Olowe, (2010) opined that the level of efficiency in the financial system could explain the flaws capitalised on by some financial institutions to rake in arbitrary profit.as the Central Bank of Nigeria announced a new capital base of N25 billion for Nigerian banks from the previous N2 billion signaling the commencement of the measure to strengthen the Nigerian financial system and make Nigerian banks compete favourably with their counterparts in other financial climes.

As at March 2009, there were 24 banks in Nigeria operating from over 5,000 branches and ATM points nationwide. On 14th August, 2009, the CBN announced the sack of five (5) bank chiefs and another three (3) on 4th October, 2011 after concluding bank audit and stress test on the affected banks. It was a test to affirm whether or not the Nigerian banks were immune to the global financial crisis that started in the last quarter of 2007. The CBN went ahead to inject N620 billion public funds as bail-out into the allegedly failed banks.

3 Main Results

Secondary data were used in this study references were made to several write-ups, journals from relevant organizations such as the Central Bank of Nigeria. The method of data analysis in this study is the ordinary least squares. Using Eviews 7.0 software. This is used in determining the significance of financial and macro-economic factors responsible for the profitability of Commercial Banks in Nigeria. The only hypothesis relevant in this study is as stated in null form:

1. Ho: Financial and Macro-economic indicators have no significant effect on the profitability of Deposit Money Banks in Nigeria.

Performance indicators such as Total Credit made available by Commercial Banks, Deposit and Lending Rates, and Investment Value were accessed, alongside with Macroeconomic and other Commercial Bank requirement characteristic factors such as Liquidity Ratio, Cash Reserve Ratio, Inflation, Loan to Deposit Ratio and Number of Branches of Commercial Banks while the theoretical base of this work is the anticipated income theory in finance. This study attempts to determine the relationship between

financial and macro-economic variables on the profitability of banks in Nigeria In line with the above, this work intends to employ the following variables implicitly stated as:

DTL = f (NOB, LDR, LQR, INV, INF, TOC, CRR) (1)

where: DTL: Deposit to Lending Ratio
f : functional relationship
NOB: Number of Branches
LDR: Loan-to-Deposit ratio
LQR: Liquidity ratio
INV: Investment
INF : Inflation
TOC: Total Credit
CRR: Cash Reserve ratio

The model to be employed in this study has the anticipated income theory as the theoretical base. Thus, the model specified in equation 1 above is in linear form. However, anticipated income theory does not take a linear form but a non-linear form due to the volatility nature inherent. The non- linear form of equation 1 above is stated as follows in an explicit form:

$$DTL_t = A\ CRR_t^{\alpha}\ INF_t^{\beta}\ INV_t^{\gamma}\ LDR_t^{\theta}\ LQR_t^{\psi}\ NOB_t^{\upsilon}\ TOC_t^{\omega}\ \varepsilon_t \quad (2)$$

Equation two cannot be estimated as presented above. There is need to transform the equation by the use of logarithm. Therefore, it becomes:

$$\log DTL_t = \boxed{a} + \alpha \log CRR_t + \beta \log INF_t + \gamma \log INV_t + \theta \log LDR_t + \psi \log LQR_t + \log \upsilon NOB_t + \omega \log TOC_t + V_t \quad (3)$$

where: $V_t = \log \varepsilon_t$
$\boxed{a} = \log A$

In this study, the Greek letters representations of $\alpha, \beta, \gamma, \theta, \psi, \upsilon$ and ω are the estimated parameters which in this case are elasticities.

3.1 Estimation Technique and Interpretation of Results

The study is to be estimated using the ordinary least square (OLS) since it will be able to capture the essence of the work effectively in addition to its high level of simplicity and global acceptability. OLS becomes imperative for use in this work. The estimates in appendix 2 shows that not all the variables are significant.It was only number of branches and deposit to lending rates that were significant at 5 percent level of significance. However, in appendix 3, total credit, cash reserve ratio, loan to deposit ratio and number of bank branches with double logarithm applied were significant.
The results also showed that the sign on the coefficients for liquidity, inflation, total credit, loan to deposit and investment, and are negative. The negative sign implies that there is an inverse relationship between deposit to lending rates and each of these

variables. The positive sign on the coefficient of cash reserve requirements and number of bank branches establishes that each of these variables are positively related to deposit lending ratio.

In terms of overall model fitness and robustness, all the parameters shows that the model fits the data very well. The R-squared and "Adjusted R-square" are 85% and 81% respectively. This suggests that over 80% variations in total credit are explained jointly by the other variables. Also the F-statistics is significant at 1%, thus confirming that the joint effects of these variables are significant in explaining the variation in the returns on investment within the confines of the deposit money banks. The Durbin-Watson which is 2.09 implies that the null hypothesis of first order serial correlation can sufficiently be rejected. This suggests that the possibility of serious first order serial correlation in the model is remote

However, the existence of unit root became pronounced in both investment and total credit when tested individually. Thus, both investment and total credit were not stationary at level and second difference. This implies that both variables are not ideal for long term policy analysis. However, all other variables were stationary at second level order of integration I (2). This implies that each of the variables is relevant for long term policy decision.

4 Labels of Figures and Tables

Table 1: Characteristic Indicators and Macroeconomic Factors

Year	Total Credit	Investment	Deposit & Lending Rates	Inflation	Num of Branches	Liquidity Ratio	Cash Reserve Ratio	Loan to Deposit Ratio
1977	3,074.7	601.3	6	15.4	492	52.7	16.1	53.0
1978	4,109.8	347.7	11	16.6	614	38.4	8.0	68.6
1979	4,618.7	484.4	11	11.8	672	45.1	12.4	70.3
1980	6,379.2	680	9.5	9.9	740	47.6	10.6	66.7
1981	8,604.8	576.3	10	20.9	869	38.5	9.5	74.5
1982	10,277.0	588.3	11.75	7.7	991	40.5	10.7	84.6
1983	11,100.0	590	11.50	23.2	1108	54.7	7.1	83.8
1984	11,503.4	511.7	13	39.6	1249	65.1	4.7	81.9
1985	12,170.3	620.9	11.75	5.5	1297	65.0	1.8	66.9
1986	15,701.5	800.7	12	5.4	1367	36.4	1.7	83.2
1987	17,531.9	1,139.9	19.20	10.2	1483	46.5	1.4	72.9
1988	20,044.9	255.6	17.60	38.3	1665	45.0	2.1	66.9
1989	22,221.2	992.4	24.60	40.7	1855	40.3	2.9	80.4
1990	26,083.9	1,365.5	27.70	7.5	1939	44.3	2.9	66.5
1991	31,764.4	640	20.80	13.0	2023	38.6	2.9	59.8
1992	41,810.0	1,230.5	31.20	44.5	2275	29.1	4.4	55.2
1993	48,056.0	1,656.0	36.09	57.2	2358	42.2	6.0	42.9
1994	92,624.0	1,543.3	21.00	57.0	2403	48.5	5.7	60.9
1995	141,146.0.	2,154.9	20.79	72.8	2368	33.1	5.8	73.3
1996	169,242	2,507.5	20.86	29.3	2407	43.1	7.5	72.9
1997	240,782.0	3,459.3	23.32	8.5	2407	40.2	7.8	76.6
1998	272,895.5	4,198.5	21.34	10.0	2185	46.8	8.3	74.4
1999	353,081.1	5,247.4	27.19	6.6	2185	61.0	11.7	54.6
2000	508,302.2	7,948.7	21.55	6.9	2193	64.1	9.8	51.0
2001	796,164.8	15,919.9	21.34	18.9	2193	52.9	10.8	65.6
2002	954,628.8	35,375.0	30.19	12.9	3010	52.5	10.6	62.8
2003	1,210,033.10	62,928.6	22.88	14.0	3247	50.9	10.0	61.9

2004	1,519,242.7	72,772.3	20.82	15.0	3492	50.5	8.6	68.6
2005	1,899,346.4	88,382.1	19.49	17.9		50.2	9.7	70.8
2006	2,524,297.9	141,577.5	18.70	8.2	3233	55.7	4.2	63.6
2007	4,813,488.8	292,298.7	18.36	5.4	4200	48.8	2.8	70.8
2008	7,806,751.4	480,718.6	18.70	15.1	4952	44.3	3.0	80.9
2009	9,667,876.7	890,332.6	22.90	13.9	5436	30.7	1.3	85.7
2010	8,344,204.5	1,785,745.6	21.85	11.8	5809	31.7	1.0	60.6

Source: Central Bank of Nigeria Statistical Bulletin

Table 2: Ordinary Least Squares Method

Dependent Variable: DLR
Sample: 1977 2010
Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CRR	-0.132926	0.224618	-0.591787	0.5595
INF	0.054926	0.055241	0.994287	0.3300
INV	-5.56E-06	4.41E-06	-1.262876	0.2188
LDR	-0.177689	0.084986	-2.090799	0.0473
LQR	-0.164357	0.089734	-1.831595	0.0795
NOB	0.007251	0.001286	5.637115	0.0000
TOC	-2.38E-06	8.73E-07	-2.731037	0.0116
C	26.10778	9.449957	2.762741	0.0108

R-squared	0.741619	Mean dependent var	19.24031
Adjusted R-squared	0.666258	S.D. dependent var	7.057670
S.E. of regression	4.077244	Akaike info criterion	5.861037
Sum squared resid	398.9740	Schwarz criterion	6.227471
Log likelihood	-85.77660	Hannan-Quinn criter.	5.982500
F-statistic	9.840880	Durbin-Watson stat	1.849475
Prob(F-statistic)	0.000009		

Eviews 7.0

Table 3: Ordinary Least Square Method

Dependent Variable: LOG(DLR)
Method: Least Squares
Sample: 1977 2010
Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(CRR)	0.153557	0.072096	2.129899	0.0436
LOG(INF)	-0.046065	0.056614	-0.813666	0.4238
LOG(INV)	-0.096619	0.057675	-1.675217	0.1069
LOG(LDR)	-0.480059	0.213423	-2.249332	0.0339
LOG(LQR)	-0.226410	0.184360	-1.228089	0.2313
LOG(NOB)	1.174479	0.251730	4.665625	0.0001
LOG(TOC)	-0.079379	0.100847	-0.787122	0.4389
C	-1.491497	1.973220	-0.755870	0.4571

R-squared	0.851716	Mean dependent var	2.882876
Adjusted R-squared	0.808466	S.D. dependent var	0.409267
S.E. of regression	0.179114	Akaike info criterion	-0.389274
Sum squared resid	0.769962	Schwarz criterion	-0.022840
Log likelihood	14.22838	Hannan-Quinn criter.	-0.267811
F-statistic	19.69308	Durbin-Watson stat	2.092162
Prob(F-statistic)	0.000000		

Table 4: Ordinary Least Squares

Dependent Variable: DLOG(DLR)
Method: Least Squares

Sample (adjusted): 1978 2010
Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(CRR)	0.086924	0.133934	0.649003	0.5234
DLOG(INF)	0.000743	0.059731	0.012438	0.9902
DLOG(INV)	0.094506	0.084094	1.123821	0.2738
DLOG(LDR)	-0.013542	0.355977	-0.038042	0.9700
DLOG(LQR)	-0.182441	0.240870	-0.757426	0.4572
DLOG(NOB)	1.276387	0.544098	2.345879	0.0289
DLOG(TOC)	-0.536736	0.314633	-1.705909	0.1028
C	0.043913	0.097880	0.448636	0.6583

R-squared	0.351328	Mean dependent var	0.048501
Adjusted R-squared	0.135104	S.D. dependent var	0.244528
S.E. of regression	0.227410	Akaike info criterion	0.104831
Sum squared resid	1.086026	Schwarz criterion	0.482016
Log likelihood	6.479957	Hannan-Quinn criter.	0.222960
F-statistic	1.624833	Durbin-Watson stat	2.039399
Prob(F-statistic)	0.183094		

Eviews 7.0

5 Conclusion

Although future research work in this area of study could be concerned with relationship between improving bank performance and financial sector development, the focus in conclusion of this work is expected to be on the macroeconomic indicators as well as certain regulatory issues. In the light of the above, the following recommendations in line with the result generated from the work becomes feasible.

1. The results of this work have important implications for the management of banks, policy makers and regulators in Nigeria. It will also be of relevance to economists and others studying trends in bank performance in the country. This suggests therefore that macroeconomic policies that promote low inflation, Branch expansion, favourable Cash Reserves, Loan Deposit Ratios and stable output growth do boost credit expansion and invariably Returns and Profitability of Commercial Banks operations becomes enhanced.
2. Proper measures must be put into significant factors in the study such as Number of branches and Credit creation; It must be emphasised that branches opened are profit generating branches to validate sustained profitability in the commercial banks. Loans or credit must be performing in adherence to good standard practices which must enhance the stability of the banks in Nigeria for continued profitability posture..
3. Management which is a very consequential issue in structure of the banking structure and performance must be strictly controlled and monitored. Adequate policies, good standard practices that discourage fraud, good lending policies and excellent strategic planning are relevant indicators required for good performance management. This will

in-advertently l ensure that not only standard practices are outlined but also are adhered to.

4. For Controllable factors, such as Number of branches, and Loan to Deposit Ratio, good standard practices which will enhance the profitability of the Commercial Bank is of importance and unethical practices must be avoided. For uncontrollable factors, stable policies such that promote sustained growth, controlling or reduction of inflation, favourable bank margins and other monetary policies that are profitability friendly should be encouraged by the regulatory authorities and consistency of these policies invariably encourages required stability.
5. Good corporate governance as a panacea for profitability in banks must not be underestimated since the impact of bad management on the performance of banks has become a global cankerworm. All forms of mismanagement; technical, cosmetic, desperate mismanagement and all manners of fraud and unethical practices must be closely monitored by management. Adequate policies, standard practices, good cannons of lending , balanced matching of assets and liabilities, sound and effective internal control systems as well as excellent strategic planning must be enforced in the Nigerian banking industry in the achievement of the required level of performance and success.
6. Prudential guidelines by the Central Bank of Nigeria and other regulatory authorities should be properly enforced and supervised to ensure that it becomes relatively difficult for commercial banks to hide past and current losses which enable them to buy time and stay afloat in business to the detriment of the economy and the populace. The systematic roll-over of matured fixed deposits, under-capitalization, accruing interest income on delinquent facilities, keeping dividends constant on spurious earnings, fictitious collateralizations, and others such as the current uniform financial year end for banks demands transparency in the Nigerian banking system and therefore requires the commercial banks to be indeed profitable and economically viable to the benefit of the economy.
7. Future research on this issue should be concerned with relationship between improving bank performance and financial sector development, while focusing on the macroeconomic and regulatory issues as well as th**e** difference**s** in Bank performance within the country.

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