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POOR MANAGEMENT AND FAILED BANKS: A STUDY OF BANKS WITH STATE GOVERNMENTS PARTICIPATION IN NIGERIA

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Abstract

Banks fail when they become unable to meet depositors demands. And, shareholders funds erodes due to poor management characterized by the creation of bad loans, insider abuses, and bad corporate governance culture among others. Over 90 banks with state governments participation and privately owned failed in the 1990s and the level of bad loans grew sharply in the 1990s when compared to previous years. The study intended to evaluate the relationship between poor management and failed banks in Nigeria in the 1990s. The survey research design was employed. Data were collected through the questionnaire designed on a 5 – point Likert scale. Personal interview was also used. Probabilistic sampling method was used and the sample size was derived by the famous Yamane's formula. Reliability of the data collection instrument was calculated by test-retest technique. Data generated were organized, filtered, and coded before they were classified. Pearson's correlation technique was used for data analysis where correlation coefficient was 0.883. Hence, it was concluded that poor management has strong positive relationship with bank failures. This is the crux of the study. Five recommendations were made based on the result of the study.

Keywords: Banking system, management failures, bad loans, State governments participation

INTRODUCTION

Reports of banks adjudged financially distressed in the 1990s revealed that ownership category was one of the major variables that could be used to explain the degree of bank failures. Ownership structure, asset quality and quality of management are critical in determining bank soundness. In the 1990s, ineffective management was one of the major reasons for bank failures, especially those owned by private promoters and by state governments. Most of them were characterized by inept management and instability in the tenure of office of key management executives. Negative culture of inter-personal wrangling among some top management executives leading to polarization of the rank and file of staff persisted in the 1990s in most of the failed banks. Excessive operating expenses, in adequate credit administration, interest rate speculation, asset mismatching, overtrading, weak controls, boardroom quarrels, fraud and forgeries an overtly aggressive growth policy abandonment of prudent banking, persisted in those banks in the 1990s, all resulting in bank distress and failures, and turning some of the managing directors/chief executive officers into very important convicts (VICs) today.

Bank failure could be caused by a combination of factors such as macroeconomic factors, regulatory factors or microeconomic factors. A major characteristic of the macroeconomic factor which cause bank crisis is that they are external and uncontrollable by the banks. These factors include among others, the volatility of the Gross Domestic Product (GDP), interest rate, high inflation, etc. The rationale of banks, regulation rests on the need to protect depositors, reallocate credits to “socially desirable purposes prevent discrimination and ensure fairness in the functioning of financial markets. Regulation is necessary to ensure stability in the banking industry due to the unique element of systemic risk present in banking business. The other important factors almost directly related to poor management are the microeconomic factors.

According to Sanusi, (1997) microeconomic factors which led to the Nigerian banking crisis are indicative of the quality of the decisions of the shareholders and the degree of efficiency of management operations. As equity-owners, shareholders choose the directors and key management staff of the banks. A majority of directors and key management staff in some Nigerian banks were appointed on the basis of flimsy considerations other than merit, proficiency, and experience in banking and finance. Sanusi (1997) posits that most of the appointments to managerial positions in the banks were heavily determined by tribal and political sentiments. This type of recruitment policy limits the quality of managerial personnel and perpetuates fraud and mediocrity within the banking subsector. Tribal and political factors result in low performance in banks because beneficiaries engage in “expense preference”

behavior which provides them with substantial personal rewards to the expense of their banks. Such frivolous behavior raises the operating expenses of banks and lowers profitability and distorts performance measures.

In addition, some top managers and directors exacerbate the situation by making unsound and imprudent loans to themselves and their sponsors. The cumulative results of such behavior are increased loan losses and operating expenses, coupled with lower performance.

These factors were also responsible for the staggering doubtful and bad debts incurred by numerous state governments and privately owned banks. Political factors combined effectively with malfeasance together worsened banking operators. They bred insubordination, inefficiency and corrupt behaviors amongst bank operators. This gave room to boardroom quarrels, insider abuses, contravention of statutory regulations, etc. The incidence of frauds and forgeries in the Nigerian banking system questions the quality of internal controls and suggests the presence of syndicates of fraudsters. Another principal microeconomic cause of banking instability is swollen loan portfolios which result in low loan quality. Sometimes, banks rapidly increase their standards so as to attract more loans requests without correspondingly increasing the resources for credit administration and early monitoring of troubled credits. The effect would be higher non-performing loans which might ultimately be defaulted. These loan losses obviously exacerbate banking instability and failure. Again, some banks with zero or negative net-worth did consciously adopt high risk and high growth strategies in an effort to grow out of trouble. This is because loan losses due to new default were supposed to be borne by the Nigerian Deposit Insurance Corporation (NDIC). This type of management strategy, which is an example of moral hazard behavior, increases the risk exposure of the banking system. Thus, the quality of management and their strategy have much bearing on bank stability or failure in Nigeria. Through a combination of high risk high growth management strategies, many banks, promoters and executives voluntarily pushed their banks into involuntary failure in the 1990s.

The 1990s witnessed a string of bank failures some of which were associated with sharp changes in the macroeconomic environment, capital inadequacy and severe corruption characterized by poor management and delinquent board leadership. Although Nigeria has a sad history of over 80 years of banking crises, the 1990s witnessed unprecedented failure of banks particularly those with state governments participation and privately owned. For example, out of 104 banks with state governments' participation and privately owned in 1991, only 4 saw the dawn of the present century. It becomes critical to wonder about the underlying factors responsible for the very high rate of about 90 percent failure of such banks while first generation banks are growing even stronger. Banks play a central role in the economy of any country, and to this extent no government has permitted wide spread bank failures, or in the event of

systematic bank in-solvencies failed to intervene to support depositors. This different treatment of banks compared with other enterprises reflects the fact that weakness in the banking system, if left unattended to, could pose a threat to macroeconomic stability of the country (NDIC, 1991, Ozigbo, 1995) Banking crises result when the capital of banks in the system is exhausted, with non-performing loans amounting to at least 15-20 percent of total loans.

Therefore, the primary causes of banking crises are due to external and domestic macroeconomic volatility, lending booms, characterized by rapid increases in bank credit growth and unsound financing of projects. Expansion is equally a prominent element that increases banking problems. The banking boom brought about by the introduction of the Structural Adjustment Programme (SAP) in 1986 saw some banks unprepared for financial liberalization, which also left the regulatory agencies to face new and challenging risks. Weaknesses in accounting, off-balance sheet engagements, disclosure and legal frameworks which block the operation of market discipline and efficient banking supervision were highly noticeable in banks with state governments' participation and privately owned in the 1990s. These fundamental issues were further compounded by poor management, and more broadly, porous internal control and governance by owners, directors and managers. These weaknesses frequently led to bank losses, distress and eventually failure (Goldstein, 1995).

Poor management continues as one of the major reasons for financial distress, especially in the banks with state governments' participation and privately owned. Some of the banks were characterized by inept management and instability in the tenure of office of key management staff. Negative culture of interpersonal wrangling among top management staff leading to polarization of the rank and file of staff persisted in the 1990s. Board members and top management staff in most of the banks with state governments interest and privately owned embarked on empire building, quarrels over privileges and perquisites of office rather than on charting profitable plans for their banks. There was a high incidence of indiscipline, physical fights disloyalty and fraudulent practices on the part of management and staff of the banks. NDIC (1996) reports that some internal problems and crises in those banks went for judicial settlement and many were still awaiting court settlement as at the end of 1991. It insists that these more than anything else points to ineffective management of crisis. The problems of inadequate accounting system and poor record keeping were obvious. Also the internal control systems of the problem banks were in disarray characterized by insubordination on the part of internal inspectors (Ugoani 2013a, 2013b Alabi, 1988). Research shows that in 1995, global capital flows tripled to $6.4 trillion-reaching about 14.5, percent of world Gross Domestic Product (GDP) – after 15 years of staying within a relatively narrow range of about 2-6 percent and an International Monetary Fund (IMF) study suggests that "financial globalization appears to

be neither a magic bullet to spur growth, as some proponents would claim, nor an unmanageable risk, as others have sought to portray it".

However, the notion in some quarters that financial globalization influences economic growth must be among the reasons that Nigeria embarked upon a structural adjustment programme (SAP) in 1986 to pave the way for financial system liberalization that ushered in more banks and other financial institutions in the 1990s. Because of the financial crises of the mid-and-last 1990s, financial globalization is often blamed for the string of damaging economic crises, including bank failures that rocked many Asian, Latin American, and sub-Saharan countries in the 1990s. The market turmoil and resulting bank failures prompted a rash of finger – pointing by some brilliant economists suggesting that some developing countries had dismantled capital controls too hastily – leaving themselves vulnerable to the harsh dictates of rapid capital movements and market herd effects. Some were critical of international institutions such as the World Bank and the International Monetary Fund (IMF) they saw as promoting capital account liberalization without stressing the necessity of building up the strong institutions needed to steer the financial institutions and markets through bad business times.

A number of researchers were very busy building traditional economic models in attempts to explain the financial crises of the 1990s. Researchers like Mako (2001) advocate for corporate restructuring and financial sector restructuring, which of course are two aspects of the same problem as a way out of the crises. This most likely gave impetus to the banking sector reforms in Nigeria in the 2000s. Again, the method of the Nigerian reform focus more on economic theories and the postulation of banking models, that did not achieve much progress, in terms of resolving the banking crises, but even in the face of the reforms, the Nigerian stock market crashed in 2008 and more banks, failed between 2009/2011. These latest failures came as the result of mismanagement, and not due to lack of elegant models on paper. Models are representatives of reality, and not reality. This is our point of departure, because it becomes very clear that the issues of poor management which lies at the heart of bank failures was never properly addressed by most previous researchers. As a contribution therefore, this study sought to provide empirical evidence of the degree of association between poor management and bank failures (Kose, et al, 2007, Sigh & Collins, 2005, Soludo, 2004, Okorie & Uwaleke, 2010, Central Bank of Nigeria, 2011)

Although the specific objectives of the structural adjustment programme launched in 1986 can be summarized to include the diversification of the productive base, restoration of a healthy balance of payments, realignment of aggregate expenditure with domestic production and consumption patterns, minimization of dependence on oil sector, increased production of non-oil commodities and manufactured goods for export, and most importantly putting the

economy on a path of non-inflationary and sustainable growth it came along with the banking boom of the 1990s. The banking boom caught bank promoters, regulators and executives highly unprepared to cope with the complexities of managing and regulating the high number of banks that sprang up in the 1990s. For example, the number of banks in Nigeria rose sharply from 81 in 1989 to 119 in 1991. This situation and lack of capacity resulted to poor management characterized by insider abuse, stealing, frauds and forgeries, suppression of documents involving bank workers, government officials and bank executives that culminated to distress of almost all banks with state governments' participation and privately owned, and eventually led to their untimely failure. Ogunleye (2003) classified the core causes of bank failures in Nigeria into institutional factors, economic and political factors as well as regulatory and supervisory problems.

The study examines the major cause(s) of the massive failure of banks with state governments' participation and privately owned in 1990s. The study will help bank promoters, students, academics, policy makers and the general public to better appreciate the intricacies in owning and managing a bank. The study was delimited to the problems of banks with state governments' participation and privately owned in the 1990s. This delimitation became imperative because of the massive number of banks in that category that failed during the period under study.

LITERATURE REVIEW

Poor management encompasses dysfunctional behaviours on the part of bank owners, government officials, bank executives, and of course significant others that push banks to extinction. In liberalizing the economy the government did not intend to create loopholes for bank promoters and state governments who owned banks to build "empires" for themselves and their agents. But in the 1990s some bank directors who were nominees of major shareholders saw their appointments as an opportunity for self enrichment and the best time to eat the "national cake". Consequently the distress in the banking system clearly worsened in the 1990s when over 90 banks out of 104 with state governments' participation and privately owned failed due to poor management. One of the major causes of bank failure is the high profile of non-performing loans and advances and discounts (LAD) by banks. In some cases, like in banks with state governments' participation, you find that they carry non performing assets in excess of 50 percent of their total portfolio. The scenario was witnessed in the 1990s in banks with state governments' interest and privately owned ones. Prudent lending demands that banks should in all cases create risk assets within the limit of their total deposit liabilities and also that such credits are not only for productive purposes but are also highly recoverable. Prudently managed

banks ensure that their total LAD is comfortably contained within the level of their total deposit liabilities (DEL). For example, First Bank of Nigeria Plc reported a total DEL of N178603bn in 2002, and a total LAD of N66,384bn in the same period. This represents an excess of N112,219bn DEL over the total LAD of N66,383bn. This prudential approach ensures that the bank remains in business without the encumbrances of toxic assets. The contrary is the case of the failed banks in the 1990s, as shown in table 1 (Ogunleye, 2000, Olugun, 1994, Goldstein, 1995, Greuning & Bratanovic, 2003, Nnamdi & Nwakanma, 2011)

Table 1: Assets quality of some selected insured Banks as at 31/12/1990 and 1991

Bank group	Loan & advances (N million)		Classified loans & advances (N million)		Proportion of classified loans and advances to total loans & advances (%)	
	1990	1991	1990	1991	1990	1991
State govts owned commercial bank	6,847	7,565	4,715	5,014	69.0	66.3
Non-state govts owned commercial banks	14,362	17,491	6,079	5,657	42.3	32.3
Merchant banks	5,743	7,823	1,111	2,146	19.3	27.0
All banks	26,952	32,879	11,905	12,817	44.1	39.0
Distressed banks	6,405	5,380	4,660	4,113	72,8	76.5

Source: NDIC Annual Report, 1991, p 21

The analysis in table 1 clearly shows that banks with state governments' participation were in danger compared to non-state governments owned banks in view of the high level of their classified assets as a percentage of their total LAD. This situation was caused by poor management.

Table 2: Total Deposit liabilities of insured Banks 1995 and 1996

Types of Deposit liability	1995		1996	
	Amount (N, M)	Percentage of total (%)	Amount (N,M)	Percentage of total (%)
1) Savings and time deposits with commercial banks	98,055.2	46.5	119, 078.0	46.0
2) Savings and time deposits with merchant banks	17, 421.3	8.3	23, 274.8	9.0
3) Demand deposits with commercial banks	87,500.1	41.4	105, 878.7	40.9
4) Demand deposits with merchant bank	7,9690	3.8	10,736.6	4.1
Total	210,945.6	100	258,968.1	100

Source: NDIC 1996 Annual Report and Statement of Accounts. Pp: 23

According to NDIC (1996) bad loans & advances, fraudulent practices, bad management, lack of adequate supervision, and undue reliance on foreign exchange as a result of poor management account for about 77.4 percent of bank failures in Nigeria, as shown in table 3.

The major assets of a bank, such as loans advances and investment, are generally financed by customers deposits. Each asset and liability component is expressed as a proportion of the total assets and liabilities to facilitate inter-temporal and historical comparison of given asset and liability categories. These details are very important for efficient bank management and supervision. NDIC reports that total deposit liabilities of banks grew from N210, 945.6 million in 1995 to N258, 968.1 million in 1996 as shown in table 2. While the total number of banks remained constant between 1995 and 1996, total bank assets grew from N482.6 billion in 1995 to N591.2billion in 1996, and when compared with deposit liabilities, becomes evident bank assets grew more rapidly than deposits in the 1990s. This meant that banks would be in crisis if the loans granted became irrecoverable. Asset creation without the desired deposit level often leads to illiquidity in banks. Illiquidity problems, when they persist for a long time leads to bank failures. The solvency of banks and liquidity of the sector reduced substantially in the 1990s. the number of banks whose liquidity ratio were less than the 30 percent prescribed level increased from 38 in 1994 to 50 in 1995, and 41 in 1996. Because of perceived poor management the government constituted interim management broads to takeover the management of many distressed banks from in-competent boards. Out of the 90 failed banks indicated, in table 5, 85 of them, representing about 94% percent were banks with state governments' participation and privately owned. The death and mass burial of such a huge number of banks require of a postmortem.

Table 3: Financial Institutions' Assessment of the Causes of Distress in the Banking Sector in Nigeria (Percentages)

Causes	**All Financial Institutions**	**Commercial Banks**	**Merchant Banks**	**Community Banks**	**Finance Houses**
Bad loans & advances	19.5	30.1	12.9	17.2	20.3
Fraudulent practices	16.7	16.4	18.8	18.5	18.9
Under capitalization	11.8	7.6	9.6	12.7	9.0
Rapid changes in Govt. Polices	10.8	9.8	5.5	16.9	13.5
Bad management	17.9	13.1	21.7	14.0	16.4
Lack of adequate supervision	16.9	20.1	29.4	17.5	17.5
Undue reliance on FX	6.4	2.9	2.1	3.2	4.4

Source: Ogunleye, G.A (2003); The Causes of Bank Failures and Persistent Distress in The Banking Industry. NDIC Quarterly, Vol. 13, No. 4

Table 4: Insured banks assets 1995 and 1996

Bank	1995		1996		Growth of
	No of Banks	Total assets (N, bn)	No of Banks	Total assets (N, bn)	Total assets (%)
Merchant	51	76.5	51	98.5	28.8
Commercial	64	406.1	64	492.7	21.3
Total	115	482.6	115	591.2	22.5

Source: NDIC = 1996 Annual Report and Statement of Accounts, PP. 28

Table 5: Distribution of Banks by Ownership 1995 and 1996

Banks	Privately owned		State government owned		Federal government		Total		No of failed banks calculated by the author
	1995	1996	1995	1996	1995	1996	1995	1996	
Merchant	46	46	-	-	5	5	51	51	50
Commercial	34	34	17	15	13	15	64	64	40
Total	80	80	17	15	18	20	115	115	90

Source NDIC 1996 Annual Report and Statement of Accounts, pp: 28

NDIC (1996) reports state that weak corporate governance is of great concern to sound banking. Good corporate governance is imperative for the realization of a bank's basic objective of profitability and stability. In the 1990s, some of the failed banks showed vivid signs of weak corporate governance characterized by disregard to extant prudential and operational guidelines, nepotism, favoritism, boardroom quarrels, and fights, among other unethical behaviours. The issue of managing director/chairman in most of the privately owned and family controlled banks made it possible for them to manipulate figures and accounting records, and use spurious subsidiaries as conduit for stealing depositors' funds. Bank promoters and executives abandoned their primary duties of charting profitable business lines for their banks for personal aggrandizement and "empire building" that helped in no little measure to the collapse of the banks they were elected to manage.

Weak corporate governance gives rise to weak internal controls. Most of the failed banks experienced subsisting conflict of interest between members of the board and the shareholders and this also led to the polarization of the rank and file of the staff along ethnic or geographical lines. It was common practice in those banks to advance loans to directors without passing through the due process or for them to advance loans to companies in which they have interests without adequate or even no collateral. Internal control officials because of the dubious manner of their appointments and loyalty to one director/promoter usually fail to highlight such unethical

practices that would bring about early remedial actions. The regulatory authorities like the Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation were before now notorious for performing post-mortem exercises in lieu of timely interventions. Such lukewarm attitude did not give room for the early discovery of sharp practices in most failed banks in 1990s. For example, the failed Finbank Plc was not audited for over 3 years before it finally died leaving depositors in the cold. (Asein, 2004).

The increase in the number of banks in the 1990s brought enormous pressure on the available level of skilled manpower in the banking subsector. The situation was made worse by the establishment of 1368 Community Banks (CB) in 1995 without adequate provision for manpower requirements. The result was that banks had to hire people without the requisite skills for banking functions. This scenario accounted for the reasons why it was possible for bank promoters and government officials to sideline prudential and operational guidelines to the detriment of their banks and depositors. In the 1990s, banking was the foray of all kinds of people and all kinds of banking "gurus". While their intelligence quotient cannot be doubted, they did not have any relevant professional affliation or experience to bear on the job. These weaknesses affected their attitudes and dispositions in the banking halls. Some of those hired at the executive levels saw themselves as passengers and merely to make "money" and return to their original professions. So they did and the banks were killed finally. Many big "boys" and "girls" parading the corridors of power and the business world are "ex-failed bankers" (Ugoani, 1998, Abiola, 2003, Duru, 1998, NDIC, 1996)

Most failed banks with state governments' participation and privately owned in the 1990s had no clear succession plans. In the case of the state governments, it was convenient for the government in power to gratify its political loyalists at the expense of quality. The privately owned ones relied heavily on family members, in-laws and close associates. Again, these group of people, not only that they in most cases lack technical competence, they were only used as "rubber stamp" by those who appointed them. They were to protect their interests. Nothing more, and at any time convenient to the "oga" the man is fired. According to Adekoya (2004) "Most banks today have no serious management succession plans or career plans for their start, yet the banking industry is probably the most important, second only to the oil sector. She adds: "Every where it exists, it is largely not merit driven, but the man-know-man" syndrome. The successor in most cases, therefore not always the best person but the most "convenient" one. She posits further: "Aside this, banks also like other businesses, are becoming family businesses and empires in view of the ownership structures of some of them". Yet, she stresses: "Even family businesses will die if succession is taken for granted". This is what happened in the 1990s. Succession was taken for granted by some bank promoters, and their

banks died. According to Jokomba (2000) the occurrence of bank failure/distress is neither peculiar nor new to developing economics, rather, it is a financial distortion that can rare its head in any economy (developed or developing). In fact, the phenomenon is almost as old as banking itself. Though, the degree and intensity of bank failures vary from one economy to another, their causes, effects and implications are identical. Because of the nature of its business, banks are exposed to many potential sources of dangers; reliance on deposits many times larger than their capital, uncertain claims on different sectors of the economy, assets that are longer term and less liquid than liabilities, and for banks involved in international transactions, assets and liabilities denominated in different currencies.

Therefore, strains and disturbances anywhere within and outside an economy are likely to have repercussions on the banking system. To these macro variables should be added the possibility that problems will originate within the banking system itself, perhaps because of lax internal controls or poor management. As a result, problems that can ordinarily be contained may be magnified and sooner or later the banking system will run into difficulties. Furthermore, complex relationships and mutual dependence typically develop between banks and their clients, as well as among banks so that difficulties that are initially localized can spread through the banking sector and into the economy at large. Consequently bank failure is affected by both macroprudential and microprudential indicators. These are the indicators of the health and stability of the financial system as well as the control and management, arrangements that can help in assessing banking system vulnerability to crisis. Even though bank failure is affected by macroprudential factors such as economic growth, balance of payments, lending boom, etc, in developing countries like Nigeria it has been escalated by such microprudential factors such as capital inadequacy, illiquidity, poor asset quality, and poor management.

Poor management mostly leads to flaunting prudential guidelines necessary for bank soundness. Jokomba (2000) opines that there is a general consensus among experts that macroprudential indicators (MPIs) comprise both aggregate microprudential indicators of the health of individual financial institutions and macroprudential variables associated with financial system soundness. Financial system crises frequently happen when both types of indicators point to vulnerabilities, that is, when financial institutions are weak and face unexpected shocks from within and outside the system. Bank failure means the inability of a bank to meet its obligations as at when due to its customers, owners and the economy at large, occasioned by operational weaknesses or its inability to adhere strictly to set rules and approved procedures which may render it either illiquid and/or insolvent.

In the context of current financial globalization, the profound financial crises in the 1990s, in Asia, Latin America, and the USA, did not give room for proper handling of the

massive bank failure issues in Nigeria in the 1990s. The proliferation of banks in Nigeria in the 1990s which brought enormous pressure on available skilled manpower led to poor management and bank failures. For example, prior to 1986, Nigeria had only 40 banks made up of 28 commercial and 12 merchant banks with the former accounting for 60 percent of total banking assets and the latter accounting for the rest. Following the liberalization of the financial sector consequently, the number of banks in operation rose significantly to 120 in 1992 comprising of 66 commercial banks and 54 merchant banks. Not only did the number of banks and products offered increase during the period between 1986/1992, there was also a change in the ownership structure, with foreign ownership limited to only a few banks. The rest were privately or wholly owned by citizens or state governments. The rapid growth in the number of private banks could be traced to many factors including the inefficiencies of government owned banks which provided opportunities for new entrants to target corporate and high income urban customers. Also the licensing requirements including minimum paid-up capital were very liberal, resulting in a significant reduction in the barriers to entry. And by 1996 the number of banks had risen to 115 comprised of 51 merchant banks and 64 commercial banks respectively with total assets of about N591bn as shown in table 5. This portfolio was mismanaged due to excessive operating expenses, inadequate credit administration, interest rate speculation, asset mismatching, overtrading, weak controls, boardroom quarrels, fraud and forgeries, an overtly aggressive growth policy, abandonment of prudential banking that forced most of the banks into failure (Nzotta, 2004)

MATERIALS AND METHODS

The nature of the study guided the choice for an analytical methodology. Aba zone was chosen for the purpose of the study because it is densely populated and most industrialized city in the South- East zone of Nigeria. It therefore, implies that Aba zone could well serve as a very good representative of the socio-economic characteristics of Nigeria. Because of the type of study, the survey research design was adopted. The sample for the study was drawn by the probabilistic sampling design, using the simple random sampling technique, because the theory of probability is the basis of all inferential statistics. The sample size was determined through the Yamane's formula; based on the target population shown in table 6.

The two variables of interest examined in this study were poor management and bank failure. A twenty-item questionnaire containing relevant questions structured along 5-Point Likert-type scales was constructed for the generation of data. To ensure goodness of measures, the questionnaire was presented to a group of experts in the management sciences, with such critical details as purpose of the study, research design, and hypotheses, for their perusal and

content validation. Reliability of the data collection instrument was established through the Test-retest technique. The respondents were individuals knowledgeable enough to understand the issues under investigation. The characteristics of the respondents were shown in table 7.

Table 6: Sampling units of Target Population

Areas of study	First bank of Nigeria plc	Union bank of Nigeria plc	United bank for Africa plc	Zenith bank plc	Other banks	Total
Aba North	15	12	16	10	17	70
Aba South	10	16	8	14	18	66
Osisioma	18	7	11	8	20	64
Total	43	35	35	32	55	200

Data Collection Methods and Analyses

Systematic fieldwork preparation and data collection methods bolstered primary data collection and helped to shape the study approach and methodology. Accordingly, 133 copies of the questionnaire were personally administered. This approach involved personal interviews which helped in the clarification of questions, where necessary, to ensure that the respondents clearly understood the issues under investigation. The entire administered questionnaire copies were retrieved, thus, representing a 100 percent response rate. The mixed-method approach was used so as to supplement, complement and validate data through each other, and equally provide construct validity for the data collection instrument.

ANALYSIS & FINDINGS

The responses ranging from 1-5 numeric values were processed and analyzed with Statistical Package for the Social Sciences (SPSS). Poor management factor scores with bank failure variables as shown in table 8 provided the basis for Pearson's correlation analysis and the results were shown in tables 9 and 10. The parametric nature of primary data made it possible to analyze those using statistical procedures, to test whether the hypotheses have been substantiated. The correlational result showed a significant outcome.

Table 7: Characteristics of Respondents

Variables	Measuring group	Frequencies	Percentages
Sex	Male	81	60.90
	Female	52	39.10
	Total	133	100
Age	21 – 35	22	16.54
	36 – 55	78	58.65
	56 – above	33	24.81
	Total	133	100
Education	Basic	30	22.56
	Diploma	42	31.58
	Degrees	48	36.09
	Advanced degrees	13	9.77
	Total	133	100
Dependent relatives	None	17	12.78
	1 – 7 children	58	43.61
	8 – 10 children	36	27.07
	Others	22	16.54
	Total	133	100
Category of respondents	Senior Managers	30	22.56
	Managers	25	18.80
	Accountants	29	21.80
	Assistant Accountants	27	20.30
	Officers	22	16.54
	Total	133	100

Table 8: Poor Management factor score with bank failure variables

Variables of Interest	Poor management factor score (X)	Bank failure Variables (Y)
Insider abuse	0.10319	7.2
Non-disclosures	-0.50102	5
Incompetence	2.18589	9.4
Weak control systems	-0.87802	4.3
Ownership structure	-0.62135	4.7

Correlation Analysis

Table 9: Descriptive Statistics

	N	Mean	Std. Deviation
POOR MGT	5	.26	1.211
BANK FAIL	5	6.12	2.151

Table 10: Correlations

		POOR MGT	BANK FAIL
POOR MGT	Pearson's Correlation	1	.883*
	Sig. (1-tailed)		.024
	N	5	5
BANK FAIL	Pearson's Correlation	.883*	1
	Sig. (1-tailed)	.024	
	N	5	5

*Correlation is significant at the 0.05 level (1-tailed).

Interpretation of Result

Correlation coefficient in table 10 was r=.883*. This proved that there is significant positive relationship between poor management and bank failure at 5% level of significance. Therefore, H_o which stated that poor management has no significant relationship with bank failure was rejected, and the alternate hypothesis accepted. This is our interest in this study. This result supports the views of NDIC (1991) that inept management was responsible for most cases of bank distress and failure in Nigeria. The result also supports the findings of Duru (1998) who states: "The second serious internal factor is bad management due to dearth of qualified and experienced executive workforce. In analyzing bank failure syndrome in Nigeria, Okorie and Uwaleke (2010) state that gross insider abuses that resulted in huge non-performing credits and oligopolistic structure of the banking system accounted for more than 70 percent of total deposits and assets in the banking system. Because of issues of poor management the Central bank of Nigeria embarked on replacing the chief executive officers (CEOs) of troubled banks, in a bid to strengthen corporate governance in banks. Based on these research evidence and strong empirical result, this study established the degree of relationship between poor management and bank failure in Nigeria, which was not clearly indicated by earlier researchers.

DISCUSSIONS

This result supports the view in many quarters that most business failures are management failures. The dearth of skilled manpower heightened by the banking boom of the 1990s worsened the issues of poor management in the banking sub-sector. The NDIC (1991) report put the ratio of skilled staff to unskilled staff in Nigerian Commercial Banks at 1:8, and 1:1 for merchant banks. The import of this situation for the industry is to buttress the charge against it of having a high incidence of quackery, and between 1990/1995 frauds and forgeries in banks rose from N50.4bn in 1990 to N986.5bn in 1999. Because of oligopolistic ownership structure, succession planning was never properly defined in most of the failed banks.

Weak internal and external controls, compounded with technical incompetence, led to huge financial loses and the erosion of shareholders funds, with the grave consequences of failure. Policy makers betrayed a kind of inconsistent discretionary economic decisions in approving the number of banks, thus causing them to lose credibility, and consequently the inability to maintain sanity in the banking sector in the 1990s. For example, by 1990, the number of banks in Nigeria rose from forty two in 1986 to 107 in 1990. It further rose to 120 in 1992.

Unfortunately, as the number of banks grew in Nigeria along side their branches, the endemic problems of non-performing loans, fraudulent practices, inefficient management and inefficient operating environment also grew with them. Even though the external environment was not tranquil in the 1990s, policy makers were deceived by the orthodox view that planting of banks like the "maize" would bring about economic growth because economic growth is determined from the supply side of bank credit expansion. For this reason, probably efforts at strengthening controls over bank failure indicators like: frauds and forgeries, building up of toxic assets, empire building, among others, were not given adequate attention at the necessary levels of regulation.

Also bank soundness indicators especially for money deposit banks (MDBs) such as: capital adequacy, asset quality, earnings, profitability, liquidity, security, and sensitivity to market risks were not properly analyzed and understood. Thus, the cumulative effects of these grave lapses led to bank failures in the 1990s. The result is indicative of the fact that not the 1990s Asian financial crises and the subsequent ones in Eastern Europe and Latin America had more effect on the Nigerian financial crises in the 1990s than poor management. Experts believe that Central Banks are often powerless in situations where organizations and governments in underdeveloped financial markets like Nigeria, are forced to borrow heavily in Dollars or other major currencies and with such loans grossly misappropriated through the impunity of poor management. For example, in 1993, insolvent banks in Nigeria accounted for 20 percent of banking system assets and 22 percent of deposits. In 1995 almost half of the banks in Nigeria were in severe financial distress, whereas in Kenya, at the end of 1996, nonperforming loans account for only 19 percent of total loans. Most regulators did not appreciate that: "profitability is a revealing indicator of a bank's competitive position in banking markets and of the quality of its management (Greuning & Bratanonic, 2003, Beemain, et al, 2006, Nwakwo, 1980, 2004, Rose & Hudgins, 2008).

The Federal Government of Nigeria (FG) is working toward instituting sound corporate governance in 2014 to correct the weaknesses that remained since the 1990s. Nweze (2013) reports that part of the Financial Reporting Council's (FRC) role in 2014 would be to carry out

audit in banks and other publicly quoted companies. He says there is urgent need to check what the internal auditors are doing at all times. The body, he reports is also to address institutional weaknesses in regulation, compliance and enforcement of standards and the development of robust arrangements for monitoring and enforcing compliance with financial reporting standards in the country. The moves buttress the points that internal and external weaknesses exist all the way. The FRC will seriously seek to reduce the inconsistency in discretionary decisions by regulatory agencies, minimize any types of Central Bank incompetence and rather, enhance Central Bank importance and efficiency (Rowe, 2007)

RECOMMENDATIONS

- To ensure stability of the banking sector the regulatory authorities should ensure that only competent and qualified people are given the responsibility of bank management. This will reduce the incidence of quackery.
- Timely examination of bank records should be enforced. This will help the regulatory authorities in identifying troubled banks in good time and possibly take remedial actions.
- Ownership structure of banks should be critically reexamined. It may be important to ensure that one person or family does not through various subsidiaries, hold controlling shares in any bank.
- Special tribunals should be put in place to try bank thieves. This is necessary because in a situation where bank promoters and executives steal public money and in some cases set free on “technical” legal grounds by the traditional courts do not serve as a determent to others who would like to steal.
- Succession planning is important for the survival of any business. The regulatory authorities should compel banks to always put in place definite succession plans that would ensure continuity, stability and profitability of banks in Nigeria. This is necessary because a situation where publicly quoted banks are allow to be overloaded with family members on the board gives room for bad management.

CONCLUSIONS

Reports of banks adjudged financially distressed in the 1990s revealed that ownership category was one of the major variables that could be used to explain the degree of bank failures. Ownership structure, asset quality and quality of management are critical in determining bank soundness. In the 1990s, ineffective management was one of the major reasons for bank failures, especially those owned by private promoters and by state governments. Most of them were characterized by inept management and instability in the tenure of office of key

management executives. Negative culture of inter-personal wrangling among some top management executives leading to polarization of the rank and file of staff persisted in the 1990s in most of the failed banks. Excessive operating expenses, in adequate credit administration, interest rate speculation, asset mismatching, overtrading, weak controls, boardroom quarrels, fraud and forgeries an overtly aggressive growth policy abandonment of prudent banking persisted in those banks in the 1990s, all resulting in bank distress and failures, and turning some of the managing directors/chief executive officers into very important convicts (VICs) today. The situation was high in the 1990s when over 90 banks failed due to poor management. The present study through correlation analysis of r = .883*, found that there is very significant positive relationship between poor management and bank failure in Nigeria unlike earlier researchers on bank failure the present study clearly established the degree of relationship between poor management and bank failure. This is the crux of the study.

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