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THE CAPITAL, EARNINGS AND CAPITAL MANAGEMENT ON MARKET SHARE OF NIGERIA BANKS

A CASE STUDY OF UBA NIGERIA Plc

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Abstract

Conservatively, wisdom in banking suggests a higher capital-asset ratio (CAR) is associated with a lower after-tax return on equity (ROE). Despite the arguments in favor of this hypothesis, data on banks in the mid- to late-1980s tell a very different story. Bank values of CAR and ROE are positively related, and this relationship is both statistically and economically significant. The positive relationship between CAR and ROE holds both cross-sectionally and over time, holds when lags are included, and becomes even stronger when an extensive set of control variables is added to the regressions. The author regresses CAR and ROE on three years of lagged CAR and ROE and a number of control variables. The model suggests positive causation in the Granger sense to run in both directions between capital and earnings, consistent with the hypothesis that banks retain some of their marginal earnings in the form of equity increases. Both primary and secondary source of data were used in this study. The primary data of this research study were obtained through the distribution of questionnaires, which were designed for the UBA staff. Random sampling technique was used by the researcher to collect and gather adequate information. It consists of 160 (ranging from school certificate holders, diploma holders and holders of other qualification) randomly selected staff of the UBA drawn from the functional field including administration, finance, and marketing as purchasing. On the basis of empirical analysis, it was found that there is a significant relationship between capital and earning quality. Also, that there is a significant relationship between capital and earnings on bank Investments in the Nigeria banking sector.

Keywords: Capital Management, Earnings, Market Share, Return on Equity, Financial Management, Capital-Assets Ratio, Portfolio Risk

INTRODUCTION

Conventional wisdom in banking suggests a higher capital-asset ratio (CAR) is associated with a lower after-tax return on equity (ROE). Despite the arguments in favor of this hypothesis, data on banks in the mid- to late-1980s tell a very different story. Bank values of CAR and ROE are positively related, and this relationship is both statistically and economically significant. The positive relationship between CAR and ROE holds both cross-sectionally and over time, holds when lags are included, and becomes even stronger when an extensive set of control variables is added to the regressions.

The author regresses (Ahmed,et al, 2010), CAR and ROE on three years of lagged CAR and ROE and a number of control variables. The model suggests positive causation in the Granger sense to run in both directions between capital and earnings, consistent with the hypothesis that banks retain some of their marginal earnings in the form of equity increases. The evidence suggests that higher capital is followed by higher earnings over the next few years primarily through reduced interest rates on uninsured purchased funds. These findings are strongest for banks with low capital and high portfolio risk who decreased their portfolio risks as well as increased their capital positions relative to what they otherwise would have been, (Baus, S, 2010))

These results are consistent with the hypotheses that, because of factors making banks riskier in the 1980s, some banks may have had greater than optimal risk of bankruptcy and the associated deadweight liquidation costs, and as a result paid very high risk premiums on uninsured funds and suffered lower earnings. Those banks with increased expected bankruptcy costs that reacted by increasing capital quickly appear to have paid lower uninsured debt rates and had higher earnings than those that did not react this way. The tests generally do not support the signalling hypothesis - bank management signals private information that future prospects are "good" by increasing capital. The tests also show that the positive Granger-causality from capital to earnings of the 1980 does not apply to the 1990-1992 time period. The data suggest that banks may have "overshot" their optimal capital in the early 1990s because of regulatory changes, decline in bank risk, or unexpected high earnings that raised capital above optimal levels (Bontis, N., 2004).

Capital is one of the most important trade factor and largest instrument for attracting the profit. Each bank should have capital in order to access profit from its trade. Importance of trade unit can be understood by their capital. Subject of capital, also forms the fundamental discussion in the financial management and can be claimed that all trade activities need to capital. Capital refers to all financial resources that trade unit consumes it and in this connection, financial management determines the framework of the relationship between capital

and earning. Generally, in all organizations particularly in small size, a great part of organization capital is working capital. Working capital includes all short term assets which companies use it in daily activities. Working capital is an indicator for measuring the liquidity which is defined as adequacy of cash for doing firm's obligations (Chan, K 2001).

Firm with proper situation of liquidity, has enough cash for the payment of bills. On the contrary, companies with improper situation cannot pay their bills on the maturity data. (Pike and Bill, 2006: 340). Thus, working capital management is very important and should be done on the basis of supply chain management. Working capital management refers to determination of volume and combination of resources and consumptions of working capital so that leads to increase in shareholder's wealth (Neveu 2001:1) working capital management indicates policies and decisions which is adopting about working capital in order to change types of current assets and short term financial resources. Correct controlling the working capital management can affect importantly on the firm's profitability.

There are a number of potential explanations for the positive capital-earnings relationship, once the assumptions of the one-period model of perfect capital markets with symmetric information are relaxed. Relaxation of the one-period assumption allows an increase in earnings to raise the capital ratio, provided that marginal earnings are not fully paid out in dividends. Relaxation of the perfect capital markets assumption allows an increase in capital to raise expected earnings by reducing the expected costs of bankruptcy or liquidation. Finally, relaxation of the symmetric information assumption allows for a signalling equilibrium in which banks that expect to have better performance credibly transmit this information through higher capital.

LITERATURE REVIEW

Theoretical Review

The term "Intellectual Capital" (Sullivan, 2000) collectively refers to all resources that determine the value of an organization and the competitiveness of an enterprise. Understandably, the term "intellectual capital" from a human resources perspective is not easily translatable into financial terms. For all other assets of a company, there exist standard criteria for expressing their value. Perhaps, this term could more appropriately term a "non-financial asset." In an article written by Magrassi (2002) titled "Taxonomy of Intellectual Capital", Mr. Magrassi defines human capital as "the knowledge and competencies residing with the company's employees" and defines organizational intellectual capital as "the collective know-how, even beyond the capabilities of individual employees, that contributes to an organization."

Intellectual capital can be broken down into three areas: Human capital; Customer capital; and Structural capital. Human capital is the knowledge residing in the heads of employees that is relevant to the purpose of the organization. Human capital is formed and deployed, when more of the time and talent of employees are devoted to activities that result in innovation. It can grow in 2 ways: when the organization uses more of what people know; or when people know more that is useful to the organization. This capital is the organization's constant renewable source of creativity and innovativeness, which is not reflected, in its financial statements (Lynn, 2000). Structural capital can be defined as competitive intelligence, formulas, information systems, patents, policies, processes and etc., resulted from the products or systems the firm has created over time. Structural capital is the intellectual value that remains with the enterprise when people leave. Structural capital includes the content within the enterprise knowledge asset, as well as the intellectual investment that the enterprise has made in the physical, technical and business culture infrastructures that support its activities. Capital employed on the other hand can be defined as total capital harnessed in a firm's fixed and current assets. Viewed from the funding side, it equals to stockholders' funds (equity capital) plus long-term liabilities (loan capital). However, if it is viewed from the asset side, it equals to fixed assets plus working capital (Bozbura, 2004).

Empirical review

In banking as in any industry, it is common knowledge that higher leverage normally means higher returns (but also greater risk). Yet, two recent studies actually find a negative relationship between leverage and returns in banking. Berger (1995) reports a statistically significant positive relationship between return-on-equity (ROE) and the capital-asset ratio (CAR, the inverse of leverage) among American banks in the 1980s. Likewise, Demirgüç-Kunt and Huizinga (1999) study 80 countries in the years 1988–1995, and they also report a statistically significant positive relationship between capital and returns.

These results are indeed surprising. That leverage increases returns seems to follow directly from the very nature of business. In its strongest form, the “leverage formula” predicts that return-on-equity should increase linearly with the debt-equity ratio (DER). How can this be reconciled with the empirical results? Berger (1995) suggests that more capitalized banks were able attract higher earnings because of lower expected bankruptcy costs, which enabled them to pay lower interest on uninsured debt. In a similar vein, Flannery and Rangan (2002) also report a capital build-up among US banks in 1986–2000, and they attribute this build-up to an increasingly competitive environment in the last two decades, promoting banks to hold capital beyond legislative needs (market discipline). Another possibility is that the negative correlation

between leverage and profitability could reflect special circumstances of the 1980s and early 1990s. The 1980s was a decade of financial liberalisation, and the early 1990s was a time of financial turmoil. In one decade 3 there is small variation in banks' leverage. The difference in leverage among banks, at least in Europe and in North America, is small. Conceivably, successful banks could tend to be both more capitalised and more profitable in the short run, which could obscure the fundamental positive correlation between leverage and returns. It would therefore be of interest to see whether the reported relationship holds also in the long term. The long term variation in bank leverage is large – capital-asset ratios were 15–20 percent at the turn of the 19th century, while they are about 5 percent today. Has this development had any influence on bank returns?

However, the relationship was not present in the 1980s and 1990s. Thus, while the study reaffirms a long-term "normal" positive relationship between leverage and profitability in banking, the results of the previous studies are supported. Studies of the long-term (century-long) relationship between leverage and profitability in banking are rare. With regard to leverage, Berger et al. (1995) present data on the CAR of the US banking system in 1840–1990. Likewise, Saunders and Wilson (1999) compare changes in the CAR of the banking systems in Canada, the United States and the United Kingdom.

Finally, to control for other factors affecting bank profitability, we refer to the literature addressing determinants of bank profitability (Demirguc-Kunt and Huizinga, 1998, 2000; Goddard, Molyneux and Wilson, 2004; Ho and Saunders 1981; Molyneux and Thorton, 1992.

Drawing from this work, we include macroeconomic factors such as interest rates, unemployment, inflation and output growth as control variables in our profit equation.

METHODOLOGY

The study was aimed at relationship between capital and earning in the Nigerian banking sector. A research survey was undertaken and supplemented with documentary materials from the library and other sources including magazine and journals. The aim was to interpret and report on the present state of capital-asset ratio (CAR) and equity (ROE) on the banking industry. The work was based on recent findings in the survey conducted and those of historical research from several documents.

Population of the Study

The population used for the study covers the total staff strength of UBA Nigeria Plc which has its head office at UBA house, 57 Marina with seven hundred and fifty (750) branches across Nigeria with staff strength of five thousand, six hundred and fifteen (5,615) employees.

Sampling

Random sampling technique was used by the researcher to collect and gather adequate information. It consists of 160 (ranging from school certificate holders, diploma holders and holders of other qualification) randomly selected staff of the UBA drawn from the functional field including administration, finance, and marketing as purchasing. This was taken as sample to represent the entire organization.

Instrument for Data Collection

The major sources of data for this research are primary and secondary sources of data. Both are extensively used for the purpose objective findings. The primary data of this research study were obtained through the distribution of questionnaires, which were designed for the UBA staff. In addition to this, oral interview conducted chiefly to supplement the information derived from questionnaire. The aim of this, is to reduce the rigidity associated with designed questionnaire and also in other to give the respondents opportunity of supplying those information they may not give in the structured questionnaire.

The Secondary source data were from publication collected from the UBA The UBA AGM computer section library, Imo state university library and Institute of management and technology, Enugu.

Validation of the Instrument

In designing the questionnaire conscious effort were made the structure the questions into dichotomized multiple choice questions which give the RESPONDENTs the complete them effectively.

Consequently the questionnaire that serve as follow up to this was in the same regard serve, to know the views of the deferent respondents chosen.

Method of Data Analysis

For the analysis and presentation of data the researcher used percentage and chi-squared method.

$$X^2 = E^K = I\frac{[oi-ei]}{Ei}$$

ei – represented the expected frequencies

oi – represented the observed frequencies

X^{2-} represented the chi – squared

Level of significance was 5% (five percent) $\boldsymbol{X_2}$

The hypothesis H_o is to be rejected if X2C LX2.02 where X2.05 represented chi – squared.

The formula for degree of freedom is 20.05 df (r – 1)

(c – 1) where

R = row

C = column

This measures the difference between the expected frequencies and observed frequencies and is computed as follows.

$X^2 = E\frac{(oi-ei)}{ei}$ this is used to test

Whether the discrepancies between the observed frequencies and expected frequencies are significant or whether they may be attributed to chance. The Chi-squared test has some basis assumption viz. Sample must be independent, the case must be randomly selected.

ANALYSIS AND RESULTS

A total of 200 questionnaires were served out and a total of 160 were retrieved back from the respondent.

Summary of Demographic Characteristics

Table 1. Sexwise

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	100	62.5	62.5	62.5
	Female	60	37.5	37.5	100.0
	Total	160	100.0	100.0	

62.5% of the respondents were males and 37.5% of the respondents were females.

Table 2. Agewise

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 – 29	130	81.3	81.3	81.3
	30 – 39	25	15.6	15.6	96.9
	40 – 49	5	3.1	3.1	100.0
	Total	160	100.0	100.0	

81.3% of the respondents fell between the ages of 20 – 29 years old, 15.6% were between 30 – 39 years old, and the remaining 3.1% of the respondents were between 40 – 49years old.

Table 3. Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OND/NCE	70	43.8	43.8	43.8
	HND/BSC	70	43.8	43.8	87.5
	MSC	10	6.3	6.3	93.8
	ACA/NIM/CIA/HIGHER	10	6.3	6.3	100.0
	Total	160	100.0	100.0	

43.8% of the respondents were OND/NCE holders, 43.8% were HND/BSC holders, 6.3% were MSC holders and the remaining 6.3% were ACA/NIM/CIA/HIGHER degree holders.

Table 4. Management Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Top Level	60	37.5	37.5	37.5
	Middle Level	60	37.5	37.5	75.0
	Low	40	25.0	25.0	100.0
	Total	160	100.0	100.0	

37.5% of the respondents were at the top management level, 37.5% were in the middle level of management and the remaining 25% of the respondents were at the low management level.

Table 5. Working Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 5 years	105	65.6	65.6	65.6
	6 – 10 years	25	15.6	15.6	81.3
	11–15 years	10	6.3	6.3	87.5
	16 – above	20	12.5	12.5	100.0
	Total	160	100.0	100.0	

65.6% of the respondents had between 1-5years working experience, 15.6% had between 6 – 10years experience, 6.3% had between 11 – 15years experience and the remaining 12.5% had 16 years and above working experience.

Table 6. Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	125	78.1	78.1	78.1
	Married	35	21.9	21.9	100.0
	Total	160	100.0	100.0	

78.1% of the respondents were single while the remaining 21.9% were married persons.

Relationship between Capital & Earnings Quality in the Nigeria Banking Sector

Table 7. Appropriate implementation of capital Asset Ratio (CAR) improve the earning quality of the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	60	37.5	37.5	37.5
	A	75	46.9	46.9	84.4
	UND	25	15.6	15.6	100.0
	Total	160	100.0	100.0	Mean 4.21

37.5% of the respondents strongly agreed that appropriate implementation of CAR improve the earning quality of the organisation, 46.9% Agreed, and the remaining 15.6% were undecided as regarding the statement. The statistical analysis revealed the mean of 4.21 which is approximately 4.00 (i.e. the weight attached to AGREE). Therefore the average respondent Agree with the statement.

Table 8. Capital and earning quality adds more value to banking system through effective and efficient usage of capital-asset ratio

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	60	37.5	37.5	37.5
	A	50	31.3	31.3	68.8
	UND	30	18.8	18.8	87.5
	D	20	12.5	12.5	100.0
	Total	160	100.0	100.0	Mean 3.93

37.5% of the respondents strongly agreed that capital and earning quality adds more value to banking system through effective and efficient usage of capital asset ratio, 31.3% of the respondents Agreed, 18.8% were undecided, and the remaining 12.5% disagreed with the statement. The mean of the responses is 3.93, approximately 4.00. Therefore the average respondent agrees to the statement.

Table 9. Long term implementation of capital-asset ratio will not affect the goal of many departments in the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	5	3.1	3.1	3.1
	A	80	50.0	50.0	53.1
	UND	35	21.9	21.9	75.0
	D	35	21.9	21.9	96.9
	SD	5	3.1	3.1	100.0
	Total	160	100.0	100.0	

3.1% of the respondents strongly agreed to the above statement, 50% agreed, 21.9% were undecided, 21.9% disagreed and the remaining 3.1% strongly disagreed. The mean is 3.28 which is approximately 3.00, the weight attached to Undecided. Therefore, average respondents are undecided as regarding the statement.

Table 10. Can bench marking assist management to improve earning quality through Capital Asset Ratio?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	25	15.6	15.6	15.6
	A	70	43.8	43.8	59.4
	UND	50	31.3	31.3	90.6
	D	10	6.3	6.3	96.9
	SD	5	3.1	3.1	100.0
	Total	160	100.0	100.0	Mean 3.62

15.6% of the respondents strongly agreed, 43.8% agreed, 31.3 were undecided, 6.3% disagreed and the remaining 3.1% strongly disagreed. The mean is approximately 4.00 which imply average respondent agreed with the statement.

Table 11. Does Earnings quality typically have effect on consumers?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	35	21.9	21.9	21.9
	A	75	46.9	46.9	68.8
	UND	30	18.8	18.8	87.5
	D	10	6.3	6.3	93.8
	SD	10	6.3	6.3	100.0
	Total	160	100.0	100.0	Mean 3.71

21.9% of the respondents strongly agreed with the statement, 46.9% agreed, 18.8% were undecided, 6.3% disagreed and the remaining 6.3% strongly disagreed. With a mean of approximately 4.00, the average respondent agreed to the statement.

Relationship between Capital and Earning on Bank Investment in the Nigeria banking sector

Table 12. The Capital Asset – Ratio and earning quality increase bank profit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	45	28.1	28.1	28.1
	A	55	34.4	34.4	62.5
	UND	40	25.0	25.0	87.5
	D	15	9.4	9.4	96.9
	SD	5	3.1	3.1	100.0
	Total	160	100.0	100.0	3.75

28.1% of the respondents strongly agreed, 34.4% agreed, 25% were undecided, 9.4% disagreed and the remaining 3.1% strongly disagreed. The mean of the responses is approximately 4.00 which implies an agreement to the statement.

Table 13. Earnings Management Policy helps banks to improve their investments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	55	34.4	34.4	34.4
	A	60	37.5	37.5	71.9
	UND	10	6.3	6.3	78.1
	D	20	12.5	12.5	90.6
	SD	15	9.4	9.4	100.0
	Total	160	100.0	100.0	Mean 3.75

34.4% of the respondents strongly agreed with the statement, 37.5% agreed, 6.3% were undecided, 12.5% disagreed and the remaining 9.4% strongly disagreed. With an approximated value of 4.00, the average respondent agreed.

Table 14. Dividends are important indicator of the liquidity of the banking system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	95	59.4	59.4	59.4
	UND	25	15.6	15.6	75.0
	D	25	15.6	15.6	90.6
	SD	15	9.4	9.4	100.0
	Total	160	100.0	100.0	Mean 3.25

59.4% of the respondents agreed, 15.6% were undecided, 15.6% disagreed and the remaining 9.4% of the respondents strongly disagreed. The average respondent is approximately 3.00 while the mode is AGREE which is 4.00.

Table 15. Return on equity (ROE) help in increasing in the rate of return on investment in banking system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	30	18.8	18.8	18.8
	A	65	40.6	40.6	59.4
	UND	40	25.0	25.0	84.4
	D	10	6.3	6.3	90.6
	SD	15	9.4	9.4	100.0
	Total	160	100.0	100.0	Mean 3.53

18.8% of the respondents strongly agreed, 40.5% agreed, 25% were undecided, 6.3% disagreed and the remaining 9.4% strongly disagreed. The mean is approximately 4.00 which imply an agreement with the statement by average respondents.

Table 16. Capital Asset Ratio (CAR) help in increase the rate of return on investment in banking system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	65	40.6	40.6	40.6
	UND	40	25.0	25.0	65.6
	D	45	28.1	28.1	93.8
	SD	10	6.3	6.3	100.0
	Total	160	100.0	100.0	Mean 3.00

65% of the respondents agreed, 25% were undecided, 28.1% disagreed and the remaining 6.3% strongly disagreed. With 3.00 mean average respondents were undecided while the mode of the responses is AGREE (4.00).

Relationship between Change Management and Market Share of a Bank

Table 17. Resistance to management change within an organization become an obstacle

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	30	18.8	18.8	18.8
	A	85	53.1	53.1	71.9
	UND	35	21.9	21.9	93.8
	D	10	6.3	6.3	100.0
	Total	160	100.0	100.0	Mean 3.84

18.8% of the respondents strongly agreed with the statement. 53.1% of the respondent agreed, 21.9% were undecided and the remaining 6.3% disagreed. The mean of the responses is approximately 4.00 which imply an agreement with the statement.

Table 18. Radical change within an organisation's environment is brought on by the determination to make major market share

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	30	18.8	18.8	18.8
	A	60	37.5	37.5	56.3
	UND	45	28.1	28.1	84.4
	D	25	15.6	15.6	100.0
	Total	160	100.0	100.0	Mean 3.59

18.8% of the respondents strongly agreed with the statement, 37.5% agreed, 28.1% were undecided and the remaining 15.6% disagreed. With a mean of approximately 4.00, the average respondent agreed that radical change within an organisation's environment is brought on by the determination to make major market share.

Table 19. Change management help improve the market share of the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	25	15.6	15.6	15.6
	A	75	46.9	46.9	62.5
	UND	30	18.8	18.8	81.3
	D	20	12.5	12.5	93.8
	SD	10	6.3	6.3	100.0
	Total	160	100.0	100.0	Mean 3.53

Table 19 revealed that 15.6% of the respondents strongly agreed, 46.9% agreed, 18.8% were undecided, 12.5% disagreed and the remaining 6.3% strongly disagreed. The mean responses is approximately 4.00 which imply an agreement to the statement that change management help improve in the market share of the bank.

Table 20. Capital Asset Ratio (CAR) and Return on equity (ROE) is part of business process and economic reform in the banking sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	25	15.6	15.6	15.6
	A	65	40.6	40.6	56.3
	UND	25	15.6	15.6	71.9
	D	30	18.8	18.8	90.6
	SD	15	9.4	9.4	100.0
	Total	160	100.0	100.0	Mean 3.34

Table 20 above showed that 15.6% of the respondents chose strongly agree, 40.6% agree, 15.6% undecided, 18.8% disagree and the remaining 9.4% chose strongly disagree. The mean is approximately 3.00 and the mode of the responses is 4.00. Therefore it is safe to conclude that majority of the respondent were in agreement with the statement as against the mean that suggested that average respondents were indifferent/undecided.

Table 21. Change management involves breaking away from the conventional wisdom and the constraints of banking boundaries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	20	12.5	12.5	12.5
	A	60	37.5	37.5	50.0
	UND	20	12.5	12.5	62.5
	D	35	21.9	21.9	84.4
	SD	25	15.6	15.6	100.0
	Total	160	100.0	100.0	Mean 3.09

12.5%of the respondents chose strongly agree, 37.5% chose agree, 12.5% undecided, 21.9% disagree and the remaining 15.6% strongly disagree. The mean response is approximately 3.00 and the mode 4.00 which imply agreement with the statement.

Hypotheses Testing

HYPOTHESIS I

H1: There is significant relationship between capital and earnings in the Nigeria banking sector.

Ho: There is no significant relationship between capital and earnings in the Nigeria banking sector

Table 22. Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Appropriate Implementation of capital Asset Ratio (CAR) improve the earning quality of the organization.	160	4.2188	.69745	3.00	5.00

Table 23. One-Sample Kolmogorov-Smirnov Test

		Appropriate implementation of capital Asset Ratio (CAR) improve the earning quality of the organization.
N		160
Normal Parameters[a,,b]	Mean	4.2188
	Std. Deviation	.69745
Most Extreme Differences	Absolute	.248
	Positive	.248
	Negative	-.244
Kolmogorov-Smirnov Z		3.138
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal.

b. Calculated from data.

The test statistics showed 3.138 which is greater than the decision criterion of 1.96 at 5% level of significance; therefore we reject the null hypothesis and accept the alternative hypothesis. Hence, there is a significant relationship between capital and earning quality.

HYPOTHESIS II

H0: There is no significant relationship between capital and earnings on bank Investments in the Nigeria banking sector.

H1: There is a significant relationship between capital and earnings on bank Investments in the banking sector.

Table 24. The Capital Asset – Ratio and earning increase bank profit

	Observed N	Expected N	Residual
SD	15	32.0	-17.0
D	10	32.0	-22.0
UND	40	32.0	8.0
A	65	32.0	33.0
SA	30	32.0	-2.0
Total	160		

Table 25. Chi- Square Test Statistics

	The Capital Asset – Ratio and earning increase bank profit.
Chi-Square	60.313[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5.
The minimum expected cell frequency is 32.0.

The test statistics showed 60.313 which is greater than the decision criterion of 9.488 at 5% level of significance; therefore we reject the null hypothesis and accept the alternative hypothesis. Hence, there exist correlation between capital and earnings on bank investments in the Nigeria banking sector.

CONCLUSION

Based on the darts collection from the field survey and various literature reviewed on the research topic, it is necessary to raise conclusion based on the research work, which are as follow; That Capital Asset Ratio (CAR) and earning quality help in the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance in banks, capital is the amount of cash and other assets owned by a business. These business assets include accounts receivable, equipment,

and land/buildings of the business, change management involve breaking away from the conventional wisdom and the constraints of banking boundaries, CAR and ROE has become a useful weapon for any corporate organization that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment, the significant relationship between intellectual capital and earning quality remains an effective tool for banking striving to operate in the competitive world, resistance to management change within the bank become an obstacle during the implementation of market share.

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