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Financial Strategy as a Support Mechanism for the Removal and Resolution of Distress in the Nigerian Banking Sector

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Abstract
The banking sector is the bedrock of the Nigerian economy, and this industry is known to have contributed in no small measure to the development of the economy. This industry is the enabling hub of national and global payment systems, which facilitates trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. In performing these various functions in the enabling environment provided by the government through various fiscal, and monetary policies and reforms, this industry has been experiencing a phenomenal distress whereby the banking institutions could not meet their financial obligations to their customers and stakeholders, which led to the liquidation of many banking institutions, lost of deposits by depositors, lost of investments by many investors and the crisis of confidence by the general public. Various researchers and bodies including the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) have done some works to solve this problem. The Central Bank of Nigeria (CBN) has introduced various reforms, yet this problem persists. The objective of this work is to evaluate financial strategy as determinant for sustainable performance growth and an antidote to distress in the Nigerian banking industry. The research method is empirical, and descriptive with the use of primary and secondary data from 1998-2007. Primary data were obtained from a sampled population through the use of a corporate questionnaire, and for the secondary, macro data were obtained from Central Bank and Nigerian Stock Exchange. The work recommended a transformational financial strategy model in the work for implementation in the banking industry so that distress can be avoided and totally resolved. The model contains the following indices: sound corporate governance, good investment policy, effective capital budgeting, corporate planning, effective tax planning, effective budgetary control and economic profit of investment. An implementation of the model will give birth to sustainable performance growth which contains the following growth variables: adequate capital, quality earning assets, stable profitability, sustainable liquidity, enhanced dividend paid, and equitable tax liability. Other recommendations are: effective risk assets management, sound training of credit analyst, quality supervision from the industry regulators, and independence of EFCC for effectiveness. However, all stakeholders must be committed to the model and other recommendations.

1. Introduction

In the ordinary parlance, the word distress connotes unhealthy situation or state of inability or weakness which prevents the achievement of a set goals and aspirations. A financial institution will be described as unhealthy; when it exhibits severe financial, operational and managerial weaknesses where sustainability and stability are missing in business. A business is any activity that seeks to make profit by providing goods and services to the society by using inputs from the environment and transform them into outputs that add meaning to human existence. A business can be one's regular employment, profession, occupation and can be an organization established through the pooling together of resources by various investors with the aim of providing products or services to the economy, contribute to the development of the economy and earn returns on their investments. Nigerian businesses can

be classified into three major segments viz: Private enterprises, Private limited Liability Companies and publicly quoted companies. The banking sector belongs to the private limited liability companies and the publicly quoted companies. While some banking institutions are privately owned by investors, some are publicly quoted on the Nigerian Stock Exchange. The banking sector is part of Nigerian financial system, and financial system refers to the totality of the regulatory and participating institutions, including financial markets and instruments, involved in the process of financial intermediation. The major objectives of investing in the banking sector are to provide financial services to the economy and earn compensatory returns on capital employed. The Bills of Exchange Acts Cap 21, Laws of the Federation of Nigeria 1958 states that a 'banker' includes a body of persons whether incorporated or not who carry on the business of banking. By S.2 Coins Act Cap 34, laws of the Federation of Nigeria, 1958, bank and banker mean any persons, partnerships or company carrying on the business of bankers and also any saving bank established under the Saving Bank Ordinance, and also any banking company incorporated under any ordinance heretofore or hereafter passed relating to such incorporation. S.21 (1) Nigerian Evidence Act, Cap.62, laws of Federation of Nigeria, 1958, also provides in like manner. (Olulana, 1999:16). The Banks and other Financial Institutions Act No 25 of 1991 defines bank as one licensed under the Act and banking business as the business of receiving deposits on current, saving or other similar account, and paying or collecting cheques-S.62 BOFIA. The industry is the enabling hub of national and global payments system by facilitating trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. The banking industry in Nigeria is the bedrock of the economy.

According to Onoh (2002:10-13),the establishment of modern banking in Nigeria dates back to the colonial era when the African Banking Corporation was formed in 1892 to distribute currency notes of the Bank of England for the British treasury. Subsequent developments were encouraged by colonial entrepreneurs who needed banking institutions to back up the colonial trade. In the bid to address the credit needs of indigenous entrepreneurs, Nigerians later ventured into the banking business, initially through private individuals and later through deliberate government policy. According to CBN and NDIC (1995:1), the problem of distress in the financial sector, including bank failure, has been observed in Nigeria as far back as 1930 when the first bank failure was reported. Between 1930 and 1958 when Central Bank of Nigeria CBN was established, about 22 banks were liquidated (appendix 1). In 1992, 3banks were liquidated while in 1994, 4banks were liquidated. The degree of intensity and scope of the distress has never been as serious as has been observed since June,1989 when the Government directive to withdraw deposits of government and other public sector institutions from banks to the CBN exposed the weak financial condition of most financial institutions. This led to the increase in the number of distressed institutions and the severity of the problem has been on the increase. The intensity of the problem led to the liquidation of 26banks in 1998(appendix 2).

2 Statement of the Problem

According to Hamel and Prahalad, (1994:5-8) the painful upheavals in so many companies in recent years reflect the failure of one-time industry leaders to keep up with the accelerating pace of industrial change. From the evolution of the banking industry, the industry gained astronomical growth in the number of commercial and merchant banks from 11 in 1960 to 120 with a total of 2,107 branches at the end of 1992 and above 2,500 in 2005. This phenomenal growth and expansion in the activities of banks resulted in successes and failure

of banks. Despite the robust growth in financial institutions and assets and profitability, some problems remained while new ones developed, the most prominent being the *financial institution distress*.

The following are the factors that characterize the problems identified above.
1.Non-compliance with the various monetary and fiscal policies which gave room to abuse of power, manipulations of figures, lack of transparency in their reports to CBN and outright fraud.

2. There was absence of financial strategies in the industry that gave room for continuous appraisal of performance in order to sustain performance growth. Sustainable performance growth should meet the needs of the present without compromising the ability of the future generations to meet their own needs. The present growth of business in the industry has not been sustained to be able to prepare them for the future.

3. The following sustainable performance growth strategies are either not instituted, poorly instituted or not reviewed during implementation thereby producing negative results: corporate governance, investment policy for effective assets and liabilities management, capital budgeting system, corporate planning, tax planning for effective fund management and payment of equitable tax, budgetary control and consideration for economic profit of investment.

3 Objectives and Research Questions of The Study

Financial distress has been a phenomenal event in Nigerian banking industry from pre-independence to date which seems to have defied all past economic reforms of Federal Government of Nigeria and Central Bank of Nigeria. The main objective of this study is to evaluate financial strategy as antidote to distress in the banking sector. The pertinent questions which this research work addressed therefore are:

i. To what extent is the relationship between financial strategy and sustainable performance growth in banking industry?
ii. To what extent will strategic planning impact on the performance of banks in Nigeria
iii. To what extent are the existing investment policies of banks assisting in the quality of management of assets and liabilities in the banking industry?
iv. What is the relationship between bank performance and Gross Domestic Product?

4. Literature Review

Strategy is grounded in the array of competitive moves, and business management of an organization depends on how to produce successful performance. Strategy, in effect is management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Strategy includes the goals and major policies of the organization. Managers device strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action. The strategy managers decide or indicate that among all the paths and actions we could have chosen, we decided to follow this route and conduct our business in this manner. Without a strategy, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management.

Thompson and Strickland (2005:3) stated that managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. Financial strategy is a combination of financial tools for the reengineering of an organization towards achieving the maximum potentials.
They highlight five tasks of organization strategy which include:
i. Deciding what business the company will be in and forming an strategic vision of where the organization needs to be headed. In effect, this is infusing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to be accomplished.
ii. Converting the strategic vision and mission into measurable objectives and performance targets.
iii. Crafting a strategy to achieve the desired results.
iv. Implementing and executing the chosen strategy efficiently and effectively.
v. Evaluating performance, reviewing new developments, and initiating corrective adjustments in long-term direction, objectives, strategy, or implementing in light of actual experience, changing conditions, new ideas, and new opportunities.

Bank Rehabilitation and Restructuring Era (1992 to date):

According to Agene (1995), state governments-owned banks had shown signs of financial distress since the late 1980s, but government's posture that banks should not be allowed to fail postponed the doomsday for such banks. The rapid upsurge in the number of licensed banks between 1987 and 1991 together with the creation of specialized financial institutions like community banks, which numbered 1050 by July, 1994 and the peoples Bank of Nigeria which opened 271 branch offices between 1989 and 1994, heightened competition for both funds and manpower in the banking industry. Furthermore, the withdrawal of about ₦6billion in respect of credits backed with foreign collaterals and the transfer of government's deposits away from the licensed commercial and merchant banks to the Central Bank of Nigeria in 1989 caused panic in the banking system. This necessitated a joint Nigerian Deposit Insurance Corporation NDIC and Central Bank of Nigeria CBN accommodation facility to the tune of ₦2.3billion for thirteen banks. Since then, the banking industry has witnessed a steady increase in the number of financially distressed banks .The number of insolvent banks grew from seven in 1988 to 16 in 1992 and rising further to over 40 in 1994. Onwumere, (2005:10-13) argued that countries embark on economic policies, plans, programmes and reforms in order to enhance the growth and development of their economies. While economic growth generally refers to increases over time in a country's real output per capital conveniently measured by increases in a country's per capital Gross National Product (GNP), economic development can be viewed as a process of growth which should be self-reliance in the abundant utilization of resources. Banking reforms have been undertaken in Nigeria with the objectives of: (a). improving the financial strength and lending capacity of banks through recapitalization, (b). To promoting real banking activities, (c). To protecting depositors' funds, (d). To strengthening prudential regulations, (e). To promoting competition while avoiding market failures, (f). To checking insider abuse, and (g). To evolving a sound banking industry and by extension, a more efficient financial system. Onwumere posited that the country's development remains far-fetched in spite of several years of planning and adoption of several policies.

The Nature of Bank Reforms in Nigeria.

According to CBN, (2000:14-60) and Onwumere, (2005:13-18), the history and nature of bank reforms in Nigeria take the following order:

a.The Era of Banking Regulation (1959-70):
This was a period during which several legislations were enacted to correct past defects and distortions that led to bank failures in the system. The Central Bank was established in 1959 following the enactment of the Central Bank of Nigeria Act of 1959. The 1958 Ordinance (Ammended) retained £12,500 as paid up capital for indigenous banks. Profits transferable to reserve fund was increased from 20% to 25%, while banks were restricted from owning real estates except where absolutely necessary. The 1961 amendment of the Ordinance concentrated on the liquidation of banks by providing for the appointment of receiver and liquidator. The Ordinance was further amended in 1962 which raised minimum paid up capital of existing indigenous banks from £12,500 to £25,000 given 7 years to comply. Expatriate banks were to keep within Nigeria assets valued for at least £25,000. Banks were allowed to write off losses before effecting the transfer of 25% of profits to reserve fund, while CBN was empowered to adopt some flexibility in applying the definition of liquidity when computing liquidity ratio. The Companies Act of 1968 provided that foreign banks operating in the country were required to incorporate their businesses in Nigeria. The 1969 Banking Act provided that: (a). Adjusted minimum paid-up capital requirements for indigenous banks should be £300,000 while expatriate banks should be £750,000 (b). Provision for the first time of capital deposit ratio of between 10 and 30 per cent and capital loan ratio of between 25 and 33. 3%, (c). CBN was empowered to monitor and vet advertisement by banks and to authorize bank amalgamations and opening or closure of bank branches. Banking regulations during this period were largely prudential to ensure banking practices and customer protection.

b. The Era of Guided Regulation (1970-1985): This was guided by the passion for self-reliance. The government took actions that altered the banking industry landscape. The following characterized this period:
i. The government promulgated the Indigenous Decree, 1972 which was amended in 1977, which required Nigerians to dominate the ownership, management and control sections of the economy.
ii. The Federal Government acquired controlling interests in the then existing three expatriate banks in Nigeria, viz: First Bank, Union Bank and United Bank for Africa.
iii. The Federal Government of Nigeria set up Financial System Review Commission (the Okigbo Commission) in order to strengthen the operational efficiency of the financial system.
iv. The Federal Government established wholly owned banks to accelerate the pace of economic development: the Nigerian Agricultural and Cooperative Bank, the Nigerian Bank for Commerce and Industry. Reconstitution of the Nigerian Building Society to form a new Federal Mortgage Bank.
v. The states of the Federation were allowed to establish banks, which led to the establishment of state owned banks.
vi. Intensive public sector intervention by way of direct credit, and selective credit controls imposed on the size of lending to the private sector, sustained increase in paid-up capital of new banks to ₦25million for commercial banks and ₦50million for merchant banks, and strict control of interest rates.
vii. The government approved preferential treatment to certain priority sectors such as agriculture and manufacturing in terms of allocation of credit and interest rates on deposits and loans.
viii. The government introduced stricter foreign exchange control practices in 1982 with the issuance of import license to some approved individuals and companies supported by trade restrictions.

c. Era of De-regulation (1986-1995):

This was a period of expansionary banking era. This was largely the Structural Adjustment Programme (SAP) era. The Federal Government introduced the SAP in 1986 in order to open up the country with the objectives of achieving the following: (CBN, 2000)
i. Achieving balance of payments viability in the short to medium terms.
ii. Laying foundation for sustainable non-inflationary growth and
iii. Improving the efficiency of the private and public sectors.
The notable regulatory reform measure in the banking industry, in line with SAP was de-regulation. The following were the events in the industry during the period in addition to the ten points stated under privatization and commercialization:
i. The introduction of prudential regulations-Prudential Guidelines in 1990. It was to sanitize banking operations in the country, and stem financial distress
ii Nigerian Export and Import Bank (NEXIM) was established in 1991 to promote export of non-oil goods through the provision of credit and risk bearing facilities. This was in addition to National Economic Reconstruction Fund (NERFUND) established in 1989 to provide easier access to a variety of credit for small and medium scale enterprises.

CBN review (2000) shows that the industry witnessed cut-throat competition with many; especially the new entrants adopting all kinds of strategies to outwit each other. The branch network of banks increased astronomically. The merchant bank branches increased from 26 in 1985 to 144 in 1994 while branches of commercial banks within the same period, increased from 1,297 to 2,541.Competition led to innovations in products and service delivery leading to a critical overhaul of the banking industry. The competition led to the following events in the industry during this period:
i. Some banks created risk assets at incredibly low interest rates with or without collaterals or adequate cover while some others generated liabilities at incredibly high rates.
ii. Insider abuse manifested in several dimensions (granting loans secured and unsecured to dummy organizations and individuals, outright stealing).
iii. High rate of loan repayment default especially by state Governments, Federal ministries and parastatals.
iv. Managerial incompetence, the general economic down turn and adverse macro economic conditions.
v. Unstable government policies like the dual exchange rate regime which started with secondary foreign exchange market SFEM in 1986,the use of stabilization securities with debited funds not made available to banks in the face of problems, withdrawal of government funds without prior notice, and non-payments of contractors who have had executed projects for government.
vi. Inadequate regulatory/supervisory capacity and other factors listed were major contributory factors that brought about crisis in the industry which reached an epidemic proportion in 1995 when 55 out of the 120 operating banks were distressed.

d. The Guided De-regulation and Globalization Era (1996 and beyond):

Major reforms of this period according to Onwumere, (2005) were to ensure that Nigerian banks became globally competitive, while implementation of many past reforms measures with a view to ensuring stability in the system was continued. Major tenets that characterize this period are stated below:
i. Interest rate was deregulated in October 1996.
ii. Minimum paid up capital of banks was increased to ₦500million in 1997 and later to ₦2.0billion.

iii. Universal banking was adopted in the economy in 2002.
iv. Re-introduction of Dutch Auction System (DAS) in July 2002 with a view to realigning the Naira exchange rate. Under the system, there is intervention by the CBN twice weekly and end-users bought foreign exchange at their bid rates through authorized dealers.
v. Further to liquidity management by CBN, there would be withdrawal of Public Sector Funds from banks when necessary upon two weeks' notice and return of same when liquidity conditions improve.

e. The current banking reforms (since 2004).

The National Economic Empowerment and Development Strategy (NEEDS) which is the government reform agenda identified the problems confronting the financial sector to include the following:
i. The inability of the sector to play a catalyst role in the real sector.
ii. Shallowness of the capital market.
iii. Dependence of the banking system on public funds as a significant source of deposit and foreign exchange trading.

NEEDS came out with the following strategies, which are to be incorporated in the monetary framework and adopted by regulated authorities:
i. Comprehensive reform process aimed at substantially improving the financial infrastructure (legal codes, information system)
ii. Restructuring, strengthening, and rationalizing the regulatory and supervisory framework in the financial sector.
iii. Addressing low capitalization and poor governance practices of financial intermediaries that submit inaccurate information to the regulatory authorities.

Soludo, (2004:48-51) addressed a special meeting of the Committee of Bankers in which he outlined some elements of the current banking reforms some of which are:
(i) Minimum capitalization for banks of ₦25billion with full compliance by 31st December 2005.
(ii) Phased withdrawal of public sector funds from banks which started in July 2004.
(iii) Consolidation of banking institutions through mergers and acquisitions.
(iv) Establishment of an Assets Management Company as an important element of distress resolution.
(v) Revision and updating of relevant laws, and the drafting of new ones relating to the effective operations of the banking system.
(v) Collaborating closely with the Economic and Financial Crimes Commission (EFCC) in the establishment of the Financial Intelligence Unit (FIU) and the enforcement of the anti-money laundering and other economic crime measures.
When the Central Bank Governor introduced the current reforms, the banking industry's operational performance was not in the best of states. Bank ratings of licensed banks was carried by CBN using CAMEL parameters of the prudential guidelines of 1990. CAMEL means: C=Capital adequacy; A=Asset quality; M=Management competence; E=Earnings; L=Liquidity.

Akingbola, (2001:6-11) in his analysis of the banking environment posited that without doubt, one development which has posed the greatest challenge for the financial industry within the last decade is the crisis of confidence arising out of the pervasive distress that shook the industry in recent years. The distress saga, which at first emerged mainly within the non-bank sub-sector soon spread to the mainstream institutions in 1991. By 1995, the problems had

gone bad enough to threaten the entire banking system. Expectedly, the problem prompted an unprecedented confidence crisis within and outside the industry, which resulted in serious disability for not only the financial system, but also the wider economy. He further stated that it was when Central Bank of Nigeria took courageous move to take out a record of 26 banks at a time, that public confidence gradually began to return to the system. In his conclusion he put the total number of banks already liquidated at thirty-one.

5. Research Methodology

The study is an empirical work which applied on samples chosen from population to evaluate the impact of financial strategy for sustainable performance growth in the Nigerian banking industry in order to avoid and put an end to financial distress. The population for the study is the banking industry which consists of universal banks, the mortgage institutions, the micro-finance banks, the discount institutions, and the various regulators in the industry viz: CBN, NDIC, ICAN, CIBN and NSE. Using Judgmental and purposive sampling techniques, the study covers all the 24 consolidated Universal banks in the economy plus five regulators because of data collation and analysis. Primary and secondary data were used for the study. The instrument for the primary data is a corporate questionnaire developed for field work, while Macro data for ten years from 1998 to 2007 were obtained from Central Bank of Nigeria (CBN) Annual Statistical Bulletin, Nigerian Stock Exchange Facts Book, and Nigerian Deposit Insurance Corporation (NDIC) Annual Bulletin for the secondary data. In the secondary data, we considered the data of all the commercial banks from 1998 to 2001,universal banks from 2002 to 2005 and megabanks for 2006 and 2007.This is to enable us analyze the complete macro data for the industry between 1998 and 2007. The sample selected consists of the present 24megabanks (universal banks) in the economy which resulted from the consolidation that took place in the banking industry in 2005, and the 5 regulators in the sector. The decision to focus on universal banking is judgmental and purposive because the sector is the major financial bedrock that services the economy and the recorded distress and liquidation in the economy are majorly from this sector which has shaken the root of the nation. Furthermore, since the issue of distress affects the whole economy, it is professionally right to involve all the banks because 89 banks reduced to 24 because of the problem of distress required adequate data that cut across the period before mergers and acquisitions and the post consolidation period. Five of the regulators were added to the sample for relevant information necessary for the work thereby making the sample size 29 corporate bodies

6. Data Presentation and Analysis

Question 1: Financial strategy does not correlate with the business of banking, and hence should not be taken into consideration in policy formulation.

The Table 1 below reveals that 75percent and 25percent strongly disagreed and disagreed respectively that financial strategy does not correlate with the business of banking, and hence should not be taken into consideration in policy formulation. No respondent agreed or stayed undecided. This result of the field survey reveals that financial strategy correlate with the business of banking, and hence should be taken into consideration in policy formulation in the banks.

Table 1 CORRELATION OF BUSINESS OF BANKING WITH STRATEGY.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	21	75.0	75.0	75.0
	DA	7	25.0	25.0	100.0
	Total	28	100.0	100.0	

Source Field Survey, 2014

Question 2: Financial strategy strongly supports performance growth and its proper understanding and implementation leads to sustainable business growth.

From table 2 below, 25percent and 75percent agreed respectively that financial strategy strongly supports performance growth and that its proper understanding and implementation leads to sustainable business growth. No respondents disagree or undecided on this statement. The result of the field survey shows that financial strategy is an aid to proper growth and should be properly implemented so that the institutions in the industry can achieve sustainable business growth.

Table 2 PERFORMANCE GROWTH

		Frequency	Percent	Valid Percent	Cumulative Percent
A	Valid	7	25.0	25.0	25.0
SA		21	75.0	75.0	100.0
Total		28	100.0	100.0	

Source: Field Survey, 2014

Question 3: The financial distress and liquidation of banking institutions in Nigerian economy is as a result of non-availability of or poor implementation of financial strategy.

The field survey result as per table 3 below shows that 3.6percent and 7.1percent strongly disagreed and disagreed respectively that financial distress and liquidation of banking institutions in Nigerian economy were as a result of non-availability and poor implementation of financial strategy. 57.1percent and 32.1percent of the sampled population agreed and strongly agreed that the financial distress and liquidation of banking institutions in Nigerian economy were as a result of non-availability of or poor implementation of financial strategy. From this result, we conclude that financial strategy and its proper implementation will solve the problem of financial distress and liquidation of banks in the banking industry**.**

Table 3: POOR IMPLEMENTATION OF FINANCIAL STRATEGY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	1	3.6	3.6	3.6
	DA	2	7.1	7.1	10.7
	A	16	57.1	57.1	67.9
	SA	9	32.1	32.1	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 4 Periodic review of performance, applicability of responsibility accounting system and instant remedial action support performance growth.

The frequency table 4 below reveals the result of the field survey. 17.9percent and 82.1percent of the respondents agreed and strongly agreed respectively that periodic review of bank performance, applicability of responsibility accounting system and instant remedial

action will ensure performance growth in the banking institutions. None of the respondents disagreed with the statement. From the result obtained, Periodic review of performance, applicability of responsibility accounting system and instant remedial action will support performance growth, and will also help to resolve distress problem in the banking industry. From the results obtained in all the research questions in this section, it shows that there is a strong relationship between financial strategy and sustainable performance growth in the banking industry

Table 4: APPLICABILITY OF RESPONSIBILITY ACCOUNTING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	5	17.9	17.9	17.9
	SA	23	82.1	82.1	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 5: Financial distress and banking institutions liquidation in Nigerian banking industry cannot be attributed to poor strategic planning in those banks affected.

From table 5 below, 3.6percent agreed that financial distress and banking institutions liquidation in Nigerian banking industry cannot be attributed to poor strategic planning in those banks affected. 53.6percent and 42.9percent strongly disagreed and disagreed respectively with the statement bringing the total percentage of respondents that disagreed to 96.5percent. The result therefore shows that financial distress and banking institutions liquidation in Nigerian banking industry can be attributed to poor strategic planning in those banks affected. This brings us to the conclusion that strategic planning is very important to the survival and sustainable business growth of banks.

Table 5; ATTRIBUTABLE TO POOR STRATEGIC PLANNING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	12	42.9	42.9	42.9
	DA	15	53.6	53.6	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 6: Poor tax planning and non-compliance with tax laws can lead to large cash outflow, when paying the tax liability, and penal charge for non-compliance with the tax laws and regulations.

The field survey result as indicated in the table 6 below shows that 3.6percent of the sampled population was undecided on the issue which shows that they lacked the knowledge of tax planning in an organization. 3.6percent of the population strongly disagreed which also means they don't know the importance of tax planning in an organization. 39.3percent and 53.6percent agreed and strongly agreed respectively that poor tax planning can lead to large cash outflow when paying the tax liability, and penal charge for non-compliance of tax laws and regulations. The result shows that tax planning is very important in the banking industry, as it is the taxpayer's capacity to arrange their financial activities in such a manner as to suffer a minimum expenditure for taxes. Tax planning involves the use of foresight and consequently it is concerned with future matters. Tax planning involves anticipating a set of circumstances and the identification of opportunities to minimize or defer tax liabilities within the law. It involves arranging affairs to ensure that the maximum allowances, exemption and

reliefs are enjoyed. In-effective tax planning involves paying large cash out of the system because of not obeying the laws and inadequate knowledge of the tax laws.

Table 6 POOR TAXPLANNING AND NON-COMPLIANCE WITH TAX LAWS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	1	3.6	3.6	7.1
	A	11	39.3	39.3	46.4
	SA	15	53.6	53.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 7 Effective budgetary control in the bank enhances profitability and liquidity growth.

From table 7 below, it reveals that 28.6percent and 71.4percent agreed and strongly agreed respectively that effective budgetary control in the bank enhances profitability and liquidity in the banking industry. None of the respondents disagreed with the research question which shows the great importance of budgetary control in the banking institutions.

Budgetary control ensures that the objectives of the budgetary plans are achieved. This is by the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual performance with budgeted results so as to achieve either by individual action, the objectives of such policies or to form a basis for their revision. This is to say that the banking industry must institute effective budgetary control system in order to enhance profitability and liquidity growth.

Table 7 BUDGETARY CONTROL EFFECTIVENES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	8	28.6	28.6	28.6
	SA	20	71.4	71.4	100.0
	Total	28	100.0	100.0	

Source: Field Survey 2014

Question 8 The type of leadership in a banking institution does not have any relationship with the performance and business growth.

The result of the field survey as revealed by table 8 below shows that 3.6percent of the respondents agreed that leadership in the banking industry has no relationship with performance and business growth. 85.7percent and 10.7percent strongly disagreed and disagreed respectively. With 96.6percent in total disagreement that leadership has no relationship with performance and business growth, it shows then that we cannot but express the importance of leadership in the performance of a bank and the business growth in that bank. Leadership is the capacity or ability to show the way by going in advance; the act of guiding a course, behaviour or opinion of others by playing a principal or guiding role, especially in the creation of the excellent organization. We can not divulge leadership from the performance of the organization.

Table 8 LEADERSHIP TYPE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	24	85.7	85.7	85.7
	DA	3	10.7	10.7	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 9: Management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company.

The field result as revealed by table 9 below shows that 28.6 percent and 71.4percent agreed and strongly agreed that management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company. None of the respondents disagreed with the research question. This result shows the importance of training in an organization so as to discover the technical ability of the staff. On-the-job-training and training outside the organization either through professional bodies or higher institutions or well established management consultant will enhance the efficiency and effectiveness of the members of staff.

Table 9 TRAINING OF STAFF PROFESSIONALLY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	8	28.6	28.6	28.6
	SA	20	71.4	71.4	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 10: The lack of technical ability and managerial skills of the staff in performing their functions, have been a major cause of financial distress in the banking industry.

The table 10 below reveals the result of the field work which is widely spread. 3.6percent was undecided on the subject, 10.7 percent strongly disagreed while 25.0percent disagreed that lack of technical ability and managerial skills contributed to the distress in the banking industry. The total percentage that had an adverse opinion therefore is 30.7percent. The result however shows that 42.9percent and 17.9percent strongly agreed and agreed respectively that lack of technical ability and managerial skills of the staff in performing their functions contributed majorly to the financial distress in the banking industry. With total percentage of agreement put at 60.8percent, it shows that lack of technical ability and managerial skills contributed to the distress in the banking industry and will continue to be so until appropriate step is taken to upgrade the technical ability and managerial skills of the staff so as to be able to manage their functions very well.

Table 4:10 TECHNICAL AND MANAGERIAL ABILITY OF STAFF

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	3	10.7	10.7	14.3
	DA	7	25.0	25.0	39.3
	A	12	42.9	42.9	82.1
	SA	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 11: Profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth, while lack of it will negate the objectives pf the business for growth.

The table 11 below reveals the result of the field work which shows that 32.1percent and 67.9percent of the respondents agreed and strongly agreed respectively that profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth in the banking industry through retention and that lack of profitability will negate the corporate objective of the banking institutions for business growth. Among the corporate objectives of the banking institutions are to give maximum returns to the shareholders inform of return on investment to maximize their wealth and also retain profits in the organizations to maximize the wealth of the organization and ensure expansion. Profitability is very important for the evaluation of the performance of the management. The ultimate standard performance in a market-oriented economy is how much net income remains for the owners of a business organization after all expenses are charged against revenue. Most managers will look at both pretax net income and after tax net income to measure the overall financial success or failure of an organization which shows bottom-line indicators of the financial success of a business. None of the respondents disagree with the research statement.

Table 11 PROFITABILITY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	9	32.1	32.1	32.1
	SA	19	67.9	67.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

Question 12: Even if the management of the liquidated banks in the banking industry in Nigeria had embarked on corporate planning, the banks would still face the problem of financial distress.

The field result as revealed by table 12 below shows that 17.9percent of the respondents were undecided on what would be the position of the distress banks as regards corporate planning, 35.7percent and 35.7percent strongly disagreed and disagreed respectively with the statement, which then means that if the liquidated banks had undergone corporate planning during their distress period, they would have escaped liquidation. 7.1percent and 3.6percent of the respondents were of the opinion that if the liquidated banks had instituted corporate planning during their distress period, the problem of financial distress would still continue. With the opinion of 71percent that institution of corporate planning in the operations of the liquidated banks, they would have escaped distress and liquidation, corporate planning therefore is a strategy to avert distress and liquidation in the banking industry. Corporate planning is the

basic goals and objectives of the organization, the major programs of actions chosen to reach these goals and objectives, and the major patterns of resource allocation used to relate organization to its environment. Corporate planning is the determination of the basic long-terms goals and objectives in an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Table 12 CORPORATE PLANNING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	5	17.9	17.9	17.9
	SDA	10	35.7	35.7	53.6
	DA	10	35.7	35.7	89.3
	A	2	7.1	7.1	96.4
	SA	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2014

7. Conclusion and Recommendation

The banking industry in Nigeria has been undergoing serious structural adjustment over the last five years sequel to previous reforms in the country that did not help the situation. This new adjustment and reforms arose from Central Bank of Nigeria (CBN)'s requirements for banks to increase their shareholders fund to a minimum level of N25billion.This triggered off several mergers and acquisitions that have reduced the number of universal banks from 89 to 24 as at 2007. Having therefore carried out a successful survey and analyzed the findings in the work, the following are the recommendations for avoidance and permanent resolution to distress in Nigerian banking industry.

[1] The industry together with each bank should embark on industry transformation by reinventing the banking industry, regenerate strategy and go away from reengineering processes. The transformation can only take the industry out of financial distress with the full implementation of the financial strategy that has been researched and tested. This strategy is referred to *Transformation Financial Strategy Model* i.e. Resolution to Distress =*f*(Financial Strategy and *f*(Performance Growth Indices)

Financial Strategy Indices:

(1) Sound Corporate Governance: Good corporate governance is the set of rules and practices that govern the relationship between the managers and shareholders of the banks as well as other stakeholders. The objective of good corporate governance is to achieve business excellence and enhance shareholder value. Good corporate governance emphasizes the need for transparency, full disclosure, fairness to all stakeholders and effective monitoring of the state of corporate affairs. The Organization for Economic Cooperation and Development (OECD) established the underlining code of corporate governance which each bank should adopt.

i. Ensuring the basis for an effective governance framework, this should promote transparent and efficient markets.

ii. Protect and facilitate the rights of shareholders and key ownership function.

iii. Ensure the equitable treatment of all shareholders.

iv. Recognize the rights of shareholders established either by law or through mutual agreements.

v.Should ensure timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation,performance,ownership and governance of the bank.

vi.The board has the responsibility of ensuring the strategic guidance of the bank,the effective monitoring of the management and the boards accountability to the company and to shareholders. Effective corporate governance is all about the board's performance

The task of governing a corporate entity is the work of board of directors.For effectiveness,the board needs to be made up of the right people,and members who are independent,skilled,knowledegeable,experienced and of diverse perspectives.

(2) Good Investment Policy: This will be a planned line of conduct for all banks in the light of which decisions are made and coordinated to achieve the following:

i.Good credit appraisal to avoid non-performing loans and advances.

ii.Effective management of assets and liabilities to enhance good returns on investment and liquidity availability.

iii.Avoid growing assets more than liabilities so as not to create liquidity problem.

iv.To ensure quality earning assets are created.

v.To ensure good capital budgetary system is in place for effective liquidity management and timely replacement of productive assets.

vi. To ensure adequate fixed assets are bought for operational activities,and enjoy tax benefits in form of capital allowance for equitable payment of tax liability.

vii. To ensure due compliance with Central Bank of Nigeria monetary policy so as to have sound liquidity for expansion and stability of business.

(3)Effective Capital Budgeting System: Capital budgeting is a strategy adopted by an organization whether to buy or lease equipment,whether to stimulate sales or whether to increase the company's asset base,and hence take decisions on capital investment in an organization by determining which specific investment projects the bank should accept, determining the total amount of capital expenditure which the bank should undertake,and determining how this portfolio should be financed. Capital budgeting plans for the acquisition and replacement of longterm expensive items which are called capital assets,like land,building, machinery and equipment.

(4) Corporate Planning: Corporate planning is a financial strategy technique/game employed by a good management for strenthening the organization's position,pleasing customers,and achieving performance targets.This involves every major and department of the organization. For any organization to succeed,it must combine good strategy making with good strategy execution for company performance to approach maximum potential.

(5) Effective Tax Planning: Tax planning is the taxpayers/a banking institution capacity to arrange his financial activities in such a manner as to suffer a minimum tax liability.Tax planning is the use of foresight and concerns with future matters.

6.*Effective Budgetary Control*: Budgetary control is a management techniques,and a financial and quantitative statement,to be prepared and approved prior to a desired period of time of the policy to be pursued for the purpose of attaining given objective

7.*Economic Profit of investment*:This is a way of computing the economic value of any investment by determining the excess of adjusted earnings over the opportunity cost of the capital involved.Economic value of investment is an incentive system to measure the performance of business units or individual managers,the earnings of the amount of equity capital used by the business units must be identified so that their economic value

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