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Banking Sector Reform: An Approach to Restoring Public Confidence on the Nigerian Banking Industry

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Abstract
Loss of public confidence in the banking system occurs when a bank or some banks in the system experience illiquidity or insolvency resulting in a situation where depositors fear the loss of their deposits and a consequent break down of contractual obligations that results in runs on the bank. This work used the various components of bank deposit liabilities to empirically analyze and ascertain if the 2005 bank reform has promoted or engendered public confidence on the Nigeria's banking system. To test for a significance difference for the 2005 banking reform in restoring public confidence in the banking industry, the contributions of the decomposed deposit liability of demand, savings and fixed deposits to the total deposit liability of the Nigerian banking industry were evaluated for pre and post performances for the Nigerian banking industry using the parametric statistical pooled variance t test model to test for a significant difference. From the test of hypotheses the research presented in this paper concludes as follows: that there is no significant difference in the contribution of the demand deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform; that there is a significant difference in the contribution of the time deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform; and that there is a significant difference in the contribution of the savings deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.
Keywords: Nigeria; banking industry; banking reform; public confidence restoration; deposit liabilities

1. Introduction

Economists have come to disagree on the level of government intervention in economic and financial activities all over the world. While some believe that many regulations are necessary in order to protect the depositors' funds and confidence, others believe that banks are overregulated (Adam, 2005 citing Short and O'Driscroll, 1983). For instance, the economic theory of regulation postulates that regulation result from the desire of government to eliminate or correct market failure. It seems that economic theory of regulation has gained more acceptance among economists as Llewellyn (1986) puts it. Regulation is necessary in the case of banks specifically to maintain safe and sound banking system that can meet its obligation without difficulty. Hence, a high solvency and liquidity level is expected of individual banks than they would ordinarily maintain.

Oloyode (1994) observed that the banking Industry is highly prone to volatility and fragility either arising from exogenous or endogenous shocks and are therefore amenable to regulation and supervision. For example, tougher capital requirements may have positive benefits—they may reduce the consequences of market freezes, they may encourage banks to become smaller to avoid "systemic" capital requirements, and they may reduce contagion—but they may not be relied upon to reduce the risk of bank failure. This view is in line with Oke (2006) that observed the inconsistency in monetary and regulatory policies as major setback to banks stability as the surveillance and regulatory measures of the Central Bank of Nigeria (CBN) have unfortunately been unable to keep the pace with the rapidity of the changes in the financial system. Ogunleye (2001) summarized the rationale for banks regulation as efficiency, diversity of choice, competition stability of financial system, macroeconomic stability, and development and social objectives.

Loss of public confidence in the banking system occurs when a bank or some banks in the system experience illiquidity or insolvency resulting in a situation where depositors fear the loss of their deposits and a consequent break down of contractual obligations that results in runs on the bank. While a bank is said to be illiquid when it could no longer meet its liabilities as they mature for payment, it is said to be insolvent when the value of its realizable assets is less than the total value of its liabilities (a case of "negative net worth"). These could lead to bank runs as depositors lose confidence in the system and seek to avoid capital loss. The uncertainty generated as a result of loss of confidence in banking institutions, if left unchecked, often raises real interest rates, creates higher costs of transactions and disrupts the payment mechanism with the attendant economic consequence.

The extent and depth of the banking distress can be of generalized nature or systemic. Generalized distress exists when its occurrence is spreading fast and cuts across in terms of the rapid withdrawal of deposits by members of the public among others which has adversely affected the confidence of the public in the banking system. The problem may become systemic and of serious concern to the relevant supervisory/regulatory authorities when its prevalence and the contagious effects become endemic and pose threats to the stability of the entire system, savings mobilization, financial intermediation process and depositors confidence. Under this situation, the ratios of the total deposits withdrawal should have risen to a level that public confidence in the system would be completely eroded.

Scholars that have studied banking sector reforms mostly concentrated on the effects of such reforms on bank performances such as improved profitability, credit risk reduction, cost savings etc or in relation to credit to the private sector or in relation of the effect on the economy in general. However, to the best knowledge of the researcher, there are scanty reports of the effect of banking sector reforms on the other important arm of financial intermediation, deposit mobilization which captures the level of confidence reposed by members of the public on a banking system. This has not been subjected to any empirical (survey and or statistical) verification at least with respect to the Nigerian situation. Therefore, this work used the various components of bank deposit liabilities to empirically analyze and ascertain if the 2005 bank reform has promoted or engendered public confidence on the Nigeria's banking system. Therefore, following this introduction is section two where we reviewed the related literature while section three is concerned with the methodological framework. In section four and five, the findings and conclusion are discussed respect respectively.

2.0. Review of Related Literature.

Financial sector distress is a situation in which a sizeable proportion of financial institutions have liabilities exceeding the market value of their assets. This may lead to runs on banks and other portfolio shifts and eventual collapse of the financial system. Distress in the banking industry occur when a fairly reasonable proportion of banking institution in the system are unable to meet their obligations to their customers as well as their owners (shareholders) and the economy as a result of weakness in their financial, operational and managerial conditions; which have rendered them either illiquid and /or insolvent. Sinkey (1989) states that a distressed bank is a bank that is most likely to present the greatest potential of financial risk to the deposit insurance fund. Continuing, Sinkey (1989) also viewed distress as a condition when a bank has negative capital and current profits which are insufficient to cover losses to such an extent that the bank is unable to generate internally positive capital. Distress in the Nigerian banking system has been chequered and battered from the early periods of the introduction of the banking culture.

Regimes in Central Bank of Nigeria have always geared up towards the avoidance of banking distresses and its attendant consequences as witnessed in Nigeria in the past. According to Soludo (2007) "the Nigerian banking system has undergone remarkable changes over the years. These changes have been influenced largely by challenges posed by deregulation of the financial sector, globalization of operations, technological innovations, and adoption of supervisory and prudential requirements that conform to international standards." On July 6th, 2004 the CBN in an attempt to consolidate and strengthen the banking system and solve the problem of illiquidity and distress, and to restore public confidence in the sector raised the minimum paid up capital requirement of banks from N2 billion (two billion naira) to N25 billion (twenty five billion naira) with full compliance set by the end of December, 2005. The key driving force behind this consolidation policy is to transform Nigerian banks from the weak, marginal players they have been, into mega banks that would ultimately transform into strong global competitors.

The 2004/2005 Banking Sector Reforms in Nigeria (the 13 -point agenda).

Kama (2006) in his analysis on the recent reform in the Nigeria banking industry notes that the regulatory authorities decided to streamline the regulatory framework and strengthen its supervisory capacity in order to forestall the re-emergence systemic distress and facilitate the attainment of the vision of a strong, competitive and reliable financial markets that meet the best international best practices. Thus the reform were to ensure the safety of depositors' money, position banks to play active developmental roles in the Nigerian economy, and become major players in the sub-regional, regional and global financial markets, (Soludo, 2004). It is against this backdrop that Soludo (2004) outlined the first phase of the Nigerian banking sector reform designed to ensure a diversified, strong and reliable banking industry. The key elements of the 13-point reform programme are:

(i) Requirement that the minimum capitalization for banks should be N25 billion with full compliance before end-December 2005 (that is, 18 months' notice rather than 12 months normally given in many countries).

• Only the banks that meet the requirement can hold public sector deposits, and participate in the DAS auction by end 2005.

• Publish the names of banks that qualify by 31 December 2005.

(ii) Phased withdrawal of public sector funds from banks, starting in July2004.

(iii) Consolidation of banking institutions through mergers and acquisitions.

(iv) Adoption of a risk focused, and rule-based regulatory framework.

(v) Adoption of zero tolerance in the regulatory framework; especially in the area of data/information rendition/reporting.

(vi) The automation process for rendition of returns by banks and other financial institutions through the electronic Financial Analysis and Surveillance System (e-FASS) will be completed expeditiously.

(vii) Establishment of a hotline, confidential internet address (Governor@cenbank.org) for all Nigerians wishing

to share any confidential information with the Governor of the Central Bank on the operations of any bank or the financial system. Only the Governor has access to this address.
(viii) Strict enforcement of the contingency planning framework for systemic banking distress;
(ix) Work towards the establishment of an Assets Management Company as an important element of distress resolution;
(x) Promotion of the enforcement of dormant laws, especially those relating to the issuance of dud cheques, and the law relating to the vicarious liabilities of the Board members of banks in cases of failings by the bank. A situation where a bank collapses due to negligence and mismanagement and the bank directors move about in their limousines while the poor depositors languish in pains is unjust and unfair. There is a law which makes the Directors and management liable, and we will henceforth enforce them.
(xi) Revision and updating of relevant laws, and drafting of new ones relating to the effective operations of the banking system.
(xii) Closer collaboration 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. Greater transparency and accountability will be the hallmark of the system.
(xiii) Rehabilitation and effective management of the Mint to meet the security printing needs of Nigeria, including the banking system which constitutes over 90 percent of the Mint's business. In due course, you will not need to print your cheques abroad.
In terms of policy thrust therefore the banking sector reforms are expected to build and foster a competitive and healthy financial system to support development and avoid systemic distress (Soludo, 2007). Thus Balogun (2007) averred that banking sector reforms is interpreted to mean embarking on comprehensive process aimed at substantially improving the financial infrastructure, strengthening the regulatory and supervisory framework to address the issue of low capitalization and a structured financing for cheap credit to the real sector and financial accommodation for small and rural credit schemes.

Empirical Literatures.

Studies have shown that the objectives of financial sector reforms are broadly the same in most countries of sub-Saharan Africa (Omoruyi 1991, Balogun, 2007). These are summarized to include market liberalization for promotion of more efficient resource allocation, expansion of savings mobilization base, promotion of investment and growth through market base interest rates. It also means the improvement of the regulatory and surveillance framework, fostering healthy competition in the provision of service and above all laying the basis for inflation control and economic growth (Balogun, 2007).
Sulaimon, Akeke and Fapohunda (2011) examined the capital base of Nigerian banks after the consolidation exercise of 2005 and described the effect of recapitalisation on the performance of Nigerian banks. Secondary data used for the study were sourced from the banks' annual reports and financial statements for years 2006 to 2008. The data collected were analysed using descriptive statistics and ratio analysis and results revealed that there was a significant increase in capital base of banks after the consolidation exercise from N970.77b in 2005 to N2, 589.03 in 2008. Sulaimon, Akeke and Fapohunda (2011) concluded that capital reform has no significant effect on performance of troubled banks in Nigeria.
Elumilade (2010) noted that the value gains alleged to accrue to the large and growing wave of merger and acquisition activity have not been verified thus, leading the research community in quandary on whether the industry has followed a path of massive restructuring on a misguided belief of value gains or whether the financial regulators and operators are lying to the public and shareholders about the effects of their activity on shareholders' value and banking performance. Elumilade (2010) investigated the effects of mergers and acquisitions on the efficiency of financial intermediation in the Nigerian banking industry. To this effect Elumilade (2010) estimated a model that incorporates some key financial variables in a model that regress interest rates on these financial variables. Two models were estimated: one for the lending activity and the other for the deposit activities. The model for lending activity has interest rate on loan as the dependent variable and deposit rate represents the dependent variable in the deposit model. The study found evidence to support the thesis that the consolidation programme-induced mergers and acquisitions in the banking industry had improved competitiveness and efficiency of the borrowing and lending operations of the Nigerian banking industry.
One of the major macroeconomic variables that compliment bank performances is availability of capital (Bakare, 2011). Economic theories show that inadequate capital contributes to bank failures and retards economic growth. Bakare (2011) examined the trend and the growth implications of bank capitalization in Nigeria. The secondary data used for the study were processed using sample test technique for difference between two means and the E-view for windows electronic packages. Using the test of difference of mean Bakare(2011) compared the means of the variables before and after recapitalization to see if there is any significant difference between the two periods. Their findings showed that there is a significant difference between the two means and hence the two periods. The result indicated that post recapitalization mean of 21.58 is higher than the pre recapitalization mean of 15.09, implying that banks are more adequately capitalized and less risky after the programme. This result

also indicated that recapitalization has low but significant influence on the growth of Nigerian economy compare to other variables in the model. The study strongly supported the need for the government to sustain the recapitalization policy.

Osinubi (2006) in his study of the effects of recapitalization on financial performance in selected banks 2001-2005, found that the asset quality of the Nigerian banking industry does not depend on its capital base. The study calculated the CAMEL ratios for each of the selected banks and relates these to their capital base. Data was collected on shareholders fund, which constitutes the bank's capital base; data was also collected on the total asset, classified loans, Earning before interest Taxes (EBIT) and Gross Loans and Advances. Using the CAMEL indicators, the study found that the asset quality of the Nigerian banking industry does not depend on its capital base. However, the study shows that the more the capital base the higher the liquidity and capital adequacy of the banking industry. The return on assets also increases as the firm's capital base increases.

Umoren and Olokoyo (2007) examined the mega banks by evaluating their performance four years after the consolidation exercise in Nigeria. They examined the impact of consolidation on performance and considers if there had been considerable improvement on their profitability, liquidity and solvency. In this study, Umoren and Olokoyo (2007) analyzed the performance ratio of a sample of thirteen (13) mega banks. A descriptive analysis of these performance ratios was carried out. Correlation Analysis was used to test the impact of the consolidation on the performance measurement parameters. Umoren and Olokoyo (2007) found that, on average, bank consolidation resulted into improved performance and therefore suggests that the bank management should embrace broad product strategies, which could help in generating more income for the banks. Banks should also embrace diversification and financial innovation in order to produce new products and services.

Okpanachi (2010) made a comparative analysis of the impact of mergers and acquisitions on financial efficiency of banks in Nigeria. The paper used gross earnings, profit after tax and net assets of the selected banks as indices to determine financial efficiency by comparing the pre-mergers and acquisitions' indices with the post-mergers and acquisitions' indices for the reviewed period. For this paper, three Nigerian banks were selected using convenience and judgmental sample selection methods. Data were collected from the published annual reports and accounts of the selected banks and were subsequently analyzed applying t-test statistics through statistical package for social sciences. It was found that the post-mergers and acquisitions' period was more financially efficient than the pre-mergers and acquisitions period. However, to increase banks financial efficiency, the study recommend that banks should be more aggressive in their profit drive for improved financial position to reap the benefit of post mergers and acquisitions bid.

Viverita (2008) noted that an inclusive merger mechanism became one option for the Indonesian banking industry to response the Asian Financial crisis under its bank consolidation program. This study gave insight into the effectiveness of economic policy reforms in the Indonesian banking industry. Viverita (2008) examined the impacts of merger on commercial bank's performance in Indonesia during 1997 to 2006 a period characterized by financial deregulation, the Asian economic crisis, and bank restructuring programs. The traditional financial ratios and nonparametric Data Envelopment Analysis approach were employed to investigate any efficiency gains both in the pre and post-merger periods, in order to detect whether bank mergers produce any efficiency gains as well as factors contributed to the performance. Evidence from Viverita (2008) shows that merger created synergy. This is as indicated by the statistically and significantly increasing post-merger financial and productive efficiency performances.

Obaid (2010) investigated the effects of mergers on the financial performance of financial institutions in Pakistan. The operating performance, capital adequacy and solvency measures were compared for 4-years pre and post-merger from the financial statements of the sample companies. Obaid (2010) found out that; the financial performance of Faysal bank limited improved insignificantly in terms of profitability and decreases insignificantly in terms of capital adequacy measures, while its solvency measure reports significant deterioration during the post-merger years; the results for Atlas Investment bank reflect an overall gloomy picture, where it reports insignificant decrease in the profitability, capital adequacy and significant decrease in the solvency measures. Therefore, Obaid (2010) concluded that on average financial performance of Faysal bank limited and Atlas investment bank limited improved during the post-merger years. M&A activities could still be considered and recommended as an option for improving the banks' performance as M&A may have positive effects on financial performance due to renewed attention to business, improved management, better credit assessment, and utilizing the new technology (Obaid, 2010) recommended.

Naceur and Omran (2010) examined the influence of bank regulation, concentration, and financial and institutional development on commercial bank margins and profitability across a broad selection of Middle East and North Africa (MENA) countries. The empirical results suggest that bank-specific characteristics, in particular bank capitalization and credit risk, have a positive and significant impact on banks' net interest margin, cost efficiency, and profitability. Also Naceur and Omran (2010) found that macroeconomic and financial development indicators have no significant impact on net interest margins, except for inflation. Regulatory and institutional variables seem to have an impact on bank performance.

Sophocles, Manthos and Nikolaos (2008) examined the relationship between banking sector reform and bank performance – measured in terms of efficiency, total factor productivity growth and net interest margin – accounting for the effects through competition and bank risk-taking. To this end, they developed an empirical model of bank performance and draw on recent econometric advances to consistently estimate it. The model was applied to bank panel data from ten newly acceded EU countries. The results indicated that both banking sector reform and competition exert a positive impact on bank efficiency, while the effect of reform on total factor productivity growth is significant only toward the end of the reform process. Finally, the effect of capital and credit risk on bank performance is in most cases negative, while it seems that higher liquid assets reduce the efficiency and productivity of banks (Sophocles, Manthos and Nikolaos, 2008) concluded.

Okafor (2012) attempted to evaluate the performance of Nigerian banks before and after the consolidation exercise. The major components of assets and liabilities of banks from 2004 – 2009 were extracted from the aggregated balance sheet structure of the banking system sourced from the CBN annual reports. The major performance variables analyzed were capital adequacy, asset quality, liquidity and management efficiency. The period 2004-2005 was designated the pre consolidation era, while 2006 – 2009 was deemed the post consolidation period. In testing the hypotheses the t-test helped to ascertain whether there was a significant difference in the performance of banks before and after consolidation. The result shows that consolidation has improved the performance of the Nigeria banking industry in terms of asset size, deposit base and capital adequacy. However, the profit efficiency and asset utilization efficiencies of the banks have deteriorated since the conclusion of the consolidation programme. The paper recommends that banks should try to avoid weak balance sheets and inadequate corporate governance. The research posits further that consolidation of banks may not necessarily be a sufficient tool for achieving financial stability for sustainable development that there is the need to develop a new framework for achieving financial sector stability rather than relying on banking consolidation policy. This is because banking consolidation in Nigeria as in many other countries has not proved to be reliable panacea for bank failures and crisis (Okafor, 2012) concluded.

Ani, Ugwunta and Ibe (2012) x-rayed the effect of bank consolidation on cost savings for consolidated banks in Nigeria. They delineated the studied period into two periods before and after the 2005 concluded bank consolidation exercise in Nigeria. The Cost Income Ratio (CIR) was used as a proxy to measure cost savings for six banks quoted on the Nigerian Stock Exchange for a 10-year period (2000-2009). The sampled banks five years performance before the consolidation exercise was compared to the banks five years performance after the consolidation exercise. The paired sample t-test statistics was used to test the formulated hypothesis for a significant difference between the means of the two sample periods (pre and post consolidation) observed at two points in time. The findings revealed that the sampled banks recorded decreases and increases in the operational variable at various intervals of the pre and post consolidation periods. However, two banks had significant differences on costs saving. Accordingly, the study revealed that the 2005 concluded bank consolidation exercise in Nigeria has not achieved costs saving for all the consolidated banks in Nigeria. Therefore, regulated consolidation may not the best option for reducing banks' operational cost.

The past empirical studies above concentrated mostly on bank performances adopting measures such as capital bases, value gains, asset quality, cost savings, financial efficiency, etc after certain banking reforms. Obviously, the issue of public confidence restoration has not been subjected to empirical testing. This study therefore employs the deposit liability of the Nigerian banking industry as a measure for public confidence restoration in the industry. This is the gap expected to be filled by carrying out this study.

3.0 Methodology

The research presented in this paper employed the Ex Post Facto research design because it involved events which have taken place. Basically, the nature and sources of data for the analysis of this work was secondary data, and gathered from the Central Bank of Nigeria statistical bulletin. This is because it is ideal in answering our research questions and to empirically test our research hypotheses. Such statistical bulletin was downloaded from the official website of the CBN. In choosing our variables, care was taken not to deviate from our set objectives. Therefore, this research relied heavily on historic data as data that were generated from annual reports of the Central Bank of Nigeria for an eleven year period (2000 to 2010).

This study covered the entire Nigerian banking industry. The variables for the study were therefore structured to capture the deposit liability of the Nigerian banking industry. This enhanced the measuring of the restoration of public confidence in the banking industry in relation to customers' deposits in the banks without the fear of loss of fund due to bank failures. The deposit liability of the banking industry was decomposed to demand deposit; time deposit; the savings deposit; and the total deposit liability of the Nigerian banking industry.

The tests of hypotheses were in line with the approach adopted by Adegbaju and Olokoyo, (2008), and Ani, et al (2012) in their works on the significance and effect of bank consolidation and bank performance. To test for a significance difference for the 2005 banking reform in restoring public confidence in the banking industry, the contributions of the decomposed deposit liability of demand, savings and fixed deposits to the total deposit liability of the Nigerian banking industry were evaluated for pre and post performances for the Nigerian banking industry using the parametric statistical pooled variance t test model to test for a significant difference. The parametric test focuses on the significance difference between chosen variables, dealing with computed ratios. This has the capability of determining whether a significant difference exits between the performances of the deposit liabilities of the Nigeria banking industry before and after the 2005 banking sector reform.

4.0. Findings.

The research presented in this paper covered the deposit liabilities (demand, savings, and time) of the Nigerian banking industry. This research covered the period of 2001 to 2010 which was divided into two periods of before and during the 2005 banking reforms (2001 – 2005) and after the 2005 banking sector reform (2006 – 2010) with the aim of evaluating contributions of decomposed deposit liabilities to industry total deposit liability as a result of the 2005 banking reforms. This also enabled a comparison of the two periods given our variables and to ascertain if a statistical significant difference exists after the 2005 banking reforms using the pooled variance t-test. This section therefore presents the data collated as well as the analysis in accordance with the objectives of this study.

Table 4.1: Pre Reform Deposit Liability of the Nigerian Banking Industry (N' Million).

Period	**Demand Deposit**	**Time Deposit**	**Savings Deposit**	**Total Deposit**
2001	448,021.4	235,453.7	216,509.4	947,182.9
2002	503,870.4	300,140.1	244,064.1	1,157,111.6
2003	577,663.7	324,676.4	312,368.9	1,337,296.2
2004	728,552.0	401,080.6	359,311.2	1,661,482.1
2005	946,639.6	498,952.4	401,986.8	2,036,089.8

Source: CBN Annual Report (2003; 2005).

The table above displays the disaggregated deposit liability of the Nigerian banking industry. The components of total deposit liability for the industry include demand deposit, savings deposit and time deposit others include foreign currency deposit. The table reveals an increasing trend throughout the period for demand deposit, time deposit and savings deposit which resulted in a continued increase in total deposit for the Nigerian banking industry. The table shows dynamic characteristics but a study of the contribution of the individual component to total deposit as revealed in table 4.2 below shows that the demand deposit has the largest average contribution to total deposit contributing about 45%, followed by time deposit at 24.74% and 21.73% for savings deposit to total deposit averagely throughout the period.

Table 4.2: Contribution of Demand, Time and Savings Deposits to Total Deposit.

Period	RDDTD	RTMTD	RSDTD
2001	47.3	24.86	22.86
2002	43.55	25.94	21.09
2003	43.2	24.28	23.36
2004	43.85	24.14	21.63
2005	46.49	24.51	19.74
Average	45	24.74	21.73

Source: Author's calculation from table 4.1.

Where:

RDDTD = Ratio of demand deposit to total deposit.

RTMTD = Ratio of time deposit to total deposit

RSDTD = Ratio of savings deposit to total deposit.

At the beginning of the pre-reform period in 2001 and end of the period in 2005 demand deposit made the highest contributions of 47.3% and 46.49% respectively to total deposit of the Nigerian banking industry. Year 2001 has the highest contribution of demand deposit to total deposit in the period. The reason behind this could be likened to the introduction of the universal banking model where commercial banks became a financial super market offering other financial services as foreign exchange, insurance, fund administrator, stockbrokerage services etc. The introduction of universal banking could be said to have enhanced the confidence in the banking industry. Time deposit recorded the highest contribution of 25.94% to total deposit while savings deposit has the highest contribution of 23.36% in 2003. The yearly contributions of savings deposit to total deposit shows that savings in the banking industry dropped from 2003 to 21.63% in 2004 to 19.74% in 2005 as represented in fig 4.1 below. This evidenced the loss of public confidence in the banking industry prior to the 2005 concluded reform. The public been uncertain of the banking were discouraged from leaving hard earned money as savings

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in the Nigerian banks.

Fig 4.1.Contribution of Demand, Time & Saving Deposits to Total Deposit.

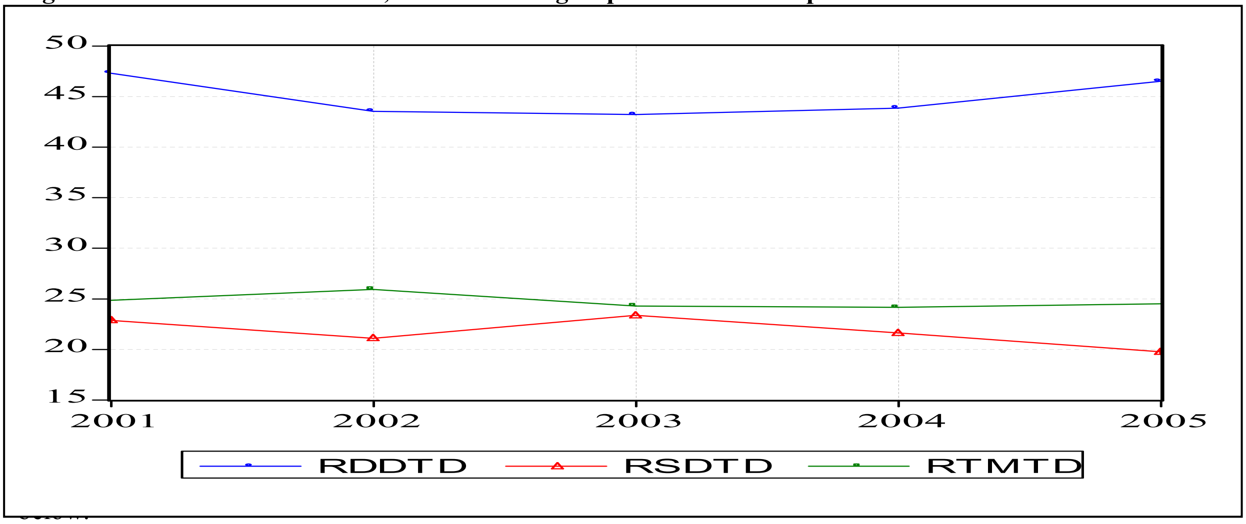

Table 4.3: Post-Reform Deposit Liability of the Nigerian Banking Industry (N' Million).

Period	Demand DEP	Time Deposit	Savings Deposit	Total Deposit
2006	1,497,903.7	852,358.0	592,514.8	3,245,156.5
2007	2,307,916.2	1,465,281.5	753,868.8	5,001,470.5
2008	3,650,643.9	2,293,605.8	1,091,812.2	7,960,166.9
2009	3,386,526.5	3,147,266.3	1,171,917.8	9,150,037.7
2010	3,830,282.0	2,858,793.6	1,589,175.4	9,784,542.5

Source: CBN Annual Report: (2007; 2010).

Table 4.4:Contribution of Demand, Time & Saving Deposits to Total Deposit.

Period	RDDTD	RTMTD	RSDTD
2006	46.16	26.266	18.258
2007	46.14	29.297	15.073
2008	45.86	28.814	13.716
2009	37.01	34.396	12.808
2010	39.15	29.217	16.242

Source: Author's Calculation from Table 4.3.

Where: RDDTD = Ratio of demand deposit to total deposit.

RTMTD = Ratio of time deposit to total deposit

RSDTD = Ratio of savings deposit to total deposit.

Although, the components of the total deposit liability, demand deposit, time deposit and savings deposit maintained a steady growth in the post-reform period 2006 to 2010, the components contribution to total deposit shows mixed evidences.

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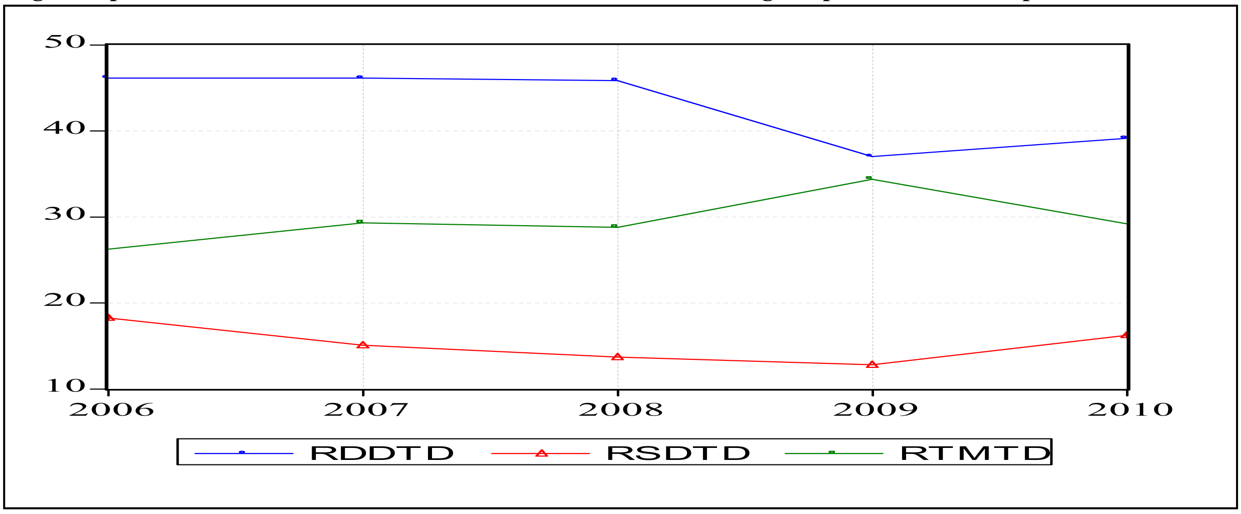
Fig.2. Representation of Contribution of Demand, Time and Savings Deposits to Total Deposit.



liability. In 2009, demand deposit liability was 37.01% which is at the peak of the economic financial crises. However, the contribution of the time deposit liability to total deposit liability maintained a steady rise from 24.51% in 2005 to 29.29% in 2007 to 34.39% in 2009 the highest contribution to the Nigerian banking industry total deposit liability in the eleven year period under review. In 2010, the end of the period, the contribution of the time deposit liability to total deposit liability fell to 29.21%.

Test of Hypotheses

The research presented in this paper tested three formulated hypotheses stated in null form as follows:

1. There is no significant difference in the contribution of the demand deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.
2. There is no significant difference in the contribution of the time deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.
3. There is no significant difference in the contribution of the savings deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.

Decision rule: Accept H0 if $t_c < 2$ and the p-value > 0.05, otherwise, reject H0.

Results.

The proxy used to capture the contributions of demand, time and savings deposits to total deposit liability of the Nigerian banking industry are the ratios of demand, time and savings deposits to total deposit of the industry.

Table 4.5 below presents the results of the paired samples t-test.

Table 4.5: Paired Samples Test

		Paired Differences					T	df	Sig. (2-tailed)
					90% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	prerddtd – postrddtd	2.01265	4.89000	2.18688	-2.64943	6.67474	.920	4	.409
Pair 2	prertmtd – postrtmtd	-4.85376	3.29484	1.47350	-7.99503	-1.71248	-3.294	4	.030
Pair 3	prersdtd – postrsdtd	6.51625	2.64952	1.18490	3.99022	9.04227	5.499	4	.005

Source: Author's SPSS Output.

The paired samples t-test of .920 statistics for the combined ratio of demand deposit to total deposit mean is2.01265 and is positive. Looking critically at table 4.5 above, the paired mean difference of the combined sample for the ratio of demand deposit to total deposit been 2.01265 with t_c .920 < 2 is not significant at 0.05. The result from the above analysis therefore suggests that the 2005 banking sector reform have not engendered public confidence in maintaining demand deposits with Nigerian banks. This result is strengthened by the P-value of .409 > 0.05 significance level. Therefore, we accept H0 while concluding that there is no significant difference in the contribution of the demand deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.

For hypothesis two and as can be seen from table 4.5 above, the paired sample for the combined mean for the ratio of time deposit to total deposit liability of -4.85376 is significant. The result is evidenced by the t_c of 3.294 in absolute > 2 and as such is significant. The t-test result is further strengthened by the significance value of .030 < .05. Using the decision criteria of accepting H0 if $t_c < 2$ and the p-value > 0.05, otherwise, reject H0 therefore, we reject the null hypothesis and conclude that there is a significant difference in the contribution of the time deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.

For hypothesis three, table 4.5 above, reveals the paired sample t-test statistics for the combined samples mean of the ratio of savings deposit to total deposit liability of the Nigerian banking industry is 6.51625 and is significant. The result is supported by the t_c of 5.499 > 2 and as such is significant. The t-test result is further strengthened by the significance value of .005 < .05.Using the decision criteria of accepting H0 if t_c< 2 and the p-value > 0.05, otherwise, reject H0, we therefore reject the null hypothesis while accepting the alternate and conclude that there is a significant difference in the contribution of the savings deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform.

5.0 Conclusion.

From the test of hypotheses presented in section four, the research presented in this paper concludes as follows: that there is no significant difference in the contribution of the demand deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform; that there is a significant difference in the contribution of the time deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking sector reform; and that there is a significant difference in the contribution of the savings deposit to the total deposit liability of the Nigerian banking industry after the 2005 banking.

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