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BANK DISTRESS: CONCEPTS, CAUSES AND MAGNITUDE, ROLE OF TRADE UNION AND BANK MANAGEMENT

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ABSTRACT

Employees often come to organization with past experiences, which give them a framework of expectation about how they should be treated. The work environment itself provides structures, which influence the behavior of the employees. The relationship between the employees and the employers can best be understood through the notion of psychological contract. This concept means that there is a set of expectations operating at all times between members of the organization and the managers. Both the employees and the employers alike often enforce these expectations though unwritten with the strongest of feelings. Some of the expectations changes over time. This paper looked at the role played by trade union and bank management in cubing distress in order for the organization to meet the expectations of the various stakeholders and for the continuous survival of the banking industry. This paper aims among others to review through historical data the operational and policy frameworks of the global and Nigerian banking system. The method used is the content analysis. Historical (secondary data) such as journals, articles, textbooks, newspapers and Internet etc are employed. *The paper concludes that trade union should adopt modern methods in curbing distress in the banking industry so as to minimize unnecessary confrontation with management while bank management should give sound and purposeful leadership.*

Key words: Bank distress, Trade union, Bank management, Capital adequacy

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1.1 INTRODUCTION

The financial Institutions, especially banks, are experiencing sudden widespread attack in form of financial distress. Despite the recent increase in the minimum paid up share capital of banks (Deposit Money Banks) in Nigeria from N2billion may further worsen the issue because some operators may more be involved in shaddy deals like that which happened in the liquidated Peak Merchant Bank.

The banking industry is the hub around which other sectors revolve. They are regarded as agents in the development process of any economy because they intermediate for fund from surplus units to deficit units.

1st March, 2003 (first quarter) marked an important another watershed in the history of Nigeria's financial landscape. The euphoria that financial distress is over in the banking industry fizzled away with the revocation of the operating license of Peak Merchant Bank limited by the Central Bank of Nigeria (CBN) on the reason of insolvency. Earlier, on the 19th February, 2002, the operating license of Savannah Bank was revoked for almost similar reasons by the apex bank. According to Aminu (2003) the CBN Director of Banking Supervision, Mr. Ignatius Imala, stated that the revocation of Savannah Bank license was necessitated by the ineptitude and instability of management coupled with the insolvent and deteriorating financial position of the bank. In the recent past, the government had taken drastic measures to shore up the industry from this mess by establishing Nigeria Deposit Insurance Corporation (NDIC) in 1988 and issuing Companies and Allied matters Act (1990). Theses were strengthened by the Failed Bank Decree (1994). In spite of these measures, bank distress has continued unabated and the end is not yet in sight.

Prior to the 1980's, the traditional role of a trade union was to advance and to protect the interests of its members and see to it that collective agreements between management and union are implemented. The economic crisis of the 1980's brought about cataclysmic changes in industrial relations system in Nigeria. This crisis can be attributed to the sharp fall in oil prices, the mismanagement and the endemic structural deficiencies of the Nigerian economy in the past. Due to the mismanagement of depositors fund and poor conditions of services, the banking industry witnessed series of strikes in the mid 1990's by NUBIFIE (the National Union of Banks Insurance and Financial Institutions Employees) and ASSBIFIE (Association of Senior Staff of Banks, Insurance and Financial Institutions Employees).

With the delisting of Peak Merchant Bank, Afribank, Spring Bank, Bank PHB, Equatorial Trust Bank, First Inland Bank, Intercontinental Bank, NIB, Oceanic Bank, and other liquidated banks from the Nigerian banking landscape, the multimillion naira question now being asked by financial experts is how many more banks would follow suit especially with the introduction of a single transaction account via CBN for the collection of all government revenues? The objective of this study is to educate trade unions and bank management on some modern methods to employ to curb distress in the banking industry and also prevent future strikes so as to function as a going concern entity. This paper will also attempt to examine the term ‘distress’, causes of bank distress/failure and the role of trade union and management in curbing this menace in the banking industry. Section one above dwell on the introduction. Section two discusses the Conceptual, theoretical framework and review of relevant literature while Section three discusses briefly the methodology. Section four provides analysis and discussion of causes and magnitude of bank distress in Nigeria, role of trade unions and bank management. The paper ends with conclusion and recommendations.

2.1. CONCEPTUAL/THEORETICAL FRAMEWORK AND REVIEW OF RELEVANT LITERATURE

Conceptual Framework

According to the Central Bank of Nigeria annual report (1995), the concept of financial distress is defined as that which occurs in financial institutions which among other things fail;

a. to meet capitalization requirements.
b. has weak deposit base and
c. afflicted by mismanagement

In the past, the CBN classification of distress is often based on the following bank examination rating system CAMEL. The CAMEL test the acronym for: Capital adequacy, Assets quality, Management, Competence, Earning, Strength, Liquidity sufficiency

However, recent studies have extended the bank rating system to CAMELBCOM.The CAMELBCOM test the acronym for: Capital adequacy, Assets quality, Management competence, Earning strength, Liquidity sufficiency, Business risk, Control, Organization, Management. Therefore, distress occurs when a bank is faced with operational, managerial and financial difficulties. The term ‘distressed’ bank entered into the lexicon of banking in Nigeria between 1990 and 1995, though it has been in existence since early 20th century. To the general public the term connotes an unmanageable, unviable and insolvent bank that is tending towards liquidation. During the period 1990- 2013, the following additional 12 banks were specifically mentioned and acquired by the Central Bank of Nigeria, namely:

1. New Nigeria Bank Plc
2. Merchant Bank of Nigeria Plc.
3. African Continental Bank Plc
4. Pan African Bank Ltd
5. Co-operative and Commercial Bank Plc
6. National Bank of Nigeria Plc.
7. Spring Bank
8. Oceanic Bank
9. Afribank
10. Intercontinental Bank
11. Bank PHB
12. Union Bank

All of the above twelve banks have gone into extinction or acquired by other banks except Union Bank despite undergoing surgical financial restructuring. The acceptance of the fact that banks are distressed coupled with the unwholesome acts perpetrated by some wonder banks and financial houses affect the confidence of depositors in the Nigerian financial industry in general. This, also, led to the withdrawal of operating licenses and/or subsequent liquidation of Capital Merchant Bank, Financial merchant Bank, United commercial Bank, Alpha Merchant Bank, Republic Bank, Savannah Bank of Nigeria Plc and the attendant loss incurred by depositors since Nigeria Deposit Insurance Corporation can only pay a maximum of N50,000.00 to a single depositor up to 1995.The amount paid to depositors of liquidated banks has increased to N500,000 for individuals and N3,000,000 for corporations.

Theoretical Framework

Trade union is defined as any combination of workers or employers, whether temporary or permanent, the purpose of which is to regulate the terms and conditions of employment of workers. We can have a trade union of workers, minimum 50 members or a trade union of employers' minimum membership of 2. The employees has a right to a written statement of the terms and conditions of his employment, also, an employer has a duty to provide such terms in writing. The theoretical framework of this study is based on the above principle, which can be found within the statute and under the common law. Section 23 of the Trade Union Act 1990 says a trade union cannot be liable for tort for any act done in contemplation or furtherance of a trade dispute. Section 42 of the Trade Dispute Act 1990 gives statutory backing to the notion of “no work no pay” for striking workers. Section 1A, 1 of the Trade Dispute (Amendment) Decree of 1992 says the industrial arbitration court alone shall hence forth entertain all actions relating to trade dispute. The trade disputes emergency provision decree No. 21 of 1968 restricted strike action and lockouts on the part of union and management and set forth arbitration tribunal and the minister could appoint any person from the public to serve in the tribunal to help resolve trade disputes. However, the decree No. 53 of December, 1969 amended decree 21 of 1968, and banned strikes and lock out and established a standing arbitration tribunal.

The trade disputes decree No. 7 of 1976, on the basis of the weaknesses of the previous law improved and institutionalized by setting up the arbitration panel to settle disputes requiring urgent attention referred to it on behalf of both parties to a dispute. Trade dispute decree No. 7 of 1976 established the National Industrial Court (NIC) Akin to the Court of Appeal and disputes can be referred to it by Minister of Labour without reference to industrial arbitration panel. NIC has appellate jurisdiction and decision of the court is considered final. By section 2 of the trade disputes decree No. 7 of 1976, as amended, the ministry of labor may make order binding on the parties to a collective agreement either in part or whole of the provisions of the collective agreement deposited with it by the parties.

From the above theoretical framework, it can be inferred that trade union have several means of settling disputes with management instead of grinding the organization to a sudden halt. Without industrial peace in any organization employees cannot put in their level best in order to maximize output and also enhance profit. Every party to Industrial dispute (Employer, Employee and Government) has a role to play in contributing to the profitability of the organization which may also help to stem the tide of distress. Scholars at various times in the past posited that trade unions should always strive to maintain industrial peace by employing collective bargaining technique in the process of trying to resolve differences with management. For instance, trade unions should see bank management as partners in progress. Industrial relation is the relation between labor and management while the state plays a mediatory role. The relations come out of employment relationships and involve the management of conflicting interest between the parties to employment contract. The principles and practice of industrial relation should be encouraged in bank.

Brief Global History of Distress /Failure and Nigerian Experience

According to Hempel and Simonson (1999:16), from 1985 to 1992 there were 1304 failures or about 186 bank failures per year. From 1934 to 1984, the nation (USA) had experienced 756 bank failures or about 15 per year. As at December 31st, 1996, they identified 9528 entities as insured commercial banks, down from a post-world war II peak of close to 15380 in 1983. The cause of the failures was the banks' poorly conceived lending programs in an industry that generally had relaxed credit standards and compromised in quality of lending. The global financial crisis experienced in 2008 as a result of margin loans led to closure of some financial institutions. Nigeria banks had their share because of credit squeeze which affected the real sectors. The problem of the three distress banks taken over by CBN in 2009 started from the global crisis.

The collapse of oil prices in 1982 dried up the oil exporting nations' cash flows and affected their ability to pay huge bank loans. These difficulties were signaled by the Mexican government's default on its huge bank debts, which severally impacted on numerous large banks in the United States and Europe. Developments in the Nigerian political economy since the mid 80's have greatly led to changes in the structure and art of banking. The period witnessed the proliferation of banks and other financial institutions. From CBN annual report (1994), there were 66 (sixty six) commercial banks and 54 (fifty four) merchant banks in Nigeria. According to the CBN diary 2003, as at June 2002 we had the following licensed financial institution 89 (eighty nine) commercial and merchant banks, 6 (six) development finance institutions, 97 (ninety seven), finance companies and 125 (one hundred and twenty five) Bureau de change companies in Nigeria. These new and old institutions were all introduced with little control over their proliferations; in the name of a deregulation economy.

The banks had to source for the raw materials of the industry (depositors or funds) in a depressed economy. The competition generated by these changes in the industry led to high interest rates, dearth of long term funds, and unprecedented cases of default in the interbank money market. The inability of the supervisory authorities to control the nature of the competition and the unscrupulous activities of the management or some of these institutions led to distress in the industry and the erosion of confidence of the banking public. Furthermore, the depressed economy, the high rate of inflation and the supply side policies of the monetary authorities which were designed to control money supply and hence influence exchange rate through reduction of excess liquidity, in conjunction with earlier developments listed changed the art of banking, and hence, the process of fund mobilization.

The trade union became seriously involved in the issues of distress in banks and on 21st May, 1999, CBN classified five commercial banks as distressed. The first generation of distressed banks was owned by State Governments, examples of which were Mercantile Bank, Pan African Bank, National Bank, New Nigerian Bank, African Continental Bank. A careful examination of each of these banks would reveal that one of the managerial problems of the banks was the frequency with which the State government that owned them changed their boards. Indeed, there is a strong relationship between the change in government and change in the boards of these banks.

For the second-generation of distressed banks, lack of corporate culture and values were the attributable causes. For instance, employees of most banks and finance institutions are aware of the fraudulent past of their organizations and the way things have been done at that time and carried on along that line of culture. According to THIS DAY News paper 5th March, 2003, financial distress in Nigeria's banking system dates back to 1994, 1995 and 1998 when the operating licenses of four banks (4), one bank (1)and twenty six banks (26) were revoked respectively. Three years later (2001) the banking license of three other banks were withdrawn before that of Savannah Bank was withdrawn in 2002, in addition to Peak Merchant Bank. This brought the total number of banks whose operating licenses were withdrawn in 2002 to thirty-six. However this figure has increased due to the 2005 recapitalization, 2008 global financial crisis and 2012 reassessment of the banks through the CAMELBCOM test conducted by the CBN.

Literature Review

Banks by law are to render their published accounts within 9 months after the end of their financial year, failure of any bank to meet this requirement would put the corporation (NDIC) at alert that something might be wrong with such a bank. According to National Deposit Insurance Corporation (NDIC) 1991 annual report and statement of accounts, ownership structure is one of the variable that can be used to determine the level of financial distress (see table 3). According to NDIC annual report 1991, board members and top management staff embark on empire building, double their privileges and prerequisites of office rather than charting profitable plans for their banks. The problem of inadequate accounting systems of most of the banks remained in disarray. It was not uncommon to find internal inspectors refusing to report to management the adverse processes in the systems.

The CBN Annual Report (1997) attributed the causes of distress to lack of capital adequacy which continued till the end of 1997. It also stated that in order to have greater delineation of supervisory responsibilities between CBN and NDIC, twenty-eight (28) distressed banks were transferred to NDIC with effect from 1st October, 1997 to enable it assume direct supervision and control over them. Based on the reports received from the National Board for Community Banks (NBCB) about 45% of the 1,368 Community Banks in existence as at 30th September, 1997 were also distressed. Earnings is another notable factor to which bank failure are identified.. The NDIC Report 1997 attributed financial distress to the continued build up of non-performing risk assets. Many banks, it stated, seriously became hands tied in generating income (earnings) on their loan portfolio and this led to distress in most banks. According to THIS DAY (2003), Peak Merchant Bank had a total of N1.27 billion overdue obligations that it could not meet up with as at December 2001. Usually, this resulted in fund management crises and inadequate liquidity and this affects banks as a going concern.

Also, as a result of adverse economic environment many corporate, individuals and even governments were not able to meet up with their commitments to many insured banks. Hence, the non-performing loans kept on rising coupled with the poor performance of the real sector. A close observation of the composition of the bank board would reveal square pegs in round holes. There is a dearth of professional bankers on the board of financial institutions. There are instances where professional hands are sacrificed on the platter of mediocrity. Directors are supposed to have sufficient knowledge in financial management. The banks in recent times have witnessed a large infiltration of incompetent hands into their management team. The government, on its part, has not helped matters. The harsh economic regulatory policies, arbitrary application of stabilization securities as a tool for monetary control by the Central Bank of Nigeria, fixed interest rates and sectorial allocation of loans and advances imposed serious strains on the liquidity of banks.

Section 283 of the CAMD (1990) describes directors as trustees of the company's monies properties and as such must account for all the moneys over which they exercise control and shall refund any moneys improperly paid away. In addition to this S.19 (4) of the bank and other financial organizations/institutions decree of 1991 simply provides that every director of a bank shall sign a code of conduct in such form or manner as the bank may from time to time prescribe. It also mandates the Chief Executive of a bank to ensure that the officers of a bank sign a code of conduct as may be approved by the Board of directors but it failed to prescribe a standard code of best practice for the bank directors and officers.

According to THISDAY (2003:35), investigation conducted by Nigerian Deposit Insurance Corporation (NDIC) and accepted by Central Bank of Nigeria (CBN) revealed that Peak Merchant Bank Limited was not one of the approved revenue collecting banks for Federal Inland Revenue Service (FIRS) but it collected a large amount of FIRS revenue cheques totaling
N1, 086,144.33 cleared through three commercial banks and converted the proceeds. Barring the liquidation, the police commenced criminal investigation of the fraud but yet to be made public. Frauds and forgeries have not helped discontinuity of distress in banks globally. According to Appleby (1978:291) some firm have department of industrial relation quite separate from other aspect of personnel, and its main functions may consist of: (a) prevention and settlement of trade disputes, (b) helping to form and maintain the machinery of joint consultation, (c) keeping in close touch with the state employer-employees relations, (d) advising the firm or the government on industrial relation problems.

According to Agbadudu and Inegbenebor (1995:95), collective bargaining introduces a unique kind of transactional relationship between two institutions, the union and management. In theory and practice, collective bargaining involves the following stages. The first is the organization for bargaining which must be established. The second stage is the formulation of demands and concessions level while the third involves the parties in dispute in bargaining-negotiation. The fourth stage is the administration of the agreement reached. Trade unions and management ought to be guided by the decision of the International Labour Organization (ILO). The International Labor Organization established by the League of Nations in 1999 became operational in 1946. Under the auspices of the United Nations; ILO has put several convention rules in place to guide its members in the act of collective bargaining. According to Agbadudu et al (1995:96), recommendation 92 tend to suggest that collective bargaining is concerned with:

1. Wages and wage rates including overtime, fringe, benefit and promotion.
2. Job classification and design;
3. Hours of work, annual leave et cetera;
4. Safety and health and protection gadgets et cetera;
5. Security provision for gratuity.

3.1 METHODOLOGY

This paper being descriptive and historical relied heavily on secondary sources of information. The descriptive and historical method has been resulted to because Hopf (1944) (cited in Gill and Johnson 1991; observe that descriptive and historical methods were beneficial because the historical point of view which is the point of view of change will enhance the understanding and extend the horizon. It will be difficult to find a more confident and clearer statement in support of descriptive and historical methodology than this. This is because Hopf‟s (1944) statement was based on the belief that the changing events and developments of the past provided understanding of the dynamics of ordered human enterprise (Zikmund (1994). This type of research methodology was regarded as one that does not fit into either quantitative or qualitative research method (Yin (2003). It utilizes elements of both within the same study.

This type of research methodology can also employ multiple variables for analysis (if needed); on the other hand it is unlike other methodology in that it requires only one variable, and in the present study the variable is reputational risks (Churchill 1995). The four main purposes of secondary sources methodology are: to describe, to explain, to validate findings and to infer from all the findings having been validated to be true (Yin 2003; Kothari 2004).The data collected for this study is historical (secondary) and consists of relevant text books, journal articles, newspaper, annual reports of Nigeria Deposit Insurance Corporation (NDIC), Central Bank of Nigeria Annual Reports on the subject matter.

From the statistical table labeled (1-6), descriptive method is adopted in analyzing the data generated between **(1991 – 2003).**

4.1 ANALYSIS AND DISCUSSION OF CAUSES, MAGNITUDE AND RESOLUTION OF DISTRESS IN NIGERIAN BANKS.

Table 1: Number of Distressed Banks by Ownership category 1991

Ownership category	No. of Banks	Total %	No. Distressed
State Government owned commercial banks	25	21	7
Federal Government owned commercial banks	8	7	-
Privately owned commercial banks	32	27	1
Federal/State government merchant Banks	8	7	-
Privately owned Merchant banks	46	38	-
Total	119	100	8

Table 2: Capital Adequacy

Distressed Banks	December 1996		December 1997	
	Absolute	% of Industry Total	Absolute	% of Industry Total
Number	52	48.22	47	40.87
Net asset	N58.68bn	12.32	N86.35bn	13.81
Deposit liabilities	N48.09bn	17.13	N34.62bn	11.06
Under capitalization	N41.78bn	94.74	N43.42bn	97.86
Non-performing credits	N37.61bn	56.6	N33.72bn	49.34

Overdrafts with CBN	N17.78bn	97.97	N17.27bn	97.84

Source: CBN Annual Report 2001

Table 3: Capital Adequacy

Distressed Banks	December 1999		2000		2001	
	No.of Bank	%	No. of Bank	%	No. of Banks	%
Above minimum Required capitalization	69	79	77	88	81	90
Above minimum Required capitalisation	18	21	11	12	9	10
Total	87	100	88	100	90	100

Source: CBN Annual Report 2001

Table 4: Ratio of Loans and Advances to Insured Banks as at 31st December, 1991 and 1990

Bank Group	No. of Bank		Ratio of loans and advances to total deposit (%)	
	1990	1991	1990	1991
State government owned commercial Banks	23	24	79.1	80.1
Non-State Government Owned Commercial banks	25	30	80.0	94.7
Merchant Banks	33	46	106.0	116
All Banks	81	100	84.0	105.2
Distressed	9	8	100	208.5

Source: Bank Examination and Bank Return

Table 5a: Qualification Mix of Staff in Commercial Banks in 1991

S/N	Qualification	Nos. of Banks	Nos. of Employees	% of total staff
1	Professional (ACIB)	31	472	10.4
2	University Degree	31	1570	34.7
3	Professional Diploma (OND)	28	557	12.3
4	WASC/GCE	30	1360	30.1
5	No Qualification	22	560	12.4
	Total		4519	100

Table 5b: Qualification Mix of Staff in Commercial Banks in 1991

S/N	Qualification	No. of banks	No of employees	% of total staff
1	Professional (ACIB)	25	747	1.8
2	University Degree	25	3794	9.3
3	Professional Diploma (OND)	24	3805	9.4
4	WASC/GCE	25	26256	64.5
5	No qualification	20	6097	14.8
	Total		40679	100

Source: NDIC, Manpower Status Survey 1991

Table 6: Statistical Analysis of Fraud and Forgeries in the Nigerian Financial Services Industry for the Period of 1998 – 2002

	1998	1999	2000	2001	2002
No. of reported causes	612	633	723	908	981
Amount involved	N3.99bn	N3.708bn	N2.19bn US $0.3m DM, 2000	N2.53bn $60.94m £5289.44	N5,505bn $5.25m £1,701.17

Actual loss	N1,330.21m	N723.8m	N107.41m	N931.4m	N1.40bn

Source: Business Day Monday 17th March 2003.

Table 1 (one) presents the number of banks by ownership category as at the end of 1991.Twenty-one percent representing seven of state governments-owned commercial banks were distressed compared to one for private owned commercial banks. It therefore means that government intervention in state owned commercial bank was responsible for distress in the past

From table 2 and 3, though the causes of distress yielded positive result owing to strong commitment of the regulatory/supervisory authorities as shown in the comparative figures on Table 2 generated from bank returns and examination report. **From Table 3** despite the greater delineation of supervisory responsibilities, between CBN and NDIC nine banks or ten percent were under capitalization in 2001. From the CBN Annual Report of 1997, twenty-eight (28) distressed banks were transferred to NDIC with effect from 1st October 1997 to enable it assume direct supervision and control over them. Based on the report received from the national board for community bank (NBCB) about 45 percent of the 1368 community bank in existence as at 30th September, 1997 were also distressed. **Table 4** show that the ratio of loans and advances to deposit for the banking system was 105% about 80% for the state government owned commercial banks; about 75% for the non-state government owned commercial bank; about 116% for merchant banks; and about 209% for the distressed banks in contrast with the maximum prudential ratio of 70%. In 1991, the liquidity position of banks was under further threatened.

The last survey conducted by NDIC in 1991 on manpower level in the banking industry showed that from **Table 5**, 747 (1.8 percent) of the 40,679 staff possessed professional qualification such as ACIB and ICAN while 3,794 (9.3 percent of the staff possessed university degrees. Only 4541 (11.2 percent) of the local staff strength, possess professional and university qualification, could be describes as high skilled manpower. Half of the staff strength (65 percent) possessed WASC/GCE while about 15 percent had no qualification. The situation was slightly different when compared to commercial banks as the ratio of skilled to unskilled manpower was 1:1. Another head count to ascertain the skilled manpower in the banking industry is imminent now. **Table 6** shows the statistical analysis of frauds and forgeries in the Nigerian financial services industry for the period 1998 – 2002. According to Business Day, almost all case of fraud involved insiders.

Expected Role of Trade Unions and Bank Management in Curbing Distress

Whether distress results from fraud, poor management or both, it is obvious that top managers or top management is the major actor in causing distress in the banking system. Usually, managers are not members of any trade union and will not be subject to the rules and regulations or even the moral code of the union. Therefore, what role should trade unions play? To answer this question, we need to understand the nature of trade unions and the relationship between trade unions and the employer (represented by management) in employment relationship.

The Nature of Trade Union

The Trade Union Act 1973, and as amended by other Acts and decrees provides the definition of a trade union as follows: "Trade Union" means any combination of workers or employees whether temporary or permanent, the purpose of which is to regulate the terms and conditions of employment of workers. According to Armstrong, (1999:694), the fundamental purpose of trade unionism is to promote and protect the interests of their members. They are there to redress the balance of power between employers and employees. The basis of the employment relationship is the contract of employment. Employer is always in a stronger position to dictate the term of the contract than individual employees. The Trade Union Act of 1973, as amended by other Acts and Decrees, did not give powers to the union to regulate the terms and conditions of the employment of workers. Instead, every organization provides terms and conditions of employment of worker, which is covered, by employment contract and governed by a set of legislated rules.

The rules specify, among others, that:

a. Employment in the organization is based on master servant relationship. While the employer is the master, the worker is the servant. The servant employee does his work under the control of the master employer.
b. Negotiation between employee and employer is done independently from the union. Whatever decision is agreed through collective bargaining cannot be treated as part of that contract unless it is provided for in the individual contract.

c. The employer (as master) has the right, responsibility and authority to manage the company's funds, what business to include in the object clause. The employee (servant) cannot contest nor challenge this right.
d. According to Armstrong (1999:709) an employer should recognize the union for the purpose of collective bargaining when pay and conditions of employment are jointly agreed between management and trade unions. It follows that full recognition, and not partial recognition, should be conferred on the unions on issues arising from employment.
e. In the event of conflict between the union and management, the prescribed procedure under the Trade Union Disputes Act (1976), as amended since established by the management of the organization, should be followed as a matter of policy.

The Expected Role of Trade Union

Apart from seeking the improvement in the economic welfare of its members, the union should include both the welfare of the individual and the corporate well being of its organizations. The unions should participate in debt-recovery drive in their various banks. This would complement the effort of the government failed bank tribunals, which have seized to function since the inception of the present democratic government. The following questions need to be asked: if a bank is unable to meet customers' need arising from government debts owed it - Is it the bank that is distressed or the particular government? Which of the government debtors were prosecuted since inception and after failed bank tribunals? The union must act as catalyst to ensure the survival of the institution and its members by taking the following measures:

1. There should be increased demand by the union for increased shares in the bank by its members. This would heighten the commitment of members to their various institutions.
2. The union should also request for increase in the shareholding by board members in the banking industry to avoid 'rip offs' that have characterized the banking industry for long.
3. The union must ensure the enthronement for new corporate values and culture in the banks, in the following areas: accounting system, lending habits, remuneration to staff, even if the bank were to change hands.

4. Trade union should be seen not only as a means of improving the terms and conditions for workers but also as an opportunity for seeking ways of contributing to meaningful development of the nation's financial system.
5. Trade unions should also encourage staff to report organizations malpractices to the regulatory authorities. According to THE GUARDIAN (2003:18), a law by the Apex bank to protect insider informants in the banking industry is in the making. These new measure is part of the regulatory authorities' efforts to stem the rising wave of financial crimes and infractions to banks. With the new law, a bank worker who notices malpractices in his or her institution could "blow the whistle" to alert regulatory authorities without any fear of victimization. Under the proposal tagged "New Regulatory Approach for Enforcing Compliance by Banks," the apex bank would appoint and approve consultants, essentially private firms of auditors, to investigate erring banks, "with the culprits bearing the associated costs.
6. The trade union should continuously enlighten its member to imbibe the virtues of honesty all times, the spirit of hard work and prudence for the growth of the financial system. Workshops and seminars should be one of the means of enlightening members that banking business is built on trust.

In Nigeria, there exist loopholes in the law governing trade unions because they are not allowed to take issues with management on matters that are covered by "matters of management prerogative". Hence, management can mismanage, perpetrate acts of fraud and the duty of the worker is to protect the terms and conditions of their employment. Hence, the union demand has not succeeded in the following areas:

- Demand for the removal of management
- Demand for halts to retrenchment and rationalization.
- Demand for change in management spending
- Demand for unionization of employees especially in the so called "new generation banks".

Trade Union should play a major part in employee relationships in the banking industry. Their main focus should cover these broad areas:

1. Improve rates of remuneration

2. Improve working conditions
3. Raise the status of works
4. Protect members against unfair practices
5. Strive for security of employment
6. Take concerted action when necessary
7. Be involved in consultation on matter affecting labor
8. Sponsor legislation relevant to labour.

According to Nwachukwu (1992: 218) productivity is often seen as total output/total input. The productivity of an employee is seen as the relationship between units of labour input and units of output. The relationship of input to output is: Value of output > 1 Cost of input. An effective integration of higher productivity by employees will lead to trade unions demanding for higher earnings, ultimate shorter hours of work and improvements in working and living conditions. It is an assertion by scholars in management that productivity is a critical factor in economic and social development because it determines the standard of living of the citizens. Low productivity gives rise to high prices when employees' earnings are very low. Similarly, when productivity is high, organizations earns high incomes and profits are big to pay higher wages.

The Role of Bank Management

It should be recalled that the NDIC was set up by Decree No. 22 of 1988 to insure the deposit liabilities of licensed banks, provide financial and technical assistance to them and contribute to the quest for a safe and sound banking environment in Nigeria. Section 34 of the Decree empowers the corporation to assist a failing bank merge with any other insured bank. None of the management teams of the distress banks in the system has come forward with a merge partner for assistance from the corporation safe for the 2005 recapitalization of banks that lead to merger of necessity. Bank management can make the difference between a healthy and a distressed institution. Management should regard the trade union as a vital link in its chain of communication. Bank owners must adopt effective self-restructuring policies to see that banks out of distress. The management should lead by example always. They should embark on credible turnaround plans to reverse the fortunes of banks to avoid liquidation by the regulatory authorities. Management should put into practice management principles of planning, organizing, directing and control to enhance performance.

They should also embark on rationalization of unviable branches, payment of salaries commensurate with industry average and also minimize operational costs. On manpower development, they should take a cue from the insurance industry that sent packing unprofessional hands following the insurance decree of 1997. Banks should recruit, select competent and professional bankers to occupy key management positions. The Chartered Institute of Bankers of Nigeria must strive to continuously produce proven graduates. This should be augmented with sound training programme for all categories of employees. Banks should continually dilute control by restructuring and recapitalizing to diffuse ownership structure. This would help stabiles and improve their capital base. The new generation banks are mostly affected here.

Government, on its part, should minimize its intervention in the banks, and allow the supervising authority alone to carry out its function of controlling the financial system in the economy. Government should confine itself to the provision of an enabling environment so as to encourage individuals to invest in the banking industry and encourage the growth of corporate values and culture in out banking industry. Bank management, especially for the closed corporations such as private and government owned banks, should try to dilute interest in the bank's shareholding by encouraging prospective investors to buy stakes in the banks. According to CBN cited in THISDAY Newpaper (5th March,2003:34), prior to the collapse of Peak Merchant Bank, the chairman of the bank frustrated every move of prospective investors to buy stakes in the bank by refusing to dilute his interest in the bank. The former NDIC Boss Edhodaghe, (1997) said "management should also support the shareholders of the distressed banks who are prepared to recapitalize. It can do this by either taking over the bad loan assets and replacing them with NDIC interest free notes redeemable with proceeds of recoveries from bad loans or securitization of bad loans through the capital market, by the establishment of a sinking fund to redeem the notes when due".

Bank Management and Productivity

Productivity improvement in the banking industry is a function and a result of management. It is a prime management objective and responsibility to increase productivity and maintain its growth. Bank management has to create conditions of higher performance in order to increase efficiency thereby stemming the tide of distress in the banking industry. Productivity improvement is a process of change. To improve productivity, it is necessary to manage change. This means motivating, inducing and generating change. Consequently, it is important to plan and coordinate the scale and speed of change in all major organizational elements, including people and manpower structure, attitudes and values, skill and education, technology and equipment, products and markets.

Directors and Their Responsibilities

Apart from administrative and corporate responsibilities of Directors, Companies and Allied Matter Acts of 1990 (CAMD'90) section 334 and 335 specified the responsibilities of directors with respect to the preparation of companies financial statements. These responsibilities are summarized as follows:

- Ensuring that adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud, errors and other irregularities.
- Ensuring that proper accounting records are maintained.
- Ensuring that applicable accounting standards are followed.
- Ensuring that suitable accounting policies are used and consistently applied.
- Ensuring that financial statements are prepared on going concern basis unless it is inappropriate to presume that the company will continue in business.

Company's directors should continually play the role of preparing financial statements, which give a 'true and fair" view of the affairs of the company at any particular time.

Bank Management and Lessons from Enron Corporation Saga

On December 2, 2000, Enron Corporation, then the seventh largest publicly traded corporation in the United States was declared bankrupt. A series of missteps (both accidental and calculated) brought Enron to its ultimate collapse. These missteps are lessons which bankers, accountants and organizations should benefit from. US Senate Permanent Subcommittee on investigations made the following findings with respects to the role of the Enron Board of Directors.

i. Fiduciary failure: The Board failed to safeguard the company against high-risk accounting, inappropriate conflict of interest transactions, extensive undisclosed off – the- book activities and excessive compensations.

ii. High risk accounting: The Board knowingly allowed the company to engage in high – risk accounting practices. In connection with the high –risk profile of Enron, Anderson provided the Audit Committee with a one- page document titled "selected Observation 1998 Financial Reporting". The document advised that the accounting practices being adopted by Enron run the risk that was later found to be non- compliance with generally acceptable accounting principles and practice.
iii. Inappropriate Conflict of interest: The Board decided to waive the company's codes of conduct and allowed its Chief Financial Officer Andrew Fastow to establish and operate off- the- books entities designed to transact business with Enron.
iv. Extensive Undisclosed off –the – books activity: The board knowingly allowed Enron to conduct billions of dollars in off – the – book activity to make its financial conditions appear better than it was and failed to ensure adequate public disclosure of material off – the – book liability.
v. Excessive compensation: The Board approved excessive competition for its company's executives. The company provided its executives with lavish compensation.
vi. Lack of independence: Financial ties between the company and certain board members compromised the independence of the board. The Board also failed to ensure the independence of the company's auditors, allowing Anderson to provide internal audit and consulting services while serving as the company's outside auditors.

Concept, Ethics and Corporate Governance

Ethics are set up rules, values stating acceptable standards of behavior. They are Code of Conduct guiding the exercise of duty. Corporate ethics is the structural arrangement of roles of interdependent interest groups, promotion of integrity and probity among members. According to Adeyemi (2003: 159), ethics has been succinctly defined as moral principles and rules of conduct. Elegido (1996:4) stated that the focus of ethics is ultimately to ensure that our life is flourishing, successful, worth living and fulfilling. Relating the above to the banking profession, ethical rules can be define as rules adopted by a lawfully recognized body of Bankers to ensure the observance of a very high standard of performance by its members in their relationship with themselves, their customers and members of the public. Such rules are necessary to ensure 'real' success of the bankers and establish their relevance and integrity in the society. If bankers do not observe the rules, ultimately, it brings bad will to the banking industry with direct consequence on the large interests of the society.

5.1 CONCLUSION AND RECOMMENDATION

Promoters' direct intervention in the internal management of banks has contributed to the financial distress in most banks. The government owned banks that existed hitherto were often treated as political banks; these banks were characterized by inept management whose tenures were determined by the frequency of change in government. Bank loan extended to government ministries and parastatals were not repaid neither were the loan secured. The case of the Bank of the North is a pointer to this assertion. The take over of the management of 18 banks in 1995 by the CBN and NDIC for example, revealed the full extent of the prior mismanagement in this bank. To some extent, the strong commitment of the regulatory/supervisory authorities to deal with the causes of distress yielded positive result as shown in (table 2) generated from banks' returns and examination report.

Capital inadequacy has, to a great extent, made it impossible for most banks to regain equilibrium and re-establish a normal earning pattern that would ordinarily have improved their worsening condition. In the past, it was common practice to determine the adequacy or otherwise of capital by the ratio of owners' fund to total risk- weighted asset. Since 1990, banks supervisors have adopted the ratio of owners' fund to total risk- weighted asset. Inadequate capital as made it extremely difficult for most banks to withstand abnormal lesson due to insufficient earnings, hence the major causes of banking distress in the system. The increase of the minimum paid up capital from N2 billion to N25billion for bank may further worsen the issues because some operators may once more be involve in shady deals like happened in the folding up of Peak Merchant Bank. Trade Unions have often engaged in unnecessary and fruitless confrontation with their management, often resulting in bank closure. Nigeria Labour Congress often stepped up actions on bank mismanagement to engage in picketing the effected institution. A close observation of the composition of the bank boards and officers reveals square pegs in round holes. This calls for the right caliber of people, and not people lacking in character and integrity, to be employed to work in banks.

Therefore, trade unions in attempting to curb distress should minimize the unnecessary confrontation with bank management and call their attention to any notice unhelpful policy, operation deficiency and managements. Trade union should seek for any ways of contributing their quota to the growth of their banking institution by way of encouraging members to improve productivity which could lead to increased profit. Bank management on their part should give their followers purposeful leadership. Also, CBN and NDIC should do a number of things to arrest financial distress by strengthening their supervisory capability through capacity building to allow for the continued use of in-house staff in investigating the expanding and changing malpractice's in the banking industry.

All banks in the system should at all times, make deliberate efforts to have good board of directors and managements to give purposeful leadership and sound management. There is also the need on the part of the government to create not only a stable political environment but also the right macroeconomic framework for banks and business firms to operate successfully. Trade unions in banks should not only be seen as a means of obtaining the best condition for members and other employees of the banks, they should see trade unionism as a means to seek ways of contributing their quota to the meaningful development and growth of their banking institutions rather than only as a means of obtaining the best condition for themselves

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