# Leadership, the financial sector and development in Nigeria

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*Studies have shown that leadership is a vital factor for the realization of organizational goals in the public and private sector of any economy. This article therefore examines leadership, the financial sector and development in Nigeria. The financial sector represented by banks in this article is so crucial to the Nigerian economy in terms of its contribution to the nation's Gross Domestic Product, and in addition to being a vital source of employment. To appreciate the role of leadership in an organization vis-à-vis the financial sector and development in Nigeria, the paper focused on the challenge in some Nigerian banks in 2009, which borders on unethical practice of certain bank executives. This development almost led to the collapse of some notable banks in Nigeria resulting from their inability to meet financial obligations to customers. With the use of secondary data, the paper identified leadership failure of unethical practice (corruption in terms of granting unsecured loans to family members and personal companies to the detriment of bank depositors and shareholders) as the greatest problems militating against banks' roles as facilitator of development in Nigeria. The study recommends among others the introduction of formal education in ethics as a way of making sure that staff members imbibe ethical practice as a check against abuse of office.*

**Key Words:** Leadership, ethical practice, development, financial sector, Nigeria

## Introduction

Nigeria gained her independence from Britain on October 1st, 1960. As a young nation, development became the major priority of her leaders with a view to enhancing the living standard of the people (Asia, 2000:14-15). However, one major problem that has consistently hindered the noble goals of development in different sectors of the Nigerian economy since her attainment of nationhood is that of leadership (Asia, 2000). Poor leadership has been cited as responsible for poor management of resources, which in turn results in widespread poverty among citizens and deprivation of the basic necessities of life (Agweda, 2007:176-179). In addition, studies in Nigeria have shown that the financial institutions (banks) are also major facilitators of development in terms of projects financing. Ebong (2006:1-9) observes that the banking sector promotes economic growth through its role of mediating between the economic units that have surplus funds and those that require such funds to support their investment. He points out that "By pooling together such savings, banks are able to achieve economies of scale with beneficial effects for their borrowing customers" (Ebong, 2006).

Furthermore, the banking sector plays vital roles in bringing about development of the economy in terms of its contribution to the nation's Gross Domestic Product (GDP), which stood at 5.51 percent between 2005 and 2008 (Central Bank of Nigeria - CBN, 2008). In addition, the sector serves as a useful source for employment of labour (Oloyede and Adeyeye, 2006: 1-19; Gberevbie, 2010:61-74). And to further support the unique role of banks as facilitator of development, Khan (2010:27) posits that by the policy of the CBN to give banks an incentive to lend, and altering their perceptions of the likely risks involved in such lending, the real economy and employment growth stand to benefit significantly.

However, for the Nigerian banking sector to play its vital roles of development in the economy, the need for effective leadership that subscribes to proper business ethics is fundamental. According to the UNDP (2001:1), there is now a greater awareness of the need for ethics, accountability and transparency in public life because the impact of unethical practices in the public sector is unsupportable in the development of nations, resulting in a loss of confidence in public institutions. Furthermore, it has also been realized that good governance and sound public administration devoid of unethical practices underpin the sustainable development of any nation (UNDP 2001). On his part, Olayiwola (2009) posits that in the Nigerian banking sector, for instance, poor corporate governance (unethical practices) is identified as one of the major factors in virtually all known instances of a financial institution's distress in the country. This implies that a lack of proper ethical standards in public or private sector organizations is detrimental to development of a nation.

The main argument in this article is that effective leadership that subscribes to proper ethical practice is more likely to bring about proper management of the financial institutions and hence facilitate the role of banks in the developmental drive of the Nigerian economy. We adopted secondary data obtained from relevant books, journals, annual bank reports,

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internet, magazines and newspapers to accomplish the work. The paper is structured into five sections. Section one serves as the introduction, section two looks at the theoretical perspective of leadership, ethical practice and development, section three examines the origin of the Nigerian banking sector, section four discusses the banking sector reforms, leadership and organizational development, and section five looks at conclusion and the way forward.

## Leadership, ethical practice and development: a theoretical perspective

Various leadership theories abound in literature. These range from the trait theories that emphasize certain personal qualities and characteristics as basis for successful leadership; style theories that put emphasis essentially on a leader's behaviour at work; contingency theories that emphasize settings which include characteristics of the employees, the nature of the task they perform, and characteristics of the organization; to the theory of distributed leadership, which emphasizes what one does and not who one is, as the basis for successful leadership. The theories argue that leadership at all levels matters and must be drawn from, not just be added to individuals and groups in organizations (Serrat, 2009; Spillane, 2006; Johns and Saks, 2005:272-306; Okoh, 1998:263-300).

Serrat (2009) posits that distributing leadership for organizational performance has to do with trust and accountability at individual and group level. These various leadership theories have one thing in common – achievement of set goals. These goals could be to satisfy the needs of an individual, organization or even a nation. The distributed leadership theory is relevant to this study in the sense that leadership which recognizes the worth of a group or network of interacting individuals' contribution to the growth of an organization as basis for recognition and reward is more likely to bring about development in the Nigerian banking sector than personalized leadership based on a 'dictatorial' and 'all knowing' Chief Executive Officer.

The concept of leadership has generated divergent views from scholars and practitioners alike over the years. The reason for this may not be unconnected with the fact that different people see leadership from different perspectives. Boone and Kurtz (1987:396) see leadership as the act of motivating or causing people to perform certain tasks intended to achieve specified objectives. On his part, Okoh (1998) sees leadership as the ability to induce or persuade by any legitimate means, all subordinates or followers to contribute willingly to organizational objectives in accordance with their maximum capacity. According to Ulrich, Zenger and Smallwood (1999:7), "leaders build not only individual but also organizational capacity." And "organizational capacity refers to the processes, practices, and activities that create value for the organization" (Ulrich Zenger and Smallwood, 1999:7).

However, a leader that lacks individual capacity in terms of adherence to ethical practice is not likely to build capabilities in others and the organization to bring about development. Studies have shown that "firms with leadership depth were much more profitable than those without it" (Ulrich Zenger and Smallwood, 1999:7). The implication of this finding on development is that organizations that desire to achieve set goals of profit maximization – higher dividends to its shareholders and improved service delivery for the enhancement of the living standard of the people – must consider the issue of effective leadership with utmost importance.

Emphasizing the importance of effective leadership for development, Thompson (2001:25-38) posits that "a fundamental element of leadership is change management in which a leader assumes a dual task from one paradigm to another, and the more daunting responsibility of bringing followers along in the process …" On their part, Okafor and Ejere (2003:29-46) observe that without a leader's control, workers may have little direction, and lack of control will result in inefficiency, particularly where workers lack self-discipline.

Ethical practice refers to adherence to a code of morality which deals with human duties and objectives (Institute of Leadership and Management, 2006:43; Nnabuife, 2010:25-41). Studies have shown different reasons for unethical practices in organizations. Hegarty and Sims (1979:331-338) posit that people with strong economic values are more likely to behave unethically than those with weaker economic values. This could be interpreted to mean that leaders who strongly consider the acquisition of wealth at all cost without bothering about the consequences are more likely to engage in unethical practices in the organization. According to Nnabuife (2010:25-41), "leaders have the crucial responsibility of ensuring that their institutions are ethically guided."

Studies have shown that adherence to ethical practice is more likely to enhance the survival and growth of organizations. Henry (2004:429) posits that data from the private sector appear to support the notion that good ethical practices are good business, furthermore, data from the public sector buttress the conclusion that practicing ethical behaviour makes organizations more effective. A survey of 1,000 graduates of the top public administration programmes in the USA found that maintaining ethical standards was ranked as the single most important skill for achieving success out of thirteen possibilities (Henry, 2004:427).

Johns and Saks (2005:274) point out that "effective leadership exerts influence in a way that achieves organizational goals by enhancing the productivity, innovation, satisfaction, and commitment of the workforce." On his part, Maxwell

(2005:4) observes that "the true measure of leadership is influence – nothing more, nothing less." This assumption may however be considered valid to the extent that the person in the leadership position has what it takes to influence others positively to achieve set goals, or else the outcome could generate bad follower-ship. And bad follower-ship is more likely to hinder organizations from achieving their set goals, particularly where ethical values are eroded.

A study by Johns and Saks (2005:394-5) shows that "people with a high need for personal power might be prone to make unethical decisions, using this to further self-interest rather than for the good of the organization as a whole." Another reason for unethical practice is a lack of formal education of the organizational workforce about the benefits of ethical values and the negative effects of unethical practice on the organization in terms of loss of good image/reputation, and that of low patronage from customers. A study by Weber (1990:183-190) shows that formal education in ethical practice does have a positive impact on ethical attitudes, which in turn leads to the enhanced performance of organizational workforce. In the same vein, a study of large American organizations by Weaver, Trevino and Cochran (1999:41-57) shows that the presence of strong internal structures to monitor and maintain ethical practice enhances the performance of employees. The above studies show that organizations that emphasize ethical practice are more likely to build confidence in customers about their products and services for enhanced patronage than organizations that have little or no regard for it.

The implication of the above for development is that where leadership of an organization takes the issue of ethical practice with all seriousness in pursuance of its assignments, the outcome is more likely to be that of development than where the neglect of ethical practice is the norm. Todaro (1985:108) sees development to be a multidimensional process involving the re-organization and re-orientation of the entire economic and social system, which involves the improvement of income and output, radical changes in institutional, social and administrative structures as well as in popular attitudes, customs and beliefs.

Gberevbie (2009:165-191) points out that development is a process that entails growth, and growth is more likely to be attained in an organization where effective leadership that emphasizes ethical practice is the norm. Therefore, an organization headed by leadership that is characterized by unethical practice or corruption is not likely to experience development. This is so because while skills, capacity and vision that may make for good leadership can be acquired and enhanced at work for organizational performance, this would be almost impossible without proper ethical practices in the organization. In other words, proper ethical practice without skills and other such variables can keep an organization going, but skills and other such variables without proper ethical practices cannot sustain the organization to achieve development. From the foregoing, it could be concluded that there is a relationship between effective leadership, ethical practice and development in an organization or state.

## Origin of the banking sector in Nigeria

The origin of the Nigerian banking sector could be traced back to 1892 with the establishment of Africa Banking Corporation in Lagos by Elder Dempster and Co., a Liverpool shipping firm (Adeyemi, 2002:54). The early 19$^{th}$ Century witnessed the influx of Arab and European trading concerns. It was the trade influx and the advent of British rule that led to the creation of a standard monetary mechanism and payment system in 1912, known as the West African Currency Board to replace the initial commodity money which was in use at that time (Adeyemi, 2002:53). The introduction of the standard money by the British Colonial Government was "a decisive step that laid the foundation for development of the Nigerian banking and financial system" (Adeyemi, 2002:54).

During the period between 1917 and 1952, different banks were established in Nigeria, which were mainly dominated by expatriate ownership. Studies have shown that within three decades leading to 1952, over 26 indigenous commercial banks were established, but could not survive due to management inexperience and numerous internal control problems (Ndekwu, 1994). The indigenous banks could not withstand competition from the better managed expatriate banks, and as a result more than 73 percent of the registered indigenous banks collapsed. In 1954 alone, 15 banks collapsed due to among other things, "insider abuse and mismanagement by the non-professionals who headed the indigenous banks' management teams" (Adeyemi, 2002).

According to Kolawole (2007:208-209), the massive failure of commercial banks in Nigeria in the 1950s prompted the need for a regulatory and supervisory framework (banks' reforms) to be put in place to strengthen the banking sector. Since the 1950s, various reforms have taken place in the banking sector to the most recent one tagged – Banks Re-capitalization Reforms of 2005 (Ige, 2006:5-19). According to Ige (2006), the re-capitalization reforms of banks stipulates that within 18 months, "from January 1$^{st}$ 2006, the shareholders' worth of any commercial bank in Nigeria must not be less than NGN 25 billion (about USD188 million)" It is important to note that before the 2005 reforms, there were 89 existing banks in the country. And due to some banks' inability to meet the NGN 25 billion specified re-capitalization funds by the CBN for commercial banks to remain in business, some were compelled to merge and others were bought out by the bigger ones. At the end of the exercise, only 25 banks emerged (Aliagan, 2008:89-90).

The 2005 reforms of shareholders' fund of NGN 25 billion (about USD188 million) of the CBN was a radical shift in policy from the initial shareholders' fund of NGN 2 billion (about USD15.04 million) – an increase of 1,250 percent, required of commercial banks to stay in business before the reform (NGN133 to USD1 in 2005) (Aliagan, 2008:89-90). While the banks' reforms of 1952 pegged shareholders fund at 200,000 pounds sterling for foreign owned, the indigenous banks on the other hand were expected to provide 12,500 pounds sterling. One major underlying factor about these reforms was the need to enhance the capacity of banks to play their roles effectively as facilitators of development in the nation's economy and major player in the global financial system (Adeyemi, 2002; Ebong, 2006; Kolawole, 2007).

Banks occupy critical positions and play strategic roles in promoting growth and economic development in any nation. They are expected to manage their funds in such a way as to be able to meet depositors' withdrawals, make reasonable profit for their shareholders in the form of improved dividends, improved working conditions for their staff, and generate enhanced company tax to the government (Oloyede and Adeyeye, 2006). According to Ugubunka (2009:33-36), banks play distinct and unique roles in the economy as financial intermediaries, important and necessary agents in the transformation of national economies on the path of growth and development. These developmental roles of banks require effective leadership with sound business ethics devoid of corruption. According to Hopkins (2001:120-129), "both ethical and unethical behaviours in organization affect corporate culture and employee commitment to the organization." This implies that where leadership of an organization is committed to ethical practices, the effect is more likely to permeate to the entire organizational workforce, and the outcome is more likely to be that of improved productivity. Therefore, for organizations to achieve their set goals, those saddled with the responsibility to lead must imbibe sound ethical values.

Solimon (2001:6) and Dogon-Daji (2003:16-31) observe that weak leadership and poor business practices arising from an inexperienced workforce leads to poor credit policy and inadequate internal controls, which are the major reasons why Nigerian banks faced distressed challenge. And the effect of weak leadership in a profit-making organization is business failure. Distressed in a financial sense refers to those banks that can no longer serve or meet their obligations to the customers and banking public as they mature. And this occurs when banks are insolvent and find it difficult to meet their contractual obligations to their customers (Dogon-Daji, 2003). Mismanagement of a bank's funds by corrupt leadership is more likely to lead to distress in the banking sector. One of the most likely consequences of bank distress on customers is a loss of confidence in patronage; for the shareholders it is loss of dividend; for the government loss of revenue; and for the employees the loss of jobs. Together, these have negative implications for the overall development of any state. Good banking habits such as compliance with banking laws, rules, regulations and guidelines are imperative for their survival, growth and success (Ogubunka, 2009).

Survival and growth in any bank is a function of the ability of its leadership to properly direct and control its workforce towards the achievement of its set goals. The earning power of banks depends on the management's decision regarding the allocation of bank funds. Where a bank's funds are misappropriated by its leadership, it is bound to face distress challenge (Oloyede and Adeyeye, 2006). According to Ojo (2006:1-79):

> … people aspire to develop and enjoy the benefits derivable from sustained growth. But the speed and stage of development attainable … will depend not only on the available factors of production, but mainly on the quality of the human resources in skillfully combining the factors … and leadership …

The foregoing shows that there is a relationship between effective leadership that imbibes ethical practice, enhanced organizational performance and development in the economy. This implies that where corrupt leadership that lacks ethical values exists, the banking sector is not likely to perform its roles as a facilitator of development.

## Nigerian banking sector reforms, leadership and organizational development

In 2005, the Central Bank of Nigeria (CBN) undertook reforms in the banking sector, which made it mandatory for banks in the country to have NGN 25 billion (about USD188 million) as shareholders' fund, against the NGN 2 billion (about USD15.04 million) required before the reform. At the end of the exercise in 2007, only 25 banks emerged from the existing 89 banks in the country. The leadership of the 25 mega banks that emerged from the reforms then settled for business, with a view to improving on shareholders' dividends, employees' conditions of service and enhanced company tax payable to government.

The reforms, however, brought fresh leadership challenges in the area of corporate governance and management of shareholders' funds that jumped from NGN 2 billion in 2005 to NGN 25 billion in 2007. The reforms failed in the area of not equipping the leadership of the 25 mega banks with new skills and techniques required to manage a business worth NGN 25 billion (Olayiwola, 2009).

In order to ascertain the viability of Nigerian banks as major players in the global financial markets, the CBN in 2009 carried out an investigation of banks in the country. The investigation showed that nearly all 25 mega banks defaulted in granting non-performing (unsecured) loans to customers, particularly family members and personal companies. Of all the banks in the country, five were major defaulters, which included: Union Bank, Oceanic Bank, Fin Bank, Afribank and Intercontinental Bank (Alli, 2009:1-2; Ogienagbon, 2009:1-2)

**Table 1** Amount of unsecured loans granted by banks up to 2009

| S/n. | Banks | Unsecured Loans (NGN billion) | Unsecured Loans (in USD) |
|---|---|---|---|
| 1. | Intercontinental | 210.9 | 1.41billion |
| 2. | Union Bank | 73.6 | 493.33 million |
| 3. | Oceanic Bank | 278.2 | 1.85 billion |
| 4 | Afribank | 141 | 940 million |
| 5. | Fin Bank | 42.4 | 280 million |

**Source:** (Eni, 2009:41) Note: NGN150 to USD1 (2008-2009)

Table 1 above shows the amount of unsecured loans granted by Intercontinental, Union, Oceanic, Afribank and Fin Banks to the tune of NGN 210.9 billion (USD1.41 billion), NGN 73.6 billion (USD493.33 million), NGN 278.2 billion (USD1.85 billion), NGN 141 billion (USD940 million) and NGN 42.4 billion (USD280 million) respectively. The five banks listed above granted a total sum of NGN 746.1 billion unsecured loans to individuals, personal companies, friends and relatives (Eni, 2009).

The negative effect of this development on banks' inability to meet their obligations to customers led the CBN to inject the sum of NGN 620 billion (about USD4.1 billion) (NGN155 to USD1 in late 2009) into the ailing banks to help stabilize their operations and prevent distress in the banking sector. According to the CBN Governor, Sanusi Lamido, "Some of these banks are quite large institutions and they have been mismanaged, so we had to move in to send a strong signal that such recklessness on the part of the bank executives will no longer be tolerated" (Eni, 2009; Africa News online, 2009). The CBN Governor argues further that by the involvement of the bank executives in unethical practices, they have jeopardized the interests of their depositors and creditors through poor corporate governance practices, poor credit administration and risk management practices (Eni, 2009).

In the course of the investigation, EFCC discovered how some of the ex-bank chiefs used unethical practices of self enrichment to acquire properties worth billions of naira to the detriment of shareholders and bank depositors. The tables below show some of the seized properties belonging to the former CEOs of Intercontinental Bank, Erastus Akingbola and that of Oceanic Bank, Cecilia Ibru by the EFCC.

**Table 2** Seized Properties of ex-Intercontinental Bank CEO, Erastus Akingbola

| S/n. | Some Seized Properties | Address |
|---|---|---|
| 1. | Property | No. 12, Ruxton Road, Ikoyi – Lagos |
| 2. | Property | Milverton Road, Ikoyi – Lagos |
| 3. | Amazing Grace Plaza | Ligali Ayorinde Street, Victoria – Island, Lagos |
| 4. | Property | No. 2, Bedwell Road, Ikoyi – Lagos |
| 5. | Property | No. 26, Chester Terrace, London – England, NW 14 ND |
| 6. | Property | No. 65, Gove-End, London. |
| 7. | Property | No. 8, Connaught Street, London. |

**Source:** EFCC Report 2009 (cited in Odunlami, 2010:32-34).

Table 2 above shows some seized properties of ex-CEO of intercontinental Bank, Erastus Akingbola by the EFCC, which have market value of NGN 15 billion (about USD96.7 million). In addition, the EFCC investigation also led to the discovery of NGN 10 billion illegally transferred funds from Intercontinental Bank's account to three different banks in

Nigeria for personal use by the ex-CEO. Furthermore, the EFCC have also frozen eight bank accounts totaling NGN 346.1 billion (about USD2.23 billion) belonging to Erastus Akingbola (Odunlami, 2009). Data presented above gave insight as to why the bank was unable to meet its obligations to customers. The above goes to show how unethical practice of leadership could hinder development of an organization and negatively affect the interest of the employees, shareholders and government in terms of job loss, lack of improved dividends and lack of enhanced company tax to government respectively.

**Table 3** Some seized properties of ex-Oceanic Bank CEO, Cecilia Ibru

| S/n. | Seized Properties | Address |
|---|---|---|
| 1. | Property | Good Shepherd House, IPM Avenue – Alausa, Ikeja, Lagos (Registered in the name of Ogekpo Estate Managers) |
| 2. | Residential Block with 19 Apartments | No. 34, Bourdillon Road, Ikoyi, Lagos (Registered in the name of Dilivent International Limited). |
| 3. | Property | No. 57, Bourdillon Road, Ikoyi, Lagos |
| 4. | Property | No. 5A, George Street, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 5. | Property | No. 5B, George Street, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 6. | Property | No. 4A, Ibru Close, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 7. | Property | No. 4B, Ibru Close, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 8. | Property | No. 16, Glover Road, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 9. | Property | No. 35, Cooper Road, Ikoyi (Registered in the name of Michaelangelo Properties Limited). |
| 10. | Property | No. 3, Okotie-Eboh, South-West, Ikoyi, Lagos |
| 11. | Property | No. 35B, Isale Eko Avenue, Dolphin Estate, Ikoyi, Lagos |
| 12. | Property | No. 38A, Isale Eko Avenue, Dolphin Estate, Ikoyi (Registered in the name of Meeky Enterprises Limited). |
| 13. | Property | No. 38B, Isale Eko Avenue, Dolphin Estate, Ikoyi (Registered in the name of Aleksander Stankov). |
| 14. | Property | No. 4141 Chariot Way, Upper Marlboro, Maryland, USA, Purchased for the sum of USD441,790 (Registered in the name of Cecilia Ibru). |
| 15. | Property | No. 4143 Chariot Way, Upper Marlboro, Maryland, USA, Purchased for the sum of USD439,362 (Registered in the name of Cecilia Ibru). |
| 16. | Property | No. 14605 Hawley Lane, Upper Marlboro, Maryland, USA, Purchased for the sum of USD399,990 (Registered in the name of Janet Ibru). |
| 17. | Property | No. 14630 Hawley Lane, Upper Marlboro, Maryland, USA, Purchased for the sum of USD460,703 (Registered in the name of Janet Ibru). |
| 18. | Property | No. 14721 Argos Place, Upper Marlboro, Maryland, USA, Purchased for the sum of USD457,950 (Registered in the name of Janet Ibru). |
| 19. | Property | No. 14719 Argos Place, Upper Marlboro, Maryland, USA, Purchased for the sum of USD451,840 (Registered in the name of Janet Ibru). |

**Source:** EFCC Report 2009 (cited in Odunlami, 2010:34 & 46-48).

Table 3 above shows some seized properties of ex-CEO of Oceanic Bank, Cecilia Ibru by the EFCC. The seized properties in Nigeria alone valued NGN 35 billion (about USD225.8 million), while the properties in the United States of America were purchased for a total sum of USD$2.7 million. In addition, the EFCC investigation also led to the discovery of NGN 500 billion (about USD3.23 billion) in Cecilia Ibru's bank accounts (Odunlami, 2009).

Data presented above revealed that mass looting of bank's money took place during the tenure of Cecilia Ibru as the CEO of Oceanic Bank. It is also a good example of leadership failure, devoid of ethical practice. The negative reports from the CBN on banks clearly show that the affected bank CEOs lacked the effective leadership skills to manage large organizations as mega banks. The poor leadership ability of the ex-CEO of Oceanic Bank also manifested in the granting of unsecured loans to Aero Airline (family business) – a domestic Airline in Nigeria, to the tune of USD200 million for the purchase of new Boeing 737 airplanes (Ayodele 2010:4).

After the removal of the ex-CEO of Oceanic bank from office in August 2009, the new management took a drastic measure to recover the loans, which led to the grounding of the airplanes. According to the new management of Oceanic Bank "while the bank remains committed to supporting Aero Airline, the absence of a valid contractual loan agreement will put depositor's funds at risk" (Moses-Ashile, 2010:13). The negative implications of the above development included loss of revenue to the Airline and jobs to its employees.

Also, the unethical practice of some bank executives in Nigeria created an army of unemployed people in terms of staff retrenchment following their inability to meet financial obligations to their customers and shareholders. The table below shows the breakdown of the number of sacked employees and the affected banks.

**Table 4** Number of Sacked Staff and the affected Banks

| S/n. | Banks | Number of Staff Sacked | Total Workforce | % of Staff Sacked |
|---|---|---|---|---|
| 1. | Oceanic Bank | 2,000 | 11,907 | 16.79 |
| 2. | Intercontinental Bank | 1,346 | 10,261 | 13.12 |
| 3. | Union Bank | 137 | 7,746 | 1.77 |
| 4. | Stambic IBTC Bank | 300 | 6,025 | 4.98 |
| 5. | Fin Bank | 700 | 6,501 | 10.77 |
| 6. | Spring Bank | 200 | 6,115 | 3.27 |
| 7. | Wema Bank | 500 | 7,200 | 6.94 |

**Source:** (Anaro, 2010:59).

Table 4 above shows the total number of staff sacked by seven banks between December 2009 and March 2010. Out of the total workforce of 55,755 of the seven banks listed above, 5,183 (middle-manpower – senior staff, excluding top management) or 9.29 percent of the total workforce of the affected banks were relieved of their jobs in Nigeria between December 2009 and March 2010. This is a high figure of retrenched staff in one sector of the Nigerian economy alone (Anaro 2010:59). The foregoing shows that unethical practice by leadership of an organization is more likely to affect the fortunes of an organization negatively .

The consequences of unethical practice in the banking sector manifested, among others, public embarrassment in the arrest and prosecution of bank CEOs by the EFCC, seizure of their assets in terms of money, investments and properties, and negative perception of corruption on the bank chiefs and their family members in society.

The assessment of the performance of banks in Nigeria between 2007-2009 was based on the report by internationally recognized credit risk-rating agencies such as Fitch, Agusto & Co., Global Credit Rating, and Standard and Poor's. The international credit ratings by the recognized International Credit Rating Agencies are significant as they indicate the alignment of a bank's practices with world-class standards, expected to facilitate seamless integration into the international financial markets (UBAGARFS, 2008; Fitch Inc online, 2010).

Also, the ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividend, and repayment of principal, insurance claims or counterparty obligations. The use of credit ratings by international credit rating agencies is therefore a means by which investors are assured of the likelihood of receiving their money back in accordance with the terms on which they invested (UBAGARFS, 2008; Fitch Inc online, 2010).

Internationally recognized credit rating agencies' criteria for measuring the relative stability of banks' credit under Fitch Inc range from "AAA" to "B" i.e. highest credit quality to highly speculative stage, "CCC" to "C" refers to a substantial credit risk – default is a real possibility to exceptionally high levels of credit risk – default is imminent or inevitable, "D" means bankrupt stage and "F" refers to a bank that has either defaulted or would have defaulted if it had not received external support (Fitch Inc online, 2010).

On its part, Standard and Poor's credit stability rating ranges from "AAA" to "A" i.e. extremely strong capacity to meet financial commitments – highest ratings to strong capacity to meet financial commitment but somewhat susceptible to adverse economic conditions and changes in circumstances, "BBB" to "B" i.e. adequate capacity to meet financial commitments, but more subject to adverse economic conditions and changes in circumstances to more vulnerable adverse business, financial and economic conditions, "CCC" to "C" i.e. currently vulnerable and dependent on favourable business, financial and economic conditions to meet financial commitments to currently highly vulnerable obligations and other defined circumstances, while "D" means payment default on financial commitments. We are to note that rating "AA" to "CCC" may be modified by the additional of a plus (+) or minus (–) sign to show relative standing within the major rating categories (Standard & Poor's online, 2010).

Agusto & Co credit stability rating criteria range from "Aaa" to "A" and "Bbb" to "B." i.e. a financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when due, to a financial institution of good financial condition and strong capacity to meet its obligations. "CCC" refers to a financial condition that is weak. "D" means a state of default. "A+" (plus) or – (minus) may be added to a rating. A plus added to a rating indicates that the rating may be raised. A minus means that the rating may be lowered (Agusto & Co online, 2010).

Also, Global credit Rating Company's criteria ranges from "A1+" to "A1-" i.e. highest certainty of timely payment to high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors, "A2" – "A3" indicates good certainty of timely payment to satisfactory liquidity and other protection factors quality issues as to investment grade. Under investment grade, "AAA" to "A-"refers to highest credit quality to high credit quality, "BBB" to "B-" refers to adequate protection factors and considered sufficient for prudent investment to below investment grade and possessing risk that obligations will not be met as and when due, "CCC" means well below investment grade securities and "DD" refers to a state of defaulted debt obligations (Global Credit Rating online, 2010).

In the 2007/2008 financial year, Zenith Bank was rated by Standard and Poor's at "BB-"for both long and short term credit stable outlook, Fitch Rating Agency rated the bank at "AA-"for both long and short term credit stable outlook and Agusto & Co rated the bank at "Aaa" for both long and short term credit stable outlook. (ZBAGAR, 2008:2).

UBA was rated by Fitch Agency at "B+" and "B" for long and short term credit stable outlook respectively, Global Credit Rating Company Limited rated the bank at "BB-" and "A1+" for long and short term credit stable outlook respectively, and Agusto & Co rated the "Aa" and "Aa+" for long and short term credit stable outlook in the 2007/2008 financial year (UBAGARFS, 2008:74).

On the other hand, Intercontinental Bank did not obtain credit rating from any of the internationally recognized rating agencies discussed such as Fitch Inc, Standard and Poor's, Agusto & Co and the Global Credit Rating in the 2007/2008 financial year (IBARA 2008). Union Bank on its part got Fitch ratings of "A+" and "F1" respectively in the short and long term credit stable outlook in the 2007/2008 financial year (UBARA, 2008:16).

In the same vein, Oceanic Bank got Fitch ratings of "B" for longer term Issuer Default Rating with a stable outlook in the 2007/2008 financial year (OBARA, 2008:23). On its part, Afribank did not obtain credit rating from any of the internationally recognized rating agencies discussed, which include Fitch, Standard and Poor's, Agusto & Co, and the Global Credit Rating the 2007/2008 financial year (AARA, 2008).

The implication of the above low level ratings of some Nigerian banks in 2007/2008 by international financial rating institutions on performance shows that unethical management practices by some CEOs of banks was the norm. This is particular so with the high level of unsecured loans granted and corrupt self enrichment of some CEOs of banks in the country as presented in Tables 1 – 3 above. This has contributed to the underdevelopment of the Nigerian economy in the sense that while healthy banks provided stability in the area of sustained tax to government and regular dividend to shareholders; the poorly managed banks on the other hand, generated a state of instability in terms possible bank distress, prevention of customers from gaining access to their savings, job loss for employees, loss of dividend by shareholders and loss of tax by the government.

Therefore the low level ratings by the international financial rating institutions of Afribank, Oceanic and Intercontinental Banks in the 2007/2008 financial year and the subsequent discovery in 2009 by the CBN of unethical practice of massive corruption by the leadership of these banks indicate that there is a positive relationship between the rating outcomes of financial institutions by the international financial rating agencies and proper management of banks for development of a nation's economy.

## Conclusion and way forward

The paper examines the place of leadership for development in an organization. The importance of leadership as a major factor for the realization of organizational goals cannot be overemphasized. However, for leadership to play its unique role of leading and controlling organizational workforce for performance, there is a need for sound ethical practice to be emphasized and as a culture to be imbibed and practiced by leadership and the entire organizational workforce.

Where leadership of an organization takes the issue of ethical values with all seriousness in pursuance of its assignments, the outcome is more likely to be development in the organization than where the neglect of ethical standards is the norm. Therefore, an organization headed by leadership that is largely characterized by unethical practice or corrupt self-enrichment is not likely to experience development and the negative implications will include loss of jobs for the employees, lack of improved revenue for the organization and shareholders, and loss of enhanced tax for the government.

## Way forward

The bank ratings discussed above indicate that First Bank, Zenith Bank and UBA were better managed to have earned international recognition than Intercontinental, Union, Oceanic and Afribanks. To overcome the problem, poor performance and distress in the nation's banking sector, the following measures are suggested as a way forward.

First, the Federal Government of Nigeria should as a matter of urgency put in place a policy through the CBN to make it mandatory for top bank officials to declare their assets in terms of cash and landed properties before and after assuming office. The idea is to ascertain the level of assets acquired by these officials while in office. Any bank official found guilty of misappropriation of embezzlement of public funds should be sentenced to a defined jail term without an option of a fine to serve as a deterrent to others in the future. However, this author is not unaware of the fact that some people could act as a 'front' for the bank officials while in office. As a result, stiffer punishment in terms of jail term without an option of fine should be reserved for those that will want to 'front' for others.

Second, the CBN should make it mandatory for employees of banks, particularly the middle and top management levels, to acquire formal education in ethics as a way of imbibing ethical standards to put them in check against abuse of their position. In addition, the CBN should organize regular training for top bank executives in Nigeria for the acquisition of modern management techniques and skills required to manage large business interest necessitated by the 2005 banks' reforms.

Third, the CBN should mandate banks to create internal structures specifically devoted to monitoring high level compliance with ethical practices in their operations. This should be in addition to the regular auditing of banks' activities by the CBN. These structures are to be manned by people of proven integrity. The presence of strong internal structures to monitor and maintain ethical standards is more likely to enhance the performance of employees and the organizations.

Finally, the tenure of top bank executives in Nigeria should be regulated by the CBN. A system whereby top bank executives remain in office perpetually should be done away with. A tenure of not more than three years in the first instance and renewable only once, is hereby recommended for bank CEOs. In addition, remuneration of bank executives should be regulated to reflect the general earnings in the country. A situation where the national minimum wage is only NGN 7,500 a month for the least paid worker in the country (about USD50), while bank executives earn as much as NGN 3 million (about USD20,000) should be totally discontinued. This will help to moderate the appetite for a luxury life style of Nigeria's top bank officials.

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