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MERGER AND ACQUISITION IN NIGERIA: ANALYSIS OF PERFORMANCE PRE-AND-POST CONSOLIDATION

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AN ANALYSIS OF THE POST-CONSOLIDATION PERFORMANCE OF NIGERIAN BANKS

Abstract

The banking reform pronounced on the 6th of July, 2004 had been a major wave towards a diversified, strong and reliable banking sector in Nigeria. This paper examined the mega banks by evaluating their performance four years after the consolidation exercise in Nigeria. It examined the impact of consolidation on performance and considers if there had been considerable improvement on their profitability, liquidity and solvency. In this study, we analyzed the performance ratio of a sample of thirteen (13) mega banks. A descriptive analysis of these performance ratios was carried out. Correlation Analysis was used to test the impact of the consolidation on the performance measurement parameters. We found that, on average, bank consolidation resulted into improved performance. The paper therefore suggests that the bank management should embrace broad product strategies, which could help in generating more income for the banks. They should also embrace diversification and financial innovation in order to produce new products and services.

Keywords: Consolidation, Bank reforms, Performance measures, Ratios

JEL Classification: G21, G28, G34

AN ANALYSIS OF THE POST-CONSOLIDATION PERFORMANCE OF NIGERIAN BANKS

SECTION ONE

1. Introduction

The wave of banks' consolidation that recently swept through the banking sector started after the announcement by the Central Bank of Nigeria (CBN) on behalf of the federal government of Nigeria, that banks in Nigeria should beef up their minimum capital base to N25 billion on or before 31st December, 2005. As the termination date for banks' consolidation workout drew nearer, desperate efforts were made by the banks to meet the minimum capital fixed by the CBN before the expiration date. There were many options available towards solving the challenge of recapitalization. A bank could among other options merge with others or acquire smaller ones or volunteer to be acquired by others or do it alone or by combination of two or more of the options. Nevertheless, the strategies adopted by majority of these banks were mergers and acquisitions. These mergers and acquisitions brought about a fusion of the 89 banks in the country into mega banks units of only 25. According to CBN report, 25 banks emerged at the end of the consolidation exercise from the previous 89 banks, while 14 banks were liquidated.

Mergers and Acquisitions are commonplace in developed countries of the world but are just becoming prominent in Nigeria especially in the banking industry. Before the recent consolidation, the Nigerian banks have not fully embraced mergers and acquisitions as expected because of their cultural background in terms of assets ownership, greediness, shame, fear of what people will say and lack of proficiency required for mergers and acquisitions, among other reasons. The issue of mergers and acquisitions in banking industry started in October, 2003 under the past president of CBN. Although the CBN rolled out incentives to encourage weaker banks adopt mergers and acquisitions. The incentives included concessionary cash reserve ratio on a case- by -case basis for a period of two years to the newly restructured banks, conversion of overdrawn positions of weak banks to long-term loans with concessionary interest and the acquired banks could be given up to 24 months grace period for complying with the minimum liquidity ratio requirement to enable it settle down as a newly recapitalized/restructured bank. However, most of the feeble banks were unwilling to listen until the new order on July 6, 2004 (Famakinwa, Oduniyi, Aminu, Obike and Ugwu 2004:10).

The situation changed from July 6, 2004 as many banks have either merged with or acquired other banks. The increase in awareness and scheme is due to a number of reasons such as threat of distress, regulatory driven environment, foreign inducement, persuasion from regulatory bodies and economic benefits of mergers and acquisitions. The most common of these factors that is responsible for the growth of mergers and acquisition in Nigerian Banks is regulatory factor. Thus, mergers and acquisitions as consolidation tools have become a near permanent feature of our financial lexicon after July 6, 2004 (Ewubare, 2004: 3).

In the developed nations particularly in United States there had been extensive literature on the effects of bank consolidation on performance (Altunbas and Ibáñez, 2004:5). Two main kinds of empirical methods in these literatures had been identified. On the one hand, some strand of studies compared pre- and post-merger performance, while on the other hand; some other studies used an event-study (e.g. stock market valuation) type empirical method. In Nigeria, bank consolidation is a new concept and the empirical literatures on this subject are just springing up. We have decided to adopt the former

approach by comparing actual post-consolidation performance in a sample of thirteen mega banks for three years average. We also examined the impact of strategic decisions on performance. The rest of the paper is divided into three sections. Following this introduction, section two reviewed past studies on consolidation of the banking institutions, section three contains the data presentation and analysis of performance from 2006-2008, while section four contains the summary of findings, conclusion and recommendation.

SECTION TWO

Literature Review

The banking sector plays a germane role in the economic development of a nation. The banking sector in any economy serves as a catalyst for economic growth and development through its financial intermediation function. Banks also provide an efficient payment system and facilitate the implementation of monetary policies. They help to stimulate economic growth by directing funds from the surplus unit of the economy to the deficit unit that need the funds for productive activities. According to Uremadu (2007), it is not surprising that governments the world over, attempt to evolve an efficient banking system. The reforms are directed at maintaining a sound and efficient banking system for the protection of depositors, encouragement of efficient financial intermediation, competition, maintenance of confidence and stability of the banking system, and protection against systematic risk and collapse (Alashi, 2003; Uremadu, 2007).

Banks in Nigeria operate in a dynamic environment affected by myriad of factors. These factors affect the industry in variety of way creating both opportunities for the strong ones and distress for the feeble banks. One of these factors is rapid revolution to incorporate international market away from individual domestic markets. Entering the sphere of globally integrated capital markets will mean playing by the rules of that market, which means offering services and investor safeguards that compete with those offered in the developed markets (Okereke, 2004:75). ICT usage in the banking sector has also considerably improved in recent years (Adeyemi, 2006; Osabuohien, 2007). This revolution calls for an adequate capitalization, which is a fundamental basis for solid and safe banking system. An adequate capitalization will give a bank a competitive edge at both global and local markets and enables it to offer better services and eventually increase its earnings. Increased capital base can be achieved through different ways that include mergers and acquisitions and other consolidation options. As a result, many banks now engage in mergers and acquisitions.

A merger is essentially a fusion of two or more companies in which one of the combining companies legally exist and the surviving company continues to operate in its original name. Osamwonyi (2003:208), defines merger as "the pooling together of the resource of two or more corporate bodies, resulting in one surviving company while the other is absorbed and ceases to exist as a legal entity or remains a subsidiary if it survives". While acquisition is described as a business combination in which the ownership and management of independently operating companies are brought under the leadership of a single management (Umunnaehila, 2001:4).

The law on company mergers and acquisition is stipulated in the Nigeria Companies and Allied Matters Act (CAMA) of 1990. Like many laws in Nigeria, the law on company mergers and acquisition has been largely unaffected by the judiciary. There are very few cases of Mergers and Acquisitions of Nigerian companies. Nonetheless, many multinational companies engaged in multi-billion Naira businesses in Nigeria have used the benefits of mergers and acquisitions in the past.

Despite the great benefit of Mergers and Acquisitions as catalyst for enhancing financial intermediation, Nigerian banks shied away from it but laid emphasis on having branches before CBN regulations July, 2004. The evidence of merger amid Nigerian banks was in 1992 between BBWA and Anglo African Bank.(Umunnaehila, 2001: 73).Three offers made by BBWA were unsuccessful.

Bank consolidation is motivated by myriad of factors. Principal among them is distress and chronic illiquidity. Distress is a situation, in which the bank is having financial, operational and managerial problems. Bank distress affects both developed and developing nations. Hempel and Simonson (1999) as cited in (Ailemen, 2003:21) state that in United State of America, from 1985 to 1992 there were 1304 failures or about 186 bank failures per year; from 1934 to 1984 there were 756 bank failures or about 15% per year. While in Nigeria, the first indigenous bank (the industrial and commercial bank) established in 1926 failed in 1930. By 1968, 19 out of 23 indigenous banks established had failed (Abiola, 2003:16). In 1995, 60 out of 115 banks in Nigeria were considered to be distressed (Umoh, 2004:13).

A merger or an acquisition is a method that is carefully planned to achieve a synergistic effect (Akinsulire, 2002:329). The synergistic effect of mergers and acquisitions includes economics of scale through greater output, avoidance of duplication of facilities and staff services and stronger financial base. The economic benefits as rational for pursuing a merger or an acquisition include income enhancement, cost reduction and growth (Amedu, 2004:14). According to Akinsulire, the reasons for mergers and acquisitions include to: buy up a company having competent management; improve earning per share, inject fresh ideas for better prospects and enhancement of shareholders' wealth, gain access to the financial market, eliminate duplicate and competing facilities, secure scarce raw materials, diversify into other products or markets or to complete a product range, greater asset backing; and enhance economy of scale and corporate growth.

In this research, we analyzed the actual post-consolidation performance in a sample of thirteen mega banks, analyzing data for three year post consolidation. We also examined the impact of strategic decisions on performance. Our analysis followed the perspectives of evolutionary economic theories in line with the studies of Altunbas and Ibáñez (2004). This study assumed that financial data from individual banks reflects the strategic profile of merging institutions. In our study, we analyzed the factors that are expected to influence the success of banks' consolidation by considering whether the merger of firms with similar strategic orientation could lead to higher profitability following the U.S and European experiences. The importance of strategic and organizational aspects of M&A was first addressed by Levine and Aaronovitch (1981). After their studies, there had been ample of literature that addressed this fact. Altunbas and Ibáñez (2004) in their studies supported the view that mergers between strategically similar firms are likely to provide greater benefits than mergers involving dissimilar strategies. The effect of changes on the capital levels on performance hinges on the recent theory of the banking firm, which is based on the 'specialness' of banks in a setting in which there are asymmetries of information.

3. Methodology, Samples and Data Sources

Our data incorporated merger and acquisitions that took place during the consolidation of Nigerian banks in 2005. Out of the 89 banks in existence at that time, only 75 crossed over either through merger, acquisition, private offers and public offers. 14 were eventually liquidated. Twenty-five (25) mega banks sprung up after this process. For our sampling, we analyzed a sample of seven (7) mega banks; this is composed of nineteen (19) constituent banks pre-merger. The mega banks used for the study are Intercontinental bank Plc, Access bank Plc, Fidelity bank Plc, IBTC- Chartered Plc, Oceanic Bank Plc, Bank PHB Plc and United Bank of Africa Plc hereafter referred to as Mbank1 to Mbank7. To capture the strategic orientation of the merged firms, financial information over the two years prior to the merger is taken into consideration. Ratio Analysis of accounting data of the bank was constructed and a descriptive analysis of performance ratios was done. Correlation Analysis was also used to test the impact of the performance ratios on the return on equity. The accounting data was extracted from the annual reports of banks and the respective scheme of merger of some banks.

3.1 Variables and Samples

A detailed account of our variable is as highlighted in Appendix 1. The initial sample was drawn from a population of 25 successful merged banks. As at June 2005, the total industry capitalization was N521.5billion (Lemo, 2006:28). Table 1 shows the definition of our variables, this includes the strategy, symbol and formula.

Table 1. Definition of the variables

Strategy	Definition	Symbol	Formula
Asset Profile	Loans-total assets	TL/TA	Loan and Advances / Total assets
	Loans-total deposit	TL/TD	Loan and Advances / Total deposits
	Credit risk	PLL//TL	Provision for loan losses / total loan
Capital Structure	Capital-assets ratio	SF/TA	Shareholders fund/total asset
Cost controlling	Cost-income ratio	OE/NE	Overhead expenses /net earnings
Liquidity risk	Liquidity	CST/D	Cash and Short term fund/ Deposit
Profitability	Profitability	ROA	Gross earnings / total asset
Performance	Performance change	ROE	Return on equity (post merger) – weighted average return on equity (premerger)
Size	Total Assets	TAsset	Total assets

Source: Annual Reports and scheme of merger of selected banks

We used a variety of financial indicators to define the strategic features of consolidated Nigerian banks. These indicators are the independent variables, these include measures of financial performance: asset composition; capital structure; liquidity; profitability, efficiency and risk exposure. As dependent variable, we measured change of performance as the difference between the merged banks' return on equity (*ROE*) after the acquisition and the weighted average of the ROE of the merging banks two years before the acquisition. While capturing the samples, we considered the weighted average of two-year time window pre- merger to avoid distortion that could result from the effect of other economic factors. One - year time window was only considered for the post merger because only one-year result is available after the consolidation process.

From the accounting data the indicators were computed using several dimensions. These signified strategic relatedness of banks involved in M&A activity. The strategies considered are as indicated in Table 1, these are: Asset profile, Capital Adequacy, Cost Control, Liquidity, Profitability and Credit profile.

The asset profile strategy considered the banks' balance sheet loan composition, measured by the ratio of total loan and advances to total assets ratio (T*L/TA*). Also, it measured the balance between loans and deposits, the ratio of total loans and advances to total customer deposits (TL/TD). This ratio provides a proxy for the use of relatively low-cost deposits in relation to the amount of loans. Credit risk is measured as the level of loan loss provisions divided by total loans (PLL/TL). In general, it can

be argued that better post-merger performance may be expected when banks with very similar asset quality merge. The greater the similarities among the asset profile strategies, the higher the performance expected after merging.

The capital adequacy strategy relates to the capital structure, measured as the ratio of shareholders fund to total assets (*SF/TA*). Regulators have given this strategy increased importance in order to introduce competition in banking and to check risk-taking with capital requirements. Banks with lower capital ratio can signal favourable information after merging with banks with larger capital ratio.

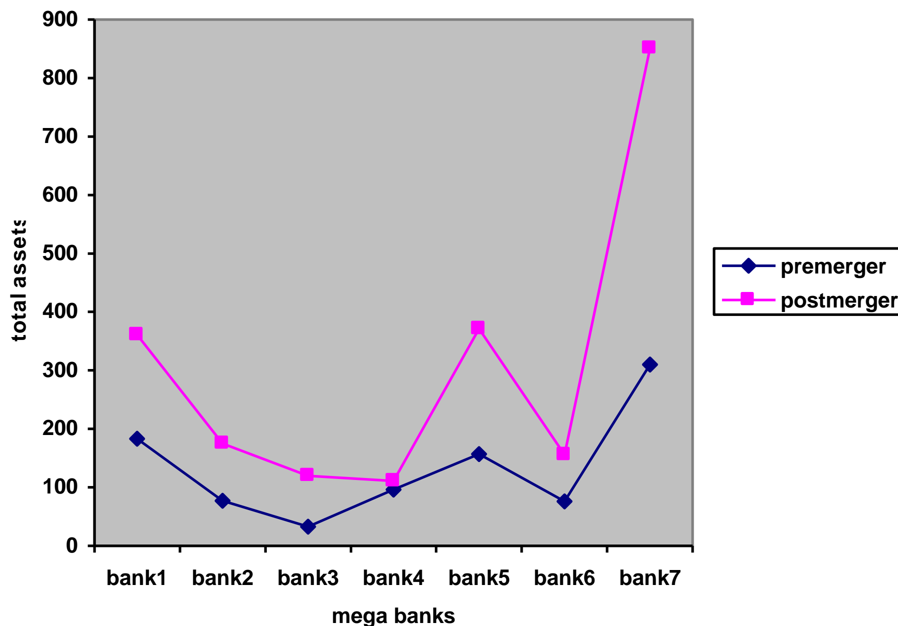
The cost controlling strategy shows the emphasis to minimize cost by relating operating expenditure to returns and it is measured by the operating expenses to net earnings (*OE/NE*). As a result of economies of scale deriving from the combination of similar skills, a bank competing on the basis of low-cost and operating efficiency is expected to benefit from merging with another similarly strategized bank. These banks will show a higher performance after merging.

The Liquidity risk strategy referred to banks' strategy towards managing liquidity risk measured by the ratio of cash and short-term funds to deposits. (CST/D). A better liquidity management of the merged banks would imply a better performance. Finally, the Profitability is measured by the ratio of gross earnings to total assets. This ratio indicates the asset turnover. A higher ratio is expected when banks merge.

4. Empirical Results

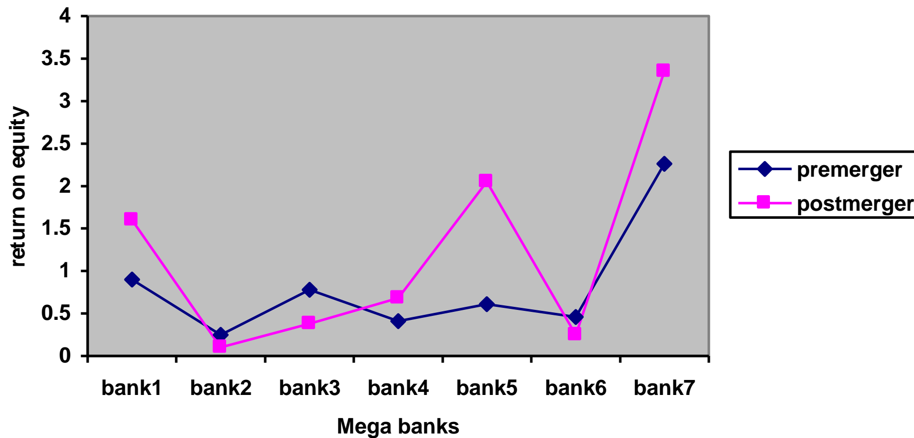
The statistics indicate that, in terms of size, measured by total assets, banks on average grew considerable by 131% post-consolidation. An illustration of their growth is as shown in figure 1 below. The lower line indicates the pre-merger position while upper line indicates the post-merger assets. The figure shows a clear synergistic effect of the bank size.

Figure 1: Total Assets comparison pre- and post - merger



As seen in figure one, the value of the pre merger assets grew considerably for each bank except for bank 4 which grew marginally by 16%.

Figure 2: Return on Equity pre- and post - merger



The change in performance, measured by return on equity is as depicted in figure 2 above. Three of the banks, bank 1, bank 5 and bank 7 showed a considerable increase in performance, bank 4 showed a slight increase, while two banks, bank 2 and 6 showed slight decrease. However, only bank 3 showed a major decrease in performance.

Tables 3 and 4 depict the descriptive statistics of the financial features of the seven mega banks n aggregate.

Table 3: Descriptive statistics pre merger

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	7	.2499	2.2654	.811114	.678611
TASSET	7	32867.00	309629.0	132980.9	93091.262349
TLTD	7	.3334	.7382	.534086	.144712
TLTA	7	.2570	.3841	.324457	5.03271E-02
OENE	7	.3363	1.8187	.738343	.491997
SFTA	7	.0863	.2148	.139329	4.87561E-02
CSTD	7	.3590	.8404	.587757	.177282
PLLTL	7	.0033	.0514	3.69E-02	1.58626E-02
GETA	7	.1314	.2321	.180143	3.48979E-02
Valid N (listwise)	7				

Table 4 : Descriptive statistics post-merger

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	7	.1056	3.2487	1.189829	1.163145
TASSET	7	110781.0	851241.0	306435.7	263657.7118
TLTD	7	.1415	.8773	.469314	.238216
TLTA	7	.1259	.4519	.307814	.114190
OENE	6	.3123	.7766	.599783	.173818
SFTA	7	.0559	.2845	.164643	7.42928E-02
CSTD	7	.0662	.6756	.331057	.244354
PLLTL	6	.0042	.1229	4.01E-02	4.30445E-02
GETA	7	.0765	.1203	9.69E-02	1.46811E-02
Valid N (listwise)	6				

4.1 Interpretation of Results

Regarding the impact of banks' mergers on performance, there is an increase in post-merger performance (ΔROE) with maximum of 3.2487 and minimum of 0.1056 and mean percentage change of 40%. The improvement in performance is also confirmed by the post merger standard deviation of 1.16. The post-merger mean figure for the relative size indicator (TASSET) N306,435.7m is a considerable improvement on the pre-merger figure of N132, 981m and shows an increase of 131% as earlier stated.

In terms of their asset profile, the mean of post-merger loans asset ratio (TL/TA) 0.3078 is lower than the pre-merger ratio of 0.3245. Also, the post-merger loan deposit ratio (TL/TD) 0.4693 is lower than the pre-merger ratio of 0.5341. This decrease shows that there is a better post-merger performance with the use of relatively low-cost deposits in relation to the amount of loans and in the management of assets in relation to total loans. . Credit risk as measured by the level of loan loss provisions divided by total loans (PLL/TL) also showed a better post merger performance as the post-merger figure is greater than the pre-merger i.e. (0.0401>0.0369). Overall, the performance indices indicate that the merged banks were able to hedge against their credit risk and have a better post merger asset profile.

The ratio of shareholders fund to total assets (*SF/TA*), which indicates the capital adequacy, shows a pre-merger ratio of 0.1393 and a post-merger ratio of 0.1646. This was as a result of one of the major agenda of the recent banking reform that made banks to beef up their minimum capital base to N25 billion. Banks with lower capital ratio before the merger had their capital structure uplifted after merging with banks with larger capital ratio.

The operating efficiency ratio measured by operating expenses to net earnings (*OE/NE*) shows that mean difference is lower post-merger by 0.1386. This indicates that generally the new bank management embraced a low cost strategy, which could have been as a result of economies of scale deriving from the combination of similar skills and technology.

The Liquidity risk strategy indicates a better liquidity management of the merged banks. The mean liquidity ratio represented by CST/D decreased from 0.5724 to 0.3310 after the merger. Lastly, when considering the profitability ratio (GE/TA), it revealed that there is a considerably decrease in the asset turn. The ratios are 0.1801 and 0.0969 pre-merger and post-merger respectively. It reveals that the management strategy on earnings is inadequate. Over time it is expected that bank management should embrace broad product strategies.

Appendix 3 considers the correlations among the different variables. As expected, we find some correlation between those ratios that share the same balance sheet item on their numerator or denominator (such as SF/TA and TL/TA). The implication of this is the possibility of some multicollinearity between some of the variables expressed though, the problem does not appear to be large enough to distort the implication of the results of the descriptive analysis.

5. Conclusion and Recommendations

Generally, our findings support the hypothesis that, on average, strategically similar institutions tend to improve performance to a greater extent than dissimilar institutions, however, the results differ for individual banks.

Following our research findings, the following suggestions are recommended.

1. Asset turnover was found to be considerably low, so bank management should embrace broad product strategy, which could help in generating more income for the banks. They should also embrace diversification and financial innovation from producing new products and services.

2. Banks should ensure they take into cognizance the prominence of traditional and normally un-hedged loan lending in terms of its weight on the overall portfolio. In general, when banks with different asset quality and overall portfolio strategies merge it is expected that the post-merger performance will worsen hence merged banks need to align their asset quality and portfolio strategies to achieve better performance.

3. Management should learn the act of outsourcing the banks' surplus total assets in such a way that earnings on total assets can be maximized.

4. Management should take cognizance of retaining cost controlling strategies on the long run. By implementing these individual low cost strategies, the merged banks can achieve synergistic advantages.

5. Since it could be seen from the study that some mega banks with unsatisfactory post-merger performance were pursuing dissimilar strategies before the merger exercise, merged banks should ensure that they align their strategies for synergy.

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Appendix 1:Variables, Samples and Performance Ratios

Mega bank	Total assets	Total assets	Total assets	
	Pre-merger	Post-merger	Difference	
Mbank1	182,784	360,903	178,119	97.44780725
Mbank2	77,198	174,553	97,355	126.1107801
Mbank3	32,867	119,985	87,118	265.0622205
Mbank4	95,956	110,781	14,825	15.44978949
Mbank5	156,487	371,586	215,099	137.4548685
Mbank6	75,945	156,001	80,056	105.4131279
Mbank7	309,629	851,241	541,613	174.9233355
Mega bank	ROE	ROE	ROE	
	Pre-merger	Post-merger	Difference	
Mbank1	0.9032	1.6032	0.6999	
Mbank2	0.2499	0.1056	-0.1443	
Mbank3	0.7804	0.3842	-0.3962	
Mbank4	0.4133	0.6841	0.2707	
Mbank5	0.6055	2.0527	1.4471	
Mbank6	0.4601	0.2503	-0.2098	
Mbank7	2.2654	3.2487	0.9833	
Mega bank	TL/TD	TL/TD	TL/TD	
	Pre-merger	Post-merger	Difference	
Mbank1	0.5362	0.6300	0.0938	
Mbank2	0.5136	0.4880	-0.0255	
Mbank3	0.6725	0.4916	-0.1809	
Mbank4	0.7382	0.8773	0.1390	
Mbank5	0.3815	0.3187	-0.0627	
Mbank6	0.5632	0.3381	-0.2251	
Mbank7	0.3334	0.1415	-0.1919	
Mega bank	TL/TA	TL/TA	TL/TA	
	Pre-merger	Post-merger	Difference	
Mbank1	0.3649	0.4404	0.0755	
Mbank2	0.3151	0.3100	-0.0051	
Mbank3	0.3841	0.3222	-0.0619	
Mbank4	0.3684	0.4519	0.0836	
Mbank5	0.3151	0.2662	-0.0489	
Mbank6	0.2570	0.2381	-0.0190	
Mbank7	0.2666	0.1259	-0.1407	
Mega bank	OE/NE	OE/NE	OE/NE	
	Pre-merger	Post-merger	Difference	
Mbank1	0.6186	0.6366	0.0180	
Mbank2	0.7238	0.7699	0.0462	
Mbank3	0.5241	N/A	N/A	
Mbank4	1.8187	0.3123	-1.5064	
Mbank5	0.5074	0.5850	0.0776	
Mbank6	0.6395	0.5183	-0.1212	
Mbank7	0.3363	0.7766	0.4403	

Mega bank	SF/TA	SF/TA	SF/TA	
	Pre-merger	Post-merger	Difference	
Mbank1	0.1082	0.1493	0.0411	
Mbank2	0.1625	0.1655	0.0030	
Mbank3	0.1796	0.2133	0.0337	
Mbank4	0.2148	0.2845	0.0697	
Mbank5	0.0863	0.1014	0.0151	
Mbank6	0.1357	0.1826	0.0469	
Mbank7	0.0882	0.0559	-0.0322	
Mega bank	CST/D	CST/D	CST/D	
	Pre-merger	Post-merger	Difference	
Mbank1	0.4761	0.2812	-0.1949	
Mbank2	0.4759	0.4172	-0.0587	
Mbank3	0.7556	0.1548	-0.6008	
Mbank4	0.8404	0.1096	-0.7307	
Mbank5	0.3590	0.0662	-0.2928	
Mbank6	0.7005	0.6756	-0.0250	
Mbank7	0.5068	0.6128	0.1059	
Mega bank	PLL/TL	PLL/TL	PLL/TL	
	Pre-merger	Post-merger	Difference	
Mbank1	0.0447	0.0042	-0.0406	
Mbank2	0.0346	0.0256	-0.0090	
Mbank3	0.0463	N/A	N/A	
Mbank4	0.0409	0.1229	0.0820	
Mbank5	0.0514	0.0175	-0.0339	
Mbank6	0.0371	0.0219	-0.0152	
Mbank7	0.0033	0.0483	0.0450	
Mega bank	GE/TA	GE/TA	GE/TA	
	Pre-merger	Post-merger	Difference	
Mbank1	0.2185	0.1075	-0.1110	
Mbank2	0.1829	0.0765	-0.1064	
Mbank3	0.2321	0.0964	-0.1357	
Mbank4	0.1667	0.0935	-0.0732	
Mbank5	0.1578	0.1203	-0.0375	
Mbank6	0.1716	0.0832	-0.0885	
Mbank7	0.1314	0.1011	-0.0303	

Appendix 2: Consolidated Banks and Constituents

	Consolidated Bank	Concstituent Members of the Bamk
1	Access Bank Plc	Access Bank Marina International Bank Capital Bank International
2	Afribank Plc	Afribank Plc Afrimerchant Bank
3	Diamond Bank Plc	Diamond Bank Lion Bank African International Bank
4	EcoBank	EcoBank
5	ETB Plc	Equatorial Trust Bank Devcom
6	FCMB Plc	FCMB Co-operative Development Bank Nig-American Bank Midas Bank
7	Fidelity Bank Plc	Fidelity Bank FSB Manny Bank
8	First Bank Plc	FBN plc, FBN Merchant Bank MBC
9	FirstInland Bank Plc	IMB Inland Bank First Atlantic Bank NUB
10	Guaranty Trust Plc	G T Bank
11	IBTC- Stanbic Bank Plc	Regent Bank Chartered IBTC Stanbic International Bank
12	Intercontinental Bank Plc	Intercontinental Global Equity Gateway
13	NIB	Nigerian International Bank
14	Oceanic Bank Plc	Oceanic Bank International Trust Bank
15	Platinum-Habib Bank Plc	Platinum Bank Habib Bank
16	Skye Bank Plc	Prudent Bank EIB Reliance Bank Coop Bank, Bond Bank

17	Springbank	Guardian Express Bank Citizens Bank ACB Omega Bank Fountain Trust Bank TransInternational Bank
18	Standard Chartered Bank Ltd	Standard Chartered Bank Ltd
19	Sterling Bank Plc	Magnum Trust Bank, NBM Bank NAL Bank INMB Trust Bank of Africa
20	UBA Plc	UBA STB CTB
21	Union Bank Plc	Union Bank Union Merchant Bank Universal Trust Bank, Broad Bank
22	Unity Bank Plc	New Africa Merchant Tropical Commercial Bank NNB Bank of the North Centre-Point Bank First Interstate Bank Intercity Bank Societe Bancaire Pacific Bank
23	Wema Bank Plc	Wema Bank National Bank
24	Zenith International Bank Plc	Zenith International Bank Plc

Source: Adeyemi(2005:42)

Appendix 3: Correlation Result of the Variables

Correlations

		ROE	TASSET	TLTD	TLTA	OENE	SFTA	CSDA	PLTA	GETA
ROE	Pearson Correlation	1.000	.942**	-.517	-.473	.383	-.776*	.098	-.101	.686
	Sig. (2-tailed)	.	.001	.235	.284	.453	.040	.834	.848	.089
	N	7	7	7	7	6	7	7	6	7
TASSET	Pearson Correlation	.942**	1.000	-.654	-.638	.601	-.847*	.379	-.178	.426
	Sig. (2-tailed)	.001	.	.111	.123	.207	.016	.402	.736	.340
	N	7	7	7	7	6	7	7	6	7
TLTD	Pearson Correlation	-.517	-.654	1.000	.953**	-.676	.851*	-.568	.550	-.152
	Sig. (2-tailed)	.235	.111	.	.001	.140	.015	.183	.259	.746
	N	7	7	7	7	6	7	7	6	7
TLTA	Pearson Correlation	-.473	-.638	.953**	1.000	-.572	.729	-.628	.292	.008
	Sig. (2-tailed)	.284	.123	.001	.	.236	.063	.131	.574	.986
	N	7	7	7	7	6	7	7	6	7
OENE	Pearson Correlation	.383	.601	-.676	-.572	1.000	-.807	.463	-.650	-.042
	Sig. (2-tailed)	.453	.207	.140	.236	.	.052	.355	.162	.937
	N	6	6	6	6	6	6	6	6	6
SFTA	Pearson Correlation	-.776*	-.847*	.851*	.729	-.807	1.000	-.385	.636	-.427
	Sig. (2-tailed)	.040	.016	.015	.063	.052	.	.393	.174	.339
	N	7	7	7	7	6	7	7	6	7
CSDA	Pearson Correlation	.098	.379	-.568	-.628	.463	-.385	1.000	-.289	-.519
	Sig. (2-tailed)	.834	.402	.183	.131	.355	.393	.	.579	.232
	N	7	7	7	7	6	7	7	6	7
PLTA	Pearson Correlation	-.101	-.178	.550	.292	-.650	.636	-.289	1.000	-.177
	Sig. (2-tailed)	.848	.736	.259	.574	.162	.174	.579	.	.738
	N	6	6	6	6	6	6	6	6	6
GETA	Pearson Correlation	.686	.426	-.152	.008	-.042	-.427	-.519	-.177	1.000
	Sig. (2-tailed)	.089	.340	.746	.986	.937	.339	.232	.738	.
	N	7	7	7	7	6	7	7	6	7

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		ROE	TASSET	TLTD	TLTA	OENE	SFTA	CSDA	PLTA	GETA
ROE	Pearson Correlation	1.000	.942**	-.517	-.473	.383	-.776*	.098	-.101	.686
	Sig. (2-tailed)	.	.001	.235	.284	.453	.040	.834	.848	.089
	N	7	7	7	7	6	7	7	6	7
TASSET	Pearson Correlation	.942**	1.000	-.654	-.638	.601	-.847*	.379	-.178	.426
	Sig. (2-tailed)	.001	.	.111	.123	.207	.016	.402	.736	.340
	N	7	7	7	7	6	7	7	6	7
TLTD	Pearson Correlation	-.517	-.654	1.000	.953**	-.676	.851*	-.568	.550	-.152
	Sig. (2-tailed)	.235	.111	.	.001	.140	.015	.183	.259	.746
	N	7	7	7	7	6	7	7	6	7
TLTA	Pearson Correlation	-.473	-.638	.953**	1.000	-.572	.729	-.628	.292	.008
	Sig. (2-tailed)	.284	.123	.001	.	.236	.063	.131	.574	.986
	N	7	7	7	7	6	7	7	6	7
OENE	Pearson Correlation	.383	.601	-.676	-.572	1.000	-.807	.463	-.650	-.042
	Sig. (2-tailed)	.453	.207	.140	.236	.	.052	.355	.162	.937
	N	6	6	6	6	6	6	6	6	6
SFTA	Pearson Correlation	-.776*	-.847*	.851*	.729	-.807	1.000	-.385	.636	-.427
	Sig. (2-tailed)	.040	.016	.015	.063	.052	.	.393	.174	.339
	N	7	7	7	7	6	7	7	6	7
CSDA	Pearson Correlation	.098	.379	-.568	-.628	.463	-.385	1.000	-.289	-.519
	Sig. (2-tailed)	.834	.402	.183	.131	.355	.393	.	.579	.232
	N	7	7	7	7	6	7	7	6	7
PLTA	Pearson Correlation	-.101	-.178	.550	.292	-.650	.636	-.289	1.000	-.177
	Sig. (2-tailed)	.848	.736	.259	.574	.162	.174	.579	.	.738
	N	6	6	6	6	6	6	6	6	6
GETA	Pearson Correlation	.686	.426	-.152	.008	-.042	-.427	-.519	-.177	1.000
	Sig. (2-tailed)	.089	.340	.746	.986	.937	.339	.232	.738	.
	N	7	7	7	7	6	7	7	6	7

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).