

Implication of 2005 Recapitalization of Banks in Nigeria on the Nation's Well Being from 2006-2018

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Introduction

The global economic crisis has contributed to the economic struggling in most developing countries. This is visible in the challenges' combating their financial systems as evidence among most African countries including Nigeria. It has also exposed weaknesses in the functioning of their economy and led to calls for reform of the financial architecture. The crisis presents inconsistency in the economic growth of most developing nations, most especially among African countries because it is happening at a time when the region is making progress in economic performance and management (Benjamin-Addy, 2012). Therefore, present dwindling states of Nigeria economy has place a question on effectiveness and efficiency of the Nigeria financial system (Abiola&Olaus, 2014). This is due to the present financial instability ravaging the country's economy, with some financial analyst clamouring for recapitalization of banks. They opine that, recapitalization of banks in Nigeria is one of the right steps towards building a vibrant, competent and diversified economy in the present time. The clamour for recapitalization was based on the need to increase the capital based on banks to enable effectiveness.

Financial system of any country plays a significant role in the development and sustainability of its economy. The total financial system of a country encapsulates responsibilities such as regulating, coordinating, adjudicating and circulating funds. By implication, the failure of financial institutions in a country may disrupt the developmental process of such country's economy, which in turns may lead to recession and economic meltdown- if not properly handled (Das and Ghosh, 2007). For this reason, the government over time have regularized the activities of the financial institution through the apex bank- central bank so as to improve the financial performance of the system.

The Nigerian Central bank governor in 2005, set out the recapitalization of financial institutions among which, increase in the capital base of banks from two billion naira to twenty-five billion naira was enforced. The reform was based on indicators such as weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks among other (Jeroh&Okoye, 2015). The recapitalization was done to strengthen banks with regards to providing larger credit facilities to clients, attracts investors as well as encourage merger where necessary for conglomeration of financial activities. The recapitalization however provides both positive and negative effects on the country economy. Benjamin-Addy (2012) opines that, it is believed that, the increase in the capital base will go a long way to salvage the banking sector, reduce constant bank failures and enhanced economic development. However, when the good number of operating banks was eliminated; many people inadvertently got affected in a negative way as many staff members lost their jobs and level of poor people then increases. By implication, recapitalization of banks in Nigeria does not only affect Nigeria banking system, it thus affects the entire financial system of the country, staff of banks and indirectly affects the people. In another study Chidolue (2012) noted that, that recapitalization of banks increases their performance on local and international level.

The recent proposition made by the governor of central bank on another recapitalization of banks have sparked up various debates as to whether, the country is ready for another recapitalization. This was due to the experiences from the 2005 recapitalization exercise. While a school of thought affirmed that, indicators that preceded the financial crisis that led to the 2005 recapitalization have not been evidence in this present time, another have held the opinion that, the country is facing one of its toughest time economically and that, the responsibility lies in reform of the financial system. Yet, it is important to understand the advantage this reform would have on the economy. Since, Nigerian economy bank performance is determined by a number of factors, namely lending rates, deposit rate,

management effect, ownership and control, market structure among others (Somayo&Ilo, 2008). In order to have an effective and efficient financial system both the banks and the regulatory institutions such as CBN should exert concerted efforts to harmonize financial stability in the country, through formulation of recapitalization policies that is all inclusive. It is in the light of the above, that this study examines implication of 2005 recapitalization of commercial banks in Nigeria on the nation's economy, banking businesses and welfare of Nigerian people between 2006- 2018.

Objectives of the study

1. Examine the influence of 2005 recapitalization on Nigeria economy between 2006- 2018.
2. Examine the influence of 2005 recapitalization on Nigeria banking business between 2006-2018.
3. Determine the influence of recapitalization and welfare of the people in Nigeria between 2006-2018.

Research hypotheses

1. There is no significant relationship between recapitalization and state of Nigeria economy growth between 2006- 2018.
2. There is no significant relationship between recapitalization and banking business in Nigeria between 2006- 2018.
3. There is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018.

Literature review

Developmental policies such as in the recapitalization of banks should be channel `towards ensuring sustainable solutions to problems using all-inclusive approach in other to fall within the frame of best practices. Kanu and Hamilton (2015) critically evaluated the 2005 recapitalization of banks in Nigeria in terms of the positive fallouts and the unanticipated consequences. The study looked at the performance of banks, the recapitalization, while at same time evaluating the human resources and other developmental challenges that grew out of the recapitalization effort. The findings obtain revealed that the 2005 recapitalization effort actually improved the performance of banks and also positively impacted the economy as a whole. However, the found, that, the standard of living of the population were negatively affected mostly because of number of banks staff who had to be sacrificed and thrown into unemployment to achieve, what some banks experts in the system call "paper profits". The implication of this is that, the negative consequences of the recapitalization due on inclusion of some of the stakeholders like the people was more than the positive side.

Improving the socio-economic development of the masses should at the base of every policy such as recapitalization. This is because social interaction constitutes the bedrock of every development. The financial system of any country vis-a-vis the banking sector plays a very significant role in the development of its economy. Therefore, it is obvious that banking crisis can have large disruptive effects on the real economy. In the work of Ojeaga (2009) who examines the impacts of the global financial crisis on the Nigerian banking industry. He opines that, the consolidated banks were expected to play a very active role in the economic growth and development of Nigeria, in that, the consolidation exercise was remarkable as some of the Banks merged while other went for outright takeover of the assets and liabilities of the weak banks. He however up held that, the global financial crisis, has eroded the confidence of the general public in the Nigerian banking industry, despite their consolidation. Even the Nigerian Stock Market (NSM) which is expected to act as buffer of fund, is not left out of the financial crisis.

According to Chidolue (2012), one of the major macroeconomic variables that compliment bank performance is availability of capital. He further noted that, liquidity ratio, cash reserve ratio has no positive and significant impact on economic growth of Nigeria as opposed to money supply to GDP and loan to deposit of commercial bank that have positive but non-significant impact on economic growth in Nigeria. Also, Kenn-Ndubuisi and Akani (2015) examined the analysis effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel analysis. They

stressed that, the banking consolidation and recapitalization of commercial banks exercise has shaped the structure of the Nigerian banking industry significantly. The result of the regression model of Minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only Capital adequacy and management quality had a structural difference with the increment. Based on the findings, it is discovered that recapitalization and consolidation is a welcome development that is needed by the banks but it cannot stand alone in achieving all round soundness and stability desired by Central Bank of Nigeria, little thereafter we are still faced with the post 2006 distress of banks even after the huge recapitalization reform and the Central Bank of Nigeria bailing out 8 banks with over 400 billion in 2012.

Bank's financial performance is key to sustaining the economic growth in any country and it is the ability to generate new resources, from day – to – day operation over a given period of time and being gauged by net income and cash from operation. The 2005 recapitalization policy was driven by the need to strengthen the banking sector and reposition the banks to be strong in order to meet up with the internationalization of financial and business globalization best practices. The exercise was deemed necessary with believe that having a strong capital base increasing their ability to assume risk and absorb losses. Kanu and Hamilton (2015) noted that, as at May 2005, there were 89 banks in Nigeria with only 3,382 branches, reflecting the existence of a large member of small banks with relatively few branches when compared to other countries of the world. This however contributed to under performance of the available financial institutions.

The current banks' recapitalization should be a channel towards providing solutions to the long term financial problems of general underperformance in the sector. Therefore, the central concern is whether or not the recent recapitalization in Nigerian banking sector has provided significantly different satisfactory benefits to stakeholders, other than it was prior to the exercise. Jerohand Okoye (2015) focuses on an impact assessment of the consolidation exercise on the performance of commercial banks in Nigeria.

Their results show that the consolidation exercise had positive impact on the selected variables (Non-Performing Loans, Liquidity Ratio, Bank Credit to Private Sector and Bank Capital to Asset Ratio). Abuh (2012) in a study evaluates whether or not the recapitalization has significantly improved the financial performance of DMBs from what it was prior to the exercise. Relevant literatures were reviewed. It was found that there is a significant impact of recapitalisation on the four performance indicators after the exercise. PPCC revealed a strong and positive relationship both before and after the recapitalisation but, the cases of before are higher than those after the exercise. It was also revealed that the deposits highly benefited from the recapitalisation when compared with other performance indicators.

Methodology

Research design

This study adopted a cross-sectional study where the knowledge and prevention of the respondents were explored. Cross-sectional study is a collection of data at one point in time. It is carried out to obtain information that exists at that particular time. The reason for the choice of the design was to assist the researcher to obtain information on implication of 2005 recapitalization of commercial banks in Nigeria on the nation's economy, banking businesses and welfare of Nigerian people between 2006- 2018.

Sample size and sampling technique

The study selected five (5) geopolitical zones in Nigeria out of six (6) with exception of North Eastern part of Nigeria. 2 states were selected from each of the 5 geopolitical zones. 18 commercial banks were further selected from the present 22 commercial banks in Nigeria. Three (3) banks staff have been working in commercial bank between 2006-till present were selected from each of the 18 commercial banks in each of the 10 states selected across Nigeria. This amounted to 540 bank staff as respondents in this study.

Furthermore, due to the heterogeneous nature of respondents, the study adopted the Area Sampling Technique which is a form of cluster sampling that focus on respondents' specialization. This sampling technique was adopted because it was not easy to obtain records of the.

Instrument

The research instrument used for obtaining the primary data for this research study is a questionnaire. According to Jamiyu (2008), a questionnaire is a set of questions formulated to obtain data for analysis. He further pointed out that the results from a questionnaire can be used to provide answers to research questions and used also to test relevant hypotheses. In this research study, a total of 504 questionnaires were administered by email to selected stakeholder (Bank Staff) . But the number of questionnaires that were duly completed and returned was 481. Jamiyu (2008) also argued that the use of descriptive statistics and a frequency table can be used to extract for example, opinions of question raised in a research study. He emphasized further that descriptive statistics and a frequency table enable a researcher to effectively analyze data collected from the questions which addressed the respondent to the questions posed in the questionnaire.

Data collection

The data collection took place in the selected ten states, which include Osun and Ondo; Edo and Delta; Anambra and Enugu; Kogi and Plateau; Sokoto and Kebbi in Nigeria. Respondents were approached in their various offices for permission to be involved in the study. Those who accepted to participate in the study were presented with a copy of the instrument (questionnaire) to complete. The objective of the study was explained to them before the completion of the instrument. Data collection was done face to face by the researchers and ten (10) research assistants that have been trained by the researchers on how to go about the data collection.

Data analysis technique

Data obtained from the field were edited, sorted and processed into excel speed sheet before transfer into SPSS edition 22. Data was analysed using descriptive statistics. These include mean, standard deviation, minimum and maximum values respectively.

Results

This chapter presents the analysis and presentation of data collected from the field Frequency counts and simple percentage were employed in analyzing the personal data and data for research questions. The hypotheses were tested using Pearson Moment Correlation (PPMC).

Demographic characteristics of respondents

Table 1a. Frequency distribution of respondents by gender

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|--------|-----------|---------|---------------|--------------------|
| Valid | Male | 399 | 82.4 | 82.4 | 82.4 |
| | Female | 82 | 17.6 | 17.6 | 100.0 |
| Total | | 481 | 100.0 | | |

Table 1a shows frequency distribution of respondents by gender. Result shows that, 82.4% of the respondent were male, while 17.6% were female.

Table 1b. Frequency distribution of respondents by years of experiences in banking industry

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|------------------|-----------|---------|---------------|--------------------|
| Valid | 14 years | 67 | 13.9 | 13.9 | 13.9 |
| | 15 years | 153 | 31.8 | 31.8 | 45.7 |
| | 16 years | 187 | 38.9 | 38.9 | 84.6 |
| | 17 year or above | 74 | 15.4 | 15.4 | 100.0 |
| Total | | 481 | 100.0 | | |

Table 1b shows frequency distribution of respondents by years of experiences in Banking Industry. Result shows that, 13.9% of the respondents have been in the banking industry for 14 years, 31.8%

have been in the banking industry for 15 years, 38.9% have been in the banking industry for 16 years and 15.4% have been in the banking industry for 17 years or over.

Recapitalization compliance

Table 2. Descriptive statistics of respondents on recapitalization compliance

| Descriptive statistics | | | | | |
|---------------------------------------------------------------------------------------------|-----|---------|---------|------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Minimum capital base of N25 billion with a deadline of 31st December, 2005 | 481 | 2 | 5 | 4.49 | 415 |
| Consolidation of banking institutions through mergers and acquisitions | 481 | 1 | 5 | 2.16 | 505 |
| Adoption of a risk-focused and rule-based regulatory framework | 481 | 3 | 5 | 3.84 | 980 |
| Zero tolerance for weak corporate governance, misconduct and lack of transparency | 481 | 3 | 5 | 4.63 | 887 |
| Completion of the Electronic Financial Analysis Surveillance System (e-FASS) | 481 | 2 | 5 | 3.75 | 852 |
| Promotion of the enforcement of dormant laws | 481 | 3 | 5 | 4.14 | 928 |
| Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit | 481 | 1 | 5 | 3.23 | 1.371 |
| Valid N (list wise) | 481 | | | | |

Decision: Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 2 presents descriptive statistics of respondents on recapitalization compliance. The results show that, a significant level of respondents {Mean > / = 3.0} indicated high compliance rate for Minimum capital base of N25 billion with a deadline of 31st December, 2005 (4.49); Adoption of a risk-focused and rule-based regulatory framework (3.84); Zero tolerance for weak corporate governance, misconduct and lack of transparency (4.63); Completion of the Electronic Financial Analysis Surveillance System (e-FASS) (3.75); Promotion of the enforcement of dormant laws (4.14) and Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit (3.23). However, insignificant level of respondents complied with Consolidation of banking institutions through mergers and acquisitions (2.16).

Table 3. Descriptive statistics of respondents on Nigeria economy growth between 2006- 2018

| Descriptive statistics | | | | | |
|--------------------------------------------------------|-----|---------|---------|------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Consistent increase in GDP growth | 481 | 1 | 5 | 2.21 | 511 |
| Increase both internal and external revenue generation | 481 | 1 | 5 | 2.23 | 677 |
| Enhance international economic competition | 481 | 1 | 5 | 3.32 | 998 |
| Low exchange rate | 481 | 1 | 5 | 1.64 | 878 |
| Low lending rate | 481 | 1 | 5 | 2.86 | 1.305 |
| Single digit inflation rate | 481 | 1 | 5 | 1.36 | 737 |
| Increase in employment opportunity | 481 | 1 | 5 | 2.20 | 466 |
| Improved standard of living among people | 481 | 1 | 5 | 2.41 | 644 |
| Reduction in poverty level among people | 481 | 1 | 5 | 1.31 | 981 |
| Reduced corruption index | 481 | 1 | 5 | 1.35 | 709 |
| Valid N (list wise) | 481 | | | | |

Decision. Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 3 presents descriptive statistics of respondents on recapitalization compliance. The results show that, a significant level of respondents {Mean > / = 3.0} affirmed that, the economy has witness enhanced international economic competition (3.32). However, insignificant level of respondents disaffirmed that, the economy has witness, consistent increase in GDP growth (2.21); Increase both internal and external revenue generation (2.23); Low exchange rate (1.64); Low lending rate (2.86); Single digit inflation rate (1.36); Increase in employment opportunity (2.20); Improved standard of living among people (2.41); Reduction in poverty level among the people (1.31); Reduced corruption index (1.35).

Table 4. Descriptive statistics of respondents on banking business between 2006- 2018

| Descriptive statistics | | | | | |
|---------------------------------------------------|-----|---------|---------|------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Increased investors in banking business | 481 | 1 | 5 | 3.53 | 511 |
| Protection and guaranteed shareholders fund | 481 | 1 | 5 | 3.42 | 677 |
| Financially competent banks | 481 | 1 | 5 | 4.26 | 998 |
| High loan capacity for international transactions | 481 | 1 | 5 | 3.64 | 878 |
| Sufficient to provide loan for local transactions | 481 | 1 | 5 | 4.83 | 1.305 |
| Effective financial intermediation | 481 | 1 | 5 | 4.61 | 737 |
| Guarantee of depositor's money | 481 | 1 | 5 | 3.99 | 466 |
| Soft loan for bank staff | 481 | 1 | 5 | 3.78 | 644 |
| Secured bank staff's job | 481 | 1 | 5 | 2.42 | 981 |
| Easy access and sufficiency of deposit banks | 481 | 1 | 5 | 2.35 | 709 |
| Valid N (list wise) | 481 | | | | |

Decision. Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 4 presents descriptive statistics of respondents on banking business in Nigeria between 2006-2018. The results show that, a significant level of respondents {Mean > / = 3.0} agreed that there are increased investors in banking business (3.53); Protection and guaranteed shareholders fund (3.42); Financially competent banks (4.26); High loan capacity for international transactions (3.64); Sufficient to provide loan for local transactions (4.83); Effective financial intermediation (4.61); Guarantee of depositor's money (3.99) and Soft loan for bank staff (3.78). However, insignificant level of respondents disagreed that, security of bank staff's job (2.42) and Easy access and sufficiency of deposit banks (2.35).

Table 5. Descriptive statistics of respondents on welfare of the people in Nigeria between 2006- 2018

| Descriptive statistics | | | | | |
|-----------------------------------------------|-----|---------|---------|------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Consistent increase in budget implementation | 481 | 1 | 3 | 1.19 | 415 |
| Availability of loan at single digit interest | 481 | 1 | 4 | 1.16 | 505 |
| Continuous ease of doing business | 481 | 1 | 4 | 2.23 | 980 |
| Consistent infrastructural development | 481 | 1 | 4 | 2.63 | 887 |
| Provision of basic amenities | 481 | 1 | 5 | 2.45 | 852 |

| | | | | | |
|--------------------------------------------------|-----|---|---|------|-------|
| Increased housing to meet the growing population | 481 | 1 | 5 | 2.23 | 1.371 |
| Valid N (list wise) | 481 | | | | |

Decision. Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table above presents descriptive statistics of respondents on welfare of the People between 2006-2018. The results show that, insignificant level of respondents affirmed that, Consistent increase in budget implementation (1.19); Availability of loan at single digit interest (1.16); Continuous ease of doing business (2.23); Consistent infrastructural development (2.63); Provision of basic amenities (2.45) and Increased housing to meet the growing population (2.23).

Hypothesis one. there is no significant relationship between recapitalization and state of Nigeria economy growth between 2006- 2018.

Hypothesis two. there is no significant relationship between recapitalization and banking business in Nigeria between 2006- 2018.

Hypothesis three. there is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018.

Table 6. Correlation analysis showing the relationship between recapitalization (recap.) and state of Nigeria’s economy (SNE), Nigeria banking business (NBB)and welfare of the Nigeria people (WNP) in Nigeria between 2006- 2018

| Correlations | | | | | |
|--------------|---------------------|---------|---------|---------|---------|
| | | Recap | SNE | NBB | WNP |
| Recap | Pearson Correlation | 1 | -.183** | .462** | -.483** |
| | Sig. (2-tailed) | | .001 | .000 | .000 |
| | N | 481 | 481 | 481 | 481 |
| SNE | Pearson Correlation | .183** | 1 | -.340** | .267** |
| | Sig. (2-tailed) | .000 | | .000 | .000 |
| | N | 481 | 481 | 481 | 481 |
| NBB | Pearson Correlation | .462** | -.340** | 1 | .425** |
| | Sig. (2-tailed) | .000 | .000 | | .000 |
| | N | 481 | 481 | 481 | 481 |
| WNP | Pearson Correlation | -.483** | .267** | .425** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | |
| | N | 481 | 481 | 481 | 481 |

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

Results above shows that, low and inverse relationship existed between recapitalization and state of Nigeria economy between 2006- 2018 [r (481) = -.183; .001]. This implies that, the null hypothesis one which states that, there is no significant relationship between recapitalization and state of Nigeria economy growth between 2006- 2018 is hereby upheld.

Results above shows that, high and positive relationship existed between recapitalization and banking business in Nigeria between 2006- 2018 [r (481) = .462; .000]. This implies that, the null hypothesis two which states that, there is no significant relationship between recapitalization and banking business in Nigeria between 2006- 2018 is hereby rejected. Therefore, there is a significant relationship between recapitalization and banking business in Nigeria between 2006- 2018.

Results above shows that, high but negative relationship existed between recapitalization and welfare of the people in Nigeria between 2006- 2018 [r (481) = -.483; .000]. This implies that, the null hypothesis three which states that, there is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018 is hereby rejected. Therefore, there is a significant but inverse relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018.

Discussion

Findings revealed a high compliance to recapitalization policies among commercial banks as indicated in table 2 above, where a significant level of respondent opines high compliance to Minimum capital base of N25 billion with a deadline of 31st December, 2005, for Zero tolerance for weak corporate governance, misconduct and lack of transparency, for Promotion of the enforcement of dormant laws among other. The plausible reason to this is that, the recapitalization policy was enforced by the apex bank, therefore ever banks have no other option than to obey. This is in line with Jerohand Okoye (2015) focuses on an impact assessment of the consolidation exercise on the performance of commercial banks in Nigeria. Their results show that the consolidation exercise had positive impact on the selected variables (Non-Performing Loans, Liquidity Ratio, Bank Credit to Private Sector and Bank Capital to Asset Ratio)

More findings revealed that, Nigeria economy between 2006- 2018 experienced inconsistencies in GDP growth. More so, internal and external revenue generation also witnessed up and down along. Although the economy experienced enhance international economic competition. yet, there are high lending rate, high exchange rate, double digit inflation rate, Increase in unemployment opportunity among others. In general, based on results presented in table 3 above, the Nigeria economy growth between 2006- 2018 is irregular

Findings also revealed that, banking business between 2006- 2018 experienced boom. Results presented in table 4 shows that, banking business experience Increased investors, Protection and guaranteed shareholders fund, High loan capacity for international transactions, Soft loan for bank staff among others. However, job security was low. Findings agrees with Abuh (2012) in a study evaluates whether or not the recapitalization has significantly improved the financial performance of DMBs from what it was prior to the exercise. Relevant literatures were reviewed. It was found that there is a significant impact of recapitalisation on the four performance indicators after the exercise. PPCC revealed a strong and positive relationship both before and after the recapitalisation but, the cases of before are higher than those after the exercise.

Further findings revealed that, welfare of the people in Nigeria between 2006- 2018 in poor. Based on the result presented in table 5 above, budget implementation is not consistent, loan at double digit interest, poor infrastructural development among others.

findings revealed that, there is an inverse and low relationship between recapitalization and state of Nigeria economy growth between 2006- 2018. The implication of this is that, 2005 bank recapitalization was not tailored to aid increase in Economy growth. The plausible reason to this is that, the focus was more on building effective banking due to various challenges and limiting factors combating the development to the banking industry then. Findings corroborates

also findings depicted that, high and positive relationship exist between recapitalization and banking business in Nigeria between 2006- 2018. This finding affirms the assertion that, 2005 recapitalization policy were built around having a robust financial system that is capable of funding high profile transaction and protect shareholder's funds. Due to inabi

Findings revealed that, there is an inverse and low relationship between recapitalization and state of Nigeria economy growth between 2006- 2018. The implication of this is that, 2005 bank recapitalization was not tailored to aid increase in Economy growth. The plausible reason to this is that, the focus was more on building effective banking due to various challenges and limiting factors combating the development to the banking industry then. Findings corroborates According to Chidolue (2012), one of the major macroeconomic variables that compliment bank performance is availability of capital. He further noted that, liquidity ratio, cash reserve ratio has no positive and significant impact on economic growth of Nigeria as opposed to money supply to GDP and loan to deposit of commercial bank that have positive but non-significant impact on economic growth in Nigeria.

Also findings depicted that, high and positive relationship exist between recapitalization and banking business in Nigeria between 2006- 2018. This finding affirms the assertion that, 2005 recapitalization policy were built around having a robust financial system that is capable of funding high profile transaction and protect shareholder's funds. Kenn-Ndubuisi and Akani (2015) examined the analysis effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel

analysis. They stressed that, the banking consolidation and recapitalization of commercial banks exercise has shaped the structure of the Nigerian banking industry significantly. The result of the regression model of Minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only Capital adequacy and management quality had a structural difference with the increment.

Findings also revealed a high but negative relationship existed between recapitalization and welfare of the people in Nigeria between 2006- 2018. The implication of this is that, the more banks complied with recapitalization policy the poorer the welfare of the people have been. The plausible reason to this that, recapitalization policies was not designed to favour socio economic development among the people. As described in Kanu and Hamilton (2015) critically evaluated the 2005 recapitalization of banks in Nigeria in terms of the positive fallouts and the unanticipated consequences. The findings obtain revealed that the 2005 recapitalization effort actually improved the performance of banks and also positively impacted the economy as a whole. However, the found, that, the standard of living of the population were negatively affected mostly because of number of banks staff who had to be sacrificed and thrown into unemployment.

Conclusion and Recommendation

The need to reform banking sectors is unique to any country and it should be based on best practices. By implication reforms in the financial institutions should include every stakeholder such as management of banks, staffs and the people. The inclusion of these groups would as well takes care of possible negative consequence of any said reform on any group. Although, banking sector reforms and recapitalization have resulted from deliberate policy response to correct perceived or impending banking sector crises and subsequent failures, it important that, government know that, the operations of commercial bank are directly and indirectly involving in a lot of activities to sustain the country's economy.

This study concluded that, although 2005 recapitalization impacted development and competency of commercial banks, since it was designed mainly to impact banks, yet it effects on the economy and welfare of the people is negative. Therefore, is recommended that, the present committee of governors of central banks in Nigeria in their deliberation on recapitalization should consider proposing policies that will not only improve the financial systems in the country, also have positive and sustainable effects on the Nigeria economy and welfare of the people in Nigeria.

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