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QUALITY REGULATORY AUTHORITIES AND CORPORATE GOVERNANCE: A SURE HOPE FOR BEST BANKING PRACTICE IN NIGERIA

EKECHUKWU CHIJIOKE
Department of Banking and Finance,
Faculty of Management Sciences,
Enugu State University of Science and Technology, Enugu - Nigeria

MBAH PAULINUS CHIGOZIE
Department of Business Administration,
Faculty of Management Sciences,
Enugu State University of Science and Technology, Enugu - Nigeria

Abstract:
This study examines quality regulatory authorizes and corporate governance as the best for banking practice in Nigeria. The objectives to ascertain the impact of regulators in sustaining and monitoring the banking sector, the effect of Directors/CEOs' inadequate disclosure of Banks' true financial position, and the effect of core failures on banking corporate governance. Survey research with a closed-ended questionnaire was adopted, a population of 1780 staff was sampled and 1687 respondents returned their questionnaires. The Special Package of Statically Software (SPSS) T-Test tool was used to analyse the data generated. The result of analysis shows that Regulatory authorities have a negative impact on sustaining and monitoring activities in the banking sector, $t(95, n = 117) = -0.908$, $p > 0.0$. Further, Directors/CEOs' inadequate disclosure of the true financial position of the bank has negative impact, $t(95, n = 117) = -1.685$, $p > 0.05$;and that Core failures has significant negative effect on the corporate governance in the banks, (95, n = 117) = --1.235, p > 0.05. The paper recommends that regulatory authorities should decrease errors in discharging their functions and increase the scope of examination of bank deposits to encourage compliance with laid down rules and regulations.
Keywords: *Quality, Regulatory Authority, Corporate Governance, bank, practice.*

1.1 Introduction

The 2008-2009 global economic crises arose due to myriads of inefficiencies in the financial sector management. The crises, which spread across insurance industry, the credit markets (deposit money banks) and the capital markets was an indictment on the institutional structures for regulation of the various segments of the financial market [1]. In Nigeria, high undercapitalization deposit taking banks; weakness in regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks connected Nigerian financial sector to the global crisis [2]. This generated the argument and the need for reforms and a unified or consolidated financial sector regulation in Nigeria [3]. This regulation tends to check and ensure a sound financial system that guarantees an effective risk asset data base and information sharing system, commitments and dedication to duties on the side of financial institutions. The essence is to identify and diagnose emerging problems in the sector, ensure compliance to standing rules and banking ethics, which will consolidate public confidence and stability in the Nigeria's financial system [4].

Corporate regulation or governance empowers institutions to achieve their objectives. Corporate governance as used here refers to the processes by which multiple institutions or organizations are directed, controlled, and held to account by a centralised organ through a system that is underpinned by the principles of openness, integrity, and accountability. It defines the activities and relations of the owners of the institutions (shareholders), creditors, employees, customers, and government with the institution. The willingness and ability of management to adhere to the co-ordination and execution of the rules and regulations of such relationships clearly forms the main thrust of corporate governance. The Central Bank of Nigeria (CBN) in collaboration with the National Deposit Insurance Corporation (NDIC) is responsible for the regulation and control of the banking sector with the ultimate goal of ensuring sanity and efficiency in the sector. Sections 30-32 of BOFID 1991 as amended empowers the CBN Governor to appoint a Director of Banking Supervision (DBS) with the responsibilities to carryout supervisory duties in respect of banks and other financial institutions in the country [5].

As the regulatory body, CBN through the DBS among other things examines periodically the books and affairs of each bank; monitor compliance of banks with the BOFID and the monetary policy circular; receive meaningful information on timely basis from banks, stock exchange and other financial institutions so as to facilitate early detection of problems; employ corrective measures where deficiencies are found; process the returning schedule of the activities of banks; and access at all times the accounts and vouchers of banks in the country. On the other hand, the NDIC is required to assist the minority authorities in the formulation and implementation of banking policy so as to ensure safe and sound banking system [6]. This goal of this policy regime, which in 2004, was to facilitate the growth of Nigerian banks to enable them drive development across all the sectors of the economy.

Yet, reports of unethical practices such as spate of frauds, ethical misconduct and falsification of returns by the banks to the Central bank, the unprofessional use of female staff, some of whom have been reported to offer sex to win new customers, and 'banks' that are not legal financial institutions but trade in foreign exchange, government treasury bills and direct importation of goods through phony companies still exist. The banking system in Nigeria seems to be a corporate failure. This paper examines the quality of banking regulatory institution and corporate governance and their impacts as the appropriate instrument for banking practices in Nigeria.

1.2 Objective of the Study

The main objective of the study is to evaluate the quality regulatory authorities and corporate governance a sure hope for best banking practices. However, its specific objectives include:

- **i.** To ascertain if regulators has made a negative impact in sustaining and monitoring in the banking sector in Nigeria;
- **ii.** To examine the effect of Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operations on banking practices in Nigeria;
- **iii.** To determine the impact of regulators' core failures on corporate governance in the banking sector in Nigeria.

Research Question

This research seeks answers to the following questions:

- **i.** Has regulators made a negative impact in sustaining and monitoring of the bank sector in Nigeria?
- **ii.** What are the effects of Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operations on banking practices in Nigeria?
- **iii.** Have regulators' core failures any effect on corporate governance in the Nigerian banking sector?

1.4 Research Hypotheses

This research is organised to test the following hypotheses:

- **i.** Regulators have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria.
- **ii.** Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria.

iii. Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Conceptual Framework

2.1.1 Financial Regulation

Regulation means the official and authoritative control of institutional processes and activities through rules. It is a set of specific rules or agreed behaviour either imposed by some government or external agency or self-imposed by explicit agreement within the institution that shape the operations of the institutions towards the actualisation of a defined objective [7, 8].Regulation thrives most or seems to be best applied to govern a complex and multidimensional conglomerate such as financial institutions. Characteristically, a financial system is a composition of various institutions, markets, instruments and operators that interact within an economy to provide financial services [9].Such services include resource mobilization, allocation, financial intermediation and facilitation of foreign exchange transactions to boost international trade. Therefore, financial regulation refers to specific rules imposed or agreed upon that structures and specifies processes, activities, and relationships among various institutions, markets, instruments and operators with responsibilities to provide financial services. It is a set of specific rules or agreed behaviour imposed by government or its agencies to be able to control and guide the activities financial system for the achievement of desired objectives [10].

The essence of financial regulation includes:

a. Harmonisation of practises with the operating legal and regulatory frameworks;

b. Limit institutional activities to specific boundaries, laws and set of regulations that guide the domain of the market;

c. Protect investors and depositors from the exploitation; and to

d. Ensure equity in competition.

These rules or regulations cannot be effective without an established and centralised legal authority fully empowered to enforce, control, and regulate them. Such a regulator guarantees control on all activities and provides a form of reserve requirement, deposit ceilings, restriction in foreign investment as well as interest rate contribution [11].

2.1.2 Regulatory Authorities

A regulatory authority is an autonomous organ or agency established by a federal, state or provincial government with the power to enforce regulations regarding specific institutions and their operations such as the banking sector. It is always a government agency charged with the responsibility for exercising autonomous authority over some area of human activity. Regulatory agencies are created by created and controlled by the Executive branch through Legislative provisions. Consequently, as they perform their statutory functions, the Legislature exercises oversight function on them.

2.1.3 Corporate Governance

Corporate Governance generally refers to the system of governance, rules, ethical standards, mechanisms, processes in which corporation is being directed and controlled. It builds up a framework which is legal for the achievement of the objectives of the corporation [12]. It moderates the relationship between the Institution Management Team, Corporate Board, Stakeholders, and the public. Corporate governance mechanism helps in setting corporate objectives and defines the means for the attainment of those objectives.

2.1.4 Best Practices

This refers to organisational methods or practices that have stood the test of time with proven reliability and applicability across diverse cultures and social setting with effective and efficient impacts in achieving desired results. Consequently, best practices have being used to evaluate programmes, institutions, projects, and processes in public policy implementation across modern developments [13]. It has being the veritable ground for and a good approach to making recommendations for public policy reforms in the Less Developing Countries.

2.2 Theoretical Framework

2.2.1 Stewardship theory

Stewardship theory is a relatively new concept and assumes that the manager is a steward of the business with behaviours and objectives consistent with those of the owners. The theory suggests that the firm's purpose is to contribute to humanity by "serving customers, employees and the community" [14]. The primary postulation of the theory holds that business is here to serve rather than produce a profit; however, to be able to serve, the firm must be able to sustain itself economically. This theory promotes efficient use of resources through working with stakeholders. It views profits as necessary and an important funding mechanism to the primary objective of meeting the service-oriented mission. A stewardship focused firm aligns itself with the needs of society and through risk taking and innovation, attempts to improve the life of others utilizing a business approach. The managers of such a firm are not motivated by personal needs and desires, but rather see themselves as stewards with the same motives and objectives as the owners of the firm. Integrity, justice, and respect are the core values of the firm and serve as the foundation for management's actions on all decisions. The pursuit of wealth building is secondary to service for the common good from sustainable business functions focused on the betterment of people and planet.

2.2.2 Stakeholder Theory

Stakeholder theory goes back to its roots in the early 30s of the twentieth century, the flowering times of large corporations and a significant increase in strength of public opinion. At this time of rising public expectations in respect of undertakings were made basic assumptions of the theory known as the theory of stakeholders. According to this theory, the company should operate primarily for the public good and private interests should it descend into the background. If a company wants to survive in the market, its managers must be mediators, linking the world with the world organization to its environment.

2.3 previous Studies

2.3.1 The Effect of Regulators on Sustaining and Monitoring in the Banking Sectors

Ojong, Ekpuk, OgarandEmori [15] investigated Banking reform in Nigeria with a view to establish the regulatory imperative for a sustainable banking industry. The study adopted Expost facto design type method wherein data was collected mainly from secondary records and analysed using ordinary least square. It appraised the Nigerian banking sector against the back-drop of its strategic role in national economic development. The findings of the study reveal that, prior to the 2004 banking sector reforms, many Nigerian banks were undercapitalized and this accounted for their poor performance in terms of low profitability, low liquidity, low returns on investments and lack of sustainability. Further, it observes that huge bad debts profile or poor asset quality has a negative contribution to bank performance and was statistically significant. Interest rate had a positive effect and a significant effect on bank performance. On the whole, the incorporated variables (BCAP, INTR) contributed positively to the growth of Nigerian banks, and the economy at large. Based on the findings above, it is concluded that effective banking sector reforms is a regulatory imperative for a sustainable banking industry in Nigeria. it, therefore, recommends periodic increase in the banks' capitalization especially since the hyper-inflationary rate in our economy is not showing any sign of abating; and strict implementation of the risk-focused and rule-based regulatory framework by the regulators.

Das, Quintyn, and Kina [16] explored the impact of regulatory governance on financial system stability with the aid of multi-cross-sectional data of developing and developed countries and applied Weighted Least-square Regression. The result of the study reveals the existence of a significance influence of regulatory governance on financial system soundness.

Similarly, Iganiga [17] assessed the effect of financial reforms (regulation) on the effectiveness of financial institutions with emphasis on banking sector using data from 1986. With the aid of classical least square technique, the result of analyses reveals that banking sector regulation reforms has positive significant influence on the performance of the financial sector because it led to domestic savings increase by 5% and capital base of firms rekindled public confidence and increasing savings by 3.6%.

In the same vein, Ningi and Dutse [18] explored the impact of CBN's regulatory function on Nigerian banks using the policy of consolidation in the banking sector as case illustration. The result of the analyses of data generated reveals a significant positive impact of CBN policy on Nigerian banks because it completely changed the market structure, increased the efficiency and reliability of banks, created opportunities for participants and raised their intermediation potentials.

However, Idowu and Babatunde [19] investigated the effect of financial reform imposed by CBNon capital market, using time series data (1986-2010). With the aid of Ordinary Least Square Regression, the result of the analysis reveals a negative relationship between the CBN regulatory activities and the growth of the financial market.

2.3.2 Directors/CEO Inadequate Disclosure of and lack of Transparency on banking activities

Adeyemi and Asaolu [20] investigated the financial reporting practices among post-consolidated banks in Nigeria and their subsequent level stability. Specific objectives of the inquiry include the identification of the different regulatory provisions for banks' information disclosure and report presentation, the evaluation of information disclosure practices by the banks and an examination of the relationship between reporting practices and corporate stability of the banks. The study relied on secondary data collected through in-depth content analysis of published annual reports and accounts of 13 out of the 21 banks quoted on the Nigerian Stock Exchange between 2005 and 2009. Reporting practices by the banks were predicated on scores obtained from a Composite Disclosure Index (CDI) computed from a checklist from SASs and Prudential Guidelines' requirements.

Results of the analysis reveal a high level of compliance with the mandatory disclosure requirements for banks by scoring high on the CDI (mean in excess of 90%); disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity). The study concluded that high compliance with the existing regulatory requirements did not alter internal banks' weaknesses and consequent distress. Secondly, regulatory authorities are to strengthen the monitoring process by identifying non-compliant banks promptly and imposing sanctions equally promptly. This will give better meaning to the reporting prescriptions and minimize the tendency of regulatory authorities coming up too late only to declare banks as troubled when it would be rather late to rescue such banks

2.3.3 The Core Failures of Corporate Governance in the Banks

Emeka and Alem [21] examined the effect of corporate governance on Bank's financial performance in Nigeria. The effects of relative size of non-executive directors and the board size on return on investment (ROA) of a sample of 10 selected banks were investigated. The study adopted secondary method of data collection wherein data was sourced from the Nigeria Stock Exchange fact books issued for the years 2004-2013. The ordinary least square regression technique aided by SPSS 21 was employed in estimating the relationship between the selected variables. The analysis of data generated reveals that the relationship between corporate governance and bank performance in Nigeria is quite significant as a unit change in the board size and the relative size of non-executive directors increases the return on assets. The study therefore concluded that proper structuring of the stakeholders in the corporate governance team is a panacea to the perennial banking crisis experienced in Nigeria. It recommended among others that banking sector should engage in strategic training of board members and senior bank managers especially in areas of internal control effectiveness, board structure and independence and in banking ethics.

3. METHODOLOGY

The paper adopted survey approach to data gathering, while closed-ended questionnaire was used to collect information from respondents. A total 1780 staff from different banks located in South-east Nigeria and their available customers was chosen as sample although 1687 of this respondents/sample completed and returned their questionnaire to the researcher. The researchers employed the services of 10 research assistants in distributing the questionnaires. This amounts to 99% response rate. The validity of the instrument, i.e. the questionnaire was tested using content analysis while its reliability was tested using the Pearson correlation coefficient (r). It gave a reliability co-efficient of 0.89 which was also good. T-test statistical tool was used to analysis the data with the aid of special package of statically software (SPSS).

4. DATA PRESENTATION AND RESULTS

4.1. Data Collection

Table 1: Distribution and Return of Questionnaire

Name of Banks	Number of Questionnaire Distributed	Number of Copies Return	Percentage
Zenith Bank	103	97	5
First Bank	127	121	7
UBA	223	201	11
Sky Bank	174	157	14
Customers	1153	1111	62
Total	1780	1687	99

Source: Field Survey. 2017

Table 1 above reveals that one thousand seven hundred and eighty (1780) copies of questionnaires were distributed and one thousand six hundred eighty seven(16870) questionnaires representing 99% were validly completed and returned.

Table 2: Regulators have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria

Responses	Zenith	First Bank	UBA	Sky Bank	Customers	Total	%
Strongly Agree	30	43	77	20	223	393	23
Agree	28	37	62	68	687	882	52
Neutral	8	12	27	21	42	110	7
Disagree	4	19	18	22	101	164	10
Strongly Disagree	27	10	17	26	58	138	8
Total	97	121	201	157	1111	1687	100

Source; Field Survey 2017

Table 2 above reveals that 393 respondents out of 1687 representing 23% strongly agree with the statement that Regulators have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria, 882 respondents representing 59% agree with the statement, 110 respondent were neutral 164 respondents (10%) disagree, while 138 respondents representing 8% strongly disagree.

Table 3: Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria

Responses	Zenith	First Bank	UBA	Sky Bank	Customers	Total	%
Strongly Agree	43	28	72	49	483	675	40
Agree	27	73	77	63	592	832	49
Neutral	8	5	9	10	13	45	7
Disagree	11	7	20	15	13	66	4
Strongly Disagree	8	8	23	20	10	69	4

Total	97	121	201	157	1111	1687	100

Source: Field Survey 2017

Table 3 above shows that 675 respondents out of 1687 representing 40% strongly agree with the statement that Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria, 832 respondents (49%) agree with the statement, 45 respondents (3%) were neutral, 66 respondents (4%) disagree, while 69 respondents (4%) strongly disagree with the statement.

Table 4: Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector

Responses	Zenith	First Bank	UBA	Sky Bank	Customers	Total	%
Strongly Agree	18	43	93	42	401	597	35
Agree	63	57	97	61	582	860	51
Neutral	9	3	8	9	33	62	4
Disagree	3	8	2	25	45	83	5
Strongly Disagree	4	10	1	20	50	85	5
Total	97	121	201	157	1111	1687	100

Source: Field Survey 2017

Table 4above shows that 597 respondents out of 1687 representing 35% strongly agree with the statement that Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector, 860 respondents (51%) agree with the statement, 62 respondents (4%) were neutral, 83 respondents (5%) disagree, while 85 respondents (5%) strongly disagree with the statement.

4.2 Test of Hypotheses

Broad Objective of the Research: Regulatory authorities and corporate governance: a sure hope for best Banking practice

Regression Analysis

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	CEOEIDTFB, CFECGB[b]	.	Enter

a. Dependent Variable: RACGBBP
b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.566	.442	14.65752

a. Predictors: (Constant), CFECGB, CEOEIDTFB

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1958.501	2	979.250	4.558	.054[b]
	Residual	1503.899	7	214.843		
	Total	3462.400	9			

a. Dependent Variable: QRACGBBP
b. Predictors: (Constant), CFECGB, CEOEIDTFB

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.908	7.842		.116	.911
	CEOEIDTFB	.176	.358	.221	-.490	.639
	CFECGB	-1.880	1.523	.557	-1.235	.257
a. Dependent Variable: QRACGBBP						

Where:

QRACGBBP = Regulators have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria.

CEOEIDTFB= Response on whether Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria.

CFECGB= Response on whether Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector.

The result of the analysis shows the predictor variables (CEOEIDTFB and CFECGB) were significantly predictors on the effect of Quality Regulatory Authorities and Corporate Governance: A Sure Hope for Best Banking Practice. F (2, 8) = 4.558; R2 = .566) at 5%level. The predictor variables jointly explained 56.6% of the dependent variable, while the remaining 43.4% could be due to the effect of irrelevant indices.

Furthermore, it can be deduced from the result obtained that the constant parameter in the long – run is positive. This implies that if all the explanatory variables are held constant, QRACGBBP will decrease by 0.908. Showing that Quality Regulatory Authorities and Corporate Governance assures Hope for Best Banking Practice. The coefficient of

QRACGBBPis -0.908, it has a negative relationship with CEOEIDTFB ($t = -.490, P > .05$) showing that a unit increase in CEOEIDTFB will decrease QRACGBBP. The coefficient of CFECGB is -1.880, it has a negative relationship with QRACGBBP ($t = -1.235, P > .05$) showing that a unit increase in CFECGB will decrease QRACGBBP by -1.880.

4.3 Discussion

4.3.1 Regulators have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria.

From the analysis of data above, it was observed that Regulatory authorities have a negative effect on sustaining and monitoring in the banking sector, i.e. $t(95, n = 117) = -0.908, p > 0.05$. In the literature review, the finding or observation made by Ojong, Ekpuk, OgarandEmori [22] supports this result. Nigerian banks were undercapitalized and this accounted for their poor performance in terms of low profitability, low liquidity, low returns on investments and lack of sustainability.

4.3.2 Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria.

The result of data analysis on Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operation has significant negative effect on banking practices in Nigeria showed $t (95, n = 117) = -1.685, p > 0.05$. This is in line with Adeyemi and Asaolu [23] research findings. In addition, the regression results showed that disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity), while high level compliance with the existing regulatory requirements has not removed the banks' exposure to internal weakness and consequent distress. It therefore seems evident that the existing mandatory information disclosure requirements are inadequate and require to be strengthened.

4.3.3 Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector

The analysis of data reveals that Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector, i.e. $t (95, n = 117) = --1.235, p > 0.05$. This finding was supported by Emeka and Alem [24], which observed that appropriate stakeholders' structure in corporate governance is a panacea to the perennial banking crisis experienced in Nigeria. It further postulated that the banking sector should engage in strategic training of board members and senior bank managers especially in areas that promote internal control effectiveness, board structure and independence and in banking ethics.

5. Conclusion

In the light of above findings, the quality of regulatory authorities and corporate governance defines good financial sector or banking activities in Nigeria. They are very necessary in sustaining and supervising the various functions of the banking sector, overrides the internal control systems at the strategic level, tackles the problems of poor risk managements or absence of risk management frameworks, and the various unethical practices in the banking sector. The activities of bank Regulatory authorities have not made any positive impact in sustaining and monitoring of the bank sector in Nigeria. Similarly, bank Directors/CEOs' inadequate disclosure of financial position of their banks and lack of transparency in their operations have significant negative effect on banking practices in Nigeria; while Regulators' core failures have significant negative effect on corporate governance in the Nigerian banking sector.

6. Recommendation for further Research

Further research is recommended to find out the primary factors responsible for the ineffectiveness of regulatory authorities activities to curb or eliminate unethical practices in the Nigerian banking sector. Further research is also required on the ways of reforming the regulatory authorities to make it stronger, more effective and efficient.

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