

# A Critical Review of the Effect of the Global Financial Melt-Down on the Nigerian Banking Sector

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## Abstract

This study seeks to examine the effects of the global financial crisis on the Nigerian banking sector in retrospect. The shock waves that emanated from the global financial melt-down that started in 2007 are yet to fully dissipate. Beginning from the mortgage to stock market in the United States of America it quickly spread to other sectors and other European economies and then a global phenomenon. The effect of the financial crisis left the collapse of many industries in its trail, while the banking sector was the worst hit. To mitigate further collapse of the Nigerian banking sector, the Central bank of Nigeria (CBN) took several steps during and after the global financial crisis. These measures have repositioned the Nigerian banking sector and restored greater degree of public confidence. It was recommended among others that Nigerian banks should depend less on public sector deposits and diversify their products to become more robust in their operations.

**Key words:** Bank Consolidation, Financial melt-down, recapitalization.

## Introduction

The Nigerian banking sector had witnessed lots of distress, uncertainty and anxiety prior the banking sector consolidation exercise that began in 2005. Investor's and depositor's funds were not guaranteed, eroding public confidence, with many of the banks becoming distressed due to capital inadequacy. These problems greatly impaired the quality of the bank's assets as non-performing assets became unbearable and became huge burdens on many of the banks. The financial intermediation role of the banks became heavily impaired while the macroeconomic activities seriously slowed down. It was against this background, that the Central Bank of Nigeria (CBN) announced a major reform in the entire banking industry. The recapitalization of the capital base of banks constituted the first phase of the bank consolidation process in Nigeria in 2005. The primary objective of the reform initiative was to have an efficient and effective banking industry that could guarantee rapid economic growth and sustainable development. But the global financial crisis, which started as financial crisis in America and Europe and later spread to other parts of the world, has under minded the banks' ability to play its developmental roles in the Nigerian economy.

Under this climate, the growth prospects for Nigeria and many other economies declined considerably, the World Bank global economic growth expectations also declined from 2.5 to 0.9 percent. The resultant effect was that the world economy was marred by the severest financial crisis since the great depression of the 1930s and the Nigerian was not spared. The major challenges posed by the global financial melt-down to Nigeria according Atuche (2007) include the following:

- Falling oil prices and dwindling revenue for government. The fall in oil price also affected Nigeria external reserves. Consequently, the naira has been under pressure and has lost more than 25 percent of its value since 2008 to date.
- Declining capital inflows into the economy. This has the effect of worsening the problem of relatively high operating costs occasioned by decaying infrastructure like power, transportation, healthcare, etc, because of the dearth of funds for investment in infrastructural development. The impact on banks was higher operational costs as well as loss of income that could have been earned from facilitating the inflow of capital into the economy.
- Loss of income strategic business units in banks due to restrictive foreign exchange policies to defend the Naira which have been struggling in the inter-bank foreign exchange market.
- Reduction and re-pricing of credit lines from foreign banks and in some cases outright freeing of such lines. This has led to loss of significant income usually earned from trade finance businesses.
- Capital market downturn and divestment by foreign investors led to loss of investors' confidence and increase in non-performing loans from facilities granted to investors in the stock market.
- Likely loss of business income for key financial institutions directly dependent on the stock market, like the stock broking firms, rating agencies, investment and asset management firms, etc and the implications for banks that are exposed to such institutions.
- Increased borrowing by national and sub-national governments to cover shortfalls in revenue and the resultant crowding out of the private sector.

- Increase in counter-part risks and growing business failures occasioned by the global financial crisis. This has the effect of stifling economic activities and impacting negatively on banks performance.
- Finally, the global financial crisis has the overall impact of making banks more conservative and risk averse, thus reducing their propensity to advance credit to the economy in order to stimulate productive investment.

These challenges have far reaching implications for players in the financial and non-financial sectors of the Nigerian economy. Banks in particular are at risk given their strategic role in the economy. However, with proper planning and well thought out strategies, Nigerian banks and other institutions could emerge stronger from the crisis.

The major objective of this paper is to determine the main causes of the financial crisis in Nigeria, determine the extent of the impact of the global financial crisis on the Nigerian banking sector and look at various available options to forestalling future occurrence.

## **Literature Review**

### **Global Economic Crisis Banks**

The recent economic crisis initially started as a financial crisis arising from low interest rates and high world growth, on one hand, macroeconomic forces were at work, as low interest rates prompted investors around the world to search for yield further down the credit quality curve, and high growth/low volatility led them to an over optimistic assessment of the risks (that is, under estimation), on the other hand, and partly in response to the demand, the financial system developed new structures and created new instruments that seemed to offer higher risk- adjustment yields, but were in fact more risky than they appeared.

In this setting, market discipline failed as optimism prevailed, due diligence was outsourced to credit agencies, and financial sector compensation system based on short-term profit reinforced the momentum for risk taking. The immediate cause of the whole scenario according to Odoko (2009:12-15) was the housing bubble in the United State of America and expectation of increasing values in the housing market and especially the difficulties experienced with repaying sub-prime mortgages in the United State of America. While investor across the world had invested their funds in some of these assets and their derivatives turned toxic because they could not be repaid on maturity. Indeed as Barack Obama Stated in 2009, when a financial system weakens in a leading country, prosperity is hurt everywhere.

### **Over-view of Banking Business in Nigeria**

The first indigenous bank, the Industrial and Commercial Bank of Nigeria was established in 1929 and between 1929 and 1968; over 30 private and local banks sprang up and collapsed. Although the spate of failures precipitated a crisis of confidence in the financial services industry, regulatory intervention and reforms were instituted to address the anomalies in the industry.

The reform or restructuring involved the enactment of the 1952 Banking Ordinance which constrained players to conform to formal registration and licensing rules in order to operate as a bank. Other reforms initiated in this period included the increase in capital requirement for local banks, followed by the establishment of the Central Bank of Nigeria in 1959 which engendered effective monitoring and control in the sector. The Economic Stabilization Act of 1982 and the National Economic Emergency Decree of 1985 are inclusive of the other measures introduced to sanitize the banking system from the financial distress of the 1980.

In 1986 during the Structural Adjustment Programme (SAP) era, the CBN adopted severe contractionary policies which included the withdrawal of billions of naira from the banking system. It further tightened the monetary policy in August 1987 by raising the minimum discount rate by 400 basis points to 15 percent. SAP was introduced in part as a measure of combating the problem arising from dependence on a single export commodity, after oil prices fell in the early 1980s leading to severe economic problems for the country. In spite of the contractionary stance of the SAP era the industry advanced with the number of players increasing from 40 in 1985 to 120 banks by 1992 with over 2000 branches nationwide. The averages growth rate of assets soared from less than 10 percent in 1985 to 30.4 percent in the same period.

### **Bank Distress in Nigeria before the Global Economic Crisis of 2007**

The global economic crisis started in the United States of America in 2007 and later became a world phenomenon. Prior to 2007, Nigeria Banks has experienced distress in various ways. Table 1 below shows the growth of banks and financial institutions in Nigeria from the SAP era of 1986 to 1994. The boom in the sector continued unabated such that by 1994 there were approximately 66 Commercial Banks, 54 Merchant Banks, 402 Community Banks, 228 People's Bank, etc See table below for details.

**Table 1 Composition of Nigeria Financial Institutions by 1994.**

FINANCIAL INSTITUTIONS	NUMBER
Commercial Banks	66
Merchant Banks	54
Community Banks	402
People's Bank	228
Mortgage Institutions	145
Bureau De Change	132
Stock Brokerage Firms	140
Insurance Firms	666
Discount Houses	3

(Culled from CBN Bullion, July-Sept. 2009,p.9)

The Government intervened in 1997 to ease the tension created by the unmitigated growth in the boom period by raising capital requirement to N500 million from December 1998 from a mere N40 million for Commercial Banks and N50 million for Merchant banks. By the end of 1998, about 30 banks were liquidated. As at 2001, minimum capital base for banks stood at N1 billion and was subsequently raised to N2 billion with December 2004 as deadline for compliance. Precisely on July 6<sup>th</sup>, 2004, just before the December 2004 deadline, the Regulatory Authorities raised the stakes by requiring the banks to adjust minimum capital requirements to N25 billion, with December 2005 as deadline.

The then Governor of Central Bank, Professor Charles Soludo with hindsight, adopted the above measures before the global economic crisis that started in 2007. These measures effectively positioned the banking industry to become resilient against the challenges of the global crisis.

#### **Banking reforms in Nigeria (1986 – Date)**

1. Deregulation Era (1986 – 1992)
2. Distress banks Era (1993 – 2001)
3. Universal banking Era (2002 – 2004)
4. Bank consolidation Era (2004/2005 and 2009 to date)

#### **Deregulation Era (1986-1992)**

Prior to this liberation policy, the Nigeria banking sector was dominated by older and larger government control banks; namely United bank for Africa, Union Bank, First Bank, Savanna Bank and Afrik Bank, plus a host of other state-owned banks. Most of which are now moribund. This reform saw the privatization of Government interests in these banks and helped spur new nimble players into the market. This era saw the emergence of Peoples Bank and Community Banks; also the Nigeria Deposit Insurance Corporation (NDIC) was established through the NDIC decree of 1988, and the CBN was strengthened through the CBN Act of 1991.

Within few years under the deregulation era, the rise in the number of banks was quit phenomenal. At its peak, there were over one hundred and twenty (120) banks in the early to mid-1990s as opposed to less than 20 in 1980. This new generation banks came on board, very smart, dynamic and hungry. These new banks from the word go were plagued with the problem of low capitalization and stiff competition from the well-established older generation banks. Over time, most of the newer banks transformed to nothing more than glorified bureau-de-change with the attendant round tripping, trading in forex and treasury bills and then beautifying their financial statements. As the fortunes of these banks rose through this less than-ethical means, the economy as a whole continued to nose-dive, growing more weaker and less effective, which begged the question as to how the banks were posting those huge and impressive returns. The liberalization policy of late 1930s served as a wake-up call for the older and larger banks. The new banks gave the more established banks a run for their money and actually energized the industry and some of these young banks then, are today in the big league.

#### **Distress Banks Era (1993-2001)**

The interplay of various negative aggregates led to the distress syndrome in the banking industry during the era. There were illiquidity and terminally distressed banks in the system, which gave rise to the banking reform of this era. The Failed Banks and Financial Malpractices Decree of 1994 was promulgated and largely succeeded in restoring some level of sanity and public confidence in the banks, which had earlier declined with the large number of distress banks.

The provisions of the failed bank decree was strictly enforced and the NDIC made frantic efforts to reducing the level of non-performing loans, bad lending, outright fraud and insider abuses in the banking system. During this period some banks were acquired by the CBN/NDIC, 4 banks had their licenses revoked by the CBN in 1994, and 26 distress banks also had their licenses revoked in 1998.

### **Universal Banking Era (2002-2004)**

The universal banking policy was introduced to dismantle the restrictions between investment and commercial banking activities, fashioned after the US Financial services modernization Act of 1999. The universal banking system is an attempt to provide a level playing ground in the Nigerian banking industry while meeting the conventional banking functions. Banks could choose from one, or a combination of the following:

- Clearing house activities
- Capital market activities
- Marketing of insurance services.

During this period, some banks were known to have been suspended from the foreign exchange action as their owners cum top executives were stripped of their coveted positions. Yet there abound the presence of weak, unhealthy, under capitalized banks, high level of fraud and financial malpractices, including electronic fraud.

### **An over view of the Nigerian Banking Sector (1980-2004).**

Within this period, Banks grew to 120 and later the number dropped to 89 banks. The bank branches also grew phenomenally, albeit within urban areas and there was a rising level of foreign participation and systematic global integration of the Nigerian banking sector. At this time Nigeria hadn't been blacklisted by the Financial Action Task Force (FATF) as a non-cooperating country in the fight against international money laundering and Advance Fee Fraud. Almost all the banks did not meet the regulatory requirement for funding agriculture, manufacturing and other productive sector, (i.e. the ratio of their loans and advances that must be channeled to the real sector). The emphasis for most of them was to fund short-term trades with rapid turnover, going as far as importing fast-moving-consumer-goods (FMCG), thereby exerting undue pressure on the foreign exchange market.

The newer banks were more innovative, aggressive in pursuing and attracting customers as opposed to the armchair banking style of the bigger and older banks. Some of the newer banks have to go as far as recruiting pretty female bankers to go after affluent and institutional customers. Most of the newer banks were financially unstable, due to low capital base, relying heavily on a single or few public sector deposits. Yet according to the CBN in 2004 more than 20 billion Naira (\$151 million) has been amassed within the last 5 years in the small and medium Enterprise Investment Fund, while bankers maintain that there are not enough bankable ideas in the country, preferring to fund importation of merchandise at the expense of local manufacturing as average capacity utilization lags at less than 70%.

The banks were operating at low level of capitalization and high loans loss ratio, resulting in long-term financial instability and heightened risk of failure. At the end of March 2004 the CBN rating of all the banks showed that 62 banks could be considered as sound or satisfactory, 14 banks as marginal, and 11 banks as unsound, while 2 of them did not render any returns at all during the period under review. Fragmented market structure, with a preponderance of small to medium-sized banks incapable of funding major long term projects necessary to galvanize the economy. Even the then largest bank in Nigeria has a capital base of \$240 million, while the smallest bank in Malaysia has a capital base of over \$500 million. The banks were completely prostrate, unable to adequately assimilate the informal sector, by either mobilizing untapped financial resources or financing micro and small-scale enterprises that form the fabric of the economy.

There were noticeable declining standard of corporate governance, lack of transparency and poor accountability, leading to incessant malpractices, outright fraud and unnecessary bad debts. An analysis of the financial reports of the marginal and unsound banks showed that, these banks accounted for 19.2 percent of aggregate assets of the banking sector, 17.2 percent of total deposits, the non-performing assets of the banking sector stood at 19.5 percent of the total assets, hence, these banks inability to respond to the needs of a growing domestic economy or meet the challenges of an increasingly competitive regional/global market.

### **Bank Consolidation Era: The 2004/2005 Banking Reform.**

1. In Nigeria, most of the banks had a low capital base, less than \$10 million.
2. The local banks in Nigeria were not very efficient and also their capacity was low. So, the government had to depend a lot on the foreign banks.
3. Nigerian banks had been suffering from a weak corporate governance and insolvency for a long time.
4. Most of the banks in the country depended upon the public sector deposits which was lowering their capital base.
5. The public funds had not been distributed equally among all the banks.

### **The Reforms Process:**

The central Bank of Nigeria (CBN) provided some incentives for the banks so that they could achieve the \$25 billion Naira minimum capital base within 2005. These include:

1. CBN allowed the banks to deal through foreign exchange.
2. The banks were permitted to take deposit from the public sector and the fiscal authorities were made responsible for the collection of revenue from the public sector.
3. Some tax incentives were provided for the banks in the area of stamp duty and capital allowance.
4. Transaction costs had been minimized.
5. The government formed an expert panel to provide technical support to the banks.
6. Merging of some banks and introduction of some regulatory framework based on certain rules.
7. The establishment of web portal for all the citizens to share any confidential information with the central Bank regarding the banking systems.
8. An automated process was developed to report the banks returns.
9. The central Bank of Nigeria revised and updated all necessary banking rules and regulations to make the banking system more flexible, effective and transparent.

### **Banking Reform of the Economic Melt-Down era (2009)**

The EDW was a financial support facility through which the CBN provides liquidity to the ailing Banks, for short-term fund needs purposes. Unfortunately, some of these banks became regular customers to the EDW, borrowing with reckless abandon, and are unable to pay back the funds because they were in precarious cash positions. This abuse if left unchecked is unsafe for the future and continued existence of the banking industry and will further the perpetration of the little or unregulated lending policies which eventually would have plunged the Nigerian economy into deeper crisis. Also critical to the reform are:

1. Macro – economic instability caused by large and sudden capital inflows.
2. Lack of investor and consumer sophistication
3. Major failure in corporate governance in the banking sector
4. Inadequate disclosure and transparency about the financial position of banks.
5. Critical gaps in regulatory framework and regulations
6. Uneven supervision and enforcement
7. Unstructured governance and management process at the CBN/weaknesses within the CBN
8. Weaknesses in the business environment in the country

### **The four pillars of the 2009 Banking Reform.**

**Enhancing the quality of banks:** In achieving this objective, the CBN initiated programme to enhance the operations and quality of Nigerian banks. These programme initiatives will include: data quality, enforcement, governance, risk management and financial crime. These initiatives will be structured in such a manner that the banks do most of the work to imbibe new behaviors in the industry, with the CBN playing a cross- industry programme management role. Individual must be held responsible for their actions. In addressing the failures of corporate governance in the industry, the CBN will establish a specialist function focusing on governance issues to ensure governance best practices are embedded in the industry. The reform programme will strengthen corporate governance in both banks and the CBN, embedding a culture across the industry the ‘good governance is good business’.

**Establishing financial stability:** The key features of this pillar centre around strengthening the financial stability committee (FSC) within the CBN, establishment of a hybrid monetary policy and macro-prudential rules, development of directional economic policy and counter-cyclical fiscal policies by the government and further development of capital markets as alternative to bank funding.

Nigeria can only improve its economic performance if it deals squarely with two fundamental issues, which are; Volatility and instability caused by over-reliance on oil and sub optimal management of oil revenue, and ability of the non-oil real sector to productivity absorb investment and debt.

**Enhancing healthy financial sector evolution:** This include repositioning banking industry structure, banking infrastructure such as credit bearers and registrars, cost structure of banks and role of the informal sector. The creation of the Asset Management Corporation (AMC) provided the first step towards the resolutions of non-performing loan problem in banks and eventually facilitate further consolidation.

**Ensuring that financial sector contributes to the real sector:** Development financial institutions set up for specific purposes such as housing finance, trade finance, urban development have not fulfilled their mandates. Many successful emerging economics have witnessed proactive government actions to ensure that the financial sector contribute to the real sector. Nigeria can learn from countries with successful track records inn creating financial accommodation for economic growth through initiatives such as development finance, foreign direct investment, venture capital and public private partnerships. The CBN is in a good position to advocate economic development in Nigeria

### **The Reform Process**

The reform process actually began with the joint audit of the banks (in batches) by the central Bank of Nigeria (CBN) and National Deposit Insurance Corporation (NDIC) which produced startling revelation. The following are the major highlights of the 2009 banking reform:

1. The removal of CEOs and executive Directors of Banks found wanting and prosecution of the CEOs of five affected banks.
2. Injection of bailout funds (₦420 billion) to stabilize affected banks and another ₦200 billion to other banks.
3. Publication of names of outstanding debtors of affected banks.
4. The provision of fund by the government to reflate the economy.
5. Implementation of tenures for CEOs in the banking sector and the approval of all potential CEOs by the CBN.

### **OUTCOME OF THE REFORMS**

Some of the benefits of the reform programmes include the following:

1. The reform programmes forced many large borrowers with non-performing loans, who did not have any intentions to pay back their loans to scramble to pay back or make payment arrangements; thereby reducing the number of non-performing loans and the need for longer loan provisions for most of the banks.
2. Banks with questionable uncollectible and non-performing loans were forced to set up proper loan loss provisions, which revealed the true financial health of most of the banks in Nigeria.
3. CBN's decision to set up an Asset management corporation gave financial institutions the optimism that some percentage of their bad assets will be absorbed by the corporation. Also, investors had renewed confidence that absorption of some bank bad assets will free up capital to banks which will eventually trickle down to investors and the capital market. Although the AMC is not a panacea to most of the problems with the banking sector, the notion of its implementation helped spur the bullish resurgence that the Nigerian stock Exchange had experienced since the beginning of 2010 (twilight of the global financial crisis).
4. Many foreign investors who had taken a pause from the Nigeria capital markets are now returning as they are now comfortable with the transparency that the CBN reform has ushered.
5. CEO's who did not act as shareholders custodians, and who thought that the banks were their personal properties were given the boot, dispelling the illusions by most of the former CEO's that they owned the banks and were not accountable to the shareholders.

From 2007 to June 30<sup>th</sup> 2013, the effects of the global economic crisis and the shakeup in the banking sector, has reduced the number of commercial banks after several liquidations, mergers, consolidation, restructuring, and nationalization to 20 as shown in table 2 below. Out of these 20 banks, 6 of them have branches in other African countries while 5 of them are operating beyond African.

### **Current state of the Nigerian banking sector**

Atuche in CBN (2009:7-11) opined "reviews of key economic and financial data on the Nigerian banking sector are likely to remain resilient in spite of the tempestuous winds of the global economic meltdown." According to him, recent data from the Economist indicates that the Nigerian banking sector total assets will grow at an average rate of 13.3 percent over the next three years, while total deposits are expected to grow by 22.3 percent on the average in the same period. This suggests that the Nigerian banking sector is expected to weather the storm and even improve its performance once the global economy returns to the path of growth. Events in the past have shown that the banking sector in Nigeria is resilient and has the propensity to reinvent itself. With the current focus on stricter regulations, global reporting standards and enhanced risk management by the CBN. Market watchers are strongly convinced that the Nigeria banking sector was going to wax stronger in the medium term after the global economic crisis is over. Table 3 and 4 below highlights the positive trend in the banking sector.

**Table 2: Nigerian banks as at 31/12/2012**

S/N	Banks	Branches in Africa	Branches outside Africa
1	Access Bank Nig. Ltd	Ecobank Nig. Plc	Ecobank Nig. Plc
2	Diamond Bank Plc		First Bank of Nig. Plc
3	Ecobank Nig. Plc	First Bank Of Nig. Plc	Guaranty Trust Bank Plc.
4	Enterprise Bank Plc	Guaranty Trust Bank Plc. (GTB)	United Bank for African Plc.
5	Fidelity Bank Nig. Plc	Skye Bank for Africa plc.	Zenith Bank Plc.
6	First Bank Nig. Plc	United Bank for Africa plc.	
7	First City Moment Bank Plc (FCMB)		
8	Guaranty Trust Bank Plc (GTB)		
9	Keystone Bank Ltd.		
	Manstream Bank Ltd.		
	Nigeria International Bank Ltd (BTC Ban Ltd)		
	Skye Bank Nig. Ltd		
	Stambic IBTC Bank Ltd.		
	Standard Chartered Bank Nig. Ltd		
	Sterling Bank Nig. Ltd		
	Union Bank of Nig. Plc		
	Unity Bank Nig. Ltd.		
	United Bank for Africa Plc (UBA)		
	Wema Bank Plc		
	Zenith Bank Plc		

Source: NBS (2011)

**Table 3: Nigerian economic & financial indicators**

	Macroeconomic indicators	2009	2010	2011
	Nominal GDP (\$bn)	118	1296	1517
	Real GDP Growth (%)	2.7	4.4	5.3
	Inflation (%)	11	8.5	8.2
	Lending rate (%)	15.8	15	13.7
	Fiscal deficit (% of GDP)	5.5	4.0	2.0
	Exchange rate (N/\$)	158.5	162.5	160
	Oil price (\$pb)	35.0	50.0	54.5
	Oil production (mbpd)	2018	2123	2238
	<b>Financial indicators</b>			
	Bank Assets (Ntrn)	951	1080	1221
	Bank Deposits (Ntrn)	833	1021	1245
	Bank loans (Ntrn)	480	572	687
	Lending to public sector/total lending	449	479	511

Source: CBN Bullion (2009)

**Table 4: Financial indicators on year on year (yoy)**

Indicators	% yoy Growth 2010	% yoy Growth 2011	% Avg Growth yoy
Total Assets	13.56	13.06	13.31
Total Deposits	22.57	21.94	22.25
Total Loans	19.17	20.10	19.64

Source: CBN Bullion (2009)

### Conclusion

The characteristic features of the Nigerian banks show that the banking sector before the global financial crisis was sound and vibrant enough to support the nation's economic growth. But the management teams attempt to

boost the standards of their banks and also to have high returns on investments, and therefore exposed some of the banks to the financial crisis. The impacts of the crisis could have been avoided if there were precautionary measures.

### Recommendations

1. The Nigerian banks do not have access to long term deposits that would enable them to grant long term loans to their customers. This made the banks to over rely on foreign financial institution and banks for credit lines. In order to avoid this, the Nigerian government through the CBN should organize and strengthen the growth of institutions like the pension fund, Housing fund, Health insurance fund etc.
2. The Nigerian government should find alternative ways to fund their budget deficit so as to reduce the pressure of financing projects in the real sector of the Nigerian economy by banks.
3. Nigeria Deposits Insurance Corporation should strengthen its legal framework on insuring of depositors fund. This will create confidence in the mind of the public.
4. The banks should depend less on public sector deposits because of dwindling oil revenue as a result of fall in both oil prices and production quota and hence adopt robust partnership with the private sector.
5. There should be more transparency, openness and disclosure enable local and international investors have more confidence in the banking industry.
6. In terms of product development, banks must be innovative in diversify their liability generation e.g. creating liability pools that adequately compensates investors for the risks assets that such pools are supposed to fund.
7. The Nigerian economy must be diversified from dependence on a single export commodity, oil. However, this cannot be accomplished without the collaboration of the banking sector by adequately given attention to non-oil sector business like Farming, small and medium enterprises (SMES) through soft loans.

Finally, there must moral and academic restructuring for many auditing firms and the press (electronic and print). Many external auditors failed to disclose the insolvency of many banks until they were eventually liquidated. The press should improve their standard of reporting and knowledge of financial products to effectively protect the public and keep bank management at alert always.

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