Liberalization and Adoption of Universal Banking in Nigeria

[1]Onodi, Benjamin Ezugwu., [2]Oti. Ibiam & [3]Nwosu, Uzochukwu Stanley

[1,2&3]Department of Accounting, Michael Okpara University of Agriculture, Umudike-Umuahia, Abia State Email: benonodi@yahoo.com 08036678077.

Abstract

This study was set out to review the operation of universal banking scheme as part of reforms strategy of banking liberalization in Nigeria. The objectives of the study were to determine the effect of regulatory authorities' supervision and oversight function on the performance of universal banks, examine the banking sector performance under universal banking system and to determine the justification for adoption of universal banking system in Nigeria. The study employed survey method of research design and the data were from primary source. The research instrument used was questionnaire and Two-way Analysis of Variance (ANOVA) together with Spearman-Rank Order Correlation Coefficient as the statistical tool. Three hypotheses were postulated and tested, hence findings revealed that universal banking enhanced economic growth in Nigeria; that poor supervision and oversight function of regulatory authorities affected operation of universal banking negatively and that there was growth in the banking industry in terms of depth and breadth during the universal banking regime. The study concluded that despite the challenges of universal banking in Nigeria, there is justification for adoption of universal banking in Nigeria considering its impact on the economic growth and development especially in the banking sector.

Keywords: Universal banking, Bank consolidation, Bank reforms in Nigeria, Regulatory authorities, Supervision and oversight.

Introduction

Financial liberalization in banking sector was aimed to increase the efficiency of the banks, improve the allocation of credits, stimulate savings and, thus, attain a higher economic growth. Universal banking is a phenomenon whereby financial institutions, especially banks perform an array of functions and render services not to be inhibited by their nature (Popoola, 2000). With this, a bank could offer a variety of services irrespective of whether it is a commercial or an investment bank. A typical bank therefore becomes a "financial supermarket" where one can get as many services as possible, ranging from simple commercial or investment banking activities to insurance, capital market activities, financial advisory services, etc. Hence, the array of services a bank decides to offer may not be dictated or limited by law. Rather, it is limited by capacity and, perhaps, by the resolve to specialize or adopt an area of core competency. Universal banking does not mean that a bank would perform all functions. As a matter of fact, most banks would be encouraged to specialize rather than be "jack of all trades." With universal banking, it means there would be less restriction on activities, products or services, etc, that a particular bank can perform. Merchant banks would now be able to perform clearing activities, while commercial banks can also function as issuing houses (Soludo, 2005). The Nigerian financial system is such that there are divisions into somewhat compartmentalized activities by banks and non-bank financial institutions with each having its specific roles and for most of them, they are not supposed to perform functions not assigned to them. As a matter of fact, it is unlawful in some instances to perform some functions before the advent of universal banking. Hence there are commercial banks, investment or merchant banks, development banks, finance houses and bureau de change, each having their specific roles, and their dos and don’ts. For instance, merchant banks are not members of the clearing system. It therefore becomes extremely obvious that they must have correspondent commercial banks no matter their size. This instantly translates to additional costs for these investment banks. Apart from this it makes the merchant bank vulnerable as it exposes their customers to the commercial banks which then market them and most often, attract them with pricing.

The origin of universal banking could be traced to post 1986 as a result of the Structural Adjustment Programme’s deregulation and liberalization of the economy. The liberalization of the banking industry from 1986 brought about the establishment of many banks in the country. Most of these banks popularly known as new generation banks entered into the market with great zeal but unfortunately some became frustrated when they discovered that the functions of a commercial bank are quite distinct from that of a merchant bank (Sanusi, 2009). Both the commercial and merchant banks operators complained of the dichotomy that restrained commercial banks from acting as issuing houses and precluded merchant banks from participating at the bankers clearing house. As observed by Sanusi (2009), the Central Bank of Nigeria (CBN) had previously stipulated that commercial banks should take as low as N100 and N200 minimum deposits for opening accounts in the rural and urban areas respectively, but from the 1998 fiscal year, it removed this stipulation and gave them discretionary power to decide on the amount to take. On the other hand, it continues to restrain merchant banks from taking less than N10,000 deposit. Its position on this was backed by section 22 of the Banks and other Financial Institutions Decree (BOFID) No 25, 1991. Merchant banks have been more strident in complaining that the existing system puts them at a disadvantage. That is why many of them embraced the idea of converting into commercial banking. Merchant bank operators claimed that the wave of banking distress affected them more than their commercial banks counterparts. Out of 31 banks liquidated, 16 were merchant banks, while 15 were commercial banks. Olokoyo (2011) observed that consequent upon the agitation by the operators for a level playing ground that will remove the dividing line between the Commercial and Merchant Banks, the Central Bank of Nigeria (CBN) was unable to issue guideline on the modalities for implementing universal banking scheme. It is noteworthy that since BOFID does not provide for universal banking, it may need to be amended to accommodate the new banking system. Such amendment could have been handled with the greatest dispatch so that the CBN would be able to speedily clear the hurdles against the commencement of universal banking and allow banks to have a fresh lease of life. The apex bank was expected to respond as quickly as possible to bank’s demand on this issue and set in motion the full implementation of the new system, hence the CBN issued guidelines on the operation of universal banking in the year 2000.

Statement of the problem

Many studies attest to the positive and negative impact of universal banking on the performance of banks in both developing and developed countries (Orji et al. 2015; Boyd, Overfelt & Jan, 2007; Onu, 2013; Rime & Stiroh, 2003; Graham & Hewitt, 1993; Eisenbeis, 1987) cited in Onu (2013). It was observed that the universal banking scheme in Nigeria has not been beneficial. This was affirmed by the finding of Uyagu and Osuagwu (2015), as cited in (Onu, 2013), that Nigeria deposit money banks did not perform well in terms of capital adequacy ratio, return on assets, assets quality ratio (non-performing loans) and liquidity ratio because of their compliance to universal banking scheme. It was alleged that banks easily abused the process and used it as a conduit for the diversion of depositors’ funds from the banks as equities into subsidiaries that became channels for siphoning funds. The magnitude of the abuse implied that there was negligence of oversight or connivance of the regulatory authority. Despite the problems and controversies emanating from the operation of universal banking scheme, a number of benefits could be derived from its operation. Thus, this study is set out to investigate the rationale of universal banking in Nigeria. The objectives of the study include; to determine the effect of regulatory authorities' supervision and oversight function on the performance of universal banking system in Nigeria, examine bank performance under universal banking system in Nigeria and. determine whether there is justification for universal banking operation in Nigeria.

Review of Related Literature

Concept of Universal Banking

The concept of universal banking by several countries of the world is dependent on the peculiar characteristics of their respective financial system. Andries (2011) posits that in Germany, the Netherlands and Switzerland, banks engage in a range of banking and underwriting business activities. Varieties of commercial financial relationships exist where by banks establish or acquire and control non corporate entities and vice versa. In the case of South Africa, the monetary authorities through the instrumentality of the banking Act, issue uniform licenses to banks and do not distinguish between classes and types of licenses (Ogunleye, 2014). The "Keiretsu" framework in Japan allows for the existence of linkages between financial and non-financial entities in such a way that not necessarily entail direct ownership. The United States, through a number of statutory amendments, banks and bank holding companies have in recent years, been allowed to expand their investment banking activities into areas such as brokerage and financial advisory services, mutual funds services and securities' underwriting. In Canada, movement towards universal banking with the separation of functions among different financial instructions is becoming blurred and penetration by each group into others' primary areas of business has been steady. Britain banks, being broad-based and diversified financial institutions, may engage in almost any type of financial activity. In fact, the clearing banks are permitted to develop into diversified financial service groups that engage in universal banking, although most British banks conduct their securities' activities through separate subsidiaries (Beju & Ciupac-Ulici, 2012). There is no consensus on how to practice universal banking but there seems to be agreement on certain features. The general opinion is that universal banking scheme removes the restrictions between money, capital and insurance markets such as that a banking institution can offer integrated financial services. These include deposit taking and lending, underwriting of new debt/equity issues, stock broking, insurance and investment management (Ogunleye, 2014).

Section 61 of Decree No 25 of 1991 of Banking Act, defines a commercial bank to mean any bank in Nigeria whose business includes the acceptance of deposits withdrawal by cheques. Thus, a commercial bank is an institution which accepts deposits from the public and in turn advances loans by creating credit. It is different from other financial institutions in that they cannot create credit though they may be accepting deposits and making advances. In addition to granting overdrafts which form a major component of their total loans and advances, commercial banks also provide term loans for their credit-worthy present and potential customers. These loans are fixed sums and for a fixed duration and usually placed to the credit of a customer's account. These loans attract interest charges which are regulated by the Central Bank of Nigeria. The interests charged on bank loans vary slightly from one sector to another. The preferred sectors such as agriculture and manufacturing attract more favourable interest rates than the less preferred sectors such as commerce and services. According to Osubor (1984) commercial banks are unique in their performance of services and are distinguished from other forms of financial institutions or intermediaries because of the following characteristics;

(i) Commercial banks hold the nations' money supply;
(ii) They are the only financial intermediaries whose demand deposits circulate as money.
(iii) Commercial bank's lending activities create additional bank deposits through redeposit of the money by the borrower, unless the public choose to hold more currency.
(iv) They have the sole power to create money through the monetization of debt or through a promise to pay, "I Owe You" (I.O.U); and also, the power to destroy money.

Commercial banking is strictly retail banking dealing with personal customers and sometimes, corporate customers. Commercial banks by right, should concentrate on short-term lending and borrowing. Commercial banks compete with each other as well as with other banking institutions, including even merchant banks which are supposed to be wholesale bankers.

The banking amendment Decree No 88 of 1979 defines "merchant bank" to mean any person in Nigeria who is engaged in whole sale banking, medium- and long-term financing, equipment leasing, debt factoring, investment management, issue and acceptance of bills and the management of unit trusts. Merchant banks are also referred to as Accepting Houses. They are also, sometimes called issuing houses because they also act as intermediaries between those seeking capital, and those able to provide it, in other words, managing other people's funds. Merchant banking is involved mostly in wholesale banking whereas commercial banking is simply involved in retail banking. Most of the time, especially in the advanced nations, one discovers that depositors of the merchant banks were mainly non-residents, and the currency held by these merchant banks was partly foreign currency, for large amounts only. This naturally led to the creation of a foreign exchange business, which is one of the profitable businesses undertaken by most Nigerian merchant banks.

Effectiveness of Universal Banking in Nigeria

Here attention is focused on the regulatory authority i.e. the Apex institution or rather the Central Bank of Nigeria, the banking institutions' roles, the roles of non-bank financial institutions and the infrastructural amenities available for the operation of the universal banking system as discussed below:

i. Regulatory Authority

The operation of universal banking in Nigeria was not impressive because the regulatory authority did not provide clear guidelines in order not to bring conflicts between the universal banking system and the banking legislation. Ogunleye (2014) observed that the adoption and implementation of universal banking concept in Nigeria will engender the emergence of financial conglomerates and large banking groups that will require the attention of different regulatory/supervisory agencies in the system. Also, the regulatory authority did not intensify its efforts on the regulation and supervision of the financial institutions. According to Imala (2000), the major function of the Central Bank of Nigeria (CBN) is the maintenance of monetary stability and a sound financial structure, hence the need for regulation and supervision of financial institutions. Supervision refers to the framework, procedure and processes established for monitoring the operations of financial institutions. This is to ensure compliance with policies, sound practices and regulation; and to identify weaknesses in financial institutions for timely remedial actions. But regulation refers to the laws, rules, directives and guidelines established to minimize the risk exposures of financial institutions and market inequities in order to ensure the safety and soundness of individual institutions and the entire financial system. In the circular of December 22, 2000 (guidelines for implementing universal banking in Nigeria), three major apex regulatory agencies are recognized. The agencies are CBN, NAICOM and SEC for regulation of banking, insurance and securities businesses respectively. These three institutions in addition to the NDIC, would be involved in the supervision of the various institutions under the arrangement (Ogunleye, 2014). More so, Imala (2000) stated that the need for regulation and supervision arose from banking failures and crises. This should be expected, given the dominant role of banks in the financial sector. However, structural changes and innovations in financial markets, had brought to the fore, the importance of other financial institutions (OFIS) which in the course of rendering their services have made some inroad into banking. It was noted in Sanusi (2009),that poor implementation of prudential guideline by banks and lack of supervision contributed to bank failures.

ii. Banking Institutions

The banking system in Nigeria has been undergoing tremendous reforms. These reforms relate to the capital base, number of institutions, ownership structure and the depth and breadth of operations. These changes were occasioned largely by the challenges posed by deregulation of the financial sector, globalization of operations, technological innovations and adoption of supervisory and prudential requirements that conformed to international standards (Onu, (2013). The sector has shifted focus from the traditional borrower and lender to a more differentiated and customized product or service provider. It has moved from regulation to liberalization and from planned economy to a market driven economy. This transformation results from economic reforms and liberalization which allowed banks to explore new business opportunities rather than generating revenues through the conventional borrowing and lending. The change in the financial sector created the platform for universal banking in Nigeria (Okpara, 2010). Basically, the two banking institutions in Nigeria are the commercial banks and the merchant banks with different roles to play in the economic development of the nation. The universal banking system removed the dividing line between commercial bank and merchant bank. This affected the economy adversely considering the fact that majority of Nigerians are yet to imbibe the banking habit. The introduction of universal banking system could have been handled with caution since the safety of the depositor's funds determines to a large extent the degree of public confidence in the entire system. The pervasive distress in the financial system since the late eighties which ravaged the banks, financial houses, community banks and primary mortgage institutions were due to numerous factors including lack of transparency on the part of the owners, incompetent directors and management, greed on the part of the victims and most importantly inadequate regulation and supervision (Sanusi, 2009).

iii. Non-Banking Institutions

This category of financial institutions may include the Insurance Companies, finance houses, savings and loans Associations, Investment and unit Trusts, Credit and Co-operative societies and pension schemes. Since the introduction of universal banking in the financial sector, some non-bank financial institutions especially the Insurance Companies were skeptical over such arrangement. Ogunleye (2014) argued that the removal of the dividing line in the operations of banks affected non-banking institutions adversely considering the fact that the banks have more capital base than them. Also, he was of the opinion that universal banking which entails "financial supermarket" would enable the banks to take up their functions since they are in better position to render services traditionally performed by them. Apart from the deposit insurance scheme implemented through the Nigeria Deposit Insurance Corporation (NDIC) for licensed banks, there is presently no protection for users of the other components of the nation's financial services industry in the event of insolvency and failure of any of the institutions operating in those sub-sectors (Ogunleye, 2014).

iv. Financial Infrastructures

Universal banking scheme also encountered some problems in its operation considering the fact that an enabling environment was not in place. The operation of universal banking will be most effective where the payment system is highly developed. According to Ekezie (1997), an efficient and a highly developed financial system is essential to a healthy economy. For a financial system to be efficient and said to be highly developed, it must have an efficient monetary system. The system must provide an efficient and generally accepted medium for exchanging goods and services. A basic feature of such a system is a unit in which to measure prices, that is, a unit of account, such as the Naira in our economy. Also, an efficient financial system must have facilities for creating capital by channeling savings into investments. Finally, the financial system must be capable of providing markets and procedures for the transfer of claims to wealth, such as shares of ownership (stocks) or promissory notes and for the conversion of such claims into cash.

Impact of Universal Banking in Nigeria

Nigerian banking industry was dominated by a section of the country and entrance into the industry is guided by the operators who put stringent conditions in the operation of banking business in order to discourage other people from venturing into the business. Prior to the universal banking scheme, a commercial bank cannot perform functions designated to a merchant bank and vice versa. Guidelines for the operations of banks are normally spelt out by a legislation or Decree but the universal banking system made it possible for the government via the regulatory authority to dish out guidelines that provided enabling environment for the scheme (Ogunleye, 2014). The concentration of banking business into the hands of a section of the country became a thing of the past with the liberalization of banking operations. This ensured equitable distribution of income and ushered in economic growth and development. Nigeria as a fast-growing developing nation require a liberalized banking industry in order to encourage small savers to channel their savings into investment. Capital formation and mobilization is considered as an engine of growth and development in any given economy such as ours, and universal banking scheme encouraged both small and large investors to participate in the financial intermediation process. It was expected that the operation of universal banking scheme created employment opportunities and enhanced the social status of the populace. Also, the environment in which the bank is established benefited from the scheme. The banker has to meet up with its social responsibilities in order to compete favourably in the environment and win the loyalty of the people. A universal banking scheme improved the banking habit of the people hence stringent conditions in the operation of the banking business were relaxed. Finally, universal banking scheme improved the services rendered by financial institutions since there were competitions contrary to the era of arm-chair banking that brought about the distress syndrome into the industry.

Challenges of Universal Banking Scheme in Nigeria

The pivotal role of banks in the development process of the economic system, especially in developing economy is vital, considering the fact that they play their traditional intermediation roles in addition to being used as vehicles for achieving developmental and social goals. Onodi et al (2016) and Liwellyn (1986), observed that regulation of banks involves a body of specific rules or agreed behavior either imposed by government or other external agencies or self-imposed by explicit or implicit agreement within the industry that control the scope of activities and business operations of financial institutions. As noted by Olokoyo (2011), the adoption of universal banking concept will impose serious challenge in the sense that it will engender the emergence of financial conglomerates and large banking groups that will require the attention of different regulators/supervisory agencies in the system. The implementation of universal banking will require effective supervision, deposit insurance as well as the lender of last resort role of the central bank. Risk segregation is another challenge posed by universal banking scheme since the “firewalls” between banking and non-banking financial services rendered are to be collapsed and this calls for regulatory restrictions on risk taking. Also, the existing prudential Guidelines for banks which place greater emphasis on credit risk, asset classification, income and loss recognition requires a comprehensive review to accommodate other risks to which universal banks will be exposed. The nation’s financial services industry is characterized by an array of legislation on banking, insurance as well as securities businesses. It becomes imperative to amend/repeal the existing enabling laws in the financial services industry so as to harmonize the procedures for licensing of institutions under the new dispensation. This is necessary to ensure that only those firms (and where appropriate, individuals) which meet specified standards of integrity, financial capacity and competence are permitted to operate in the nation’s financial services industry (Bakare, 2011).

In France, a number of legislative changes in the 1960s prepared the ground for universal banking. In the USA, following the rapid changes in the financial structure, including the initiatives taken by some financial institutions to expand their scope of services, the Depository Institutions Deregulation and Monetary Control Act of 1989 was passed. The Act sought to improve monetary control and also to remove impediments to competition and equalize the cost of monetary control among deposit institutions. In Nigeria, the banking laws and regulations tended to make the operations of commercial and merchant banks uniform. In 1979, the amendment to the repealed 1969 Decree made wholesale banking and medium-term lending the main functions of merchant banks (CBN, 2010). The Banks and Other Financial Institutions Act (BOFIA) of 1991, was silent on the roles of merchant banks in wholesale and medium-term lending. Furthermore, the prescribed proportion of loans to medium and long-term enterprises was reduced from 50 percent in 1979 to 20 percent in 1991. This was, however, abolished in 1996. Similarly, the prescribed minimum deposit accepted by merchant banks was reduced from N50,000.00 in 1992 to N10,000.00 in 1994. These legal and regulatory changes continued until the adoption of universal banking principle in Nigeria in 1999 (Onu, 2013). The emergence of the former Governor of CBN Sanusi Lamido Sanusi in 2009 brought significant changes in the banking industry. Many of the initiatives of Soludo (Sanusi predecessor) were reversed, and one of the reversals of the past banking policies is the phasing out of the universal banking after its implementation for about ten (10) years. As observed by Uyagu and Osuagwu (2015), cited in Onu (2013), the combined capital of all commercial banks in Nigeria amounted to only five (5) banks in South Africa. Nigeria could not be a major participant in international business, cross-continental investments and portfolio management due to poor and deteriorating asset quality and liquidity problems. Thus, universal banking was designed to ensure a diversified, strong and reliable banking sector that would actively contribute to the development of the Nigeria economy, ensure the safety of depositors’ and investors’ funds and vigorously participate in both Africa and global financial systems. It was alleged that universal banking was the main factor responsible for 2009 banking crisis in Nigeria. As stated in Jimo (2010), the CBN governor, Sanusi Lamido Sanusi, claimed that the emergence of universal banking helped corrupt Managing Directors of banks to channel funds from one subsidiary to another, thus creating the impression that there was a big hole. This allegation was however, refuted by the then finance minister, Mr. Segun Aganga, who argued that it was not the adoption of universal banking that caused the regulatory deficiency in the financial system. Mr. Segun Aganga noted that the system has helped to deepen Nigeria’s financial system and has created more job opportunities in the economy. In a nut shell the universal banking regime exposed banking business to greater risks that challenged the stability of the financial system.

Theoretical Review

This study is anchored on credit creation theory. This theory was first propounded by J.G.K. Wicksell in 1898 but was popularized by Ahiakpor (1999). Credit creation theory on banking proposes that individual banks can create money, and banks do not solely lend out deposits that have been provided to the bank. Instead, the bank creates bank deposits as a consequence of bank lending. Demand deposits are an important constituent of money supply and the expansion of demand deposits means the expansion of money supply. The entire structure of banking is based on credit. Credit basically means getting the purchasing power now and promising to pay at some future date. All commercial banks create credit by advancing loans and purchasing securities. They lend money to the individuals as well as to the businesses out of deposits accepted from the public. Commercial banks are not allowed to use the entire amount of public deposits for lending purposes.

Empirical Review

Kazeem and Ademola, Ogunlokun (2022) investigated the Effect of banks mergers and acquisition on the Nigeria's economic growth: a comparative analysis of pre and post-performance. The study used secondary data collected from Central Bank of Nigeria (CBN) Statistical Bulletin, covering the period 1990–2004 for Pre-M&As and 2005–2019 for Post-M&As, altogether 30 years. Descriptive statistics and ordinary least square regression were employed for data analysis. The results indicated that in the Pre-M&As era, bank's capital base, credit granted to the private sector and bank spread positively enhanced economic growth howbeit; bank's gross credit adversely affected GDP. The findings also revealed that Post-M&As era contradicted Pre-M&As period, with all variables showing insignificant and unexpected relationship with economic growth, except credit granted to the private sector.

Wei, Uchenwoke & Nnatakyi (2021) in a study on impact of Mergers and Acquisitions on the Financial Performance of Ecobank Ghana Limited investigated whether acquisition and merger as a tool of recapitalization improves Ecobank Ghana limited performance in the long run or not. The study precisely examined the effect of acquisition and merger on return on assets, return on capital employed, shareholders equity to total assets, debt to equity and total liabilities to total assets. The study adopted a descriptive research model with quantitative analysis as the methodology. Financial ratios over a 12-year period (2006-2018) were obtained from financial statements of the bank. The inferential and descriptive statistics were employed for the data analysis. The hypothesis of the study was tested by employing the independent sample test. Also, the Levene's test was employed to test for the variance homogeneity. Findings from the t-test for equality of means revealed that acquisition and merger had an insignificant relation with the return on equity, return on capital employed, shareholders' equity to total assets, debt to equity and total liabilities to total asset.

Omoye and Aniefor (2016) studied Mergers and Acquisitions: The Trend in Business Environment in Nigeria. Its specific objectives are to determine implication of merger and acquisition on profitability, leverage buy- out and shareholders' wealth. It is a longitudinal survey covering time period of six years (Pre-merger and acquisition: 2007-2009 and Post-merger and acquisition: 2010-2012). Historical data were obtained from the financial statement and accounts of Access Bank PLC which merged with Intercontinental Bank PLC. Data collected are evaluated and analyzed using McNemar test. The study revealed that merger and acquisition has influence on profitability, leverage buy-out and shareholders' wealth. It concluded that merger and acquisition can stimulate economic growth and development of any nation.

Bakare (2011) examined the trend and the growth implications of bank capitalization in Nigeria using a test of difference in two means. The Author compared the means of variables used prior to and after the recapitalization. The essence was to ascertain if there is a significant difference between the two periods. The result indicated that post recapitalization mean at 21.58 is higher than the pre recapitalization mean of 15.09, implying that banks are more adequately capitalized and less risky after the recapitalization exercise. This result also indicated that recapitalization has low but significant influence on the growth of Nigerian economy compared to other variables used in the model.

Okpara (2010) examined the impact of banking sector reforms on the performance of the banking industry in Nigeria. The findings of his study revealed that, apart from the reform period of financial liberalization (universal banking era) which affected significantly virtually all the performance indicators and the financial deepening, the rest of the reforms made no significant impact on the performance variables.

Methodology

This study employed survey method of research design and the population of study consists of all quoted deposit money banks in Nigeria as at 31st December, 2023. Primary source of data was used and the research instrument was questionnaire. Sample size of 75 respondents was determined by selecting Five (5) respondents (Bank managers) from each of the quoted banks using purposive sampling technique. Two-way Analysis of Variance (ANOVA) and Spearman-Rank Order correlation coefficient were adopted for the study. Two-way ANOVA is an extension of the one-way ANOVA, it compares the mean difference between groups. Its primary purpose is to understand if there is an interaction between two or more independent variables on the dependent variables, while Spearman-Rank Order reveals the nature of relationship that exists between two variables.

Data Presentation and Discussions

The results obtained from data analysis are hereby presented and discussed.

Table 4.1: Universal banking increases the risk of financial instability.

Variables	Response	Percentage (%)
Strongly Agree (SA)	12	16
Agree (A)	10	13
Disagree (D)	20	27
Strongly Disagree (SD)	30	40
Total	75	100%

Source: Field survey, 2023

Analysis on Table 4.1 above revealed that 16% and 13% of respondents strongly agreed and agreed respectively, while 4% of the respondents were undecided, but 27% and 40% of the respondents disagreed and strongly disagreed respectively that universal banking increases the risk of financial instability.

Table 4.2: Universal banking system in Nigeria enhanced economic growth.

Variables	Response	Percentage (%)
Strongly Agree (SA)	35	47
Agree (A)	20	27
Undecided (UN)	2	2
Disagree (D)	10	13
Strongly Disagree	8	11
Total	75	100%

Source: Field Survey, 2023

The analysis on Table 4.2 above indicates that 47% and 27% of the respondents strongly agreed and agreed respectively that universal banking system in Nigeria enhanced economic growth, while 2% of the respondents were undecided. Note that only 13% and 11% of the respondents disagreed and strongly disagreed respectively.

Table 4.3: Poor supervision and oversight function of regulatory authorities have negative effect on universal banks in Nigeria.

Variables	**Response**	**Percentage (%)**
Strongly Agree (SA)	40	53
Agree (A)	20	27
Undecided (UN)	0	0
Disagree (D)	10	13
Strongly Disagree	5	7
Total	75	100%

Source: Field Survey, 2023

Analysis on Table 4.3 above shows that 53% and 27% of the respondents strongly agreed and agreed respectively that poor supervision and oversight function have negative effect on universal banks in Nigeria, while 13% and 7% disagreed and strongly disagreed respectively.

Table 4.4: Banks performance in terms of service delivery improved under universal banking system in Nigeria.

Variables	**Response**	**Percentage (%)**
Strongly Agree (SA)	40	53
Agree (A)	20	27
Undecided (UN)	0	0
Disagree (D)	10	13
Strongly Disagree	5	7
Total	75	100%

Source: Field Survey, 2023

Table 4.4 above revealed that 53% and 27% of the respondents strongly agreed and agreed respectively that banks performance in terms of service delivery improved under universal banking system in Nigeria. It was also observed that 13% and 7% of the respondents disagreed and strongly disagreed respectively.

Table 4.5: Universal banking enhanced growth in the banking industry in terms of depth and breadth.

Variables	Response	Percentage (%)
Strongly Agree (SA)	20	27
Agree (A)	35	47
Undecided (UN)	0	0
Disagree (D)	10	13
Strongly Disagree	10	13
Total	75	100%

Source: Field Survey, 2023

Analysis on Table 4.5 above indicates that 27% and 47% of the respondents strongly agreed and agreed respectively that universal banking enhanced growth in the banking industry in terms of depth and breadth, while 13% of the respondents each disagreed and strongly disagreed respectively.

Table 4.6: Universal banks deploy capital as efficiently as the stock market.

Variables	Response	Percentage (%)
Strongly Agree (SA)	10	13
Agree (A)	15	20
Undecided (UN)	0	0
Disagree (D)	15	20
Strongly Disagree	35	47
Total	75	100%

Source: Field Survey, 2023

Table 4.6 above revealed that 13% and 20% of the respondents strongly agreed and agreed respectively that universal banks deploy capital as efficiently as the stock market. However, 20% and 47% of the respondents disagreed and agreed respectively.

Table 4.7: Universal banks crowd out other financial institutions.

Variables	Response	Percentage (%)
Strongly Agree (SA)	30	40
Agree (A)	10	13
Undecided (UN)	3	4
Disagree (D)	17	23
Strongly Disagree	15	20
Total	75	100%

Source: Field Survey, 2023

Analysis on Table 4.7 above shows that 40%% and 13% of the respondents strongly agreed and agreed respectively that universal banks crowd out other financial institutions, while 4% of the respondents were undecided. But 23 and 20%% of the respondents disagreed and strongly agreed respectively.

Table 4.8: Universal banks create an unhealthy concentration of power.

Variables	Response	Percentage (%)
Strongly Agree (SA)	20	27
Agree (A)	18	24
Undecided (UN)	2	2
Disagree (D)	20	27
Strongly Disagree	15	20
Total	75	100%

Source: Field Survey, 2023

The analysis on Table 4.8 above revealed that 27% and 24%% of the respondents strongly agreed and agreed respectively that universal banks create an unhealthy concentration of power, while 2% of the respondents were undecided. However, 27%% and 20%% of the respondents disagreed and strongly disagreed respectively.

Table 4.9: Universal banks reduce consumer choice.

Variables	Response	Percentage (%)
Strongly Agree (SA)	10	13
Agree (A)	15	20
Undecided (UN)	0	0
Disagree (D)	15	20
Strongly Disagree	35	47
Total	75	100%

SoSource: Field Survey, 2023

Analysis on Table 4.9 above shows that 13% and 20% of the respondents strongly agreed and agreed that universal banks reduce consumer choice, while 20% and 47% of the respondents disagreed and strongly disagreed respectively.

Table 4.10: Universal banks give impartial investment advice.

Variables	Response	Percentage (%)
Strongly Agree (SA)	35	47
Agree (A)	15	20
Undecided (UN)	3	4
Disagree (D)	10	13
Strongly Disagree	12	16
Total	75	100%

Source: Field Survey, 2023

Table 4.10 above revealed that 47% and 20% of the respondents strongly agreed and agreed respectively that universal banks give impartial investment advice, while 4% of the respondents were undecided. However, 13% and 16%% of the respondents disagreed and agreed respectively.

Hypotheses testing

Responses from questions on Tables 4.2, 4.3, 4.4 and 4.5 were extracted for the purposes of testing the hypotheses using two-way ANOVA and Spearman-Rank Order Correlation Coefficient (rho) statistical tools.

Table 11: Responses from questions 2, 3, 4 and 5.

Questions	**SA**	**A**	**UN**	**D**	**SD**	**TOTAL**
2	35	20	0	10	10	75
3	40	20	0	10	5	75
4	35	20	5	10	5	75
5	20	35	0	10	10	75
Total	130	95	5	40	30	300

Source: Researchers extract questions 2,3,4 and 5 above.

ANOVAComputations revealed the following:

Step 1: SSF = $130^2 + 95^2 + 5^2 + 40^2 + 30^2 – 300^2/20$

= 1185.8

Step 2: SST = $35^2 + 40^2 + 35^2 + 20^2 + 20^2 + 20^2 + 20^2 + 35^2 + 10^2 + 10^2 + 10^2 + 10^2 + 10^2 + 5^2 + 5^2 + 10^2 - 300^2/20$ = **2993**

Step 3: SS (Error) = SST – SSF

= 2993 – 1185. 8

= 1807.2

Step 4: df(Factor) = C – 1 = 4-1 = **3**

Step 5: df (Total) = R x C – 1 = 20 -1 = **19**

Step 6: df (Error) = df (Total) – df (Factor)

= 19 – 3 = **16**

Step 7: MS (Factor) = SS (Factor)/df (Factor)

= 1185.8/3 = **395.27**

Step 8: MS (Error) = SS (Error)/df (Error)

= 1807.2/16 = **112.95**

Step 9: F- ratio = MS (Factor)/MS (Error)

= 395.27/112.95

= **3.4995**

Table 12: Analysis of variance Result

	Sum of Square	Degree of freedom	Mean Square	F-ratio
Factor	1185.8	3	395.27	3.4995
Error	1807.2	16	112.95	

Source: Researchers' computation, 2023

F-ratio = 3.4885 as shown on the ANOVA Table above. Therefore, 3.4995 is less than 4.62 tabulated at 5% level of significant based on degree of freedom of 19. This rejects the null hypotheses and accept alternate hypotheses that stated that universal banking system enhanced economic growth; poor supervision and oversight function of regulatory authorities negatively affected the operations of universal banks and that universal banking system improved the growth of banking industry in terms of depth and breadth.

In order to apply Spearman-Rank order, the responses in Table 4.11 above were classified into two groups X and Y. X represents AGREED (Strongly Agreed and Agreed) responses, while Y represents DISAGREED (Strongly disagreed and disagreed) responses. Note that undecided responses were treated as invalid and discarded.

The formular for Spearman-Rank Order is shown below:

Rho (p) = 6 ($D^2/n(n^2$-1)

Table 12: Result of Spearman-Rank-Order analysis

Questions	X	Y	R_x	R_y	D	D^2
2	55	18	2	2	0	0
3	6o	15	1	3	-1	1
4	55	15	2	3	-1	1
5	55	20	2	1	1	1
SUM						3

Source: Researchers' computation, 2023

$p = 1 – 6(3)/4(16 – 1)$

$= 1 – 18/60$

$= 1 – 0.3$

= 0.7 Positive relationship

The above result has further confirmed that alternate hypotheses that stated universal banks enhanced economic growth; poor supervision and oversight function of regulatory authorities negatively affected the operations of universal banks and that universal banking system improved the growth of banking industry in terms of depth and breadth were accepted.

Conclusion

Prior to liberalization and adoption of universal banking system, the Nigerian financial system was such that there were divisions into somewhat compartmentalized activities by banks and non-bank financial institutions with each having its specific roles and for most of them, they were not supposed to perform functions not assigned to them. Universal banking does not mean that a bank would perform all functions. As a matter of fact, most banks would be encouraged to specialize rather than be "jack of all trades." This study has shown that universal banking system enhanced economic growth; poor supervision and oversight function of regulatory authorities negatively affected the operations of universal banks and that universal banking system improved the growth of banking industry in terms of depth and breadth.

Recommendations

Based on the above development, the study recommends the following:

i. Universal banking has saved some banks from liquidation by way of merger and acquisition. This should be encouraged by banks regulators;
ii. Supervision and oversight functions of banks should be strengthened to protect investors and depositors;
iii. Liberalization of banks should be encouraged since adoption of universal banking improved banks' performance in terms of depth and breadth.

References

Ahiakpor, J.C.W. (1999). Wicksell on the classical theory of money, credit, interest and the price level: Progress or retrogression? The American Journal of Economics and Sociology, 58(3), 435-457.

Andries, A.M. (2011). The determinants of banks efficiency and productivity growth in the central eastern European banking systems. *Eastern European Economics, 49* (6), 38-59.

Bakare, A.S. (2011). A theoretical analysis of capital formation and growth in Nigeria. Far East Journal of Psychology and Business, 3 (2), 11-24.

Beju, D.G. & Ciupac-Ulici, M. (2012). The impact of financial liberalization on banking system. *Prcedia Economics and Finance, 3,* 792-799.

Bank and Other Financial Institutions (BOFI) Decree No 25, 1991.

Boyd, J.H., Graham, L. & Hewitt, S. (1993). Bank holding company mergers with non-bank financial firms: Effects on the risk of failure. *Journal of banking and finance, 19*(1),43-63.

CBN (2010). "Review of universal banking model". Retrieved May 30, 2010 from www.cenbank.org.

Ekezie, E.S. (1997). *The Elements of Banking,* Ibadan, Intec Printers Ltd.

Eisenbeis, R.A. (1987). Eroding market imperfections: Implication for financial intermediaries, the payment system, and regulatory reforms. "*A symposium sponsored by The Federal Reserve Bank of Kansas City*".

Imala, O.I. (2000). "Strategies for Banks' Management. *"Business Times*. January 31st P.7

Liewellyn, D.I. (1986). The regulation and supervision of financial institutions. Gilbert lectures (London Institute of Babnkers).

Jimo, A. (2010). "Still on universal banking system". Retrieved: March 23, 2012 from http;//economicconfidential net.

Kazeem, Bayonle L.O. & Ademola, Abimbola & Ogunlokun, A.D. (2022). Effect of banks merger and acquisition on the Nigeria's economic growth: a comparative analysis of pre and post-performance. *Gomal University Journal of Research. 38. 27-38. 10.51380/gujr-38-01-03*

Nyantakyi Georgea Cao Weib Uchenwoke Ogockwuku Nnekac 2021. The impact of mergers and acquisitions on the financial performance of Ecobank Ghana Limited. *Texila International Journal of Management Volume 3, Issue 2, Nov 2017).*

Ogunleye, G.A. (2014). The concept of universal banking. *The Nigeria Observer Newspaper*, retrieved July, 17.

Okpara, G.C. (2010). Monetary policy and stock market returns: Evidence from Nigeria. *Journal of Economics, 1* (1). *DOI: 10.1080/09765239.2010.11884920*

Olokoyo, F.O. (2011). Determinants of commercial banks' lending behavior in Nigeria. *International Journal of Financial Research, 2*(3), 61-72.

Omoye, A.S. & Aniefor, S.J. (2016). Mergers and acquisition: The trend in Business environment in Nigeria. *Accounting and Finance Research, 5*(2).

Onodi, B.E., Nmesirionye, J.A. & Njoku, B.O. (2016). Effect of Regulation & Deregulation of Foreign Exchange Markets on manufacturing output in Nigeria. A paper presented during International Conference on managing diversification for sustainable development in sub-saharan Africa held at Nnamdi Azikiwe University, 8th – 10th November.

Onu, A.J.C. (2013). "Assessment of the impact of universal banking on bank performance in Nigeria." *European journal of business and management*, www.liste.org.ISSN 2222-19055 (online) 15(19) retrieved on 18/1/2016.

Orji, A., Anthony-Orji, O.I. & Mba, P.N. (2015). Financial liberalization and output growth in Nigeria. Empirical evidence from credit channel. *International Journal of Economics and Financial Issues, 5*(1), 297-311.

Osamuonyi, I.O. & Emeni, F.K. (2007). "Universal banking and the Nigerian banking sector". In global *journal of social sciences 6*(1) 31-36.

Osubor, J.U. (1984). *Business finance andbBanking in Nigeria*. Owerrri: New africa Publishing co. Ltd.

Overfelt, W.V. & Jan, A. (2007). "Do universal banks create value"? *Exporation in economic history, 46*(2) 253-26.

Popoola, A. (2000). "Perspectives on universal banking, "*Business Times;* March, 27 P.7.

Rime, C. & Stiroh, T. (2003). "Measurement matters-input price proxies and bank efficiency in Germany". Deutche boards' bank banking supervision discussion papers, 200-01.

Sanusi, L.S. (2009). An address by the governor of central bank of Nigeria, on development in the banking system in Nigeria, August, 14.

Soludo, C.C. (2005). Opening address at the 26th Annual Controllers' conference of CBN, held at CBN Head Office, Abuja, 30th March – 1st April.

Uyagu, D. B. & Osuagwu, G. O. (2015). Determinants of deposit money banks' loans and advances in Nigeria. *GOJMSS Journal, 10.*

Wei, Cao & Nneka, Uchenwoke & Nyantakyi, George. (2021). The impact of Mergers and Acquisitions on the Financial Performance of Ecobank Ghana Limited. *Journal of Accounting Finance and Auditing Studies (JAFAS). 7. 243-259. 10.32602/jafas.2021.028.*