

NDIC QUARTERLY

Volume 15

March 2005

No. 1

ABSTRACTS

Review of Developments in Banking and Finance in the First Quarter of 2005

A number of developments were witnessed in the industry during the period under review. Chief amongst these developments were the signing of MOUs some banks in their quest for merger, the release of amendment to the 2004 Monetary Policy Circular, the passage of the 2005 Appropriation Bill by the National Assembly and the Public Hearing of the NDIC Amendment Bill at the National Assembly. Details of these developments and many others including changes in rates on major financial instruments, the naira exchange rate and performances of quoted banks on the Nigerian Stock Exchange are presented in this paper.

Financial Condition and Performance of Insured Banks in the First Quarter of 2005

The financial condition and performance of insured banks were mixed during the first quarter of 2005. On the average there were improvements in total assets, profitability and asset quality of insured banks during the quarter. Similarly, deposits mobilized by banks showed a remarkable growth. However, liquidity in the industry dropped slightly when compared with the previous quarter. Details of these are also contained in this edition.

Regulatory Challenges In A Consolidated Nigerian Banking System: NDIC Perspective

By G. A. Ogunleye Managing Director/CEO Nigeria Deposit Insurance Corporation

The paper examines the banking consolidation programme being implemented by the Central Bank of Nigeria (CBN) vis-à-vis the challenges posed to the NDIC as a provider of financial of safety-net. Beyond identifying pre-consolidation challenges such as increased liquidity and integration problems, the paper also discusses post-consolidation challenges such as possibility of bank failure, inadequate executive capacity, weak corporate governance and information asymmetry between banks and investing public

among others. The paper concludes by advocating for a review of the supervisory approach being used by the regulators as well as introduction of additional new features to the DIS. Finally, the author calls for the enthronement of good corporate governance and self-regulation by market operators.

Performance Evaluation of The Mutual Fund Industry in Nigeria: - 1990-2002

By M. M. Ibrahim, Principal Manager, Research Department

The paper examines the evolution and performance of the mutual fund industry in Nigeria between 1990 and 2002 using data obtained from the Collective Investment Schemes department of the Securities and Exchange Commission (SEC) Abuja.

There are four main findings of the study. First, although the industry does not appear to feature prominently in the financial intermediation process, it still has a good prospect of growth in Nigeria. Secondly, some fund managers were able to offer competitive nominal yields to investors and even beat the NSE index, but in line with research findings in the literature, this was not done on consistent basis. Thirdly, the aggregate average annual yield of the industry compares favorably with the yields on 90-day Treasury Bill and the composite NSE index within the period. Finally, the analysis indicated that the non-bank promoted funds appeared to have out-performed the bank promoted ones albeit on nominal terms.

The paper recommends that since the regulatory/supervisory framework and skills are critical to ensuring the efficient functioning and development of the sub sector within the financial system, there is the need to strengthen capacity and to urgently build up robust database.

Banking Sector Reforms And The Imperatives Of Good Corporate Governance In The Nigerian Banking System.

By S. A. Oluyemi, Principal Manager, Research Department

This paper examines the imperatives of good corporate governance in a consolidated Nigerian banking system. Given the flurry of activities that have attended the efforts of banks to comply with the new consolidation policy and the antecedents of some operators in the system, there are concerns on the need to strengthen corporate governance in banks in order to boost public confidence and ensure efficient and effective functioning of a consolidated Nigerian banking system. Good corporate governance encompasses internal standards, processes, and systems for ensuring appropriate direction and oversight by the board and senior management, adequate internal controls and audits, et cetera. The key factors that would help to improve the quality of corporate governance in the system as noted in this paper, would include raising awareness and commitment to good corporate governance practices, appointment of knowledgeable and experienced people to the board, a regime of transparent information disclosure where shareholders rights are well protected as well as the implementation and enforcement of corporate governance laws and regulation.