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Impact of Capital Restructuring on Deposit Money Banks' Performance in Nigeria (1994-2013)

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Abstract:
The aim of this study is to investigate the impact of the capital restructuring on the performance of Deposit Money banks in Nigeria. The researchers used secondary data sourced from the published financial statements of Deposit Money banks in Nigeria from 1994-2013, and central bank of Nigeria (CBN) statistical bulletin publication and NDIC annual reports to test the hypotheses. While the simple regression analysis was employed to test the hypotheses formulated for the study. The findings from the result revealed that capital restructuring has no statistical significance on deposit money banks performance. The study therefore recommends that the central bank of Nigeria (CBN) and the regulatory bodies should put in place a stronger banking supervision and monitoring team on daily base to sustain the performance of the banking sector.

Keywords: *Capital, restructuring, banks' performance*

1. Introduction

The process of capital restructuring has been in existence right from the 1980's, but it is more intensified in recent time because of the impact of globalization which is precipitated by continuous integration of the world market and economies. Capital restructuring connote the recapitalization. Capital restructuring is the substantial injection of capital into a company. This implies making the company more solid or stronger by increasing its capital base.

In Nigeria, the reforms in the banking sector preceded against the backdrop of banking crisis due to highly undercapitalized deposit taking banks, weakness in the regulatory and supervisory framework, weak management practices, and the tolerance of deficiency in the corporate governance behaviour of banks (Uchendu, 2005).

Banking sector reforms and capital restructuring have resulted from deliberate policy response to correct the perceived or impending banking sector crisis, and subsequent failures.

Prior to December 2005, banks in the Nigeria financial sector were given eighteen (18) months (July 2004 to December 2005) to recapitalize from ₦2 billion, to a minimum of ₦25 billion naira or have their operating licenses revoked (Thisday, 28 July, 2004). The need for a shake up in the sector could not be overemphasized, because banks had not played their expected role in the economy due to an accumulated systematic distress over the years. The need for the repositioning of the banking sector arose greatly as the distress worsened through the years.

According to Bakare (2011) with this recent recapitalization policy bank that cannot meet the required amount will have to merge with the bigger or stronger one. Following the implication of the policy process of capital restructuring has taken place in Nigeria deposit money bank shrinking the number of DMBs from 89 to 21 banks. The reform has stimulated activities otherwise dampened by long term distress. Major examples are activities on the stock exchange floor, trading in long term bond and debentures. It is an economic landmark and a giant strive towards global trends to reposition Nigerian banks from mere rubber stamps to a proactive and strategically focused one, capable of facing the challenges of an emerging world.

Soludo (2005) opined that big and strong banks would mean better returns to shareholders, bigger contributions to national economic growth, return to traditional banking, financial intermediation, and greater reach to the grass roots, good corporate governance and cheaper credit to borrowers.

Evidence has shown that the Nigerian deposit money banks are undergoing several transformations. With the 2005 capital restructuring policy mandated on banks in Nigeria, the various effects from structural changes in these banks, mergers and acquisitions, and liberalization of businesses can be noticed in the economy. The service of banking is supposed to be hinged on the effective satisfaction of both the surplus units and the deficit units of the economy. The quality of banking is based on the manner and the environment in which such services are rendered quality service in banking must meet three basic requirements namely; competence reliability and credibility. For banks to be able to function effectively and maintain high efficiency level in the banking sector and to contribute meaningfully to the economic growth and development of a country, then the banking sector must be safe, sound and stable, being devoid of any economic problem that can tilt it off the rail of achieving its primary duty of satisfaction, such as distress. In all indication what we are experiencing and witnessing in this country today is a far cry from the ideal state of stability expected. Most banks have suffered from loss of business and this has resulted to loss of income. The banks were unable to pay customers on demand due to non-availability of liquid cash. The public lost confidence in the banking industry. In the fact of age long systematic distress, the loose-grasp of authorized regulatory bodies i.e. Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC) etc. on the administration, control and development of banks, the unethical and poor standards practices of the bank themselves gave rise to insecurity of depositor's demand, rampant liquidation and distress of banks, inability to give loans and fraudulent activities by employees due to a porous style of banking.
The broad objective of this study is to examine the impact of capital restructuring on the performance of DMBs. A critical examination of these problems after the capital restructuring policy has been effected, and gives rise to the following research questions;

1. Does the capital restructuring have any influence return on assets of the DMBs?
2. Does capital restructuring affect the return on equity of the DMBs?

2. Conceptual Framework

Capital restructuring is the process of providing funds or capital for any business entity. Traditionally, funds or capital is mobilized through equity or debt. In the banking sector, capital could be core capital or supplementary capital but, much emphasis is on the core capital that is shareholders' funds because of its stability. But in this study capital restructuring is specifically focused on the requirement of N25,000,000,000.00 (twenty five billion Naira) that the commercial banks were expected to meet before they could be re-issued the Central Bank's license to operate, which is one of the 13-point agenda of the banking sector reforms. Capital restructuring is the restructuring of existing banks.

2.1. Banking Industry

The banking industry is a sector that mobilizes resource locally and internationally for the upliftment of individuals, private sector as well as public sector. The banking industry refers to a network of banks and other banking institutions engaged in transmitting money and providing loans and credit facilities.
Soludo (2005) described the banking industry in Nigeria as a combination of both merchant and commercial banks. He further gave a categorization of the industry in Nigeria by stating that there are two categories of banks classified as first and second generation banks. But his definition fall short of total components that makeup the banking sector.
Olabusi (1993) described the banking industry as including not only the Commercial and Merchant banks ,but also the specialized bank and the Micro-finance banking sub-sector all acting positively towards achieving national economic growth and development.

2.2. Reform

Reform is the process of change to achieve positive development. Ojukwu (2005), posits that reforms means putting in place the right institutional frameworks and mechanisms that would enhance productivity and contribute to the improvement of the people's welfare. Accordingly, transformation can be considered as a means of ensuring improvement in the framework and structure of doing things in order to improve on the production of goods and services as well as improving the wellbeing of the people. For the purpose of this study, reform is defined as change of form, substance or constitution with a view to engendering effective and efficient performance at individual or system levels.
Capitalization is an important component of reforms in that Nigeria Banking Industry owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirement may be achieved through consolidation of existing banks or raising additional funds through the capital market (Aminu and Kola, 2004).
Adegbaju and Olokoyo(2008), while stating that capital restructuring of banks is not a new phenomenon, stressed that right from 1958 after the first banking ordinance in 1952, the colonial government then raised the capital requirement for banks especially the foreign commercial bank from 200,000pounds to 400,000pounds. Also, in 1969, capitalization of banks was N1.5million for foreign banks and N600,000 for indigenous commercial banks. In 1979, when the merchant banks came on board the Nigeria banking scene, the capital base was N2million.
Since the 1980's, there have been further increases in the capital base, particularly coupled with the liberalization of the financial system and the introduction of Structural Adjustment Programme (SAP) in 1986. In February 1988, the capital base for Commercial Banks was increased to N5million while that of Merchant Banks was pegged at N3million. In October that same year, it was jerked up to N10million for Commercial Banks and N6million for Merchant Banks. In 1989, there was further increase to N20million for Commercial Banks and N12million for Merchant Banks.

Similarly, Ajayi and Oyetunde (2005) opined that in recognition of the fact that well capitalized bank would strengthen the banking system for effective monetary management, the regulatory authority increased the minimum paid-up capital of Commercial and Merchant Banks in February 1990 to N50 and N40million from N20 and N12million respectively. Distressed Banks whose capital fell below this were expected to comply by 31st March, 1997 or face liquidation. Twenty six of such banks comprising 13 each of Commercial and Merchant Banks were liquidated in January, 1998.
The minimum paid up capital of Merchant and Commercial Banks was subsequently raised to uniform levels of N500millionwith effect from 1st January, 1999. In 2001, when the universal banking was adopted in principle, the capital base was jerked up to N1billion for existing banks and N2billion for new ones. However, in July 2004 the governor of the Central Bank of Nigeria (CBN) announced the need for banks increase their capital base to N25billion and all banks were expected to comply by December, 2005.At the end of the capital restructuring exercise, only 25 banks survived out of former existing 89 banks before the mergers and acquisitions among the banks.
Nigeria banks adopted different strategies to achieve the stipulated minimum capital base of N25billion during the banking sector consolidation of 2004 and 2005, including Mergers and Acquisitions and Internal growth. The choice of a consolidation strategy is mainly determined by the organizational form of the involved institutions as well as the driving motive behind its corporate strategy.

2.3. Bank Consolidation through Merger and Acquisition

Consolidation is achieved through merger and acquisitions. A merger is the combination of two or more separate firms into a single firm. The firm that results from the process could take any of the following identities: Acquirer target or new identity.
Acquisition on the other hand, takes place where a company takes over the controlling shareholding interest of another company. Usually, at the end of the process, there exist two separate entities or companies. The target company becomes either a division or a subsidiary of the acquiring company (Pandey, 2005)
While consolidation involves merger and acquisition of banks, convergence involves the consolidation of banking and other types of financial services like securities and insurance.
Anecdotal evidence indicates that the commonest form of mergers and acquisitions found in the financial services industry involves domestic firms competing in the same segment (for instance, bank to bank). The second most common type of merger and acquisition transactions involves domestic firms in different segments (e.g. Bank insurance firms). According to Mangold and Lippok (2008), Cross-border merger and acquisition are less frequent, particularly those involving firms in different industry segments. These are underlying theories for regulatory institutions push for merger and acquisitions among which is the theory of concentration.
Merger and acquisition or any other form of consolidation may influence bank interest rates, competition and transmission mechanism of monetary policy in so far as the increase in size and the opportunity for reorganization involved may either provide gains in efficiency that bear on marginal costs or give rise to increase in market power, or both together. Gains in efficiency would be obtained in the moving on to greater scale of activity (if there are economies of scale).

2.4. Empirical Framework

Modern Banking started in Nigeria in 1894 as then Bank of British West African Limited (BBWA). The bank later changes its name to the Standard Bank of Nigeria Limited and later to First Bank of Nigeria Plc. for the first two and half decades. The bank pioneered the development of banking in Nigeria until it joined in 1917 by Barclay's Bank, now Union Bank of Nigeria Plc which established a branch in Lagos. At this period, the leading growth sector of the economy was Commerce.
Commerce was synonymous with the importation of consumer goods and other primary products. It was these commercial activities that the banks in those days focused on. During this time, local business entrepreneurs and activities were discriminated against with respect to banking facilities. This eventually led to the emergence of indigenous participation to redress the situation.
It is important to note that the indigenous banks at that time were mainly through private initiatives and enterprise. Right from the onset, these banks were faced with the problem of under-capitalization, which compounded by lack of good management and other mal-practices contributed to their demise. This development led to the regional governments buying out some existing private banks or establishing their own banks. At Independence in 1960, the banking system was dominated by the regional government and foreigners.
However, after Independence, specifically the period between 1960-1975, the establishment of the Central Bank in Nigeria following the CBN Acts of 1058 allowed for regulation of the activities of banks and specification of entry condition. The objectives of the banking regulation among others were;

a. To promote a highly competitive financial market.
b. To provide safety for depositors and other stakeholders
c. To limit risk taken by banks.
d. To sustain public confidence in the system.
e. To ensures that adequate services are provided at reasonable cost to the public.
f. To preserve the liquidity and ensure the solvency of the bank through potential ratios.
g. To encourage the growth potential of the economy through appropriate policy induced credit extension.
h. To provide monetary stability by controlling growth in money supply and maintaining and efficient payment system.

The next era of banking in Nigeria coincided with the introduction of the second phase of the indigenization decree known as the Nigeria Enterprises Promotion Decree of 1972(NEPD). Banking was classified under schedule two (2) of the decree which stipulates that sixty percent of the equity of the such enterprise must be Nigerian owned. The creation of additional states in 1976 increased the impetus for promotion of banks by state government. Secondly, there was a shift towards going into partnership with foreign banks. Thirdly, state government ownership became diluted with the participation of some private individuals in existing banks or those being promoted.

The rapid growth in the banking industry during this period coupled with the introduction of Structural Adjustment Programme (SAP) in 1986 created not only exciting opportunities but also new challenge. The resultant financial liberalization after the introduction of SAP brought about the competition which led to the tremendous growth in the banking sector. The number of commercial and merchant banks thus, increased from 29 and 12 in 1986 to 65 and 54 respectively in 1991. By 2001, the total number of commercial and merchant banks declined to 90 owing to the banking system distress witnessed between the late 1980's and mid 1990's. Many of the new entrants into the banking sector were characterized by weak capitalization, poor management, asset quality, and earning and liquidity profile. There was also weak regulatory supervision. All of these led to the collapse of some of the new banks.

With effect from 1st January, 2001, the guideline for the adoption of universal banking were issued and from that date banks led the liberty subjected to approval and regulation to undertake money and capital market activities as well as insurance service. Thus, the distinction between commercial and merchant banking was formally removed. By 2004, there were eighty-nine (89) banks in the country. When the new reform was announced by the Central Bank governor (Chukwuma C. Soludo Prof.) on 6th July, 2004 which was to stimulate growth capacity in the Nigerian banking industry. At the end of 31st December, 2005, 25 groups emerged from 75 banks out of the 89 licensed banks, these 25 banks group that were able to meet N25 billion capital base either through organic growth by raising funds from the capital market by way of 'public offering or by merger and acquisition had their operating licenses renewed, while 14 unsuccessful banks had their operating licenses revoked (CBN, 2005:45; CBN, 2008). Are the successful banks that attained the N25 billion capitalizations by December 31st, 2005.

2.5. Examination of the Capital Base of Nigerian Banks after the Consolidation Exercise

One of the areas of reforms in the banking industry was the raising of the capital base of banks through a policy known as recapitalization. The CBN in 2004, raised the minimum capital requirement of banks from N 2 billion to N25 billion with a deadline for compliance sew as 31stdecmber, 2005. On January 1, 2006, 25 bigger banks emerged from the 89 banks that originally existed as at the end of December, 2005. Nineteen(19) of the banks were the result of mergers and acquisition arrangements involving 69 banks, while six(6) banks either raised additional capital or had already met the revised capital requirements. The remaining fourteen (14) had their licenses revoked on January 16, 2006 and were handed over to NDIC for liquidation (NDIC, 2006). The examination of the capital base of Nigerian banks at 31st of December, 2006 was to confirm whether the capital of the banks was actually increased to the N 25 billion minimum capital requirements.

As presented each of the existing banks had the minimum of the N 25 billion shareholders fund in 2006. This means that the consolidation programme increased the absolute level if capital in the banking industry.

What then could have accounted for the erosion of the capital base of the 10 banks that failed the CBN special audit of 2009? This could also mean that the capital raised during the consolidation exercise of 2005 was not ascertained in real terms by the CBN and probably, the banks did not bring in real funds into the system. An example is Spring Bank which had a capital base of N 41.29billion in 2006, N 43.54 billion in 2007 and –N 47.16 billion in 2008 showing a -208% change. Other banks in the same category are Nigeria International Bank with a decreased shareholders' funds from N 33.38 billion in 2006 to N 28.75 billion in 2008(-13.87% change), Standard Chartered Bank with N33.76 billion in 2006 to N 27.92 billion in 2008(- 17.26% change), Sterling Bank from N 25.31 billion in 2006 to N16.62 billion in 2008 (-37.39% change), Unity Bank from N 29.43 billion in 2006 to N15.51 billion in 2008 (-47.30% change) and Wema Bank from N26.23 billion in 2006 to N 23.09 billion in 2008 (-11.87& change).

Out of these six(6) stated banks with decreased capital base, two(2) of them i.e. Spring and Unity Banks were classified as troubled while Wema Bank was not taken over by the CBN for being under a new management. Union Bank which was the highest capitalized Bank in 2006, dropped to the 12th position by N12.23 billion in 2007. That is, from N106.97 billion in 2006 to N97.74 billion in 2007(-10.6% change) and managed to move up to N108.14 billion in 2008.

This means that these banks were not able to manage their initial capital increases in 2006 during a period of only three years which accounted for their new status as troubled banks.

2.6. Challenges Facing the Banking Industry in Nigeria

The current banking sector reform in Nigeria was designed to promote the viability; soundness and stability of the system to enable it adequately meet the aspiration of the economy in terms of accelerated proactively put the Nigerian banking industry on the path of global competitiveness to enable it effectively respond to the challenges of globalization. The overall objective is to guarantee that the economy and Nigerians do not remain fringe players in the context of a globalizing world.

The major challenges that the reform was targeted at, includes the following:

2.6.1. Weak Capital Base

Most banks in Nigeria had a capital base that was less than US $10 million, while the largest bank in the country had a capital base of about US$240 million. The small size of most local banks, coupled with their high over heads and operating expenses, has negative

implication for the cost of intermediation. It also, meant that they could not effectively participate in big-ticket deals, especially within frame –work of the single obligor limit.

2.6.2. The Challenge of Ethics and Professionalism

In a bid to survive, the stiff competition in the market, a number of operators have resorted to unethical and unprofessional practices. Strictly speaking, some even went into some businesses that could not be classified banking. In appreciation of the enormity of the problems caused by the failure to adhere to professional and ethical standard, the bankers committees setup a subcommittee on ethics and professionalism to handle complaints and disputes arising from unwholesome and sharp practices.

2.6.3. Poor Corporate Governance Practices

There were several instances where board members and management staff failed to uphold and promote the basic pillars of sound corporate governance because they were pre-occupied with the attainment of narrowly defined interests. The symptoms of this include high turnover in the board and management staff.

2.6.4. Gross Insider Abuses

One area where this was pronounced was the credit function. As a result, there were several cases of huge non-performing insider related credits.

2.6.5. Insolvency

The magnitude of non-performing risks assets was such that it hah corded the shareholder funds of a number of banks. For instance, according to the non-performing credit to shareholder's funds deteriorated from 90% in 2003 to 105%in 2004.This meant that the shareholders' funds had been completely wiped out industry wide by the non-performing credit portfolio.

2.7. Rationales for Capital Restructuring in the Nigerian Banking Industry

Countries reform their banking sector for a number of reasons. These may include structural, capitalization and ownership issues among others. According to (Oyedoku, 2013) the objectives of the reforms can hardly be the same in all countries. It is based on this premise that the reform in Nigeria can be seen to be peculiar to the Nigerian situation. To this end, banking sector reform and its sub-component, bank capital restructuring have resulted from the deliberate policy response to correct impending banking sector crises and subsequent failure in Nigeria.

The rationale for the current trans-formation in the banking sector of the Nigeria economy was the desire to meet major objectives of the banking industry. The major objectives of the banking system are to ensure price stability and facilitate rapid economic development. These include:

2.7.1. Low Capital Base

The average capital base of Nigerian banks was $10million which is very low compared to that of banks in other developing countries like Malaysia, where the capital base of the smallest bank is $526 million and that of the Amalgamated Bank of South Africa that had asset base larger than all the Nigerian Commercial Banks put together. While, the capital base of the largest bank in Nigeria (Union Bank of Nigeria) stands at about $446 million after consolidation. This implies that even the new capital base of the largest bank in the country is still about 155 lower than that of the smallest bank in Malaysia.

2.7.2. A Large Number of Small Banks with Relatively Few Branches

The 89 banks in Nigeria as at the end of May, 2005 have a total of 3, 382 branches whereas the eight (8) banks in South Africa have about 4,500 branches.

2.7.3. Poor Rating of A Number of Banks

Though the banking system in Nigeria is in on the average rated satisfactory, a detailed analysis of the condition of individual banks as at December, 2004 showed that no bank was rated very sound with 57 satisfactory, 16 marginal and 10 unsound (Adegbaju and Olokoyo, 2008).

2.7.4. The Dominance of a Few Banks

The top 10 banks control about 50.8 of percent of the aggregate assets, 57.7% of total deposit liabilities and 45% of the aggregate credits.

2.8. Benefits of Capital Restructuring

In July 6, 2004 a day now referred to as "black Tuesday" in the banking sector of the economy, the CBN Governor, made an obviously expected policy pronouncement. The highlight was the increment of the earlier N2 billion to N25 billion with full compliance deadline fixed for the end of December, 2005. According to CBN, the following are benefits of the new minimum capital base:

a. Enhance capabilities to finance large projects: size is a key factor in the banking sector that amongst other factors determines the ability of the banks to provide funds to borrowers and provides an indication of stability to depositors. In Nigeria, the simple borrow limit is 35% with total shareholders' funds of N25 billion, the maximum exposure allowable to a simple borrower will be N8.7 billion or about $64 million (CBN, 2005). This figure is barely large enough to provide adequate funding for most projects in the country today not only in the mainstay of the Nigerian economy, the oil and gas industry, but also in the sectors such as communication, construction and power that are critical for improving the standard of living in the country.

b. Efficiency, size and development role: with internalization of finance, size has become an important ingredient for success in the globalizing world. In the world of finance, no country can afford to operate in isolation. The last years have witnessed the creation of the world's banking group through mergers and acquisition. The trend has been influenced by factors such as well as more efficiency in resource allocation, and risk reduction arising from improved management.

c. Increase in financial deepening: The initial public offer by the banks through the capital market and the subsequent of financial deepening as evidenced in the upsurge in number of securities, market capitalization and volume and value of trading in the Nigerian Stock Market
(CBN, 2005). It has also increased the equity participation of the Nigerian investors in the sector, thereby raising funds for expansion and capacity of the consolidated banks.

d. Increase in foreign investment: The reform in the banking industry has been able to attract more foreign direct investment (FDI) inflow into the sector especially in the area of portfolio investment. This development, if sustained will boost the level of economy activity especially towards non-oil sector. Noticeable in the sector is the direct involvement of foreign banks in the sector. Thus has a multiplier effect on the nation's economy. It has increased the international community's confidence in Nigeria's banking sector thereby attracting more foreign direct investment (FDI) into the country.

e. Building Public Confidence: The recent achievement in banking industry has gone a long way in enhancing public confidence in the industry and promoting baking habit of the citizens which has long been eroded due to frequent bank failures in the past.

f. Higher Returns to the Shareholder: The capital restructuring of the banking industry in Nigeria led to increased shareholding as the capital base of the banks has increased. This has in turn stimulated the banks to operate at maximum output thereby guaranteeing a higher return on investment for the shareholders.

g. Financial System Stability: The reform is now characterized by the smooth functioning of various segments of the financial system with each segment becoming resilient to shock. Because of the financial sector stability, monetary policy is now transmitted with ease to the rest of the economy, thus achieving the economic goal of price stability and sustainable economic growth. In the end, the financial sector would be in a position to fulfil its mandate of inducing growth through financial intermediation.

h. Ownership: The consolidation of the banking sector has considerably modified the system of ownership structure of Nigerian banks making it more widespread and better diversified. The merging stakeholder of banking institutions are likely to demand higher level of job ethics transparency and professionalism in modus operandi of banking business which will further promote better corporate governance and will consequently guarantee accountability in the Nigerian banking system.

2.9. Other Benefits of Capital Restructuring

i. Twenty-one (21) banks emerged from seventy-five (75) banks of a total of eighty-nine (89) banks that existed as a June, 2004. The successful banks accounts for about 93.5% of the deposit liabilities for the banking system.
ii. ii. The liquidity engendered by the inflow of funds into the banks induced interest rate to fall drastically while an unprecedented 40% increase has been recorded in lending to the real sector.
iii. Regulating oversight, with the security exchange commission (SEC) and Nigerian stock exchange(NSE) joining the team. Regulating resources would now be focused on fewer and more stable banks.
iv. The banks with of course enjoy economics of scale and consequently, pass on the benefits in the form of reduced bank charges to their customers.

2.10. Recapitalization and Bank's Performance

The aims of bank capitalization are to resolve the problem of unsound banking and to enhance efficient management in the banking system (Kanu and Isu, 2013). Capitalization is an important component of reforms in the Nigerian banking industry, owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market. According to Adegbaju and Olokoyo (2008), recapitalization entails increasing the debt stock of the company or issuing additional shares through existing shareholders or new shareholders or a combination of the two. It could even take the form of merger and

acquisition or foreign direct investment. Whichever form it takes, the end result is that the long term capital stock of the organization is increased substantially to sustain the current economic trend in the global world.
Traditionally, funds or capital is mobilized through equity or debt. In the banking sector, capital could be core capital or supplementary capital but, much emphasis is on the core capital that is shareholders' funds because of its stability. But in this study the concept of capital restructuring refers to the move by which CBN compelled all the commercial banks operating in Nigeria to raise their capital base from N2 billion to N25 billion on or before 31st December 2005. According to Soludo (2004), the idea was to ensure a diversified, strong and reliable banking industry where there is safety of depositors' funds and re-assurance of the banks' continual play of the active intermediation role in the economy.
According to Rose (2001), a fair evaluation of any bank's performance should start by evaluating whether it has been able to achieve the objectives set by management and stockholders.

2.11. Model Specification
$Y= \beta_0 + \beta_1 X_1+ \mu_i$
Where y = Return on asset (where Y is dependent variable)
X_1 = Capital base (where X_1 is independent variable)
β_0 = is intercept parameter (constant),
β_1 = is coefficient of variation
μ_I = Error term.
Model ii
$Y= \beta_0 + \beta_1 X_1 + \mu_i$
Where y = Return on equity (where Y is dependent variable
X_1 = Capital base
(Where X_1 is independent variable)
β_0 = is intercept parameter
β_1 = is slope parameter
μ_I= Error term.
Appriori expectation is that $\beta_1 > 0$.
The table below shows the data used in the course of this analysis. The data were sourced from the CBN statistical Bulletin and NDIC annual reports.

YEAR	ROE	ROA	CB
1994	12.59	0.29	50000000
1995	5.24	0.1	50000000
1996	49.38	0.39	50000000
1997	77.15	2.4	50000000
1998	103.26	4.04	50000000
1999	102.88	3.82	500000000
2000	99.45	3.96	500000000
2001	114.29	4.82	1000000000
2002	41.63	2.63	2000000000
2003	29.11	2	2000000000
2004	27.23	2.58	2000000000
2005	5.52	0.75	25000000000
2006	4.12	0.59	25000000000
2007	23.07	3.64	25000000000
2008	24.11	4.29	25000000000
2009	-9.28	-64.75	25000000000
2010	162.98	3.91	25000000000
2011	-0.28	0.09	25000000000
2012	22.2	2.62	25000000000
2013	19.14	2.15	25000000000

Table 1
Source: CBN Statistical Bulletin 2013 and NDIC annual reports of various years

The data on table 1 shows the return on assets (ROA), return on equity (ROE) and capital base (CB) of DMBs from 1994 to 2013. The ROA and ROE are the dependent variables while CB is the independent variable. The variables were used to carry out simple regression analysis and the result presented in table 2 and 3 below.

2.12. Test of Hypothesis

Ho1: There is no significant relationship between capital restructuring and return on assets of Deposit Money Banks.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CB	2.74E-10	2.59E-10	1.057560	0.3042
C	2.357411	4.354406	0.541385	0.5949
R-squared	0.058500	Mean dependent var		5.556000
Adjusted R-squared	0.006195	S.D. dependent var		14.05307
S.E. of regression	14.00947	Akaike info criterion		8.211984
Sum squared resid	3532.775	Schwarz criterion		8.311557
Log likelihood	-80.11984	Hannan-Quinn criter.		8.231422
F-statistic	1.118434	Durbin-Watson stat		2.125550
Prob(F-statistic)	0.304243			

Table 2

Dependent Variable: ROA; Source: Researcher's computation using E-views

The estimated regression line as

Y=2.36 −0.000000000274X1

t= (0.54) (1.06)

pvalue = (0.0004) (0.13)

R^2 =0.06

f=2-53,pvalue=0.13

2.12.1. T-test

Degree of freedom = 18

Level of significant = 0.05

The results show t-critical value of 1.06 and p-value of 0.13.

Thus Ttab = 1.734

Decision rule since the t-critical = 1.06 is less than t-tab= 1.734, the study accept the null hypothesis and conclude that capital base have no significant influence on return on assets of the deposit money banks.

2.12.2. F-test

Degree of freedom = 18

Level of significant = 0.05

The result shows the t-critical valve of 1.323 the P-value is 0.265.

Thus ftab= 4.41

The F – test is used to test the overall significance of the regression model. The results reveals Fcal is 1.323 is less than the tab is 4.41. The study therefore accepts the null hypothesis and concluded that capital base has no significant impact on its return on assets.

2.12.3. Co-efficient of Determination

R^2 = 0.06 at 6% indicates that there exist weak correlation between the capital restructuring and return on assets. The total variable in the return on assets can be explained by the total in capital base while the remaining 94% is as a result of the unexplained variable outside the work.

2.12.4. Observation Findings

Observe these features of the two model in the linear model it shows that the slope coefficient is positive. For the higher the capital base the higher the return on equity (ROE) of deposit money banks.

2.13. Test of Hypothesis

Ho2: There is no significant relationship between capital restructuring and return on equity of Deposit Money Banks.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CB	-1.35E-09	8.47E-10	-1.591326	0.1289
C	61.42271	14.22111	4.319123	0.0004
R-squared	0.123333	Mean dependent var		45.70400
Adjusted R-squared	0.074630	S.D. dependent var		47.56291
S.E. of regression	45.75370	Akaike info criterion		10.57906
Sum squared resid	37681.22	Schwarz criterion		10.67864
Log likelihood	-103.7906	Hannan-Quinn criter.		10.59850
F-statistic	2.532319	Durbin-Watson stat		1.781897
Prob(F-statistic)	0.128945			

Table 3

Dependent Variable: ROE, Source: Researcher's computation using E-views
The estimated regression line as

$Y= 61.42 - 0.000000000135X1$

t= (4.32) (-1.59)
pvalue = (0.0004) (0.13)
R^2 =0.12
f =2-53 pvalue =0.13

2.13.1. T-test

The results show a t-critical value of -1.59 and p-value of 0.13.
Degree of freedom = 18
Level of significant = 0.05
Thus Ttab = 1.734
Decision rule: since the t-critical is less than the t-tabulated value. The study therefore accepts the null hypothesis and concludes that there is no significant relationship between capital restructuring and return on equity of DMBs.

2.13.2. F-test

The F – test is used to test the overall significance of the regression model. The estimated f-value is 2.53 while the p-value is 0.13
Thus the Ftab = 4.41
Since the f-critical is less than the f-tab value. The study therefore accepts the null hypothesis and concludes that capital restructuring has no significant relationship between capital restructuring and return on equity of DMBs.

2.13.3. Co-efficient of Determination

R^2 is used to measure the Co-efficient of determination which tells $R^2 = 0.12$ at 12% indicates that, there exist weak correlation between the capital restructuring and return on equity. The total variable in the return on equity can be explained by the total in capital base while the remaining 88% is as a result of the unexplained variable outside this work.

2.13.4. Observation Findings

Observe these features of the two model in the linear model it shows that the slope coefficient is negative. For the higher the capital base the lower the return on equity (ROE) of deposit money banks.

3. Conclusion

This study attempted to find the impact of capital restructuring on deposit money banks performance in Nigeria between the periods 1994 to 2013. In this study, Return on Assets ROA) and Return on Equity (ROE) represent our dependent variables while independent variable is the capital base. The aim of this study is to know if these performance indicators have impact on DMBs performance during the periods of capital restructuring. The minimum N25b capital base has no statistical significant on return on assets of deposit money banks .The capital base has no significance on return on equity of the deposit money banks.
This study reveals that capital restructuring does not seem to significantly influence DMBs performance. Evidence has shown that some banks experience financial crisis since the implementation of recapitalization policy, this implies that the problems of Nigerian banks is not much associated with weak capital base but other internal and exogenous factors. It is recorded that some of the banks

with huge capital base were among the troubled banks. This study therefore has shown that capital restructuring has no significant on return on assets and return on equity of the DMBs.

4. Recommendation

In an attempt to address the problems banks encounter as a result of capital restructuring. The following recommendations are as follows

i. Capital restructuring is not the major problem facing Nigerian banks.
ii. The Central Bank of Nigeria (CBN) and the NDIC and other regulatory bodies should put in place a stronger banking supervision department and monitoring team if possible on daily bases to sustain the performance of the banking and recapitalization policies in the banking industry in Nigeria.
iii. Banks should put in place good corporate governance and management that will allow transparency and minimize fraud in the banks. This will in turn enhance their performance in the banking sector in Nigeria.
iv. Financial literacy should be promoted in order to improve banking culture in Nigeria. This would enhance people patronage of the bank and in turn boost their profitability

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