Investigating the Impact of Recapitalization Strategies on the Profitability of Deposit Money Banks in Nigeria

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Abstract: *The main objective of the study is to examine the relationship between recapitalization strategies and profitability of Deposit Money Banks in Nigeria. The study employed secondary data which were gathered and analyzed, using Panel Regression Model. In order to ensure that essential assumptions for a valid regression model are considered and also avoid a spurious regression result, Unit Root Test using the Augmented Dickey-Fuller (ADF) technique was employed. Serial correlation test and normality* test were *also conducted to estimate the reliability of the model used. Stationarity test (Unit Root Test) was also applied to determine how consistent and reliable the time series data in use are. The research findings revealed that there was no significant relationship between capital adequacy and profitability of Deposit Money Banks in Nigeria, implying that banks' capital base is not necessarily a yardstick for enhanced profitability. The study, therefore, recommended that for Deposit Money Banks to achieve the purpose of their recapitalization, they should make frantic efforts to improve on factors which can lead to improved performance, develop more aggressive approach in their profit drive for improved financial position, promote better managerial skills and adopt attractive deposit interest rates to enhance deposit mobilization. Also, regulatory authorities should develop an improved capital assessment mechanism for banks in the country. Finally, government should provide an enabling banking environment for the provision of effective infrastructural facilities in order to enhance the operational efficiency of banks in Nigeria.*

Keywords*: Capital Adequacy, Deposit Money Banks, Performance, Profitability, Recapitalization, Return on Assets.*

1. Introduction

In developing countries like Nigeria, banks play important and sensitive roles; hence, their performance directly affects the growth, efficiency and stability of the economy. The banking sector has always received utmost attention on protection and regulation due to the vital role it plays in an economy (Oladejo & Oladipupo, 2011). Over the years, Central Bank of Nigeria (CBN) and other stakeholders in Nigeria have expressed concern on what could be done to address the problems associated with under-capitalization of banks in the country for effective performance and growth in the system. The last 2005 consolidation exercise attempted finding solutions to the problem of recapitalization by raising the capital base of all Nigerian Deposit Money Banks (DMBs) to a minimum of N25 billion. This recapitalization has made the exercise a regular feature or phenomenon in Nigerian banking sector. However, though the financial system in Nigeria had gone through phases of reforms, surprisingly, more than fifty years after the country's political independence, the banking sector can be said to be performing far below expectations in terms of profitability due to the low capitalization capital formations of the banks in Nigeria. Consequently, banks were prone to overtrading, abandoning the true function of banking to focus on quick profit ventures such as trading in forex and tilting their funding support in favour of import-export trade instead of manufacturing, reliance on unstable sector funds for their deposit base (Soludo,2004).Similarly, barely four years into the consolidation of the industry some banks have seriously exhibited varying symptoms of distress which necessitated CBN to bail out nine out of the twenty-four banks with the sum of 620 billion in 2009 in order to prevent the occurrence of distress in the industry (Sanusi,2010).

Profit could be looked at as the ultimate, since it is the basic standard by which the performance of a business is measured with the resource in the form of financial capital. High profits provide a buffer against adverse shocks and thus increase the charter or franchise value of the bank (Soludo, 2004).

The main objective of this paper is to examine the relationship between re-capitalization strategies and profitability of Deposit Money Banks in Nigeria. Specifically, the study seeks to evaluate whether the

intermittent recapitalization exercise is a sufficient approach to ensure sound banking system in Nigeria. The study would therefore, enlighten the bank customers on the competencies of their banks brought about by recapitalization as ignorance of such implications would exclude customers from taking advantage of the embedded benefits. It will also serve as a basis for comparing, evaluating and analyzing the performance of Nigerian banks. Such comparisons may be used to project or predict state of affairs of the banking industry and the Nigerian economy which will assist the economists and financial analysts in making various investment decisions. The government and the various regulatory bodies like the Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Commission (NDIC), and Chartered Institute of Bankers of Nigeria (CIBN) will also find the study useful in the sense that it will enable them to evaluate if the recapitalization exercise has achieved the desired goals. Hence, the determination of the (in) appropriateness of the previous recapitalization exercises would enable the policy makers to decide on the abrogation or reciprocation of the recapitalization policy.

1.1 Statement of Research Problem

Despite the effort of the regulatory authorities to enshrine soundness, efficiency and profitability into the banking system, through its various capital reforms, these have always recorded failure and distress. Before the banks recapitalization exercise of 2005, 14 banks out of 89 were considered to be distressed due to their inability to meet the capital base requirement at the period (Adegbaju and Olokoyo, 2008).Consequently, the continuous failure of banks in Nigeria stemming from decline in capital base has resulted to loss of public confidence which invariably leads to customer defection, thus, undermining their contribution as the nation's engine of growth. The spate of bank failure in Nigeria warranting intermittent recapitalization in financial sector since 2005 hinged on a number of factors, ranging from macroeconomic instability, deficient supervision, poor strategies, weak management, inadequate control systems and operational failures, fraud, etc.

Previous research studies adopted performance indicators like profitability, capital adequacy, liquidity and operating efficiency, loans and advances as well as deposits, in line with the work of Muhammad and Zahid (2014) and Adah (2012), using shareholders' funds as an independent variable and each of the indicators as dependent. Specifically, studies that adopted profitability as a performance indicator failed to establish if capital adequacy, when used as an independent variable impacts significantly on banks' profitability. Capital adequacy is an integral factor in the prudential returns which external auditors must submit after audit exercise as provided in Section 38 of the NDIC Act. It is one of the major banking issues in the Nigerian banking system which necessitated the recapitalization policy since 2005. This study therefore, evaluates whether the exercise is a sufficient approach to ensure sound banking system as the study intends to determine the impact of the post recapitalization exercise of 2005 on the profitability of Deposit Money Banks in Nigeria.

1.2 Statement of Hypothesis

The following Null Hypothesis has been formulated to guide the conduct of this research:

H0: *Capital Adequacy has an insignificant impact on profitability of Deposit Money Banks in Nigeria.*

2. Literature Review

2.1Concept of Recapitalization

Capital is the most important ingredient in all economic activities. Capital is to business as heart is to the body, without which business cannot thrive well (Adah, 2012). It is the basic financial indicator which should be carefully measured through the returns accrued from the use of it in any business organization. Hassan (2009) defines capital as a fund of any corporate organization that has potentials to generate profit through investment. Total regulatory capital is defined as the sum of Tier 1 capital (going concern capital) which comprises common equity tier 1 capital and additional Tier 1 capital and Tier 2 capital (going concern capital). Adequate capital is key to the survival of business as one key aspect of bank management is to decide the level of capital safe for banks to operate with. Capital is deemed adequate if it has the tendencies to reduce the chances of future insolvency and distress of the bank to some pre-determined minimal level.

Wood and Sangster (2002) define capital as the amount of the resources supplied by the owners. Hassan (2009) defines capital as a fund of any corporate organization that has potentials to generate profit through investment. CBN and NDIC refer to capital of a bank to represent shareholders' stake and subsequent funds additions which are used as operating base and remain more or less permanent in the business until it winds off. The level of capital so determined makes the firm to take appropriate level of risk. Capital regulation interferes with the risk-return function of banks as it may force banks to operate below its risk capacity. Santomero and Watson (1977) show that too tight a capital regulation leads banks to reduce their credit offers which give rise to a fall in productive investments. Acharya (2001) also points out that capital adequacy regulation in some context could even accentuate systemic risk. Bhattacharya and Thakor (1993) hold that a higher capital requirement acts as a tax on depositors that discourage risk taking behaviour of banks by reducing inter-bank competitions for deposits. From the above, it could be summarized that the fundamental purposes of regulating banks' capital are to reduce the risk of banks' operational failures, to maintain the confidence in the system and limit losses to all the stakeholders including the government and economy.

Atiku (2011) opined that recapitalization of banks was necessary for some important reasons which include; managerial ego, adherent of globalization, competition and market strength coupled with the need to ensure stronger financial base to finance productive and regenerate investments, as well as the need to be more competitive in project financing. Nwude (2005) in his own contribution identified the imperatives for bank recapitalization in Nigeria to include: Existence of too many banks with sizes being too small to support any sound banking business, stunted growth of the real sector arising from incapability of bank capital ratio and sizes to fund industrial development, high lending rate and shunning of real sector, unprofessional and unethical practices

Capitalization is an important variable of reforms in the Nigeria banking industry, because it is always assumed that a bank with strong capital base has the ability to protect the confidence of the customers, public and other stakeholders as well absolving losses that may arise from non-performing liabilities. Recapitalization is a fundamental reform objective, (Adegbaju & Olokoyo, 2008).They further reiterated that It literarily means increasing the amount of long-term finances used in financing the organization. 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.

2.2 Profitability as a Measure of Bank Performance

Profits are a measure of how well a business is fulfilling its purpose. Without profits no firm can survive and attract outside capital to meet its investment target in a competitive environment, thus, profitability plays an important role in persuading depositors to supply funds in terms of bank deposits on advantageous terms. Banks' profitability is the ability of a bank to generate revenue in excess of cost in relation to the banks' capital base (Curtis, Samuel & Eric, 2013). The Oxford Advanced Learner's dictionary defined profit as the money gained in business in terms of the difference between amounts earned and amount spent. Soludo (2004) opined that banks' profit is the adequate returns to the banks to justify their investments. Therefore, the incentive to be a banker is driven by profitability. Profitability is continuing objective for banks (Unugbro, 2004).

Socol and Danuletiu (2013) posit that the banks' ability to create profit is affected by the varied factors, that could be grouped in internal (bank specific features; size, ownership, business volume, interest rate, labour productivity) or external (deregulation, over-regulation of financial markets, macroeconomic conditions and indicators and competition). Socol and Danuletiu (2013) further assumed that banks' performance represents their ability to generate sustainable profitability as profitability emphasizes financial soundness of banks abreast other indicators. Anthanasoglou, Brissimis and Delis (2005) also emphasize that bank profitability is usually expressed as a function of internal and external factors. He further classified the internal factors into two i.e. financial statement variables and non-financial statement variables. The financial statement variables are expense management, loan composition and

bank credit, composition of bank deposits, market interest rates, bank earning and operating efficiency, changes in capital and liquidity management. The non-financial statement variables are number of branches, bank size, and bank location. Anthanasoglou et al (2005) stress the fact that capital level is a major determinant in bank profitability.

Profitability has been employed as a measure of performance by various authors. Prominent among these are Khaleed and Samer (2013) which evaluated the performance of Lybian banks using Return on Investment (ROI). Yilmaz (2013), evaluated profitability of banking system analyzing the determinants of bank profitability in emerging markets in Turkey using Returns on Asset (ROA) and Net Interest Margin (NIM). Dey (2014) adopted ROA for his own study based on the fact that it is widely used as an input of statistical models to analyze profitability and market performance as supported by Gilber and Wheelock (2007), Owolabi and Ogunlalu(2013) while studying banking industry consolidation and financial performance of selected quoted banks in Nigeria adopted ROA, Return on Capital employed (ROCE) and Net profit Margin.

2.3 Empirical Studies on Recapitalization Strategies

Adegbaju and Olokoyo, (2008), investigated the impact of previous recapitalization of 2001 in the banking system on the performance of the banks in Nigeria with the aim of finding out if the exercise is of any benefit. The study employed secondary data such as yield on earnings asset (YEA), Return on equity (ROE), return on asset (ROA), Funding Cost (FC), and Net Interest Margin (NIM). The data were analyzed using both descriptive such as means and standard deviation and analytical techniques such as the t-test and test of equality of means. The study found out that the mean of the yield on earning asset; return on equity and return on asset were significant indicating a statistical difference between the mean of the bank performance before and after the 2001 recapitalization. Furthermore, the study concluded that recapitalization does not always transform into good performance of the banks, it thus recommended that banks should improve on their total asset turnover and diversify their funds in such a way that they can generate more income on their assets. In addition to the above, it further recommended that a conducive economic environment is necessary for banks to make good profit; bank management should embark on effective intermediation drive that will bring all the small savers to the purview of the government as this will provide a cheap source of fund for the banks and availability of a good regulatory environment that will enable the banks to expand their scope of business and enhance corporate governance.

Oladejo and Oladipupo (2011) adopted an exploratory methodology to explore various implications of capital regulation on the performance of Nigerian banks. The study noted an upsurge increase in banks performance in terms of liquidity and profitability. The study found out that capital adequacy is vital to the growth and survival of banks and that low capital base is not a significant factor for bank crises, thus recapitalization is not the only mechanism to forestall bank crises.

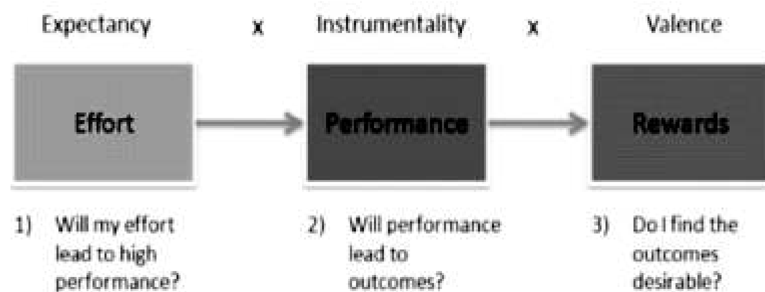
Clementina and Isu, (2013) examined the effects of capitalization of banks on the performance of commercial banks in Nigeria, (1970 -2010). The study captures the performance indicators of banks and employed time series of bank data obtained from the Statistical Bulletin of Central Bank of Nigeria (CBN) and Fact books. The formulated models were estimated using ordinary least square regression methods. The study identified long-run positive relationship between capitalization and profitability. The result of Granger Causality indicates that the significant relationship between capitalization and profitability is by-directional, implying that increase in capital leads to increase in profitability and vice versa of Commercial banks in Nigeria. The implication of this study, among others, is that improved capital position of Commercial banks in Nigeria will enhance their performance, restore the credibility and confidence of customers in banking operations. It therefore recommends that those strategies that will lead to continuous improvement in the capital position of banks should be embraced.

Alajekwu and Obialor, (2014) investigated the impact of bank recapitalization on bank performance. The Ordinary Least Square (OLS) regression analysis was used for the analysis. The results showed that bank capitalization has no significant effect on bank profitability and asset quality, whereas liquidity and financial deepening were significantly influenced by the recapitalization. The study posits that profits maximization drives of Nigerian banks have had counter-productive effect on bank capitalization. Also,

efforts of banks to maintain quality assets and remain in business normally erode their capital. Strategies to increasing bank capitalization can be used to boost loans and advances to the productive sector of the economy.

2.4 Theoretical Bases for the Study

This study is anchored on Expectancy Theory of Vroom (1964) which focuses on outcome (performance). The theory states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome. It is the assessment of the likelihood that the effort will lead to expected performance.



Source: *Onashile, 2012*

Figure 1.1*: Component Analysis of Vroom's Expectancy theory*

From Figure 1.1, Vroom (1964) emphasized that expectancy is the faith that better efforts will result in better performance. Expectancy is influenced by factors such as possession of appropriate skills for performing the job, availability of right resources, availability of crucial information and getting the required support. The above factors were the major rationale for recapitalization, so that the banking industry may be well equipped, supported and provided with the right resources, processes and information for improved performance.. This theory was employed by Onashile (2012) while investigating the frequent labour turnover in Insurance companies in Nigeria. Vroom's Expectancy Theory is based on these three components: effort, performance and rewards.

According to Soludo (2004), the recapitalization policy is designed to play a catalytic role in the economy by ensuring better returns to shareholders, bigger contribution to national economic growth, effective financial intermediation, and greater reach to the grassroots, good corporate governance and cheaper credit to borrowers. The idea basically is that the recapitalization exercise of banks would improve the financial capacity of these banks which will consequently lead to improved performance. This study adopts the expectancy theory as it explains that the recapitalization exercise was an effort to stimulate the banks for an improved performance; this study therefore is an attempt to determine if the 2005 recapitalization exercise has resulted into higher performance and to determine if it has consequently brought about the desired results.

3. Research Methodology

3.1 Study Approach

This study employed Ex-post facto or causal comparative research which explored relationships between variables and determined their reasons or causes for the current status of the phenomenon under study. Kerlinger (1983) further stated that ex-post facto is a systematic, empirical inquiry in which the researcher did not have direct control of independent variables because their manifestations had already occurred. Panel data were employed in this study.

3.2 Study Population

The study population represents all nineteen deposit Money Banks quoted on the floor of the Nigerian Stock Exchange as at June2015. Due to the small population size, purposive sampling technique was employed to select sixteen banks which scaled through the 2005 recapitalization exercise and the 2009 restructuring programme, representing 84% of the target population as the research sample. This is in consonance with Khothari, (2014) which advocates that population can be considered as the sample size where the size of the population is relatively small.

3.3 Sources of Data Collection

The study employs secondary data source through the financial statements of banks understudied, Central Bank of Nigeria bulletin, Fact book of Nigerian Stock Exchange and Securities and Exchange Commission. The data on performance variables adopted for this work relating to 2005 - 2013 were obtained from these secondary sources.

3.4 Reliability of Data and Analytical Tools

The reliability of the data was confirmed with the use of the R^2 and F-statistic using E-view7 and SPSS version 16.In order to ensure that essential assumptions for a valid regression model are considered and also avoid a spurious regression result, Unit Root Test using the Augmented Dickey-Fuller (ADF) technique was employed. Serial correlation test and normality test were also conducted to estimate the reliability of the model used in the study. In addition, the Hausman specification test which aids in choosing between fixed and random effect Model as formulated by Hausman, (1987) was conducted. Fixed effect model investigate the relationship between predictors and outcomes within an entity while in a random effect model, the variation across entities is assumed to be random and uncorrelated with the independent variables included in the model. The decision rule is to accept the null hypothesis where the p-value of the cross section random effect is greater than the 0.05 absolute MacKinnon value while the fixed effect model is used when the null hypothesis is rejected (Gujarati and Porter, 2009).E-view 7was used for the analysis of the panel dataset.

3.5 Model Specification

The dependent variable of this study is profitability proxied by Return on Assets (ROA) while the recapitalization strategy is the independent variable measured by Capital Adequacy. This is represented by:

$Y = a + bX + u$

Where: Y = dependent variable (ROA)

a = intercept parameter (where the regression surface crosses the y-axis)

b = Slope parameter (measures the degree of responsiveness of dependent variables to independent variable)

x = independent variable (Capital Adequacy)

u = stochastic error term (unexplained variance)

This model was adopted from the work of Onaolapo and Ajala, (2012) and adjusted to suit this study in the following ways:

The a-priori expectation of the independent variables on the dependent variables is Profitability > 0;; capital adequacy > 0;, an indication that the higher the Capital Adequacy the better the banks' profitability (Adegbaju & Olokoyo, 2008; Khaleed & Samer, 2013).

To estimate the model, a Simple Linear Regression Analysis will be used to test the relationship between recapitalization strategies and banks' profitability.

4. Results and Discussions

Under this section, the research findings which seek to answer the research question against the backdrop of the study objective were presented. To achieve this empirical goal, econometric techniques were applied which enable researchers in management and social sciences to apply techniques like stationarity test (unit root test) to determine how consistent and reliable the time series data in use is. The result of the stationarity test is presented in the Table 4.1.

Table 4.1: Results of Stationarity (Individual Augmented Dickey-Fuller Unit Root) Test

VARIABLES	ADF Fisher -Chi Square Test Statistics		ADF Fisher -Chi Square Test Statistics		Order of Integration
	Level	Prob value	1st Difference	Prob value	
PROF	108.614	0.5729	384.967	0.0000	1(1)
CAPADEQ	17.8361	1.0000	185.880	0.0000	1(1)

Source: *Authors' Computation, 2015.*

As presented in Table 4.1, the result shows that Profitability and capital adequacy were at difference as they were not stationary at the level but at 1st difference.

4.1Panel Normality Test

Table 4.2: Result of Panel Normality Test

Variable	PROF	CAPADEQ
Jarque-Bera	392.5146	2426.984
P Value	0.5891	0.79992

Source: *Authors' Computation, 2015.*

Table 4.2 presents the result of the normality test conducted. The result indicates that the p-value of the Jarque-Bera statistics for profitability and capital adequacy are 0.5891 and 0.7999 respectively. This shows that all the variables have a p-value greater than the significant value of 0.05, which indicates that the variables are normally distributed. Thus, the hypothesis that the variables are not normally distributed is rejected.

4.2 Hausman Specification Test

Table 4.3: Hausman Test Result for Model

Correlated Random Effects Test cross-section random effects		
Test Summary	P-Value	Chi-Sq. Stat
Cross-section random	0.0087	0.40478

Source: *Authors' Computation, 2015.*

Table 4.3 displays the result of the hausman test conducted in order to determine the type of effect to be used. The null hypothesis for the Hausman test is that Fixed Effect Model (FEM) and Random Effect Model (REM) estimators do not differ substantially. The p-value of the test for the model is not statistically significant. Therefore the hypothesis is rejected. Consequently the REM was used.

Table 4.4: Regression Result for Model 3

Dependent variable: profitability

Variable	coefficient	prob	R-squared	Adj R-sq.	F-stat	Prob(F-stat)	Durbin Watson
CapAde	0.6356	0.4895	0.6191	0.6203	3.5939	0.0043	2.0413
C	20.6150	0.1421					

Source: *Authors' Computation, 2015.*

The result as computed in Table 4.6 shows p-value of 0.4895 which indicates that Capital Adequacy has no significant impact on the profitability of Deposit Money Banks. The observed R^2 value of the model is 0.6191 which suggests 62% explanatory ability of the independent variables of the model for the systematic variations in the dependent variable with an adjusted value of 0.62%. The p-value of the F-statistics (0.0043) indicated that the hypothesis of a significant linear relationship between the dependent and independent variables. The Durbin Watson figure is 2.0413, which indicates that the model is of good fit and it explains that there is absence of serial correlation.

4.3 Major Findings

The findings show that recapitalization which is represented by the shareholders' fund has positive relationship with Nigerian banks' profitability. However, the impact is insignificant, revealing that there are other major factors which contribute to profitability apart from the capital base of banks. Recall that before the 2009 audit and restructuring, banks were reporting inflated profit values as revealed by the audit carried out, which showed the true position of banks in terms of their profitability (NDIC, 2009). It can therefore be said that since the banking industry recapitalization exercise of 2005, the profitability of banks has been fluctuating in spite of the availability of increased fund especially in the area of deposit mobilization by the banks for more profitable ventures. However, there were issues of huge non-performing loans during the period under study as banks faced considerable losses due to irrecoverable loans which drastically reduced their profit(NDIC 2011 &2012). This result is in line with the findings of Imeokparia (2014), Okafor (2011), Saifullahi, Badamosi and Ibrahim (2012) and Muhammad and Zahid (2014) who also found an insignificant positive relationship between Capital Adequacy and profitability. It is however contrary to the findings of Adegbaju and Olokoyo (2008), Aransiola (2013) and Oladejo and Oladipupo (2011). In addition, the study revealed that there is a positive but insignificant relationship between recapitalization and capital adequacy. This may be as a result of the fake capitalization carried out by the banks in 2005 which was exposed by the audit of 2009, which showed that most of these banks did not genuinely recapitalize.

5. Conclusion and Recommendations

5.1 Conclusion

In the overall, the objectives of recapitalization are to enable the banks increase their performance financially, in terms of efficiency, induce restructuring and engender the alignment and realignment of banks to ensure a good, responsive, competitive, transparent and improved banking system which suits the demand of the Nigerian economy and the challenges of globalization. Experience from the developed economies has shown that the development of a sound financial system requires the collaborative efforts of the government, the monetary authorities, the operators in the industry and the general public. The study concludes that while recapitalization raised the capital base of the banks, it is not all the time that it transforms into better profitability. Moreover, it is not only capital that enhances profitability and good performance of banks. This is evident from the findings of this study and the 2009 regulatory authorities audit report which revealed that despite the 2005 recapitalization exercise, 13 banks were found to be sound, 1 bank was marginal while 10 banks were already pronounced unsound as at 2009 which led to the audit and restructuring exercise. It is instructive to note that size and huge capital do not necessarily make a good and sound bank. What makes a sound bank is really how effective and efficient the management of the bank is deploying the available resources.

5.2 Recommendations

Based on the findings of this study, the following recommendations were made:

1. Banks should make frantic efforts to consider improving on other factors which can lead to improved performance such as improved corporate governance policies, adopt attractive deposit interest rates to enhance deposit mobilization, promote better managerial skills and intervention.

2. There should be strict and closely monitored supervision by the apex regulatory authorities such as Central Bank of Nigeria (CBN), National Deposit Insurance Corporation (NDIC) and Economic and Financial Crime Commission (EFCC) through their various on-site and off-site examinations.

3. In order to build and retain public confidence and avoid a run on Nigerian banks, greater transparency and accountability should be firmly embedded as the hallmark of the Nigerian banking system.

4. Both government and regulatory authorities should be mindful of the fact that the environments in which they operate are important factors in the banks' performance and behaviour, therefore, government should provide a conducive and supportive banking environment through the provision of effective infrastructural facilities to support banking services for an improved performance.

5. The regulatory authorities should put in place effective monitoring mechanisms to regularly investigate the authenticity of banks recapitalization exercise to avoid window dressing report as revealed by the 2009 audit exercise.

6. Regulatory authorities should adopt problem based intervention strategies to address the challenges facing the banks at each point in time as recapitalization may not always profer the intended solution.

7. Regulatory authorities should periodically carry out a comprehensive audit of banks to reveal their genuine financial position such as the 2004 and 2009 audit exercise in order to detect early warning signals and take corrective measures.

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