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UCHE MESSIAH OLOWU, Ph.D, FCIB INVESTED AS THE 20TH PRESIDENT/CHAIRMAN OF COUNCIL

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

OTHER FEATURES:

- ENTERPRISE RISK MANAGEMENT & BANKS PERFORMANCE: THE NEXUS
- BUSINESS FORUM ON CONTEMPORARY AND STRATEGIC FINANCING OPTIONS FOR THE SME SECTOR
- OF BANKS AND BANKERS: FINANCE AND THE CHALLENGE OF ECONOMIC DEVELOPMENT IN NIGRIA
- ETHICS EDUCATION AND TRAINING FOR PROFESSIONAL BANKERS

THE BANKERS CREED

Hugh McCulloch's Advice to Bankers of 1863

(Hugh McCulloch (1808 – 1895) was an American Banker who helped launch the American National Banking System and was Secretary of the Treasury during the civil war and reconstruction)

- Let no loans be made that are not secured beyond a reasonable contingency. Do nothing to foster and encourage speculation. Make your loans on as short term as the business of your customers will permit, and insist upon the payment of all paper at maturity, no matter whether you need the money or not. Give credit facilities only to legitimate and prudent transactions. Never renew a note merely because you may not know where to place the money with equal advantage if the note is paid.

- Distribute your loans rather than concentrate them in a few hands. Large loans to a single individual or firm, although sometimes proper and necessary, are generally injudicious, and frequently unsafe. Large borrowers are apt to control the bank; and when this is the relation between a bank and its customers, it is not difficult to decide which in the end will suffer. Every dollar that a bank loans above its capital and surplus it owes for, and its managers are therefore under the strongest obligations to its creditors, as well as to it stockholders, to keep its loans under its control.

- Treat your customers liberally, bearing in mind the fact that bank prospers as its customers prosper, but never permit them to dictate your policy.

- If you have reasons to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.

- Pay your officers such salaries as will enable them to live comfortably and respectably without stealing; and require of them their entire services. If an officer lives beyond his income, dismiss him; even if his excess of expenditures can be explained consistently with his integrity, still dismiss him. Extravagance, if not a crime, very naturally leads to crime. A man cannot be a safe officer of a bank who spends more than he earns.

- The capital of a bank should be a reality, not fiction; and it should be owned by those who have money to lend, and not by borrowers.

- Pursue a straightforward, upright, legitimate banking business. Never be tempted by the prospect of large returns to do anything but what may be properly done under the National Currency Act. "Splendid financiering" is not legitimate banking, and "splendid financiers" in banking are generally either humbugs or rascals.

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

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1. The Nigerian Banker Journal welcomes original scholarly research articles from practising professionals, academics, financial consultants/analysts, book reviewers, researchers and policy review analysts, etc in the area of banking and related subjects.

2. Submission of an article for publication in The Nigerian Banker Journal presupposes that the article has never been previously published, nor is it being concurrently submitted for publication elsewhere.

3. Articles should be typed double spaced on A4 size paper and should not exceed 15 pages, bibliography and footnotes inclusive. Long articles should be divided into logical parts so that they can be published in parts, if found publishable.

4. Articles previously presented at Seminars/Workshops/Conferences/Lectures etc may be adopted for publication in The Nigerian Banker Journal provided it is acknowledged at the bottom of the cover page of the article, e.g. "The original version of this article was presented at a seminar on ………………… organised by ……………………………… on ……………………………..

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8. Footnotes should be avoided.

9. Check tables and figures (rows, columns and totals) properly. Explanatory paragraphs should be as near as possible to the relevant tables and figures, which should be appropriately numbered.

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Great! Great CIBN
Built on Trust and Honesty

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Creating value and building capacity
Fostering confidence in the industry
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Great! Great! CIBN
Built on Trust and Honesty

From the Desk of the Chairman, Editorial Board

The Second quarter of the year 2018 marks a significant milestone in the annals of the Institute. In this quarter, Professor Segun Ajibola, FCIB, ended his eventful tenure as the 19th President of our revered Institute. To mark his departure, the valedictory address was given on May 18, 2018. The address featured his research paper on the topic: **Enterprise Risk Management and Bank Performance**: **The Nexus.** The paper contained in this edition of The Nigerian Banker, touched on the modalities of Enterprise Risk Management (ERM) and their implementation, global best practices, and impact of ERM on bank performance, among others. The research was conducted using data from annual reports and financial statements of eleven (11) Deposit Money Banks (DMBs) in Nigeria (comprising all three tiers) for the post-consolidation period between 2006 and 2016.

In fulfilling its mandate to enlighten members as well as the general public on topical issues in the banking industry and economy as a whole, The Chartered Institute of Bankers Centre for Financial Studies, a wholly owned subsidiary of The Chartered Institute of Bankers of Nigeria held a Business Forum on Contemporary and Strategic Options for Small and Medium Enterprises (SMEs). Communique emanating from this event provides a good summary of the issues discussed during the programme; notably, issues such as the challenges of access to SME funding in 2018 and financing options such as equipment, input and workspace leasing which would make significant impact in SME survival and growth.

On May 19, 2018, Dr. Uche Messiah Olowu, FCIB, was invested as the 20th President of The Chartered Institute of Bankers of Nigeria. The event took place at the Federal Palace Hotel, Victoria Island Lagos, the first time outside the Bankers House, headquarters of the CIBN. In his acceptance speech Dr Olowu, FCIB, outlined five key strategic areas of focus which would direct the course of the Institute in the next two years. These strategic areas are: Rules and Standards, Skills and Competences, Research and Advocacy, Technology and Resources and Brand & Visibility. In recognition of the significance of the event, the acceptance speech is run in full in this edition of The Nigerian Banker.

Also featured in this edition is the 2018 Annual Lecture of The Chartered Institute of Bankers of Nigeria delivered by Prof. Kingsley Moghalu, FCIB, Former Deputy Governor, Central Bank of Nigeria and President, Institute for Governance and Economic Transformation. In his lecture themed **"Of Banks and Bankers: Finance and the Challenge of Economic Development in Nigeria**, Prof. Moghalu, FCIB gave his thoughts on the requirements for a capitalist economy, citing property rights, innovation and capital; and drew lessons from other climes. The erudite lecturer also cited copiously, the exploits and 'miracles' of the 'Asian Tigers', among others. The full speech is also herein produced in this journal.

Finally, this edition features the 'Ethics Education and Training for Professional Bankers Standard' released by the Global Banking Education Standards Board of which the CIBN is a founding member. The Standard which became effective, June 1, 2018 is designed to help GBEStB member bodies and others develop and implement ethics education programmes for professional bankers.

Happy reading

Mr. 'Seye Awojobi, FCIB

Registrar/Chief Executive, CIBN

2018 ANNUAL GENERAL MEETING
OF THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA
HELD AT THE BANKERS HOUSE, VICTORIA ISLAND, LAGOS
APRIL 7, 2018

L–R: Mr Ken Opara, FCIB, National Treasurer; Mr Seye Awojobi, FCIB Registrar/Chief Executive; Professor Segun Ajibola, Ph.D, FCIB, President/ Chairman of Council; Dr Uche Olowu, FCIB, 1st Vice President; and Mr Bayo Olugbemi, FCIB, 2nd Vice President

L–R: Dr Uju Ogubunka, FCIB, Past Registrar/Chief Executive, CIBN in conversation with Oloye Esan Ogunleye, FCIB Past Registrar, CIBN/ Chairman Election Organising committee during the meeting

L–R: Oloye Esan Ogunleye, FCIB Past Registrar CIBN/Chairman Election Organising committee presenting the Certificate of Return to the President Elect, Dr Uche Olowu, FCIB

L–R: Newly elected National Treasurer, Professor Pius 'Deji Olanrewaju, FCIB receiving the Certificate of Return from Oloye Esan Ogunleye, FCIB Past Registrar CIBN/ Chairman Election Organising committee

L–R: Mr. Joseph Okolie, FCIB, Chairman, CIBN Delta State Branch; Dr Uju Ogubunka, FCIB, Past Registrar/Chief Executive; Mrs Scholastica Moemeke, ACIB, Secretary, CIBN Delta State Branch; Dr Uche Olowu, FCIB, President Elect, CIBN; Mrs Juliet Madubueze, FCIB, Past president, CIBN; and Bayem Sylvanus, HCIB, 2nd Vice Chairman, CIBN Delta State Branch

L–R: Professor Segun Ajibola, FCIB, Outgoing President, CIBN; Dr Uche Olowu, FCIB, Incoming President, CIBN; Mr Bayo Olugbemi, FCIB, Incoming 1st Vice President, CIBN; and Otunba Debola Osibogun, FCIB, Past President, CIBN exchanging pleasantries

Cross section of members at the Meeting

2018 CIBN PRESIDENTIAL VALEDICTORY ADDRESS

HELD AT THE BANKERS HOUSE, VICTORIA ISLAND, LAGOS

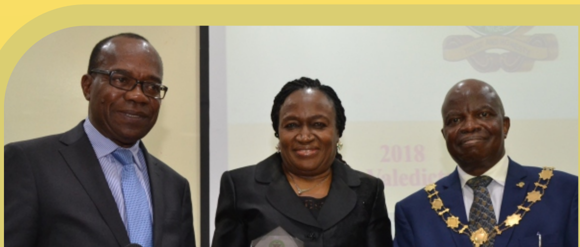
MAY 18, 2018

L-R: Mr. Oluseye Awojobi, FCIB, Registrar/ CEO, CIBN congratulating Professor Segun Ajibola, Ph.D, FCIB, President / Chairman of Council, CIBN

L-R: Professor Segun Ajibola, Ph.D, FCIB, President/ Chairman of Council, CIBN; Mrs. Yemisi Ajibola, Wife of the President; Dr Uche Olowu, FCIB, 1st Vice President, CIBN; and Otunba Debola Osibogun, FCIB, Past President, CIBN

Cross section of Guests at the event

L-R: Mr. Seye Awojobi, FCIB, Registrar/ CEO, CIBN; Prof. Wole Adewunmi, FCIB, Past President, CIBN, Mr. Femi Ekundayo, FCIB, Past President, CIBN; Otunba Debola Osibogun, FCIB, Past President, CIBN; Prof . Segun Ajibola, Ph.D, FCIB, President/ Chairman of Council, CIBN; Mrs. Yemisi Ajibola; Wife of the President; Dr Sarah Alade, FCIB, Former Deputy Governor, Central Bank of Nigeria; Dr. Segun Aina, OFR, FCIB, Past President, CIBN during the Presentation of gift to Prof. Segun Ajibola, Ph.D, FCIB.



Dr Joseph Nnanna, FCIB Deputy Governor, Central Bank of Nigeria (Left) and Prof. Segun Ajibola, FCIB, Immediate Past President, CIBN(Right) presenting a plaque of acknowledgement to the Chairman of the 2018 CIBN Presidential Valedictory Address, Dr. Sarah Alade, FCIB, Former Deputy Governor, Central Bank of Nigeria

Professor Segun Ajibola, Ph.D, FCIB, President/ Chairman of Council, CIBN; and his Wife, Mrs. Yemisi Ajibola

Cross section of Guests at the event

PRESIDENTIAL VALEDICTORY ADDRESS ON ENTERPRISE RISK MANAGEMENT (ERM) AND BANKS PERFORMANCE: THE NEXUS

By
PROFESSOR SEGUN AJIBOLA, Ph.D., FCIB
THE 19TH PRESIDENT/CHAIRMAN OF COUNCIL, THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA (CIBN)

1.0 INTRODUCTION

Ladies and Gentlemen, it is my great pleasure to welcome you all to another Presidential Valedictory Address of our great Institute, The Chartered Institute of Bankers of Nigeria (CIBN). It is a cherished privilege for me as the out-going President of CIBN to deliver this Address on a topic that has occupied my professional interest for decades, having been saddled at various times with the challenging but equally rewarding task of credit management, and its associated risk, in the banking industry. I therefore stand before you this morning to avail you my humble thoughts on this critically important subject of ***Enterprise Risk Management (ERM) and Banks Performance: The Nexus.***

By its intrinsic nature, the banking sector is exposed to various types of risk which if not well-managed may spell the doom of a particular bank or create a material financial crisis not only in the industry but the economy as a whole. A recent case is the 2007/2008 Global Financial Crisis which was primarily caused by risk associated with the creation of interest-only loans that became affordable to subprime borrowers which usually have a very high rate of default. As noted by Seshagiri R. and Jayaprakash K (2011), although during the period of the Financial Crisis, banks had already adopted and implemented Basel II norms and established enterprise risk management programmes, most were yet to understand how the market forces influence risk appetite. Similarly, the risk management system frameworks adopted by most of the organizations are not sufficient to identify and report the extent to which internal and external forces were influencing an organization's risk culture.

The authors further argued that, for instance, banks and other investors continued to purchase newer types of investments without having the proper infrastructure in place to identify and manage the risks. Prior to the crisis, the importance of a robust risk management framework was relegated to the background while organizations focused primarily on business expansion and decisions were made by overlooking the controls to mitigate risks. In essence, Basel norms were considered as a burden from regulators rather than to be embraced as a veritable tool for mitigating inherent risks in the banking industry. More recently however, there is a growing interest amongst academics, professionals, rating agencies and international organizations on the implementation of Enterprise Risk Management (ERM) in financial institutions. Dabari and Saidin (2015). Indeed, ERM framework has been empirically proven as a valuable tool for capturing the risks' tendencies and appetite of not just the banking industry but all firms exposed to any kind of risk. With the implementation of robust ERM practices, organizations can now identify and analyze the different types of risk and decide which one is worth taking. For instance, Hoyt and Lindenberg (2011), in their study of the effect of ERM programmes on United States insurance companies found a positive relationship between firm value and the use of ERM. Lundqvist and Vilhelmsson (2016) in their research on ERM implementation and default risk found a higher degree of ERM implementation is negatively related to the credit default swap spread of a bank.

Sempabwa and Karuik (2017) who conducted research on the relationship between ERM practice and bank performance in Rwanda found a positive impact of liquidity, default, credit and operation risk management on bank performance. This result led the authors to conclude a positive relationship between ERM practices and bank performance.

Soliman and Adam (2017) in their research which studied the effect of ERM practices on Nigerian bank performance found a significant and positive relationship between the two. More specifically, they found that banks with high ERM ratings performed better than banks with low ERM ratings. Their research sampled 10 commercial banks listed on the Nigerian Stock Exchange. Soliman and Adam (2017) adopted an ERM model developed by Mukhtar and Soliman (2016) for the banking Industry. This model is presented in Figure 1 below:

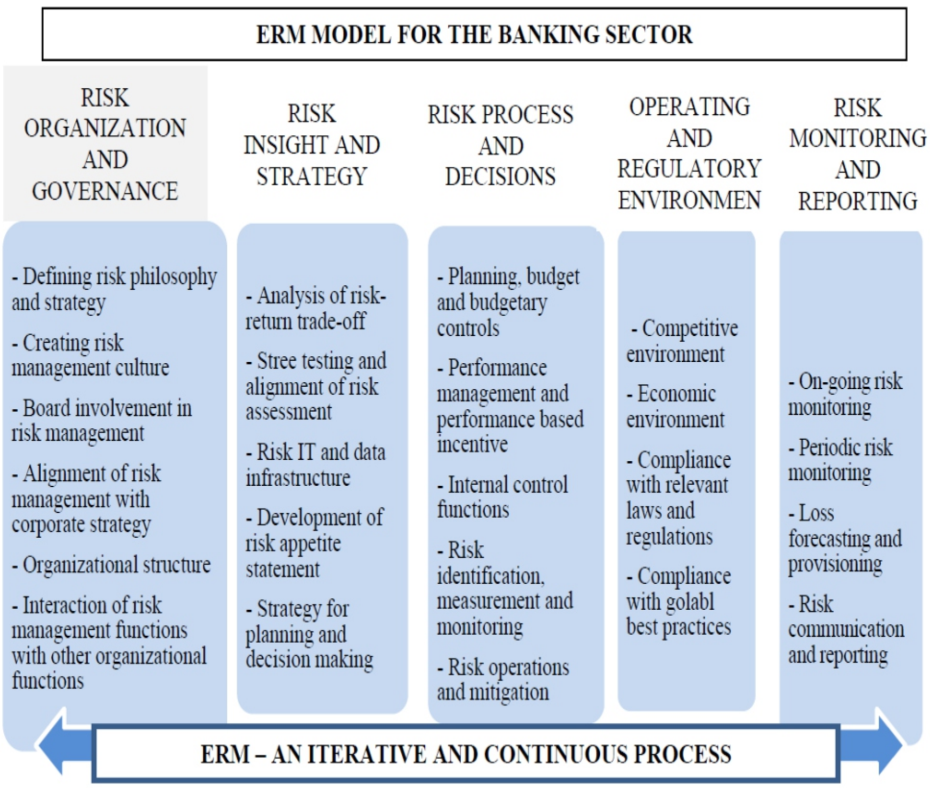


Fig. 1. ERM model for the banking sector

Source: Soliman and Adam, 2017

There is no gainsaying the relevance of ERM practices as they enable organizations to pragmatically deal with uncertainty and associated risk and opportunity thus enhancing the brand value and profitability. My emphasis in this presentation is to interrogate this subject through a review of existing works with a view to providing my own thoughts on it.

The primary objective of this paper is therefore to investigate the link between Enterprise Risk Management (ERM) and banks performance. Hence, the study shall consider the following specific objectives:

a. Review the concept and origin of Enterprise Risk Management.
b. Examine the relationship between Enterprise Risk Management and Performance of banks in Nigeria.

The research question for the study is:
What relationship exists between Enterprise Risk Management and performance of banks in Nigeria?

The hypothesis of the study is stated thus:
Ho: There is no relationship between enterprise risk management and performance of Banks in Nigeria.

H1: There is a relationship between enterprise risk management and performance of Banks in Nigeria.

Bank Performance for the purpose of this study is represented by the state and quality of a number of key performance indicators such as Return on Assets, Return on Equity, Loan Loss Provision, Non-Performing Loans, Liquidity Ratio, Equity to Total Assets, Equity to Loans and Advances and Debt to Equity Ratio. Improvements in the quality of these indicators overtime is taken as evidence of improved performance, as influenced by enterprise risk management practices, in the bank under consideration.

The remaining part of this paper provides an in-depth investigation into ERM practices and bank performance in Nigeria. Section one provided an introduction to the paper and state the research objectives, questions and hypothesis while Section two deals with the concept of Enterprise Risk Management (ERM) and its historical backgrounds in the banking and finance industry. Section three x-rays risk management processes and procedures across different climes while outlining universal considerations to be made when implementing ERM strategies; Section four specifies the model employed in the study. Section five presents the analysis and interprets results. Section 6 concludes by proffering recommendations based on my findings.

1.0 ENTERPRISE RISK MANAGEMENT – CONCEPT AND ORIGIN

2.1 Concept of Enterprise Risk Management

Cumming & Hirtle, (2001) explained the concept of risk management as the understanding, analysis and control of risk to ensure organisations achieve their objectives and strategic focus. For financial institutions, they defined risk management as the overall process a financial institution follows to define a business strategy, identify the risks to which it is exposed to, quantify those risks, and understand as well as control the nature of risks it faces.

In the last decade, risk management has transformed from the traditional silo approach practised by individual departments and functions in an organisation to a holistic, more co-ordinated and integrated process which manages overall risk throughout the organisation. Gottwald & Mensah (2015) This holistic and integrated approach has now become what is known as Enterprise Risk Management (ERM).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) which is the most popular ERM Framework defined Enterprise Risk Management as the process effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite in order to provide reasonable assurance regarding the achievement of entity objectives. COSO (2004).

According to the Casualty Actuarial Society (CAS) 2003, the types of risk subject to enterprise risk management are enumerated as hazard, financial, operational and strategic risks.

a. **Hazard risks**: These are those risks that have traditionally been addressed by insurers, including fire, theft, windstorm, liability, business interruption, pollution, health and pensions. It occurs when a large financial institution takes risks, knowing that someone else will have to face the burden of those risks. It is described as any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly.

b. **Financial risks**: Financial risks cover potential losses due to changes in financial markets, including interest rates, foreign exchange rates, commodity prices, liquidity risks and credit risk.

c. **Operational risks**: According to the Bank for International Settlements (BIS), operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. Operational risks cover a wide variety of situations, including customer satisfaction, product development, product failure, trademark protection, corporate leadership, information technology, management fraud and information risk. Since banks are becoming more digitally aware and shifting towards information technology to automate their processes, operational risk cannot be taken with levity. An example of operational risk is security breaches in which data is compromised. This therefore calls for constant technology investments to mitigate the exposure to such attacks.

d. **Strategic risks**: According to the business dictionary, strategic risk is the possible source of loss that might arise from the pursuit of an unsuccessful business plan. Strategic risk arises from factors such as competition, customer preferences, technological innovation and regulatory or political impediments. Strategic risk might also arise from making poor business decisions, the substandard execution of decisions, inadequate resource allocation, or from a failure to respond well to changes in the business environment.

Enterprise Risk Management (ERM) is indeed very important as its success determines the health and life of the business enterprise. If an organization fails to identify threats and risks that could affect its existence, it would be poorly prepared to face any risk events.

2.2 Historical Background of Risk Management and Enterprise Risk Management

Risk management as a formal part of the decision-making processes within companies is traceable to the late 1940s and early 1950s. Dickinson (2001) The word “risk” comes from the ancient Italian word called “risicare” meaning “to dare”. In that sense, risk is an opinion and not fate which means our freedom of choice depends on the actions we dare to take. Vargas (2009)

According to Dickinson (2001), studies of risk management began after World War II. There were two earlier strands of risk management practice that have more recently been integrated under the broader concept of Enterprise Risk Management. One of these strands relates to the management of insurance risks and financial risks. Dickinson (2001)

Harrington & Neihaus, (2003) state that risk management has long been associated with the use of market insurance to protect individuals and companies from various losses associated with accidents. Initially, the risk management process focused on what has been termed “pure risks.” D'Arcy S., & Brogan J. (2001) describe pure risks as those in which there is either a loss or no loss. Pure risks were the initial focus of traditional risk management for several reasons. Firstly, the field of risk management was developed by individuals who taught or worked in the insurance field, therefore the focus was on risks that insurers would be willing to write.

Another reason for the focus on pure risks is that in many cases, hazards represented the most serious short-term threats to the financial position of an organization at the time this field was founded. For example, a fire could quickly put a firm out of business. Therefore, efforts to reduce the likelihood of a fire occurring, or to minimize the damage a fire would cause, were easily seen to be beneficial to the firm. Finally, there were only a few reasons for dealing with other types of risks (D'Arcy S., & Brogan J, 2001). Given that the primary risks facing businesses were hazard risks, the initial focus of risk management was on these types of risks.

Other forms of risk management, alternatives to market insurance, surfaced in the 1950s when market insurance was perceived as very costly and incomplete for protection against pure risk. It was not until the 1960s where the field was formally named, principles developed, and guidelines established (D'Arcy S., & Brogan J, 2001).

Robert Mehr and Bob Hedges, widely acclaimed as the fathers of risk management, enumerated the following steps for the risk management process. According to D'Arcy S., & Brogan J, (2001), These include the following:

a. Identifying loss exposures
b. measuring loss exposures
c. evaluating the different methods for handling risk
d. Selecting a Method
e. Monitoring Results

The concept of risk management in the financial sector was revolutionized in the 1970s, when financial risk management became a priority not only for insurers but also for many companies including banks and non-financial enterprises exposed to various price fluctuations or volatility such as risks related to interest rates, stock market returns and foreign exchange rates. Georges D. (2013)

Indeed, financial risk became an important source of uncertainty for firms and, shortly thereafter, tools for handling financial risk were developed. These new tools allowed financial risks to be managed in a similar fashion to the ways that pure risks had been managed for decades. Historically to shield or protect themselves from these financial risk, companies used balance sheet or real activities (liquidity reserves). Harrington & Neihaus (2003) Derivatives were also increasingly used to increase flexibility or to reduce the cost of traditional hedging activities. The use of derivatives as a risk management instrument or tool arose during the same period and expanded rapidly during the 1980s, as companies intensified their financial risk management. (Georges D. 2013)

Derivatives are contracts that protect the holder from certain risks. Their value depends on the value and volatility of the underlying asset, or of the assets or value indices on which the contracts are based. The best-known derivatives are forwards, options, futures and swaps. Derivatives were first viewed as forms of insurance to protect individuals and companies from major fluctuation in risk. However, speculation quickly arose in various markets, creating other risks that are increasingly difficult to control or manage. In addition, the proliferation of derivatives made it very difficult to assess companies' global risk. (Georges D. 2013)

Although financial risk had become a major concern for institutions by the early 1980s, organizations did not begin to apply the standard risk management tools and techniques to this area. The reason for this failure was because risk managers had built a wall around their specialty, called pure risk, within which they operated. They were too specialised on the area of pure risk therefore, when a new risk area emerged, they were not proactive enough to incorporate it into their domain. To do so would have required learning about financial instruments and moving away from the type of risks commonly covered by insurance. This would have been a valiant move, one that the innovative thinkers who developed risk management would have espoused. This failure was costly to organizations, and to the risk management field (D'Arcy S., & Brogan J, 2001). However, with the emergence of enterprise risk management, traditional risk managers will be pushed into a wider arena of risk analysis, one that incorporates all other forms of risk analysis. Thus, the refusal to expand into other areas of risk does not prevent risk managers from having to learn about other forms of risk management, it has simply delayed it by a number of decades (D'Arcy S., & Brogan J, 2001).

Operational risk and liquidity risk emerged in the 1990s. International risk regulation also began very close to the 1990s. Financial firms developed internal risk management models and capital calculation formulas to hedge against unanticipated risks and reduce regulatory capital. Concurrently, governance of risk management became essential, integrated risk management was introduced and the first corporate risk officer's positions was created. (Georges D. 2013)

In the wake of various scandals and bankruptcies resulting from poor risk management, the Sarbanes-Oxley regulation was introduced in the United States in 2002, stipulating governance rules for companies. Stock exchanges including the NYSE in 2002 also added risk management governance rules for listed companies. (Blanchard & Dionee 2004). Despite these regulations and governance rules, risk management methods failed to prevent the financial crisis that began in 2007. It is not necessarily the regulation of risks and governance rules that were inefficient, but rather their application and enforcement. (Georges D. 2013)

The effects of the 2008 global financial crisis which engulfed the world economy in the form of widespread public debt and economic meltdown came as a wake-up call for risk management, some even placing the sole blame for the crisis on poor risk management in financial institutions or questioning the fundamental usefulness of risk management as a business discipline. (D'Arcy S., & Brogan J, 2001).

Employers are now increasingly recognising the need to invest in an enterprise-wide risk education, instead of relying on disjointed approaches to market, credit, regulatory and operational risks. ERM simply represents a return to the original roots of risk management, a field that was first developed in the 1950s by a group of innovative insurance professors. (D'Arcy S., & Brogan J, 2001).

2.3 ERM Standards

A number of standards have been developed globally to assist organisations in implementing effective risk management strategies. The global financial crisis in 2008 revealed the importance of adequate risk management and since then, new risk management standards have been published. These standards seek to establish a common view on frameworks, processes and practices, and are generally set by recognised international standards bodies or industry groups.

Commonly used standards include:

1. A Risk Management Standard – IRM/Alarm/AIRMIC 2002
2. ISO 31000 2009 – Risk Management Principles and Guidelines
3. ISO/IEC 31010:2009 - Risk

Management - Risk Assessment Techniques

4. COSO 2004 - Enterprise Risk Management - Integrated Framework
5. OCEG "Red Book" 2.0: 2009 - a Governance, Risk and Compliance Capability Model

a. Risk Management Standard (ARMS) – IRM/ALARM/AIRMIC 2002

The Risk Management Standard was originally published by the Institute of Risk Management (IRM), The Association of Insurance and Risk Manager (AIRMIC) and The Public Risk Management Association (Alarm) in 2002. It was subsequently adopted by the Federation of European Risk Management Association (FERMA).

Despite the publication of ISO 31000, the Global Risk Management Standard, IRM has decided to retain its support for the original risk management standards as it is a simple guide that outlines a practical and systematic approach to the management of risk for business managers rather than just risk professionals.

b. ISO 31000 (2009) – Risk Management Principles and Guidelines

ISO 31000 published in 2009 is an internationally agreed standard for the implementation of risk management principles. There are many opinions regarding what risk management involves, how it should be implemented and what it can achieve. International Organisation for Standardisation (ISO) standard 31000 was published to answer these questions.

ISO 31000 (2009) defined risk (ISO Guide 73) as the effect of uncertainty on objectives. In order to assist with the application of this definition, Guide 73 also states that an effect may be positive, negative or a deviation from the expected, and that risk is often described by an event, a change in circumstances or a consequence.

c. ISO/IEC 31010:2009 - Risk Management - Risk Assessment Techniques

The ISO/IEC is a standard concerning risk management codified by The International Organization for Standardization and The International Electro-Technical Commission (IEC). Risk assessment techniques is a supporting standard for ISO31000 which provides guidance on the selection and application of systematic techniques for risk assessment. The purpose of risk assessment is to provide evidence-based information and analysis to make informed decisions on how to treat particular risks and how to select between options. Risk assessment is the overall process of risk identification, risk analysis and risk evaluation (ISO 31010). Risk Assessment is defined by the ISO/IEC Guide 73 as the overall process of risk analysis and risk evaluation. Few amongst the risk assessment techniques listed in the Annex B of ISO/IEC 31010 include: Brainstorming, Structured What If Technique (SWIFT), Scenario analysis, Business impact analysis, Root cause analysis, Event tree analysis, Cause-and-effect analysis, Decision tree, Markov analysis, Cost/benefit analysis etc.

d. OCEG "RED BOOK" 2.0: 2009 - A Governance, Risk and Compliance Capability Model

This GRC Capability Model is the first open source standard that integrates the various sub-disciplines of governance, risk, audit, compliance, ethics/culture and IT into a unified approach. The GRC Capability Model (Red Book) helps GRC professionals plan, assess, and improve their GRC capabilities in order to achieve Principled Performance. GRC is the integrated collection of capabilities that enable an organization to achieve Principled Performance. Principled Performance is the reliable achievement of objectives, while addressing uncertainty and acting with integrity.

e. COSO 2004 - Enterprise Risk Management –Integrated Framework

As previously defined, Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. COSO (2004)

A series of high-profile business scandals and failures where investors, company personnel, and other stakeholders suffered tremendous loss led the Committee of Sponsoring Organizations of the Tread way Commission (COSO) to issue the Enterprise Risk Management Integrated Framework in order to provide key principles, concepts, a common language, clear direction and guidance with the expectation that it will become widely accepted by companies and other organizations (COSO, 2004).

The Enterprise Risk Management Integrated Framework expands on internal control providing a more robust and extensive focus on the broader subject of ERM.

Under the COSO (2004) framework, ERM is geared to achieving an entity's objectives set forth in following four categories:

- Strategic- These objectives are high level and are aligned with an entity's mission.
- Operations- These objectives refer to the effective and efficient use of resources.
- Reporting- These objectives surround an entity's need for reliable reporting.
- Compliance- These objectives refer to an entity's need to comply with applicable laws and regulations.

Managing risks in these four categories within an entity's risk appetite will aid in the creation of stakeholder value and achievement of organisational objective.

f. Integrating Strategy and Performance into COSO Enterprise Risk Management

Over the past decade the complexity of risks evolved, with new risks emerging through the technological and digital evolution as well as changed customer behaviour and preferences. Addressing these factors stimulated a review of the COSO 2004 Framework. COSO (2017) The updated document, released in 2017 integrates ERM with Strategy and Performance. This Framework highlights the importance of considering risk in both the strategy-setting process and in driving performance. It also outlines how executives can have greater confidence in addressing many critical 21st century business challenges as they navigate evolving markets, rapid innovation and heightened regulatory focus. The updated Framework is designed to turn a preventative, process-based risk monologue into a proactive, opportunities-focused conversation (PWC, 2017).

2.4 Criteria for Effective Enterprise Risk Management

Enterprise risk management consists of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process. These components according to COSO's ERM-Integrated Framework (2004) are:

- **Internal Environment** – The internal environment encompasses the culture of an organization and sets the basis for how risk is viewed and addressed by the people or individual in an entity. This also includes organizations' risk management philosophy, risk appetite, integrity and ethical values and the environment in which they operate.

- **Objective Setting** – Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
- **Event Identification** – Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are to be channeled back to the management's strategy or objective-setting processes while risks should be mitigated.
- **Risk Assessment** – Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis. An inherent risk is the risk to an entity in the absence of any actions management might take to alter the risk's likelihood while residual risk is the risk that remains after management's response to the risk.
- **Risk Response** – Management selects risk responses such as risk avoidance, acceptance, reduction, or risk sharing in a bid to develop a set of actions to align risks with the entity's risk tolerances and risk appetite. Avoidance is a response where you exit the activities that cause the risk. Some examples of avoidance are exiting product line, selling a division, or deciding against expansion. Risk reduction is a response where action is taken to mitigate the risk likelihood and impact. Risk sharing is a response that reduces the risk likelihood and impact by sharing a portion of the risk e.g. insurance while Risk acceptance is a response where no action is taken to affect the risk likelihood or impact.
- **Control Activities** – Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
- **Information and Communication** – Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.
- **Monitoring –** The entirety of enterprise risk management is monitored, and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

2.6 Theories of Risk Management

This section reviews some theories that have been used to explain risk management. These include:

a. Markowitz Approach

The Markowitz's (1959) seminar paper first indicated that portfolio selection was a problem of maximizing its expected return and minimizing the risks. A higher expected return of a portfolio (measured by the mean) can result only from taking more risks. Thus, investors' problem was to find the optimal risk-return combination. His analysis also points out the systematic and unsystematic components of risk. While the unsystematic component can be mitigated by diversification of assets, the systematic component has to be borne by the investor. Markowitz's approach, however, faced operational problems when a large number of assets are involved.

b. Arbitrage Pricing Theory

Arbitrage Pricing Theory proposed by

Ross (1976) suggests that multiple factors affect the expected return of an asset. The implication of the Multiple Factor Model is that the total risk is the sum of the various factor related risks and residual risk. Thus, a multiple of risk-premia can be associated with an asset giving the respective factor-specific betas. Though the Multiple Factors Model is widely accepted, there is however, no consensus regarding the factors that affect the risk of an asset or the way it is estimated. There are three approaches in which this model can be implemented. While the Fundamental Factors model estimates the factor specific risk- premia assuming the respective factor-specific betas as given, the macroeconomic model assumes the risk premier as given and estimates the factor-specific betas. Statistical models attempt to determine both the risk-premia and betas simultaneously.

c. Agency Theory

Agency theory extends the analysis of the firm to include separation of ownership and control, and managerial motivation. In the field of corporate risk management, agency issues have been shown to influence managerial attitudes toward risk taking and hedging. Theory also explains a possible mismatch of interest between shareholders, management and debt holders due to asymmetries in earning distribution, which can result in the firm taking too much risk or not engaging in positive net value projects. Consequently, agency theory implies that defined hedging policies can have important influence on firm value.

d. Stakeholder Theory

Stakeholder theory, developed originally by Freeman (1984) as a managerial instrument, has since evolved into a theory of the firm with high explanatory potential. Stakeholder theory focuses explicitly on an equilibrium of stakeholder interests as the main determinant of corporate policy. The most promising contribution to risk management is the extension of implicit contracts theory from employment to other contracts, including sales and financing. In certain industries, particularly high-tech and services, consumer trust in the company being able to continue offering its services in the future can substantially contribute to company value. However, the value of these implicit claims is highly sensitive to expected costs of financial distress and bankruptcy. Since corporate risk management practices lead to a decrease in these expected costs, company value rises. Therefore, stakeholder theory provides a new insight into possible rationale for risk management. However, it has not yet been tested directly.

2.9 Enterprise Risk Management Practices in the Nigerian Banking Industry

There is a paucity of research on the extent of ERM implementation in Nigeria and the antecedents that influence the ERM implementation.

However, findings from research conducted by Dabari & Saidin (2015) on ERM practices in the Nigerian banking sector found that the current focus of ERM efforts and areas of risks that present the greatest threats to the banks are positively significant to the current state of ERM practices. A cross-sectional data was collected through 722 questionnaires that were distributed to the top, middle and lower level managers in all the commercial banks in Nigeria.

Dabari & Saidin (2015) also found in their research that challenges to the implementation of ERM in Nigeria include a poor knowledge of risk management by members of the board of many banks, lack of professionals and ineffective monitoring mechanism, lack of risk training and education and lack of a framework that supports the development of skilled and capable workers in the industry.

The closest Nigeria has to an industry wide risk management framework are the guidelines developed by The Central Bank of Nigeria (CBN) the "Development of Risk Management Frameworks for Individual Risk Elements" by a circular No. (Ref BSD/DIR/CIR/VI/011) in 2011, which required all commercial banks operating in Nigeria to put in place adequate policies, which is sanctioned by the board of directors, for the management and mitigation of their risk exposures.

However, as further attention is placed on ERM practices across the globe, an optimistic view of adoption and implementation across the different tiers of banks in the country is held.

3.0 ENTERPRISE RISK MANAGEMENT PROCESSES AND PROCEDURES – LESSONS FROM OTHER CLIMES

Though there exists a globally accepted standard for the implementation of ERM across the globe, experts agree that there is no master list of categories that is used as it changes from project to project, industry to industry and, company to company. This section examines the ERM practices of three G8 countries.

3.1.1 Canadian Banks Exposure to Risk

Canadian banks were not always considered to demonstrate ERM best practices. In the Capco Institute 2015 report, Canada traditionally had a significantly higher exposure to high-risk assets/loans than its global peers. As a multiple of common equity, Canadian banks' exposure to lesser developed countries (LDC) loans was 10.9 times the exposure level of US banks in 1982, with commercial real estate (CRE) exposure being 2.5 times its US counterparts in the early 1990s, and telecommunications sector exposure 6.7 times larger. The high exposure to high-risk assets was further compounded by single name concentration within these high-risk sectors, especially CRE in the early 1990s. Canadian banks had single name exposure as high as 35% of common equity in 1985 and 20% in 1992 with single name exposure now estimated at only 2% of common equity, with very few exceptions. The Capco Institute (2015)

Adoption of Risk Management Strategies:
Canadian banks are pioneers in the adoption of risk management and are often used as a notable reference point when discussing the topic. Canada began the process of risk adoption in 1988. Canada was a contributing author and early adopter of the G30 publication on best practices in risk management. Canadian Banks were also among the first in the world to appoint Chief Risk Officers (CRO) who reported directly to the CEO, and to establish risk committees of the board, though it was not a regulatory requirement, but started to send a signal to organizations, of the importance of risk management. The Capco Institute (2015)

Canadian banks were among the first banks to implement the Basel based Bank of International Settlements Accords I, II and III while many banks, including large US and European banks had not yet fully implemented BIS II, let alone BIS III. Early implementation of each of the BIS accords required all the Canadian banks to align its systems architecture with its risk architecture. This forced the Canadian banks, earlier than other international banks, to rationalize their databases, and to make the investments in their underlying financial systems to support the economic and regulatory capital allocation algorithms. The Capco Institute (2015)

3.1.2 American Banks Exposure to Risk

The 2007/2008 financial crisis significantly affected risk management strategies in the United States. Research conducted by Zeghal & El Aoun (2016) which sampled 59 of the largest banks in America found that the subprime financial crisis had significantly affected the levels of risk exposure and its consequences after the crisis. According to a report published by the Harvard Business Review (2017), exposure to complex, high-risk, high-return derivatives was partially responsible for the downfall of the America banking sector at the time.

Adoption of Risk Management Strategies:
The Sarbanes-Oxley Act of 2002 required U.S. publicly-traded corporations to utilize a control framework in their internal control assessments. Many opted for the COSO Internal Control Framework, which includes a risk assessment element. However, after the onslaught of the Sub-prime mortgage crisis which snowballed into the global financial crisis, the regulatory bar for enterprise risk management increased significantly.

In recent times, the American regulatory community significantly increased their knowledge base and expectations around Enterprise Risk Management programs across the banking sector, including midsized and community banks. In 2013, the American Banker publication reported an "unprecedented regulatory scrutiny" of the American banking industry as well as the rising importance of reputation, and new risks posed by mobility, big data and social media. Currently, there are expectations around establishing baseline assessments, where each risk is mapped to a number of indicators. In the United States, Risk managers are expected to be able to communicate how the assessment results change as the indicators change over the course of the year. Demonstrating how assessment changes impact the limit structure, risk appetite statements and capital allocation is key. The publication also states that If ERM was embraced in true spirit, it could have helped the companies which dissolved during the global financial crisis of 2008-09 identify and mitigate the losses they suffered.

A success story regarding the adopting of ERM strategies is Goldman Sachs, one of the largest and most profitable banks in the United States.

A 2010 report by the IBM Centre for The Business of Government states that as an effect of solid ERM strategic decisions, Goldman Sachs adjusted its positions on mortgage backed securities, differentiating itself from the rest of the market at a time when some might have criticized the move as excessively cautious. Described as the "perfect storm" in the financial sector, David Solomon, Partner and Member of Goldman Sachs' Management Committee, attributed the company's resilience to their risk management competencies – that is, a strong governance oversight, reporting process, communications, and culture.

3.1.4 Swiss Banks

Adoption of Risk Management Strategies
Switzerland is one of the world's largest developers and publishers of international risk standards. They are also a major player in the development and adoption of risk management strategies. The Bank of International Settlements which is responsible for introducing the Basel Accords implemented globally is based in Basel, Switzerland. Furthermore, the International Organization for Standardization (ISO) is based in Geneva the capital city. Furthermore, as one of the G10 countries, Switzerland was one of first countries to adopt novel and updated risk management strategies.

Though available literature on ERM practices in the Swiss finance industry are few and far between, it is certain that effective strategies have been adopted by Swiss banks in the bid to manage risk. For example, Credit Suisse, one of the leading financial services institutions in Switzerland has performed various risk management oversights at several levels.

According to the IBS Centre for Management Research (ICMR), specific examples of ERM practices adopted by Credit Suisse are as follows:

- The Group Board of Directors and Boards of Directors of other legal entities provided direction, supervision and control for the Group. They set guidelines for the Group's general risk policy and strategy and regularly reviewed major risk exposures.

- The Audit Committee monitored the adequacy of the financial reporting process and systems of internal controls, accounting, risk management, and legal and regulatory compliance, as well as the independence and performance of the external and internal auditors.
- Liquidity and funding risk is managed by funding requirements based on business needs, regulatory requirements, rating agency criteria, tax, capital, liquidity and other considerations.

3.2 Considerations for the Implementation of ERM Practices

The case studies discussed above show varied avenues for the implementation of ERM Practices. This proves that there is no one-size-fits-all approach to the implementation of ERM. However, it is important to note that there are certain factors to be considered when introducing ERM in any organization. For example, according to the 2007 Institute of Management Accountants (IMA), paper on the Effective Implementation of ERM, certain universal considerations should be made during the implementation process. Some of these considerations are as follows:

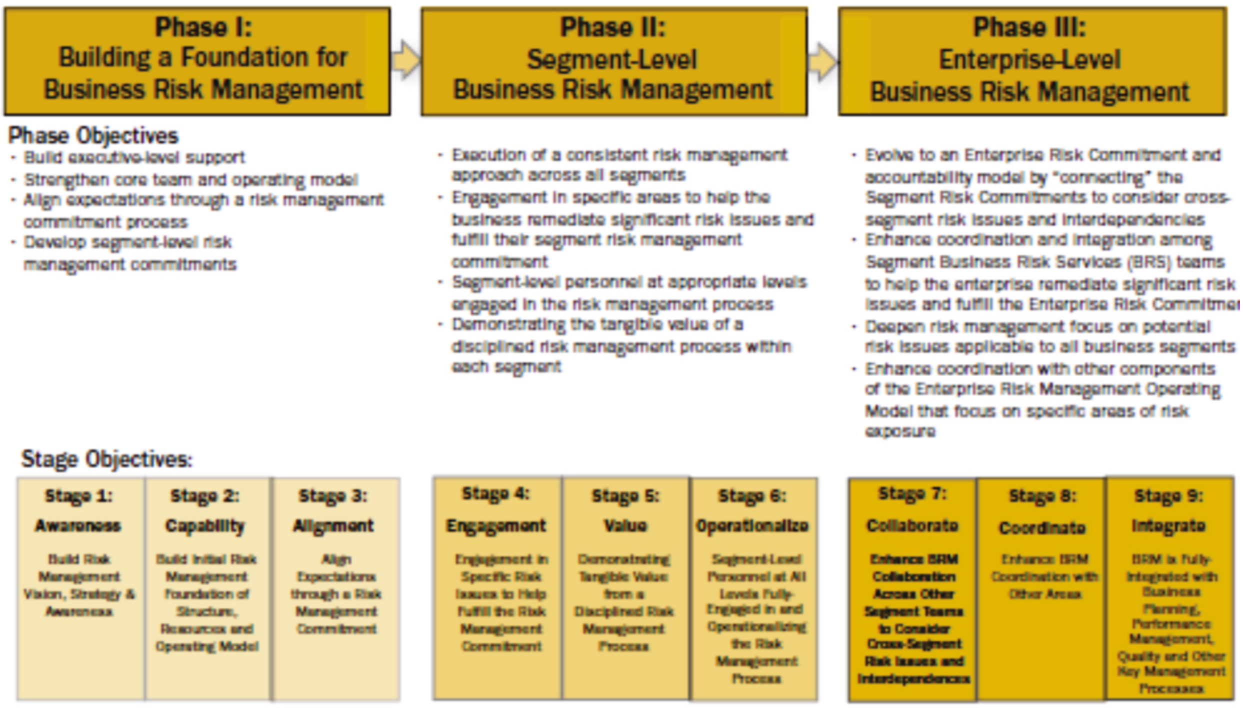
a) ERM Infrastructure

The IMA argues that creating a small cross-functional ERM team within an organization would be highly beneficial. ERM team members would facilitate risk workshops, help executives and business units understand risk, gather data across the organization and assist in reporting risks upwards to senior executives and the board.

Developing a small ERM team encourages organizational units, management and employees to become highly involved in the implementation process and share responsibility for the success of ERM programmes.

b) Adoption of ERM Maturity Model

The ERM Maturity Model is an ERM model which could help organizations track the progress of ERM Programmes implemented. As can be seen in the figure below, ERM Maturity Model consists of 3 Business Risk Management phases.



IMA,2007

The first phase focuses on building a foundation for the vision, strategy and awareness of Business Risk Management, the second stage deals with engaging segment level personnel at the relevant levels while demonstrating the tangible value. The third phase ensures the further deepening of the risk management efforts on potential risk issues applicable to all business segments. Maturity models do more than inform a company of its progress in ERM. They also influence a company's rating from rating agencies. Standard & Poor's now applies an ERM maturity model to certain companies and industries, such as the banking industries.

a) **Strategic Implementation of ERM**
An organisation should introduce ERM in departments/units where gains are more likely at the initial stage of implementation. The goal is to improve the confidence of decision makers through a more explicit understanding of the risks facing the unit. Therefore, ERM implementation should proceed in incremental steps across all departments and organizations should place premium on intensive trainings for staff.

b) **Technology**
Building a robust ERM framework should not only properly integrate technology into its implementation strategies but also consider the inherent risks associated with the adoption of such technologies.

4.0 MODELS, METHODOLOGIES AND DATA SOURCES

The business of banking has in recent times gone beyond deposits and credit processing. The improved technology and innovation have influenced businesses to look into new areas with a view to developing new products and services for customers. This in return results in banks facing more risk. It is therefore important to have an integrated model for banks to perform optimally in managing risks. This essentially captures the concept of Enterprise Risk Management (ERM). According to Crouchy et al (2006) banks risks are classified into credit, liquidity, market, legal, business, strategic and operational risk.

Shalini Srivastav (2013) highlighted 20 broad categories of risks which include Internal, External, Environmental, Economic, Political, Market, Process, Third-Party, Business, Operations, Organizational, Infrastructure, Culture, Technology, Human Resources, Legal, Financial, Project Management and Security. In his work, he aligned with Crouchy et al (2006) on the main risks faced by banks.

Mukhtar and Soliman (2016) developed a model for ERM using five major themes which are risk organisation and governance, risk insight and strategy, risk process and decision, operating and regulatory environments, and risk monitoring and reporting.
Obalola et al. (2014) also examined how ERM influences Nigerian insurance firms. His study utilized data spanning over ten years. The research revealed a positive relationship between ERM adoption and firms' performance.

Kargi (2011) found in a study of Nigeria banks from 2004 to 2008 that there is a significant relationship between banks performance and credit risk management. He found that loans and advances and non-performing loans are major variables that determine asset quality of a bank. He measured profitability with Return on Asset (ROA) as a function of the ratio of Non-performing loan to loan and Advances (NPL/LA) and ratio of Total loan and Advances to Total deposit (LA/TD) used as indicators of credit risk.

Ogboi and Unuafe (2013), with a time series and cross sectional data from 2004-2009 used Panel data analysis to estimate the linkage among loan loss provisions (LLP), loans and advances (LA), non-performing loans (NPL), capital adequacy (CA) and return on asset (ROA). They concluded that credit risk management and capital adequacy had a positive effect on profitability whilst loans and advances rather had an inverse relationship with financial performance in the period under study.

4.1 Model Specification

This work is therefore underpinned to the models of Kargi (2011) and Ogboi and Unuafe (2013) which studied how individual risk affects banks' performance. They state that commercial banks performance (Return on Asset) is influenced by credit risk management (ratio of non-performing loan to loans and advances, ratio of loan loss provision to classified loans and ratio of loans and advances to total deposit). This research expands the works of Kargi (2011) and Ogboi et al (2013) by including a proxy for liquidity risk – liquidity ratio i.e. ratio of total asset to loan and advances in order to make the model capture ERM. These proxies for ERM are in line with Obalola et al., (2014), in his work, who described ERM as a function of all risks faced by the institution.

Data for this work were sourced from the annual reports and financial statements of eleven (11) Deposit Money Banks (DMBs) in Nigeria (comprising of all the three tiers) for the period between 2006 and 2016. This period represents the post-consolidation era in the banking industry where there is renewed interest to develop novel risk management strategies in the industry.

Implicit form;

ROA= F(LLP, NPL, LR, ETA, EL, DEQ)... (i)

ROE= F(LLP, NPL, LR, ETA, EL, DEQ)... (ii)

Where;

ROA denotes Return on Asset;

ROE denotes return on Equity;

LLP denotes Loan Loss Provision;

NPL denotes ratio of Non-Performing Loans to Total Gross Loans;

LR denotes Liquidity Ratio;

ETA denotes ratio of Equity to Total Assets,

EL denotes ratio of Equity to Loans and Advances;

DEQ denotes Ratio of Debt to Equity.

In an explicit form, the model is expressed thus:

$$ROA = \beta_0 + \beta_{1it}LLP + \beta_{2it}NPL + \beta_{3it}LR + \beta_{4it}ETA + \beta_{5it}EL + \beta_{6it}DEQ + \varepsilon_{it} \quad \text{.........(iii)}$$

$$ROE = \beta_0 + \beta_{1it}LLP + \beta_{2it}NPL + \beta_{3it}LR + \beta_{4it}ETA + \beta_{5it}EL + \beta_{6it}DEQ + \varepsilon_{it} \quad \text{............(iv)}$$

5.0 Analyses and Interpretation of Results

Firstly, we tested for multicollinearity using the pairwise correlation to ascertain the presence or absence of multicollinearity amongst variables. This is to ensure that closely correlated explanatory variables do not lead to a misleading result that would not be effective in predicting or understanding the dependent variable in a statistical model.

Table 1 shows the absence of multicollinearity. It also reveals the relationship between the variables. LLP shows a weak direct positive relationship with ROA. NPL has a weak inverse relationship with ROA. LR also shows an inverse and weak relationship with ROA. ETA has a positive direct relationship with ROA as well as EL.

Table 1: Multicollinearity Test

	roa	llp	npl	lr	eta	el	deq
Roa	1.0000						
Llp	0.0209	1.0000					
Npl	-0.1758	-0.0256	1.0000				
Lr	-0.0768	-0.0420	0.3974	1.0000			
Eta	0.2610	-0.0253	-0.0923	0.0182	1.0000		
El	0.1759	0.3682	0.0721	0.4617	0.3459	1.0000	
Deq	-0.0048	-0.0139	0.0711	0.1229	-0.0421	-0.1335	1.0000

Since an absence of multicollinearity has been established, we then run a regression on the models specified as (iii) and (iv) above. This study adopted the Hausman test for the above stated models to ascertain which methods to adopt between the fixed effect and the random effects. The rule of thumb states that the fixed effect is appropriate for analysis if the Hausman test is significant at 5% confidence level interval while random effect is appropriate when Hausman test is not significant.

Table 2: Results for Model III

VARIABLES	POOL OLS	FIXED EFFECT	RANDOM EFFECT
CONSTANT	1.901232 (0.011) **	1.760506 (0.080) ***	1.901232 (0.009) **
LLP	-.2382543 (0.000) **	-.2289881 (0.000) **	-.2382543 (0.000) **
NPL	-.0086962 (0.446)	-.0060162 (0.657)	-.086962 (0.445)
LR	-.0020944 (0.627)	-.002068 (0.727)	-.020944 (0.626)
ETA	-.0044535 (0.070) ***	-.0026821 (0.449)	-.044535 (0.067) ***
EL	.036042 (0.000) **	.0346076 (0.000) **	.036042 (0.000) **
DEQ	.0006089 (0.416)	.0010361 (0.207)	.06089 (0.414)
Adjusted R^2	0.5506	0.5691	0.5730
Hausman Test		3.22 (0.7808)	

Source: Researcher's compilation from STATA 12 (2018), ** significant at 5%, ***significant at 10%

Based on the above compilation, the Random Effect is more appropriate to explain our analysis due to the non-significant value of 0.7808 as given by the Hausman test.

Results revealed that holding all other variables constant, ROA has a positive value of 1.901232 with a statistical significance of 0.009 at 5% interval level. Also, LLP is statistically significant at 5% confidence level. However, LLP has a negative effect on ROA with a negative value of approximately -0.24%. This explains that a percentage increase in the ratio of loan loss to total gross loans will lead to an approximately 24% decline in ROA. This is in line with the a priori expectation.

In addition, ratio of non-performing loan to total gross loan also causes return on asset to decline by approximately 9% with a percentage increase in NPL. However, NPL is not statistically significant. Holding all other variables constant, a percent increase in the liquidity ratio of banks will lead to a percentage decrease of -.020944 in ROA. However, LR is not statistically significant at 5%.

Furthermore, result shows the ratio of equity to total asset having a negative effect on ROA and statistically significant at 10% confidence level. It explains that holding all other variables constant, a percentage increase in ETA will lead to a percentage decline of -.044535 on ROA. Equity to Loan and advances shows a positive effect on ROA with statistical significance at 5% level of confidence. Holding all other variables constant, a percentage increase in EL will lead to a percentage increase of .036042 in ROA. Debt to equity ratio of banks also shows a positive effect on ROA. A percentage increase in DEQ will lead to a percentage increase of approximately 0.061% in return on asset although not statistically significant. The adjusted R^2 shows the goodness of fit of approximately 57% of the variables.

Table 3: Result for Model IV

VARIABLES	POOL OLS	FIXED EFFECT	RANDOM EFFECT
CONSTANT	-17.46385 (0.627) **	-84.01766 (0.074) ***	1.901232 (0.009) **
LLP	.2326928 (0.822)	.5639647 (0.598)	.2326928 (0.822)
NPL	-.6273528 (0.263)	-.6653471 (0.295)	-.6273528 (0.261)
LR	.3217812 (0.130)	.7258254 (0.010) **	.3217812 (0.127)
ETA	-.058582 (0.625)	-.0181676 (0.912)	-.058582 (0.624)
EL	-.0350693 (0.823)	-.0908783 (0.575)	-.0350693 (0.822)
DEQ	.0728576 (0.416)	.077811 (0.044) **	.0728576 (0.046) **
Adjusted R^2	0.0137	0.4480	0.0631
Hausman Test		45.75 (0.0000)	

Source: Researcher's compilation from STATA 12 (2018), ** significant at 5%, ***significant at 10%

Model IV result is presented above with an Hausman test showing significance at 5% confidence level. This suggests that the fixed effect is a more efficient model to explaining the effects of the explanatory variables on the dependent variable.

Based on the fixed effects results above, LLP, NPL, ETA and El are not statistically significant at 1%, 5%, and 10% respectively. However, the effect of LLP on ROE is positive. A unit increase in the ratio of loan loss provision to total loans leads to 0.56 increase in ROE. NPL shows a negative effect on ROE, explaining that a unit increase in NPL will lead to a significant decline of approximately 0.56 percent in ROE. This is in line with the a priori expectation that increase in non-performing loan will lead to a decline in the ROE of banks. The effect of liquidity ratio on ROE is positive, contrary to ROA in the previous table. A percentage increase in LR will lead to a percentage increase of approximately 0.76 percent in ROE.

ETA and EL has a negative effect on ROE respectively, each with values of -0.018 and -0.091 respectively. They are statistically not significant at 1%, 5% and 10%. A percentage increase in ETA and EL therefore will lead to approximately 0.018 percent and 0.09 percent decrease in ROE respectively. Finally, DEQ shows a positive effect on ROE with a value of 0.078 percent increase in

ROE when DEQ increases by a percentage. Holding all variables constant, ROE which measures bank performance shows a decline of performance by approximately 83 percent.

From the above estimated results, we can see that the provision for loan losses for banks has adversely affected the profitability of banks measured by ROA. Loan loss provision is an expense set aside as an allowance for uncollected loans and loan repayments. This provision is used to cover a number of factors associated with potential loan losses including bad loans, customer defaults and renegotiated terms. Cash that can be used for profitable investment opportunities when tied down reduces the possibilities of making profit from investments. This could also have been as a result of increase in non-performing loans of banks or doubtful loans. In order to protect the image and maintain the confidence of shareholders, provision for loan losses are made. Therefore, the study agreed with the a priori expectation that banks LLP will reduce banks profitability but increase banks performance which is majorly dependent on shareholders trust in the bank and level of bank subscription.

Non-performing loans, also as expected, reveal a negative effect on both ROA and ROE. Non-performing loans which measures the inability of a borrower to make interest payments or repay the principal results in weakening banks source of profit. Hence, it reduces banks return on asset as loan represents an asset in the books of a bank. From the analyses above, we can conclude that ratio of non-performing loans to total gross loans is an important variable that determines how profitable a bank is and has a significant negative effect if there is an increase in non-performing loans. The study expected non-performing loan to affect the performance of banks and this was validated with a negative effect of approximately 67 percent on ROE. ROE is majorly determined by shareholders fund and how this fund is utilized by the bank to make profit. The confidence of shareholders and other stakeholders is also majorly determined by the liquid and profit position of banks and increase in non-performing loans reduces liquidity and profitability which ultimately portrays the banks as being distressed and hence, confidence is affected adversely. The study also revealed that NPL affects significantly ROE as compared to ROA. This may be as a result of other profitable activities being carried out by the bank whereas a bank whose capital structure is more of debt than equity is significantly affected by NPLs.

Liquidity ratio which measures the ability of a bank to repay its short-term obligations out of its total cash shows a negative effect on return on asset and a significant positive effect on ROE. This also follows the a priori expectation explaining that the more banks hold cash in other to meet short term obligations, it reduces the possibilities of investing such funds to increase profit. Despite the liquidity ratio specified by regulatory body, some banks decid**e** to increase this ratio due to the peculiarities of some of them as to meeting their short-term objectives. Therefore, increase in liquidity ratio of banks as shown by this study inhibits growth in profitability although not significantly. On the other hand, performance of banks is significantly positively affected with a unit increase in liquidity ratio. Confidence in a liquid bank induces more subscription in the shares of the bank thereby making funds available for banks to engage in profitable ventures which ultimately increase its competition possibilities, concentration, efficiency, productivity and profitability.

Ratio of Equity to Total Asset also referred to as shareholders equity ratio or the equity multiplier effect measures the amount of assets on which the shareholders have residual claim. It is how much shareholders would receive in the event of a company's liquidation. Bank's operations are majorly financed by either equity or debts therefore a high equity multiplier effect denotes a large portion of bank assets is financed with debt and vice versa. From the above analysis, we can see that there exists a positive effect of ETA on ROA with a value of approximately 4%. The possibility could be that since it is safer to use shareholders' funds to seize investment opportunity than debt financing due to the obligation duration, equity financing or low equity multiplier effect could cause increase in bank's profitability as compared to debt financing due to the short-term obligation to the bank.

The finding above agree largely with those of Ajibola (2017) on the effect of monetary policy on returns on risk assets among tier one banks in Nigeria and Ajibola and Olowolaju (2017) on the influence of asset management on financial performance of some selected Nigeria deposit money banks.

6.0. CONCLUSION AND RECOMMENDATION

Enterprise Risk Management as defined coordinates all risks across an organization. ERM has now been recognized as a standard practice in organizations. While regulators have been compelling/encouraging banks to put to use ERM framework, banks also have recognized the need and value in managing all risks across the enterprise.

This study shows that when risks are properly managed from all sides, banks performance improves. This aligns with evidences provided from other studies. It can therefore be concluded that the proper implementation of ERM in Nigerian banks would bring about improved performance.

From the above analyses, I hereby propose the following recommendations:

1. Nigerian banks should as a matter of urgent business imperative, review their risk management profile and migrate fully to ERM platform where that is not yet the case. The extant risk management template should be subjected to periodic review to align the same with global practices given the findings above that ERM holds major implications for banks' performance.
2. As variously alluded to, the Board and Executive Management of banks in Nigeria should show total commitment towards the implementation of ERM in the respective banks. Faithful implementation of risk management framework is a Board responsibility and must be seen and acknowledged as such.
3. More integration of ERM should be encouraged in the other financial institutions that are purveyors of credit to facilitate improved performance in the industry.
4. Regulatory bodies should ensure that banks and other financial institutions adopt ERM framework and also pursue strict adherence to proper implementation and exposure, followed by necessary monitoring and supervision.
5. Banks should engage and train all staff on the fundamentals of Enterprise Risk Management and develop a team that encourages organizational units, management and employees to become highly involved in the implementation process of their ERM frameworks.
6. Management and staff of banks/financial institutions and other stakeholders are indeed risk management ambassadors for the institutions and should see themselves in that light.
7. Due diligence is required in managing the key performance indicators examined in the studies above. Accordingly, banks should continue to engage the services of experts in credit, risk management, treasury and foreign exchange management, audit and compliance, domestic and foreign operations, ICT, etc. to minimize the risk on performance.

Distinguished Ladies and Gentlemen, Enterprise Risk Management (ERM) is an emerging field both in the corporate and academic environments. Being a virgin area of specialization, research in this area is still scanty with limited data to comprehensively capture the various aspects of ERM. Consequently, deploying primary data together with existing secondary data sources would undoubtedly add to the robustness of any enquiry in this area. It is therefore my wish that further research in this very important field would extend the existing, albeit sparse, body of knowledge by incorporating other variables or proxies that would capture areas such as managerial, hazard and operational risks amongst others.

COMMUNIQUÉ ISSUED

FOR THE

BUSINESS FORUM ON CONTEMPORARY AND STRATEGIC FINANCING OPTIONS FOR THE SME SECTOR

Venue: The Bankers House, Victoria Island, Lagos   Date: April 26, 2018

Introduction

The Business Forum on Contemporary and Strategic Financing Options for the SME Sector organized by The Chartered Institute of Bankers of Nigeria Centre for Financial Studies (CIBNCFS), was held on Thursday, April 26, 2018 at the Bankers House, Victoria Island, Lagos. The Forum which was sponsored by the Bank of Industry attracted participants which included SME Owners, bankers, regulators, Insurers and other allied or affiliated industries in the financial services sector. The forum was facilitated by six (6) Resource Persons in one (1) panel session.

The welcome address was delivered by the President/Chairman of Council, The Chartered Institute of Bankers of Nigeria ably represented by Dr. Uche Olowu, FCIB, President-Elect of the Chartered Institute of Bankers of Nigeria. In his address he stressed the importance of SME growth in Nigeria. He also described SMEs as the building blocks of any growing economy as they generate employment opportunities, indigenous innovation, contribute to national income and much more.

The Keynote Address was delivered by Mr 'Dikko Radda, Director General, Small and Medium Enterprises Agency of Nigeria (SMEDAN) represented by Mr Wale Fasanya Director, Enterprise Development and Promotion, SMEDAN. In the Keynote Address, Mr Fasanya noted the importance of input financing which includes the provision of equipment and workspace financing as well as working capital. In particular, he stressed the significance of workspace financing, which would provide the necessary infrastructure for business survival and growth. Mr Fasanya also explained the importance of financing options beyond debt financing such as Venture Capital which should be further encouraged in Nigeria.

Dignitaries Present

a.) Mr Wale Fasanya, Director, Enterprise Development and Promotion, SMEDAN
b.) Dr Uche Olowu, President-Elect, The Chartered Institute of Bankers of Nigeria
c.) Mr Oluseye Awojobi, Registrar/Chief Executive, The Chartered Institute of Bankers of Nigeria
d.) Mrs Teju Abisoye, Director of Programmes, Lagos State Employment Trust Fund (LSETF)
e.) Mr John Nova, Head, Interswitch Lending Services (ILS), Interswitch Group
f.) Mr Sani Mohammed, Deputy Director, Development Finance, National Collateral Registry (NCR)
g.) Mr. Micheal Oye, Head, SME Funds, Bank of Industry (BOI)
h.) Mr. Peter Bamkole, Director, Enterprise Development Centre (Pan-Atlantic University).
i.) Mr Yinka Fisher, Lagos State Coordinator, SMEDAN

Highlights

The highlights of the Forum are as follows:

- The Agri-Business/Small and Medium Investment Scheme (AGSMEIS) initiated by the Bankers Committee in 2017 requires that all commercial banks set aside and remit 5% of their annual after-tax profit in support of a scheme that finances agric-businesses and other small and medium scale enterprises (SMEs).

- Input financing includes the provision of equipment financing, raw materials, workspace financing and working capital. An example of input financing is provided through the Anchor Borrowers' Scheme initiated by the CBN.

- Equipment financing whereby payment of equipment is paid directly to the equipment manufacturers reduces the risk of fund diversion . It also encourages the growth of equipment manufacturing in Nigeria.

- Workspace financing would make a significant impact on SMEs in Nigeria as they provide the necessary infrastructure for business survival and growth • Venture capital is also a strong financing option but policy framework in Nigeria is just evolving.

- The Bank of Industry (BOI) in collaboration with Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and Nigeria Export – Import Bank (NEXIM) have hired the services of rating agency, Dun & Bradstreet Nigeria Limited to conduct ratings on SMEs) in the country.

- An SME Rating System would be an effective de-risking tool which should give lenders comfort.

- Digitization is key to the future of financing. For example, the Unstructured Supplementary Service Data (USSD) is gaining traction in Nigeria due to its efficiency and convenience.

- Financial Technology (FinTech) Companies such as Interswitch are disrupting formally entrenched models of SME financing.

- The Enterprise Development Centre (EDC) has trained up to 7,000 SME owners via mobile phone devices.

- The Biometric Verification Number (BVN) is a useful tool in determining the credibility of the borrower.

- The BVN is also instrumental in determining the credibility of guarantors.

- The Lagos State Employment Trust Fund (LSETF) pioneered state sponsored lending in Nigeria by offering non-collateralized loans to eligible SMEs in Lagos State.

- The LSETF requires 2 credible guarantors for loan approval as opposed to requesting for collateral. However, defaulters are reported to the Credit Bureau Association of Nigeria (CBAN)

- The Collateral Registry system is a centralized web-based repository designed and developed based on international standards that contains information related to security interests in movable assets included in financing statements submitted by registered users
.

- There are currently 220 Microfinance Banks registered on the National Collateral Registry platform

- The offer of moratorium should only be considered based on the nature of the business or transaction. For example, moratorium may be considered for loans secured in the agricultural sector

- Most credit guarantee schemes are not reaching their target recipients as the schemes were developed with input only from the supply side. The supply side includes the Microfinance and Commercial Banks.

- Such schemes would only be successful if developed with input from the demand side, that is SMEs and other end users would get an opportunity to test the service or scheme before mass release.

Recommendations

At the end of the Session, the roles to be played by the different stakeholders in the drive towards further narrowing the financial inclusion gap were emphasized as follows.

1. Government and Regulatory Institutions

- A policy framework for the adoption of Venture Capitalism in Nigeria should be developed.

- Regulators should act as a catalyst for digitized lending platforms as this would further deepen financial inclusion.

- Regulatory Institutions should engage the SMEs during the development of Credit Guaranty Schemes as opposed to strictly engaging financial institutions. This would ensure the Schemes effectiveness.

2. Banks and FinTech Companies

- The Interswitch Lending Platform and other FinTech platforms should be widely publicized to ensure public awareness.

- Banks should work with more SME training institutions to ensure that SME owners have the capacity to utilize funds optimally.

3. National Collateral Registry

- There is a need to drive sensitization programmes for mass enlightenment of the National Collateral Registry Act. The NCR should organise various events which would enlighten stakeholders on the modalities of the Act.

- The NCR could collaborate with telecommunication companies such as MTN in generating publicity regarding the National Collateral Registry act.

- Publicity drives for NCR should be focused on the demand side. That is programmes directly engaging SMEs should be organized as opposed to supply side publicity activities which target Microfinance banks.

4. The Chartered Institute of Bankers of Nigeria Centre for Financial Studies (CIBNCFS)/ Enterprise Development Centre

- The EDC should consider applying for the CIBN accreditation as an Education/Training Service Provider for SMEs in the banking industry.

- The CIBN should join in the sensitization drive for mass enlightenment of SMEs regarding the National Collateral Registry Act.

'Seye Awojobi, FCIB
Registrar/Chief Executive
The Chartered Institute of Bankers of Nigeria

INVESTITURE OF UCHE MESSIAH OLOWU, Ph.D, FCIB
AS THE 20TH PRESIDENT/CHAIRMAN OF COUNCIL *OF THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA HELD AT FEDERAL PALACE HOTEL, VICTORIA ISLAND, LAGOS.*

MAY 19, 2018

L–R: Mr. Seye Awojobi, FCIB, Registrar/ Chief Executive, CIBN; Professor Pius Olanrewaju, Ph.D., FCIB, National Treasurer, CIBN; Mr Bayo Olugbemi, FCIB, 1st Vice President, CIBN; Dr. Uche Olowu, FCIB, President/Chairman of Council, CIBN; Mrs. Beatrice Olowu, wife of the President; and Mr Ken Opera, FCIB, 2nd Vice President, CIBN

Dr. Uche Olowu, FCIB, President/ Chairman of Council, CIBN taking the Oath of Office

L–R: Mr. Seye Awojobi, FCIB, Registrar/ Chief Executive, CIBN; Dr. Uche Olowu, FCIB, President/Chairman of Council, CIBN and Mrs. Beatrice Olowu, Wife of the President

L–R: Dr Joseph Nnanna, FCIB Deputy Governor, Central Bank of Nigeria; Otunba Debola Osibogun, FCIB, Past President, CIBN; Prof. Segun Ajibola, FCIB, Immediate Past President, CIBN; Dr. Uche Olowu, FCIB, President/Chairman of Council, CIBN; Mrs. Beatrice Olowu, Wfe of the President; and Mr. Ralph Osayameh, FCIB, Past President, CIBN

L–R: Otunba Debola Osibogun, FCIB, Past President, CIBN; Dr Joseph Nnanna, FCIB Deputy Governor, Central Bank of Nigeria; Prof. Segun Ajibola, Ph.D, FCIB, Immediate Past President, CIBN and Dr. Uche Olowu, FCIB, President/Chairman of Council, CIBN exchanging pleasantries; while Mrs. Beatrice Olowu looks on

L–R: Professor Pius Olanrewaju, Ph.D., FCIB, National Treasurer, CIBN ;Mr Ken Opara, FCIB, 2nd Vice President, CIBN; and Mr Bayo Olugbemi, FCIB, 1st Vice President, CIBN reading the Oath of Office

Group Photograph of Dr Uche Olowu, FCIB, President/Chairman of Council (Middle), Mr Emeka Emuwa, FCIB, Group MD/CEO, Union Bank of Nigeria Plc (4th L) and other Executive members of UBN

L-R: Mrs Mojisola Bakare - Asieru, ACIB, HCIB, General Manager/ Business Executive, Sterling Bank; Mrs Ibiye Ekong, HCIB; Mr Abdulrahman Yinusa, FCIB; Barr. Mrs Toyin Ojo, FCIB, Chairperson, Association of Professional Women Bankers; and Mrs Yvonne Isichei, FCIB taking the Oath of Office

Acceptance Speech By

UCHE MESSIAH OLOWU PH.D., FCIB

ON HIS INVESTITURE AS THE

20TH PRESIDENT/CHAIRMAN OF COUNCIL

OF THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA (CIBN)

ON SATURDAY, MAY 19, 2018

Protocols

ACKNOWLEGEMENT

Distinguished Ladies and Gentlemen, I am indeed honored this day, as the mantle of leadership of our Institute falls on me as the 20th President and Chairman of Council for the next two years. For this I am grateful to God and thankful to all. History no doubt is being made, being the first time AGM/Election is separated from Investiture to give it an exciting appeal to our stakeholders.

About 55 years ago, our founding fathers gave birth to this noble institution that has continued to grow in leaps and bounds, waxing stronger and stronger, day after day. Today, we have again demonstrated one of the ideals of our founding fathers that stands us out among our peers. The peaceful transition that we have just witnessed, is a testament to the fact that the labors of our founding fathers were not and shall never be in vain. I salute their vision, courage, doggedness and wisdom in establishing this great Institute.

To this end, please permit me to single out the leadership role of our Late Pa. Ijewere, FCIB and our living legend Pa. A.O.G. Otiti, OON, FCIB, who unreservedly gave their all to the Institute. We are particularly blessed to have the patriarch Pa Otiti around and we have continued to enjoy his guidance and support.

Let me also sincerely appreciate our Past Presidents for all their efforts and roles in ensuring that the Institute remains a foremost Professional body to be reckoned with. It is also important that I recognize and acknowledge our members and all those who have served on the Governing council at various times for their selfless services.

My appreciation will not be completed if I did not specially acknowledge the outstanding performance of the immediate Past-President, Prof. (Deacon) Segun Ajibola Ph.D., FCIB an erudite and cerebral scholar who brought to bear his great wealth of experience in leading the institute in the past two years. We remain greatly indebted to him and the outgoing Governing Council members for their total commitment in pursuing the institute's vision “To be a global reference point for professionalism and ethics in the Banking and Finance industry”.

I also congratulate and welcome the new team, the Office Holders and other elected members of the Governing council who will join me in building Institution charged with promoting banking and finance education, standards, ethics and professionalism.

To all our stakeholders, the regulators (CBN and NDIC), serving and former Bank CEOs, Captains of Industries, Senior Executives of financial institutions, I say a very big thank you for your unflinching support and cooperation.

I thank the Management and Staff of the Institute ably led by the Registrar/Chief Executive, Mr. 'Seye Awojobi, FCIB, the success of today could not have happened without you, without a new spirit of service and sacrifice. I most sincerely appreciate you all.

I thank my dearly beloved wife and children for the sacrifices you have made over the years to support me and certainly look forward to more, while on this journey.

ACCEPTANCE

Following the mandate given to me on April 7, 2018, I accept to serve as the 20th President and Chairman of Council of our Institute. It is not lost on me that this honour comes with great responsibilities, especially as you place your faith and trust in me to lead our highly esteemed Institute to the path of greater glory. I will carry this role with utmost respect, transparency and boldness.

The presidency of our Institute has become an increasingly demanding position, such that in preparing for the office, I consulted broadly with our various stakeholders and the outcome of these engagements will guide the core focus for the next two years.

We will pursue initiatives that will propel the institute forward, building on the noble achievements and legacies of our predecessors. We will engage the relevant and competent stakeholders to ensure that our Institute is contemporary, forward-thinking and future oriented always evaluating for relevance. We shall be guided by the kind advice of John F. Kennedy that “conformity is the jailer of freedom and the enemy of growth”.

The banking industry is contending with multiple challenges occasioned by regulations, disruptive models and technologies as well as new competitions and of frightening dimensions is the inadequate skills sets and competencies across the banks.

Furthermore the recent financial crisis also presented an unwholesome picture of poor risk management and corporate governance practices, knowledge gaps in critical core banking functions and non-adherence to professional standards occasioned mainly by the failure of the larger society to address the challenge of eroding values. Our fiduciary role is being threatened if urgent intervention is not employed.

In the face of these challenges, financial institutions notwithstanding must pursue strategies that seek out to balance long-term goals with short term performance pressures for sustainable growth.

Our Institute must rise to the occasion and provide the much needed succor. **These challenges provides an opportunity for us to make a difference.** We shall be guided by the principles upon which our great Institute is established as vividly captured by the provision of Sec 3 (d) of The Chartered Institute of Bankers of Nigeria Act No 5 of inter alia "…. ensure the furtherance, maintenance and observation of ethical standards and professionalism among practitioners of the banking industry".

OUR FOCUS

Having situated the context of our reality, we shall focus on key five strategic areas:

1. Rules and Standards
2. Skills and Competences
3. Research and Advocacy
4. Technology and Resources
5. Brand and Visibility.

1. Rules and Standards

The very foundation of any society is its rules and standards which guide conduct and behavior. Our Extant law guides our conduct and practices. We will seek to enforce the provision of the act especially as it relates to registration of persons working in banks to foster the observance of ethics and professionalism. Priority attention will also be given to strategic engagement with National Assembly to further strengthen the enabling law and other rules through amendment of the Act.

(a) **Global Banking Education Standards Board (GBEStB)**: We will support the Global Banking Education Standards Board (GBEStB) initiatives presently Chaired by our past President, Dr. Segun Aina OFR, FCIB. This initiative is geared towards establishing a global standards for the training and education of Bankers. The opportunity afforded the institute to play at the world stage must be given desired attention in terms of resources.

(b) **Competency Framework**: The Institute is charged with the drive of the competency framework-(A coordinated Industry training and certification aimed at continuous strengthening of Intellectual resources and capabilities) as an accreditation agency. Working very closely with the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC) and other stakeholders, we will drive the full implementation of the competency framework, as we strive towards building knowledge and competencies necessary for a sound, safe and stable financial system.

2. Skills and Competencies

One of our core mandates is Capacity Building and Certification. Our intervention towards upscaling skills and competences in the industry is informed by the need to constantly review and enhance the competency of the banker through continuous professional development. Towards achieving these aspirations, we shall create faculties and committees made up of notable and distinguished professionals that will serve as community of Practice and subject matter experts for equipping our members with emerging trends and appropriate certifications as approved by council will be set up in the following subject areas

- Ethics and Governance
- Reporting and Compliance
- Processes and Technology
- Payment Systems
- Financial Markets
- Innovation and Strategy
- Enterprise Risk Management
- Trade

Review of ACIB Curriculum: The content of our flagship qualification – ACIB – will be reviewed to ensure it is contemporary and cover emerging relevant issues.

Review of Structure and Form of our Examinations: Our Institute has successfully transited from paper based testing to computer based testing (CBT) effective from the April 2018 examinations. This initial phase is majorly off-line and we will progress to on-line testing for flexibility and convenience.

Review of Banking and Finance Curriculum for Tertiary Institutions: In conjunction with the National Universities Commission (NUC), National Board for Technical Education (NBTE), and other relevant stakeholders, the Institute will champion the review of banking and finance curriculum to bridge the gap between the classroom and the requirement of the market place. As part of this initiative, there would be the introduction of work based learning model and a special internship scheme to expose students to the work environment. This town and gown relationship gap must be bridged to better prepare the students for employment opportunities. Modalities of this initiative will be handled by relevant organs of the Institute.

Linkage Programme: We have various strategic alliances with Institutions both local and foreign. We will strengthen them to extract maximum benefit from the scheme whilst looking out for other credible and notable institutions that can be brought into the scheme for the benefit of our members.

3. Research and Advocacy

Research based policy intervention: Revamping research capabilities of the Institute's subsidiary – Centre for Financial Studies (CFS) will occupy a pride of place given our quest to facilitate and influence policies with evidence-based insights. Consequently, we will immediately reconstitute the board of CFS with competent persons to enable it deliver on its mandate. On advocacy, our Act confers on us, the conscience of the industry, and we will play this role in a more structured approach. In the same vein, priority attention will be given to constructive stakeholders engagements for the benefit of our corporate and individual members.

4. Technology and Resources

Technology: Technology as an enabler, shape the way we live and behave. All our strategic initiatives and activities shall ride on the backdrop of good technology if we must achieve our objectives. To this end, we will invest and deploy cutting-edge technology to drive our operations and enhance our membership engagements. Our website and other media platforms will be revamped and refreshed in terms of look and feel to make it more interactive

Quality of manpower: We will review the quality of the Institute's workforce for effective delivery of our mandate as well empower them through various incentives that will motivate them in achieving our objectives.

Land and landed properties: Priority will be given to Abuja Bankers' House project and also the development of Institute's land assets across the country.

CIBN Subsidiaries: Special focus will be on the subsidiaries – CIBN Press, CIBN Bookshop and CIBN CFS to ensure that they remain viable and profitable ventures

Constitution of Development Grant Committee: The lofty ideas to be pursued by the Institute would require huge funding. As such an ad-hoc committee that would focus on sourcing and accessing development grants would be constituted. The grants would be used for developmental projects as may be defined by the Governing Council from time to time. Framework for implementation would be developed by the Finance and General Purpose committee.

5. Brand and Visibility

At this point let me point out that my predecessors have done the heavy lifting in the look and feel of our institute for which I commend all. However attention will be focused on the soft issues to further up our play in how we are perceived as institute of reckon. Details of how we will approach this all important task will be worked out with management.

Having enumerated our five strategic initiatives that will be our primary focus for the next two years, let me reiterate that we shall continue to work to strengthen existing programmes which have been captured in the road map to management.

CONCLUSION

Distinguished Ladies and Gentlemen, I am not climbing this mountain for the world to see me, but for me to see the world. No doubt the task ahead is enormous, but not insurmountable.

May I, therefore, use this medium to call on all stakeholders and development partners here present and unavoidably absent to please join us in this onerous task of building a best-in-class institution.

Thank you for listening and God bless.

Uche Messiah Olowu, Ph.D., FCIB
20th President and Chairman of Council,
The Chartered Institute of Bankers of Nigeria
Saturday May 19, 2018.

Of Banks and Bankers: Finance and the Challenge of Economic Development in Nigeria

The 2018 Annual Lecture of The Chartered Institute of Bankers of Nigeria

Delivered by

Prof. Kingsley Moghalu

Former Deputy Governor, Central Bank of Nigeria
President, Institute for Governance and Economic Transformation

Bankers House, Lagos.
June 28, 2018

Distinguished Bankers, Ladies and gentlemen. It is indeed an honour to address this gathering, given the importance of banking to the wealth creation of any modern society. The Chartered Institute of Bankers of Nigeria has become an important institution to foster best practices in the Nigerian banking industry. I want to congratulate the CIBN and to wish the new CIBN President/Chairman of Council, Uche M. Olowu, P.h.D., FCIB, all the best in the actualization of his agenda, while wishing the former President, Professor Segun Ajibola, FCIB, all the best in his new endeavors.

I want to begin by reminding all of us that capitalism is a philosophy. The necessary qualification is that there must be an appropriate balance between the roles of the state and the market place. It is therefore essential to develop a philosophical underpinning to our capitalist economy that goes well beyond a transactional approach that is what we mostly see in the management of the Nigerian economy.

The three requirements for the success of capitalist economies are: (a) property rights; (b) innovation; and (c) capital. Understanding the interplay of these three factors is essential for structural economic transformation. National economic policy must therefore address this relationship instead of a narrow focus on finance. This narrow focus on finance, nay banks – which is a sub-set of finance is what has prevented the liberalization of the Nigerian economy and finance since the 1980s from achieving the economic transformation we so badly need. We have therefore remained a country in which poverty is on the rise while a small class plays with the much finance available in the economy.

The starting point for appreciating the current landscape of Nigerian banking sector began in 2004, with the recapitalization of banks under the leadership of Chukwuma Soludo at the Central Bank of Nigeria (CBN). This exercise, while initially controversial, strengthened our banking industry. However, the newly recapitalized banks, rather than focus on becoming engines of economic development at home, focused on globalization. While it is true that our banks began to be the face of a new Africa Rising narrative, a sign of a continent ready to take its place on the global stage, the facts were slightly different. Our new giants had feet of clay, and many of our biggest banks took decisions that brought our banking system to the brink of collapse. Overexposure to the oil and gas sector in those heady days meant that when the tide went out as a result of the global financial crisis, a substantial amount of non-performing loans were the order of the day, as well as weak corporate governance and capital adequacy. The subsequent reforms put in place under the leadership of Sanusi Lamido Sanusi as Governor of the CBN from 2009 to 2014, including importantly the establishment of the Asset Management Corporation of Nigeria (AMCON) to buy non-performing loans and aid financial stability, put the Nigerian banking sector on an acceptable footing.

Beyond all these reforms however, it has to be understood that a deep and efficient financial system is crucial for the economic transformation of an economy. At its heart, banking is about collecting deposits from customers, and channeling those resources to productive parts of the economy, fostering innovation. Unfortunately, what obtains by and large in Nigeria's economy today is the oxymoron of capitalism without capital. The ratio of bank assets to GDP in Nigeria is 30.3%, compared to 103% for Egypt, 120% for South Africa, and even 60.8% for Kenya. Private sector credit as a percentage of GDP is only 15.7% in Nigeria, while Egypt and Kenya have more than double this figure. What these figures make clear is that Nigeria's banking system does not have the necessary depth to power economic growth. What has happened instead is that Nigerian banks focus on high net-worth individuals and government clients, as well as FX trading, treasury bills, and so on.

Lessons from Asia

The most important economic achievement of our lifetime, has been the strong economic growth and transformation of Asian nations, with hundreds of millions lifted from poverty as a result. China alone reduced absolute poverty from 88% in 1978 to just 2% today. Other countries like Taiwan, Korea and Japan and more recently Vietnam, have accomplished similar feats. These feats were the result of governments that clearly understood what they wanted and how to get there.

The role of the banking system in those countries was to lend only to firms that could prove they had export orders. The lending banks viewed export performance as an indication of the creditworthiness of borrowing firms. In order to cover the subsidies to agriculture and manufacturing, banks paid interest on bank deposits that were below market rates. This was possible partly because East Asian people tend to have high savings rates. That is one of the major differences between them and us. The Asians supported subsidies for production, while we subsidize consumption through petrol subsidies and fixed exchange rates. The Asian economic miracle is an example of the government setting a vision, and the banking system aligning closely with that vision to unleash prosperity for hundreds of millions. Only when fiscal and monetary policy align can the same happen in Nigeria.

Financial inclusion

There are a few paradigms by which you can examine the problem of financial inclusion in Nigeria. First, there is the reality that only 41.6% of Nigerians having access to financial services. The CBN target of 80% financial inclusion by 2020, seems like a long way away. There is also the issue of geography. Of the credit that is available, 77% of it comes to Lagos, a state with less than 10% of Nigeria's population. No economy can hope to have sustained, inclusive growth under those circumstances.

In terms of gender, financial inclusion is also stark. 46.6% of Nigerian women nationwide do not have access to financial services, as against 36.8% of men. This is a fact that is unfortunate when put side by side with available evidence that shows that women are better borrowers than men. Improving financial support for women would markedly increase the numbers of women venturing into new businesses, which in turn will foster economic activity.

The banking sector must do all it can to close these gaps. One way to achieve this is to bring the millions in Nigeria's informal economy into the formal sector, including making innovative use of the ubiquitous mobile telephones that are owned by 140 million Nigerians. Beyond this, more private sector regional banks in geopolitical zones should be encouraged as a matter of policy, so

Banking for women

Increasing financial access for women should be a priority. The Central Bank can assist in this by revamping its micro-finance policy, which has so far not achieved the vision that inspired the institution of microfinance banking in Nigeria, to serve mostly women and be owned mostly by women. This is why microfinance has been successful in Asia but has not succeeded in Nigeria: the concept was predominantly female-oriented, while in Nigeria microfinance has been erroneously operated as mini-commercial banks by those whose banks were unable to meet the consolidation targets back in 2004.

N1 trillion venture capital fund

Access to finance has been identified as the biggest obstacle to the business and therefore job creation – growth of small and medium enterprises and microenterprises in Nigeria. The World Economic Forum's Global Competitiveness Report ranks Nigeria 129th in affordability of financial services, 130th in ease of access to loans, and 131st in terms of venture capital availability.

I believe that the number one policy response to the weak levels of access to capital in our economy must be access to capital, in particular private equity and venture capital. Evidence across economic jurisdictions in Africa, the United States, and Europe makes clear that private equity and venture capital investments in small firms create more jobs than the formal corporate sector. What this means is that Nigerian economic policy should encourage far more investments, local and foreign, in private equity and venture capital.

The venture capital fund will be managed by the private sector investors for profit, but the fund even in that context will be structured to address some social needs that intersect with commercial wealth creation, such as easier access to capital for women. By its very nature as a venture capital fund, its investments will be equity capital investments rather than credit which is hard to come by for small business, and exorbitant because average interest rates on loan repayments are 20 percent. Venture capital is critical for Nigeria's - and Africa's - economic transformation. It is long term funding that is focused on firms that are too small and/or do not have the necessary track record to get money from commercial banks, because they are considered too risky. In those risks, however, there is reward.

Since it is linked directly to job creation, the impact of venture capital funding on a country like Nigeria where small firms and businesses are the primary mode of economic activity, will multiply the number of jobs those small businesses can create. In addition, technology and innovation focused venture capital will bolster Nigeria's emerging tech ecosystem, to increase economic complexity and aid a shift away from natural resources as the basis for economic growth.

In recent times, there has been an increase of venture capital and angel investing in our tech space. This is good, and must be deepened.

The venture capital fund I envisage also will address another structural problem of our economy in addition to job-creation and stimulating business growth. It will scale up funding for innovation, which is a core component of successful capitalist economies. This goes well beyond funding IT start-ups, for there are many other kinds of innovations that could drive industrialization in Nigeria but which do not receive funding support for mass production of new inventions and innovations.

Is capital enough?

Having said all this, capital is but one of the factors of production. Land, labour, technology and entrepreneurship are others. When trying to measure the ease of doing business in a country or rank global competitiveness, the cost and availability of capital are just two of the variables taken into consideration.

This is when we come face to face with the reality of the lack of vision and courage in our political leadership, and the lack of alignment between fiscal and monetary policy, which I briefly touched on earlier. Nigeria's commercial banks can definitely do a lot more to finance SMEs and promote financial inclusion, but there are other structural forces at play. Issues like lack of power supply, cumbersome regulations, multiple punitive taxes from an array of rent-seeking government agencies and outdated laws like the Land Use Act, which in my view should be repealed, all combine to affect the viability of Nigerian SMEs.

The Land Use Act in particular vests all land in the hands of the state governor, who then leases it. The ability to freely trade land will bring that dead capital under our feet to life, making a lot more capital available. This blockage is intricately linked to the paucity of capital in the Nigerian economy. For example, it can take NAFDAC up to 2 years to issue licences. They also require the rental of a five bedroom apartment. What amount of capital can make up for this? What amount of capital can make up for the stifling regulations that business owners have to put up with on a daily basis?

Efforts by the Central Bank of Nigeria to close the “capital gap” in the Nigerian economy through its various development finance interventions have also not yielded the desired results and have had only an ameliorative and incomplete impact. There are two reasons for this. The first is that, without the necessary structural reforms in the Nigerian economy regarding the requirements for a successful capitalist economy and the infrastructural problem inadequate power and failed power policy reforms, CBN financing will be unable to address root problems.

Second, there is at least anecdotal evidence that political interference in the development finance policies of the CBN have also limited their impact. The Bank is gradually being turned into a fiscal agent that carries the can for the failure of the federal government to develop and execute effective fiscal policy that generates revenue for the financing of the responsibilities or initiatives of the government. This is another reason why a mega venture capital fund is so necessary in Nigeria. We must reduce our reliance on commercial banks for finance if our economy is to achieve real transformation. This is because structural economic transformation requires the availability of long-term capital of up to 15-20 year tenors. Commercial banks, which are the source of virtually all capital in Nigeria, are not designed to serve this purpose because most commercial bank loan repayments cannot be structured to last beyond five years.

Enter development banks. They are active in Nigeria, but again have not achieved transformative outcomes. This is because they have not been well conceptualized. Let's take the example of the Development Bank of Nigeria, which has a mandate for wholesale funding of small businesses. This is a misconception because that is precisely what a large public-private venture capital fund or a United States Small Business Administration-type entity should be doing.

The DBN should be funding big-ticket infrastructure transactions with long-term capital in the same manner as the BNDES in Brazil. The BNDES has played a key role in Brazil's emergence as a bona fide emerging market. Redefining the mandate of the DBN would also enable Nigeria to at least put a stop to the current trend of unsustainable foreign borrowing that that has created unhealthy pressures on our revenue to debt-service ratios. A newly redesigned DBN should be funded with a first-line charge on the Consolidated Revenue Fund of the federation.

Conclusion

We are yet to scratch the surface of what Nigeria's banking and financial sector can do to drive growth. This is partly due to the historical orientation of our banks to focus on only a small segment of the economy, neglecting the real economy. There needs to be an urgent broadening and deepening of options for financing that can put Nigeria on the path to significant, sustained, and inclusive economic growth and transformation. A critical second part of this equation is the necessary political will for broad based reform of the Nigerian economy by our political leadership. This will have the effect of aligning fiscal and monetary policy for maximum impact.

It is my hope that we can make the necessary decisions as a society to break away from the failed leadership that has kept Nigeria so far from its potential.

Only the best is good enough for our people, our economy, and our country.

Global Banking Education Standards Board

Ethics Education and Training for Professional Bankers

OVERVIEW

Introduction

The Global Banking Education Standards Board (GBEStB) was established in 2017. A voluntary, industry-led initiative established by 25 banking institutes, the GBEStB aims to develop clear, internationally agreed standards for the education of Professional Bankers. The GBEStB's standards will inform the development of national banking education programmes delivered by banking institutes, and others, providing the foundation for high-quality and consistent education of bankers. This should, ultimately, enhance and sustain global standards of ethics and professionalism in banking worldwide, contributing to financial stability, and facilitate the international mobility of professional bankers

The GBEStB established the Education Standards Committee to develop and publish standards for banking education. Following a consultation exercise to establish priorities for standards development, it was agreed that the GBEStB's first standard should support the ethics education of professional bankers worldwide.

Purpose

Ethics Education and Training for Professional Bankers is designed to help GBEStB member bodies and others develop and implement ethics education programmes for professional bankers. Promoting a more consistent approach to the ethics education of professional bankers worldwide should, in the GBEStB's view, help develop a strong and consistent culture of customer and client-focused, ethical professionalism in banking, and contribute to financial stability.

Scope

Ethics Education and Training for Professional Bankers sets out the GBEStB's expectations of and guidance for member bodies in terms of general recommendations, and recommendations for the content, delivery and assessment of ethics education programmes for professional bankers.

The Standard is primarily written for GBEStB member bodies, but may also be helpful to a wide range of stakeholders involved in the education and training of banking professionals, including:

- Banking and financial institutions
- Central Banks and financial regulators
- Universities, colleges and business schools
- Training providers
- Government Authorities

Format

Ethics Education and Training for Professional Bankers contains both recommendations (set out in **bold text**) which it expects all GBEStB member bodies to use their best endeavours to comply with, and guidance (set out in italic text) which it expects GBEStB member bodies to consider when implementing the Standard.

Translation

The GBEStB publishes Ethics Education and Training for Professional Bankers in English. GBEStB member bodies may, at their expense and with written permission from the GBEStB's Education Standards Committee, translate this Standard into other languages. GBEStB member bodies will ensure that:

- Any translation is accurate and faithful to the original Standard;
- Copyright in original and translated forms remains with the GBEStB;
- No commercial use of the Standard or translation is permitted; and
- In the event of any dispute, the English version of the Standard shall prevail.

Effective Date

Ethics Education and Training for Professional Bankers is effective from 1st June 2018, and GBEStB member bodies are expected to take active steps from that date to work towards compliance with this Standard.

Review Date

Ethics Education and Training for Professional Bankers will be reviewed on or before 1st June 2021.

RECOMMENDATIONS AND GUIDANCE

GENERAL RECOMMENDATIONS

1. GBEStB member bodies shall ensure that all professional bankers undergo ethics education and training relevant to their role, function and organisation.
   GBEStB member bodies should work with employers and educators to seek to ensure that professional bankers complete a relevant programme of ethics education at an early stage in their career, ideally prior to or on joining the banking industry. Such programmes should include, as a minimum, education and training in the areas set out in the "Key Ethical Principles" and the "Content of Ethics Education and Training Programmes" sections of this Standard.

2. GBEStB member bodies shall provide, or work with others to provide, appropriate ethics education and training to support professional bankers at all stages of their career. GBEStB member bodies should consider how they, and others, can provide an appropriate range of ethics education and training programmes to support the initial and continuing professional development of professional bankers. This is likely to include formal qualifications, CPD and ethics refresher training, and the provision of self-study ethics materials such as case studies. GBEStB member bodies are encouraged to consider introducing, where possible, annual ethical training for professional bankers. GBEStB member bodies should regularly review the content, delivery and assessment of their education, training and CPD programmes for professional bankers, and those delivered by others, to ensure they remain relevant and up-to-date.

3. GBEStB member bodies shall ensure that ethics education and training programmes include appropriate assessments to demonstrate that professional bankers understand and demonstrate professional values relevant to their level of expertise and experience. GBEStB member bodies should consider whether there should be an appropriate form of formal assessment for professional bankers at an early stage in their career. GBEStB member bodies should consider which forms of assessment might be most suitable for professional bankers with greater expertise and experience. GBEStB member bodies may consider working with employers and others to assess the application of professional values throughout professional bankers' careers.

KEY ETHICAL PRINCIPLES FOR PROFESSIONAL BANKERS

4. GBEStB member bodies shall prescribe and promote a set of ethical principles for professional bankers, consistent with those below, and ensuring these are aligned with relevant governing laws and regulations as far as possible.

5. GBEStB member bodies shall ensure that ethics education programmes for professional bankers include appropriate coverage of the following ethical principles, and assess professional bankers' ability to understand and apply these in a range of familiar banking contexts:

Ethical Principle 1: Integrity

- Professional Bankers shall be honest and open in all their dealings. This includes:
  - acting with dignity, integrity, accountability, professional competence and in an ethical and trustworthy manner when dealing with the public, clients, prospects, employers, and colleagues;
  - avoiding any behaviour that might damage the reputation of, or bring discredit to the banking profession; andavoiding any oral or written statements that misrepresent their services, their qualifications or the qualifications of their firm.

Ethical Principle 2: Maintenance of Professional Competence

- Professional Bankers shall develop and maintain the relevant knowledge and skills and to ensure that their activities are conducted professionally and proficiently. This includes acting with due skill, care and diligence, considering the risks and implications of their actions and advice, and holding themselves accountable for them and their impact; as well as obtaining, and regularly updating, the appropriate qualifications, training, expertise and practical experience.

Ethical Principle 3: Duty of Care – Putting Clients' and Customers' Interests First

- Professional Bankers shall pay due regard to the interests of prospective and existing clients and customers and treat them fairly by:

- o understanding clients' and customers' needs and offering appropriate advice and solutions;
- o putting clients' and customers' interests first, and not exploiting client or customers for personal or commercial advantage; and
- o not discriminating against any client on such grounds as age, gender, marital status, national or ethnic origin, physical or mental disability, political affiliation, race, religion, sexual orientation, or socioeconomic status.

Ethical Principle 4: Conflicts of Interest

- Professional Bankers shall not allow any conflict of interest, bias or undue influence of others to override their ethical and professional judgment. They shall provide full disclosure to those concerned of all information and relevant matters that could impair their objectivity, including potential and perceived conflicts as well as actual ones.

Ethical Principle 5: Fair Competition

- Professional Bankers shall consider competition as a legitimate race among all relevant entities operating in the banking sector which assures freedom in economic decisions, and to this end, they abstain from statements and behaviors causing unfair competition, within the frame of the principles of:

- o demonstrating proper standards of market conduct at all times;
- o actively promoting greater trust in banking industry;
- o supporting the common interests and reputation of the banking industry;
- o maintenance of a fair marketplace, as required by competition laws.

Ethical Principle 6: Confidentiality

- Professional Bankers shall protect the confidentiality and sensitivity of information provided to them. This includes using such information for its intended purposes only and not divulging sensitive information to any unauthorised persons, including third parties, without the necessary consent from those involved, unless disclosure is required by law or regulation.#

Ethical Principle 7: Compliance with Legal and Regulatory Requirements

- Professional bankers should maintain their knowledge of all applicable laws and regulations governing their professional activities, and conduct their professional activities in a manner consistent with these at all times. Professional bankers should also, within the framework of international norms and nationally applicable laws and regulations, take active steps to identify, deter and prevent financial crime and fraud including, but not limited to:

- o Money laundering and terrorist financing
- o Bribery and corruption
- o Insider trading

CONTENT OF ETHICS EDUCATION AND TRAINING PROGRAMMES

6. GBEStB member bodies shall ensure that ethics education and training programmes for professional bankers include the following key topics, are appropriate and relevant, and are periodically reviewed to ensure they remain up-to-date;

- The social purpose of banking organisations and how banks support customers, clients, communities and a wide range of stakeholders;
- The importance and key features of a customer and client-focused, ethical and professional approach to the practice of banking, as set out in relevant regulatory and professional codes;
- Managing the asymmetry of information between banker and customers/clients in an ethical and professional manner;
- Duties and responsibilities of professional bankers, including when and how to escalate issues and speak up when necessary;
- The development and application of personal and professional values and attitudes, including the Key Ethical Principles set out above;
- An introduction to different approaches to ethics, and different ethical decision-making models;
- Identifying and dealing with conflicts of interest, and other ethical dilemmas;
- Treating information with appropriate confidentiality and sensitivity;
- Examples of good and bad ethical practice in banking and business; and
- The impacts on individuals, institutions, the banking industry and society of unethical and unprofessional behaviours.

GBEStB member bodies may also consider including some or all of the following additional topics in ethics education and training programmes for professional bankers, where appropriate and relevant:

- Different types of banking organisations (e.g. commercial banks, mutuals, savings banks, co-operative banks);

- The development of banking, and the causes and impacts of financial crises;
- Access to banking services (financial inclusion and exclusion);
- Role and purpose of relevant regulation and legislation, and how this impacts on ethical decision-making;
- Organisational culture and conduct, and how these can be enhanced and embedded;
- Principles and practice of corporate governance, including fiduciary duties;
- History and development of ethical thought, with particular reference to the application of professional ethics in the workplace;
- Social and environmental issues and corporate social responsibility in a banking context; and
- Professional ethics in an increasingly digital/technology-driven environment.7. GBEStB member bodies shall ensure that all professional bankers demonstrate AT LEAST an understanding of the key topics set out above

For professional bankers with experience in banking and financial services, GBEStB member bodies may consider seeking to ensure they demonstrate and ability to analyse and apply the key topics set out above.

For professional bankers at senior levels, GBEStB member bodies may consider seeking to ensure they demonstrate the ability to critically reflect on the key topics set out above.

DELIVERY OF ETHICS EDUCATION AND TRAINING PROGRAMMES

8. GBEStB member bodies shall ensure that ethics education and training programmes use appropriate delivery methodologies that will help professional bankers develop and demonstrate an understanding of the key topics set out above.
   A wide range of structured assessment methodologies may be appropriate, depending on context, but may include some or all of:
- Formal study of one or more standalone ethics modules as part of a wider programme of banking education;
- The integration of ethics into technical banking modules (e.g. considering ethical aspects when making a credit decision)
- Classroom-based ethics training;
- E-learning and/or blended learning;
- Supported or unsupported distance-learning; and
- Seminars, workshops and similar events organised by GBEStB member bodies, employers, training providers and others.

In addition, the delivery of ethics education and training to professional bankers may include:
- Discussing case studies and similar materials, either in classroom/online or via employer-led study groups;
- Participating in role-plays or simulations where different ethical decisions lead to different outcomes for organisations and individuals;
- Discussing real-life ethical dilemmas and conflicts of interest with professional colleagues and others;
- Using ethical decision-making models to analyze real-life ethical dilemmas arising in the workplace;
  Studying and discussing ethical dilemmas from other industries;
- Coaching and mentoring; and
- Self-reflection on personal and professional experiences where ethical dilemmas and conflicts of interest have occurred.

9. GBEStB member bodies shall establish suitable quality assurance mechanisms to ensure that ethics education and training programmes achieve the objective of helping professional bankers develop and demonstrate an understanding of the key topics set out above.
   GBEStB member bodies should consider regularly obtaining and acting upon feedback from professional bankers undertaking ethics education programmes, their employers and from other interested parties.
   GBEStB member bodies may want to set criteria to ensure that ethics education and training programmes are delivered by suitably qualified educators and training providers with relevant expertise and experience.

ASSESSMENT OF ETHICS EDUCATION AND TRAINING PROGRAMMES

10. GBEStB member bodies shall ensure that all professional bankers undergoing ethics education and training programmes are assessed, at least at an early stage in their career, in order to demonstrate an understanding of the key topics set out above.
    GBEStB member bodies should consider and apply appropriate forms of formative and

may include some or all of:

- Objective testing (although this may not be suitable for assessing all aspects of ethics education);
- Traditional "long-answer" examinations;
- Reflective essays and journals;
- Work-based projects and assignments;
- Facilitated and assessed group discussions, and other groupwork;
- Case studies (either completed individually, or as a group).

GBEStB member bodies may consider regular assessment of ethics education and training for professional bankers (e.g. annually) as part of CPD or other recommendations or regular training programmes

IMPACT MEASUREMENT

11. GBEStB member bodies shall develop a set of indicators that enable the monitoring of the impact of this Standard across their operations. This measurement should validate the degree of adherence to the standard and assist the GBEStB to identify and address any gaps.

    GBEStB member bodies should use customer or employee satisfaction surveys or other suitable mechanisms to gather feedback on whether and how this Standard is being implemented.

PUBLIC DECLARATION

12. GBEStB member bodies shall publicly endorse and, when implemented, declare their alignment with this Standard, identifying and explaining any areas where they have not been able to fully implement the Standard.

The GBEStB retains the right to withdraw or refute any form of endorsement or declaration by any member body who has failed to adhere to this Standard.

NOTES

CENTRE for FINANCIAL STUDIES

Knowledge Events. Research. Policy Advocacy and Collaborations

"We provide participants at our events with evidence-based insights to challenge their current thinking. This may incorporate a broad range of areas such as operations, people management, innovation and leadership into decision making."

Background

The inadequacy of competencies in the banking and finance industry, especially at the executive level has amplified the need to engage, develop, and retain competent personnel to handle the business of banking. In the light of this, there became a need to establish an institution that would assist in bridging the identified gaps in competencies. The Chartered Institute of Bankers of Nigeria (CIBN) has established the Centre for Financial Studies (CFS) to provide relevant, research-based thought leadership, and capacity building opportunities to improve quality of executive-level management in the financial services industry across Africa with a view to equipping them better to drive change and make an impact.

Who we are

CIBN Centre for Financial Studies (CIBNCFS) is a research-based thought leadership, and knowledge sharing organization with a mission to facilitate knowledge-creation, knowledge transfer and thought leadership in the African financial services sector and provide evidence-based policy insights to industry, academics and governments.

What we do

CIBNCFS provides key management personnel in Banks and other Financial Institutions, States and Federal government establishments with an opportunity to be on the cutting edge of sound finance knowledge and research-based policy development. We use technology to partner with world-class institutions to strengthen our methods and faculty.

How we work

Leverage research output and hold knowledge events to improve quality of executive level management in the financial services industry, state and federal establishment.

Strategic collaboration with partners to conduct research in topical banking and finance issues

Produce sound occasional and policy papers in key sectors of the economy to benefit decision making operatives in the private and public sectors.

Advocate for strengthening of ethics and leadership in the financial services industry by creating unique knowledge sharing platforms for executive management.

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