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BREXIT and its Implications on the Nigerian Banking Industry

- Dynamics of the Nigerian Foreign Exchange Market
- Change and Innovation the Nigerian Banking Industry: An Agenda for Research

Welcome Remarks by The President and Chairman of Council

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA
PROFESSOR SEGUN AJIBOLA, Ph.D, FCIB

at the Institute's

4TH VALEDICTORY LECTURE DELIVERED

by

MR. PHILLIPS ODUOZA, FCIB

Former Group MD/CEO, United Bank For Africa Plc

on

The Emergence of a Nigerian Pan-African Bank

Distinguished Ladies and Gentlemen, in my Acceptance Speech as the 19th President and Chairman of Council of The Chartered Institute of Bankers of Nigeria (CIBN), I made it clear that some of the main thrusts of this Administration would be "to be prominent in national and intellectual discourse" and "engagement in intellectual assignments and communication of the findings to the relevant authorities". The Institute's Valedictory Lecture is one of our channels to achieve these set goals. What makes the Valedictory Lecture particularly more engaging and of greater intellectual impact is the fact that it gives participants the opportunity to learn, firsthand, from the practical experiences of an individual who has distinguished him/herself in a particular chosen profession. While no attempt is made to deride the great works done by my colleagues in the academic circle in shaping the minds and building the foundation of future leaders, you would all agree with me, and saying the obvious, that there is a wide gap between the knowledge gained within the four walls of any University and the one acquired through hands-on experiences on the field.

It is against this backdrop that I count it as a great privilege for us to gather here this morning to tap into the wealth of experience of a man who rose through the ranks in the banking profession for three (3) decades. There is no doubt that Phillips Oduoza's sojourn in the banking industry has indeed cut across various aspects of banking. Hence, his Lecture today titled **"The Emergence of a Nigerian Pan-African Bank"** would provide us the window into the great mind of this First Class Engineer who brought his intellectual prowess to bear in transforming the financial services landscape in general and the banking profession in particular.

It would interest this August gathering to know that the primary objective of the Institute's Valedictory Lecture is to recognize the great contributions of outstanding individuals to the banking and finance profession, both in its teaching and practice, and provide the avenue for them to share their thoughts and experiences with the general public. As a result, and in its bid to entrench ethics and professionalism in the industry, the Institute is highly selective in its choice of individuals to be considered to deliver the Valedictory Lecture. We place a very high premium on ensuring that accomplished bankers and academics who have not only distinguished themselves in the technical aspect of the profession but have also espoused good ethical conduct are accorded such opportunity by the Institute.

A special reference should be made to the fact that the past 3 Valedictory Lectures of the CIBN were delivered by men of noble character in the industry. The first Lecture titled **The Nigerian Banking Industry: Changes, Challenges and Prospects, 1977 - 2008** was delivered in 2009 by Mr. Jacobs Ajekigbe, OFR, FCIB, former Group Managing Director/Chief Executive Officer, First Bank of Nigeria Limited. The second Lecture with the topic **Tertiary Level Banking and Finance Education in Nigeria: A Peep into the Ibadan Window & a Vision into the Future** was delivered in 2013 by Professor Adedoyin Soyibo, a renowned Professor of Economics, University of Ibadan while the 3rd Lecture was delivered in 2015 by Mr. Bisi Onasanya, FCIB, former Group Managing Director/Chief Executive Officer, First Bank of Nigeria Limited on **Banks, Bankers and the Imperatives for Sustainable Banking**.

Today's Lecture has indeed attracted stakeholders in the banking and finance profession and from all walks of life. I must say that the Institute is greatly pleased to have no other personality than Dr. Pascal Dozie, OON, FCIB to chair today's Valedictory Lecture. Indeed, Dr. Dozie's administrative skills and versed knowledge of the industry are unparalleled and this has been confirmed by his founding of one of the fastest growing banks in the country, Diamond Bank Plc.

I also specially recognize the presence of my colleagues in the Institute's Office Holders Committee – Uche Olowu, Ph.D, FCIB, 1st Vice President, CIBN; Mr. Bayo Olugbemi, FCIB, 2nd Vice President, CIBN and; Mr. Ken Opara, FCIB, National Treasurer, CIBN – and the entire Governing Council Members. I pay due respect to all the Royal Fathers here present; our visionary Body of Past Presidents; The Body of Past Registrars, CIBN; Managing Directors/Chief Executives of Deposit Money Banks and Microfinance Banks; Chief Executive Officers of other financial institutions; Presidents of other Professional Bodies; the academic and Diplomatic Communities and; the entire banking industry.

In conclusion, allow me to formally announce to you that as a major player on the international scene for value addition in the banking and finance sector and other allied sectors, the CIBN will from April 24-28, 2017, host the 22nd World Conference of Banking Institutes (WCBI) here in Nigeria. The World Conference theme is **"Re-Thinking the Future of Banking and Finance & Life-Long Learning"**. We have started receiving local and global support from highly reputable academic and training institutions; professional bodies, government agencies; regulatory institutions; embassies and so on. I therefore use this occasion to officially invite you all to this epoch-making Conference that would feature top notch bankers all over the world as Faculty and participants. Further details of the Conference can be found on the Institute's website.

Once again, I welcome you all and thank you for your kind attention.

Professor Segun Ajibola, Ph.D, FCIB
President/Chairman of Council
The Chartered Institute of Bankers of Nigeria
July 22, 2016

4TH VALEDICTORY LECTURE DELIVERED BY MR. PHILLIPS ODUOZA, FCIB, FORMER MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER, UNITED BANK FOR AFRICA PLC AT THE HARBOUR POINT VICTORIA ISLAND JULY 22, 2016

DYNAMICS of the NIGERIAN FOREIGN EXCHANGE MARKET

Gabriel Udendeh, Ph.D, FCIB

1.0 Introduction

Nigerian foreign exchange market refers to the institutional arrangement by which foreign convertible currencies are exchanged for units of the local currency. Generally, exchange rate forms part of the tripod variables that interface to achieve certain economic objectives. The other two (variables) are interest rate and inflation. An economy that sees inflation as constraining growth may work towards using interest and exchange rates to stem inflation; those that see exchange rate as a problem will work on inflation and interest rate to influence favourable exchange rate. Those that wish to rein in interest rate will work on exchange rate and inflation. It is a continuous cycle; hence only very serious and competent agencies can cope with the responsibility. Soludo (2008) refers to the three variables as trinities of evil. The real challenge with the trinities is that they come under the sphere of separate authorities. Interest and exchange rates fall within the purview of monetary authorities represented by the Central Bank of Nigeria (CBN) and the Ministry of Finance which has a fiscal mandate, albeit theoretically, for moderation of inflation, except in jurisdictions where inflation targeting is a tacit mandate of the central bank.

Blending the trinities is like stemming an air balloon that pops elsewhere when squeezed from one end. In most economies, it is a real challenge. In Nigeria, efforts towards effective control of the trinities often lead to sharing of responsibilities between the monetary and the fiscal authorities. In the early sixties, the now repealed foreign exchange legislation placed the authorising responsibilities for foreign exchange (FX) access on the Federal Ministry of Finance (Foreign Exchange Act, 1962). This was subsequently reversed (Foreign Exchange {Monitoring and Miscellaneous} Act, 1995). The thrust of this discussion is, therefore, to throw more light on the dynamics of foreign exchange management in Nigeria with a view to eliciting interest for potential investor participation. In the light of this, the discussion is segregated into five sections, comprising introduction (S.1), foreign exchange management in Nigeria (S.2), thrust of the new floating rate policy (S.3), challenges of the new policy (S.4), prospects and recommendation (S.5).

2.0. Foreign Exchange Market in Nigeria

Foreign currencies are commodities of the foreign exchange market. The currencies in this category include the US Dollar (USD), British Pound Sterling, Canadian Dollar, European Euro, Chinese Yuan (Renminbi) and Japanese Yen. These are generally referred to as convertible currencies. The currencies constitute a basket of global trading funds and command public attention in various countries. The sources of foreign currency to any country comprise: earnings from exports (natural resources or manmade resources); home remittances by citizens working abroad (Diaspora funds); funds brought in by foreign investors; earnings from investments abroad; in-bound donations and grants; royalties, copyrights, franchising and sundry receipts (students' left-overs).

2.1. Management of Foreign Exchange (Nigeria)

The supply of foreign currencies is always scarce in relation to the need for it; hence, usage is normally stream-lined to achieve optimal utilisation. Nigeria, in particular, has experienced scarcity of foreign exchange since its independence in 1960. According to the Central Bank of Nigeria, the first sign of foreign currency crisis was witnessed in 1962, when the private companies earned foreign currencies through export and left the proceeds in foreign banks (CBN, website). The scarcity led to the enactment of Foreign Exchange Control

Act of 1962 to streamline usage of the scarce commodities. The administration of foreign exchange control regime under the Act was considered ineffective; while agitation by Nigerians against the process culminated in the repeal of the Act. The repealed Act was replaced with Foreign Exchange {Monitoring and Miscellaneous Provisions}Act, 1995. This Act liberalized foreign exchange access, to some extent, by creating an autonomous market for foreign exchange (FX), opening access to an official window for Bureau De Change (BDC) and introduction of domiciliary accounts. Section 17 (1) of the Act permits any person who desires to open, maintain and operate a domiciliary account designated in a convertible foreign currency of his choice, with an authorised dealer, usually banks. The ensuing subsections of the main section provide modalities, indeed, subsection 3 states that "except as provided under any other enactment or law, a person making an application to open a domiciliary account under the Act shall not be obliged to disclose the source of the foreign currency sought to be deposited in the account". Although, some aspects of anti-money laundering and terrorism legislation may have altered the above provision, its spirit is still extant. The foreign exchange manual issued by the CBN in 1995 further permitted Nigerians of certain age to access foreign exchange on a quarterly basis for business or personal travel allowances (BTA- $5,000 & PTA- $4,000). Bureaux De Change (BDCs) became active in addressing FX demands of the lower segment of the economy in terms of routine travels. Given enhanced access, authorities experimented several methods to arrive at a workable system. These include, though not limited to, first-tier and second-tier markets (1986-87); official, inter-bank and parallel market windows (1999) and currently the single foreign exchange market. These regimes can best be recognised as controlled, managed-float and floating regimes.

The mechanics of determining exchange rate in Nigeria have been mainly through the Dutch Auction System (DAS). DAS is a system of whereby authorised dealers bid for foreign exchange (FX) at their own rates irrespective of the reserve rate fixed by the monetary authorities. Successful bids are allotted available FX to exhaustion, which implies that the system allows for multiple rates on offer. Dutch auction has been modified several times from wholesale Dutch Auction System (w-DAS), retail Dutch Auction System (r-DAS) to the modified Dutch Auction System (m-DAS). Said differently, Dutch auction rations FX on the basis of need to prevent speculative tendencies. The w-DAS allots FX to authorised dealers (banks) for their own accounts using the strength of their shareholders' funds as a yardstick (Open Position). The r-DAS, on the other hand, ensures that banks procure FX for their clients based on orders. The m-DAS uses any or a combination of features of the two extremes. Nigeria's efforts at applying all the aforesaid approaches could not stem FX demand pressure in the last decade. This led to the floating regime.

Under the floating regime, authorised dealers bid for FX in two ways (bid & offer) in order to provide for rate determined movement to arrive at an equilibrium exchange rate. The approach holds a number of variables constant; first of which is the ability of demand and supply to determine effective price. Expert opinion suggests that this can only happen in an environment where supply is elastic. Secondly, global monetary authorities (IMF & WB) favour the approach, apparently because of its capacity for capital flows (entry & exit). Thirdly, the global monetary authorities prefer the floating regime, mainly because of its benefit of weak local currencies against major world currencies (Dollar, Pound Sterling & Euro). This implies that with little units of their currencies, they can fetch a basketful of local currencies.

Despite the aforesaid the floating exchange rate regime has its inherent benefits such as: expectation that investors leverage on the weak local currency by bringing in own funds massively; diaspora funds taking advantage of weak value of local currency to increase home remittance; incentive for manufacturers to intensify efforts towards increasing export to earn foreign currency; attraction to foreign companies to set up industries at cheap cost; drive for entrepreneurial and intellectual efforts towards research and creativity to earn royalties abroad, etc.

Ideal conditions for the Floating rate regime include: steady flow of FX (elasticity of supply, otherwise, local currencies cannot withstand demand pressure for FX); a strong industrial base, which guarantees vibrant domestic productivity and export to boost FX supply; strong infrastructure to enhance capacity utilisation, product distribution and storage; active role in the foreign market, which guarantees effective participation through exportable products; existence of comparative advantage such that an aspiring country can rely on its comparative advantage and develop core competencies; vibrant tourism which is necessary in view of its complementary role in bridging the FX supply gaps and the enabling environment.

2.2 Foreign Exchange Potentials in Nigeria

The entertainment industry, (Nollywood) currently contributes over $4.0 billion to gross domestic product (GDP), which the industry sets to increase to $8.1 billion by 2019 (Kola-Daisi, 2016). The target increase is based on the on-going institutional investments of over N15.0

billion ($53 million); funds mobilised by Bank of Industry (BOI) and the Nigerian Export-Import Bank (NEXIM) to promote growth and development of the industry worth N1.779 billion ($6.307 million) (Kola-Daisi, 2016) and Nollywood's potentials as tourists' bait. The government needs to do more to reap from this. After all, Kenya, Tanzania, Egypt and The Gambia are relatively smaller, and perhaps with less tourist sites than Nigeria. Yet they earn more FX from tourism than Nigeria does. Nigeria has goldmines lying waste in industrial goods (such as electricity cables, steel and aluminum) sports, culture, education, agricultural and transport, which can all attract influx of FX into the economy.

3.0. Thrust of the Newly Introduced Floating Foreign Exchange Rate Policy

The floating exchange rate introduced early July 2016 by the Central Bank of Nigeria (CBN) provides for primary and non-primary dealers. A target of 8-10 participants is envisaged to interface with the CBN in the primary segment. The operating guidelines set by the CBN specify minimum transactions of Spot, ($10m), Forward ($5m), Swaps ($5m) and OTC Futures ($5m).

3.1 Criteria for Primary Dealership

Primary dealers shall have elaborate branch network in order to adequately impact the larger economy. They must have been in reasonable (as defined) assets in foreign currencies, and with consistent liquidity ratios above minimum thresholds. Such banks must have achieved acceptable levels of compliance with CBN guidelines and regulations. They must also have the requisite IT soft & hardware. Quantitatively, eligible institutions shall meet all or any 2 of N200 billion Shareholders' fund unimpaired by losses, N400 million foreign exchange assets and liquidity ratio of 40.0 per cent. Qualitatively, their trading capacity in terms of manpower and infrastructure shall not be in doubt, and must include financial market dealers' quotation (FMDQ) Thomson Reuters foreign exchange trading system. Their dealing room shall be supported with tools to enhance effectiveness of trading, and they shall be active participants in inter-bank FX market as evidenced by their FMDQ membership.

The floating exchange rate regime counts much on the FMDQ platform, which is understandable. FMDQ, until recently, was a fusion of money and capital market associations. The need to take advantage of improvement in technology, innovation and global convergence in financial services informed their fusion into one body in 2010, and incorporated the FMDQ-OTC in November 2013 as a Securities and Exchange Commission (SEC) licensed OTC market for securities and self-regulatory organisation. Its objectives include: promotion of market governance; ensuring compliance with market rules; championing market development and provision of market data services. The above conditions will entrench the required integrity, liquidity, transparency and reliability of the market. Since incorporation, FDMQ has enhanced the reliability of Nigerian Interbank Offered Rate (NIBOR) as reference rate for the system, endeavoured to fix the Nigerian inter-bank foreign exchange quotation (NIFEX) system, developed yield on Nigerian Treasury Bills (NTBs), FGN Bonds, Sub-National & Corporate Bonds, thereby, enhancing their tradability. The choice by the CBN to use FMDQ's platform thus stems from its role in exchange rate fixing. The CBN promises to strengthen this collaboration with some moderating intervention, including market participation (buying & selling), use of derivatives such as forward contract and swaps that are amenable to predictability and flexibility in aid of planning.

4.0. Likely Challenges of Floating Exchange Rate Regime for Nigeria

The envisaged challenge in the floating regime of FX in Nigeria is the apparent lack of capacity to sustain or deepen the market. This apprehension stems from the accelerated rate of depletion in the stock of FX, which nose-dived sharply from $44.96 billion at end-June 2013 to $26.34 billion at end-June 2016, a decrease of about 41.41 per cent (CBN, 2013-2016). This is compounded by the sharp decline in oil price which came down from above $100 per barrel to average of $45.0 per barrel in 2016, and deficiency in production capacity (from 2.2 million to an average of 1.5 million barrel per day). A number of analysts opine that the floating regime is transparent and could serve as bait to foreign investors, however, the primary source of supply, the Central Bank of Nigeria, does not seem to have the capacity to withstand persistent demand pressure.

The second apparent challenge is how the monetary authorities can differentiate genuine from speculative demands without being seen to be wearing the toga of political coloration. The fact remains that those who place demand pressure on FX are those who benefited immensely from era (2013-2016) when $18.0 billion US dollars left government coffers into private hands. In Naira terms, similar disappearance led to loss of trillions, which Economic and Financial Crime Commission (EFCC) has continued to unravel. Beneficiaries of the slur funds keep seeking investment havens overseas, thus, fueling demand for FX. The money authorities need to develop a sound mechanism for effective management of Nigeria's FX demand.

The third challenge is the political will to harness the inherent opportunities to come out of the present economic situation as a better nation. The opportunities abound for Nigeria to broaden its foreign exchange market. For instance, Nigeria has economic shock-absorbers in its pension fund (N5+trillions or $17.73 billion), Sovereign Wealth Funds ($2 {+}billion), Excess Crude Account ($3.93 billion {Business Day, 2016}), population of 170 million, an anti-corruption leadership. Nigeria's diaspora presence is very strong, and has attracted home remittance of $21.0 billion in 2015 (African Independent Television, AIT, 2016). In terms of non-oil export earnings, Nigeria has strong presence in the entertainment, agro-allied, education (private universities) instructress. It has similar strength in industrial products, including steel (iron), electricity cables, aluminium and petroleum bye-products. These are low hanging fruits, whether the Nigerian economic team is willing to guide the country towards leveraging on these opportunities is another set of discussion.

5.0 Prospects and Recommendations

The country experimented with virtually all the models of foreign exchange without being able to address its scarcity. This is to suggest that a market-determined system is the way to go. Experience overtime shows that methods of foreign exchange allocation do play a role in the steady supply of FX but the scope of market does more. In FX market, the scope of supply matters a lot, as it eliminates speculative tendencies and reinforces market confidence. Nigeria has huge potentials to deepen FX market, but seems lacking in sustainable FX policies. Frequent policy summersault creates fears in the minds of market participants leading to artificial scarcity and market distortion. Government must work towards influencing the market through enduring policies that inspire confidence. At $26.5 billion at end-June 2016, Nigeria's stock of foreign exchange could be considered adequate enough, and it is among the healthiest on the continent. This implies that the volatility the country is currently experiencing in FX market stems more form policy instability than foreign currency scarcity. In the last quarter of 2015, Nigerian banks refused to accept foreign currency notes from their customers under the pretext that they had no lending room for it. This was in spite of the extant Foreign Exchange Act of 1995 that requires such funds to be deposited into domiciliary accounts. The same banks could not meet demand needs of the customers for FX by the first half of 2016.

Players in the industry (operators and regulators) must develop policies to enhance and deepen free-flow of diaspora funds to Nigeria. In 2015, the fund was $21.0 billion, which compares reasonably with the country's stock of foreign reserves, which stood at $26.34 billion at end-June 2016. Nigeria's Nollywood, with GDP contribution of $4.0 billion and target contribution of $8.1 billion by 2019, need be put on the world stage through appropriate policies in view of its FX earning potentials. Government could elevate Nollywood to anchor tourism, which it has been doing informally. Education sector has capacity to attract influx of Asians and other Africans to Nigeria's economy with several externalities. The private universities, in particular, came on board since 2001, and have demonstrated significant stability overtime. They are largely strike-free; their facilities (some anyway) are among the best in the world, with qualified and dedicated teachers. Rather than construct the necessary bridges, government agencies responsible for education policies continue to create scenarios that promote needless bickering between NUC, Private Universities and JAMB, on the one hand, and between public Universities, private Universities and the employers, on the other hand, which renders meaningful collaboration elusive. University processes, including admission, quality assurance and supervision must be unbundled and made market driven (Udendeh, 2012).

Bureaux De Change (BDCs) must look beyond their immediate comfort zone to source FX to bridge the supply gap in the economy. With their size (about 3,000 as at June 2016), and given the validity of the CBN licence, the space is wide enough for them to operate. Foreign investors are watching their moves to see if it is worthy of mutual partnership, after all, what one lacks, the other person has in abundance. BDCs, like banks, should focus on the future and refrain from the present mindset quick gains, which are unsustainable. The Federal Executive Council (FEC) at its session of July 20, 2016, reinstated the position of Foreign Exchange Act of 1995 that banks accept foreign currencies into customers' domiciliary account while the CBN at the same time, indicated patronage of BDCs.

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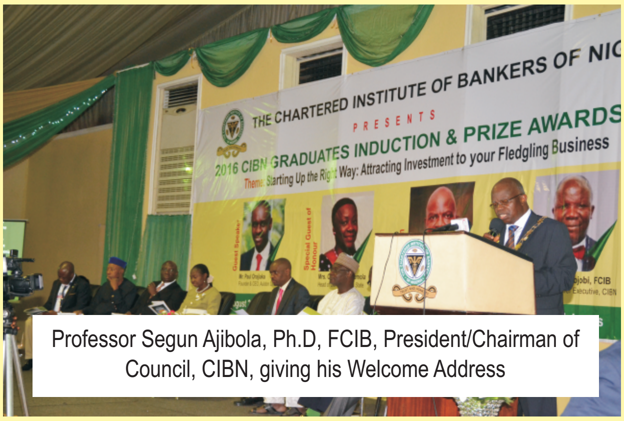
THE 2016 CIBN GRADUATES' INDUCTION AND PRIZE AWARDS PROGRAMME

HELD ON FRIDAY, AUGUST 20, 2016 AT THE HARBOUR POINT, VICTORIA ISLAND, LAGOS



Professor Segun Ajibola, Ph.D, FCIB, President/Chairman of Council, CIBN, giving his Welcome Address

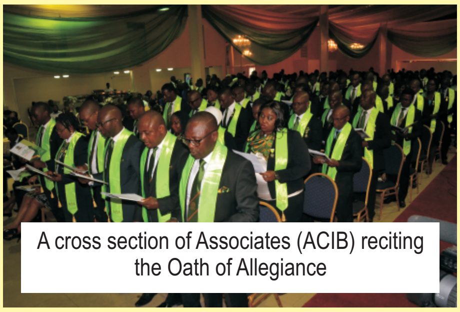

Representative of the Special Guest of Honour, Mrs. Olabowale Ademola, Head of Service, Lagos State, Mrs. Adebimpe Dada, Director (Accounts), Ministry of Local Govt, & Community Affairs, Lagos State Govt delivering the Goodwill Message

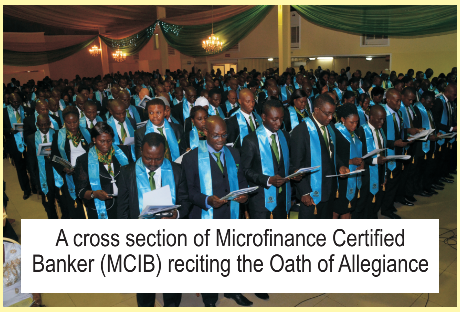

Mrs. Rukayat Yusuf, Group Head, Learning and Development Division, CIBN anchoring the Programme


Guest Speaker, Mr. Paul Orajiaka, Founder/Chief Executive, Auldon Limited presenting his paper on "Starting Up the Right Way: Attracting Investment to Your Fledgling Business"


Mr. Bayo Olugbemi, FCIB, 2nd Vice President, CIBN; Uche M. Olowu, Ph.D, FCIB, 1st Vice President; Professor Segun Ajibola, Ph.D, FCIB, President/Chairman of Council, CIBN; Best Graduating Student in Microfinance Certification Programme, Mr. Elvis Kolberds Chukwu, MCIB receiving a handshake from the President/Chairman of Council; Mr. 'Seye Awojobi, FCIB, Registrar/Chief Executive, CIBN and a guest


L-R; Professor Segun Ajibola, Ph.D, FCIB, President/Chairman of Council, CIBN; Mr. Adeseko Ayodele Adekunle, ACIB, displaying Alhaji A. O. G. Otiti's Award and the UBA Foundation Award as the best student in Practice of Banking; Yvonne Elaigwu representing the UBA Foundation and Mr. 'Seye Awojobi, FCIB, Registrar/CE, CIBN


A cross section of Associates (ACIB) reciting the Oath of Allegiance


A cross section of Microfinance Certified Banker (MCIB) reciting the Oath of Allegiance


L-R front row: 'Uju M. Ogubunka, Ph.D, FCIB, Immediate Past Registrar/CE, CIBN; Mr. Wumi Adeniyi, FCIB, Group Head, Business Services at Heritage Bankin Ltd; Mrs. Clara Ijewere, Wife of Late Sir Francis Ijewere, FCIB, Past President, CIBN and a cross section of guests at the occasion

Prize Award Winners in a group photograph with the Institute's Office Holders and Special Guests

EXAMINATION MISCONDUCT: OFFENCES AND PENALTIES

S/N	OFFENCES	PENALTIES
1	Bringing into the Hall materials related to the examination.	• Cancel all papers of the candidate at that particular examination. • Ban him/her from taking the examination for a minimum of two years, i.e. four consecutive examination diets. • Inform candidate's employers.
2	Bringing materials not related to the particular examination into the Examination Hall.	• Issue a warning letter to the candidate.
3	Impersonation	(i) **Impersonatee** • Cancel all papers of the candidate at that particular examination. • Ban the person concerned from taking the Institute's examinations for life. • Report him/her to the Investigating Panel for investigation. • Inform candidate's employers (ii) **Impersonator** (a) <u>If a member</u> • Ban the person concerned from taking the Institute's examinations for life. • Report him/her to the Investigating Panel for investigation. • Inform candidate's employers (b) <u>If not a member</u> • Hand over the affected person(s) to the police.
4	Assistance by Invigilator.	(i) **The Invigilator** (a) <u>If a member</u> • Forfeits invigilation honorarium. • Ban from future invigilation. • Report him/her to the Investigating Panel for investigation. (b) <u>If not a member</u> • Forfeits invigilation honorarium. • Ban from future invigilation. • Hand over the affected person(s) to the police. (ii) **The Person Being Assisted** • Cancel all papers of the candidate at that particular examination. • Ban him/her from taking the examination for a minimum of two years i.e. four consecutive examination diets. • Inform candidate's employers.
5	Substitution of Prepared Answer Script(s).	(i) **The Person Assisting** (a) <u>If a member</u> • Ban from future participation in the • Institute's examinations • Report him/her to the Investigating Panel for investigation • Report to his/her employers. (b) <u>If not a Member</u> • Ban from future participation in the Institute's examinations • Hand over the affected person(s) to the police. • Report to his/her employers. (ii) **The Person Being Assisted** • Cancel all papers of the candidate at that particular examination. • Ban him/her from taking the Institute's Examinations for life. • Report him/her to the Investigating Panel for investigation. • Inform candidate's employers
6	Proven cases of spying or copying from another candidate.	(i) **The Person Spying** • Cancel that particular paper. • Issue a warning letter to the candidate. • Ban him/her from taking the examination for a minimum of two consecutive examination diets. (ii) **The Person Being Copied** • Issue a warning letter to the candidate.
7	Refusal to complete misconduct form.	• Cancel all papers of the candidate at that particular examination diet. • Ban him/her from taking the examination for a minimum of two years i.e. four consecutive examination diets. • Inform candidate's employers.
8	Assault on examination officials.	(a) <u>If a member</u> • Cancel all papers of the candidate at that particular examination. • Ban him/her from taking the examination for a minimum of two years, i.e. four consecutive examination diets. • Inform candidate's employers. (b) <u>If not a Member</u> • Hand over the affected person(s) to the Police.
9	Bringing telephone or any other unapproved Electronic/Information Communication Technology gadgets into the examination hall.	• Cancel that particular paper. • Issue a warning letter to the candidate.

NB: Sanctions against offenders shall be published in the Institute's website and journals

2016 CIBN APRIL DIET: EXAMINATION MALPRACTICE

Name	Offence	Exam Centre	Sanction
1 **Mr. Ajewole Olakunle Olajide (N113729)**	Caught with exam related jottings on a piece of paper and his palm.	Lagos	• All his papers at the April, 2016 examinations have been cancelled. • He has been banned from taking the Institute's exams for a minimum of two years, i.e. four consecutive examinations effective April, 2016. • His employer has been informed.

Policy Changes and Innovation in the Nigerian Banking Industry:

An Agenda for Research

Ik Muo, PhD, FCIB
Department of Business Administration
Olabisi Onabanjo University
Ago-Iwoye, Ogun State, Nigeria

Abstract
The Nigerian banking industry has undergone monumental and rapid changes in the past thirty years. Most of the changes were due to regulatory interventions while others were due to strategic imperatives. This paper examines the major regulatory milestones, the unprecedented voluntary changes and the innovative strides experienced by the industry. In view of the depth, width and rapidity of these changes and innovation, the paper sets an agenda for research, which revolves around the following: the most prevalent types of change in the industry, change management practices and preferences, critical success factors and hindrances of these change programmes, nature of change resistance and its management, comparison with change management experiences elsewhere, type, method and process of innovation and the way forward in view of the findings.
Key words: banks, change, innovation, change management

1. Introduction

The Nigerian banking history started with the African Banking Corporation (1892) which metamorphosed into the Bank of British West Africa, (1894) and transformed severally to become the First Bank of Nigeria Plc. Other foreign banks followed suit as many indigenous banks also emerged with the main agenda of servicing indigenous entrepreneurs who were ignored by the foreign banks. The Industrial Commercial Bank was the first indigenous bank (1929) while WEMA Bank is the oldest surviving one. The indigenous banks collapsed as fast as they were established; 23 of them collapsed between 1894 and 1965 with 16 failing in 1954 and the Muslim Bank collapsing in its year of establishment and that was 1958 (Dada;1998).

Other significant developments included the commencement of banking regulation (1953); the establishment of the Central Bank of Nigeria (1959); Nigeria Acceptances Ltd and Phillip Hill (1960), the emergence of development banks: Nigerian Industrial Development Bank (1964), Federal Savings Bank (1972), Nigerian Agricultural and Cooperative Bank and Nigerian Bank for Commerce and Industry (1973), and Federal Mortgage Bank of Nigeria (1977); and changes of currency in view of the Nigerian civil war and decimalization/introduction of Naira, 1973. A major event in the Nigerian banking and indeed economic landscape was the Structural Adjustment Programme (1986). Just before SAP, the Nigerian banking scene was characterized by total regulation, an oligopoly situation in which four banks dominated the activities of the industry in operation, poor competitive and marketing tendencies and Government ownership of banks (Muo, 1999).

While change is an inescapable part of life and existence, it is unfortunate that since the advent of SAP (30 years ago), the Nigerian banking industry has been on an endless transition through a regime of fluid regulatory interventions, in which the destination was not always clearly articulated, as every regulator-in-chief tried to stamp his personality on the system. The essence of this paper is to review the major changes and innovation in the Nigerian banking industry in the past 30 years, examine the lessons and challenges from this trend and set an agenda for further research. The paper is divided into 6 parts: part two dwells on the change experiences of the Nigerian banking industry, part three examines the implications and challenges of these changes, part four focuses on innovations, situated these within the global milieu; part five charts the agenda for research while part six is the conclusion.

2: The Change Experiences in the Nigerian Banking Industry

While Nigerian businesses have been experiencing changes as in other parts of the globe, no sector has experienced that change like that of the Nigerian banking industry. The industry has been subjected to rapid and dramatic regulatory interventions since 1986, with the enthronement of Structural Adjustment Programme (SAP). Before the advent of SAP, the Nigerian banking industry operated in a control-prone era as dictated by the annual monetary policy and foreign exchange circulars (Onwumere, 2005). SAP introduced a regime that deregulated almost every aspect of banking. New institutions and laws were introduced, the number of banks quintupled and the era of new-generation banks emerged. Efforts were also made to wean the banking sector from dependency on public sector deposits, a policy which the CBN is still pursuing, and which created more crises for the industry as at that time. The regulation policy was also retuned and fine-tuned as, for instance, we moved from deregulation to re-regulation to ***regulated –deregulation!*** There was acute scarcity of manpower, riotous competition among the banks and it was obvious that the CBN was neither equipped to manage the sudden explosion in its responsibilities nor was it prepared for the type of sharp-practices that the new generation banks and bankers had introduced. Indeed, the changes, challenges and developments in the first six years of SAP so overshadowed the previous 94 years that it appeared as if banking in Nigeria started in 1986. In effect, the rules, the regulations, the regulatory authorities and the policies which the banks had to contend with changed dramatically within that period.

In 1990/91 for instance, the CBN introduced the ***Prudential Guidelines*** which stipulated a strict provision regime, interests on savings and loans were fixed while banks had to fulfil outstanding obligations (for instance, on fixed deposits) contracted at higher interests. The capital base was raised by 150% and 233% for commercial and merchant banks, (from N12m to N20m, and from N40m to N50m). Thus banks were simultaneously faced with the implementation and implication of the prudential guidelines, the profit impact of the unilateral reduction in lending rates, the competitive edge enjoyed by finance companies (which were not affected by the new interest rate policy), the onerous task of meeting the new capital requirements and competition of epic proportions caused by almost doubling the number of banks within two years!

Indeed, between 1986 and 1996, the industry experienced more changes (imposed and voluntary) than it did in its previous 90 year history (Muo;1999). Some of these changes included bank glut (as the number increased from 45 (1985) to 120 (1991), with more banks licenced in 1991 than between 1960 and 1980!) emergence of fringe banking institutions, a new legal regime(BOFID, NDIC, Failed bank decrees etc) and an avalanche of new policies including deregulation of interest and exchange rates, withdrawal of public sector deposits and abolition of rural banking policy)

There were frantic efforts to comply with the new regime, unprecedented competition and regulatory laxity as several initiatives were being introduced simultaneously. Before long, the Peter Principle (Peter, 2011) became operative as people were promoted beyond their competence because of the dearth of capable professionals. Policy summersaults and government indebtedness and interference in banking operations were also very prevalent and all this culminated in distress that ravaged the industry and the entire economy (Ebodaghe, 1996, Nigerian Deposit Insurance Corporation, 2001,Fadiran, 2009). The process of managing the contagious distress led to a lot of regulatory interventions, especially by the NDIC, which itself was the outcome of SAP and allied developments. Other fraudulent practices and ***round-tripping*** had become very prevalent and another round of regulatory quick-fixes were introduced to contain the situation.

The next major regulatory intervention was the introduction of the universal banking policy in 2001 as a result of which the Nigerian banking industry was subjected to a wholesale reconfiguration. Under this scenario, banks had the option of engaging in a bouquet of normal banking activities, to be regulated by the CBN; clearing house activities to be regulated by the Nigerian Interbank Clearing System and Nigerian Automated Clearing System; capital market activities to be regulated by Securities & Exchange Commission and the Nigerian Stock Exchange; and insurance activities to be regulated by the National Insurance Commission. The CBN was the overall regulator. By this policy, banks had actually become all things to all men and the pigeonholing of financial services into several compartments was abandoned while the financial supermarkets model became operative (Muo, 2012). Banks had to brainstorm and strategise to conform to this requirement and that was as they were just emerging from the tremor caused by distress and related problems. By this time, the classification of the banking industry had taken complicated and confusing dimensions.

This was followed by the Soludo era with the 13-point agenda which included a thousand-fold increment in capital requirements (Soludo, 2004). This resulted in consolidation and the reduction in the number of banks from 89 to 24. While this was a strategic and comprehensive initiative to overhaul the Nigerian banking industry and equip it for the emerging challenges, it was still another regulatory shock inflicted on an industry that was just trying to settle down to the dictates of universal banking. Banks and bankers were once more thrown into incalculable confusion in an effort to meet another round of hitherto unimaginable regulatory requirements.

Just as the banks were trying to settle down to the dictates of consolidation and stakeholders were expecting further fine-tuning and smoothening of rough edges, Sanusi came on board and within the first year of his tenor, the Nigerian banking industry experienced the greatest regulatory upheaval in its history. The CBN sacked the board and management of 8 banks and replaced them with its appointees, injected N620bn to support the banks, released the list of bank debtors and deployed the police, EFCC and the courts in controversial efforts to recover the debts, cancelled the universal banking programme and introduced a new banking model (CBN, 2009; CBN, 2010a). The new order torpedoed two previous banking programmes (universal banking and consolidation) with a stroke of the pen, simultaneously adopted the ***narrow-banking*** and ***modular design*** options and created a bad bank', (Asset Management Company of Nigeria) (FRN 2010;Elueni 2011).

This phase of changes also took place in an era of unparalleled uncertainty because there was no clear direction, to the extent that the Federal Government publicly demanded a blueprint from CBN (Ewulu, 2012). Operators kept guessing about the regulatory mindset and direction of the CBN because even the guidelines and instructions were issued in batches as there was no reform master plan or omnibus roadmap (Owoh, 2013). The Governor eventually conceptualized the reforms into *Four Pillars*: enhancing the quality of banks, financial stability, enabling healthy financial sector evolution, and ensuring that the financial sector contributes to the economy.

It also appeared as if there was a deliberate policy to upturn all the policies of the previous CBN management. These included the uniform minimal capital base; the total restructuring of CBN that increased operating departments to 25 barely a year after the predecessor had reduced them to 17; recalling of resident examiners and altering the guidelines for the registration of various classes of Bureau de Changes. These changes also had other implications. For instance, the banks that had hitherto overrun the West African banking environment and were making serious inroads into the rest of Africa had to suspend further foreign expansions, sell off existing ones or restructure the ownership and management models of these banks (CBN 2012b). Other changes included the compulsory retirement of CEOs who had spent up to 10 years in office (two of them eventually became chairmen of the banks) tenure limit of 12 years for non executive directors and compulsory replacement of external auditors after ten years.

Between August 2011 and September 2012, (in just one year!) the Nigerian banks witnessed the following regulatory initiatives: take-off of Islamic banking, nationalisation of three banks through a one-night bridge banking operation (AMCON, 2011;Renaissance Capital, 2011), introduction of cashless banking with several subsidiary guidelines, (CBN, 2011a, CBN 2012a), introduction of the sustainable banking principles, (CBN 2012a), cheque truncation programme, operationalisation of the new banking model, conclusion of the Sanusi wave of M/As (CBN, 2011b), commencement of the process to commercialse or sell the recently bridged/nationalized banks (Chike-Obi, 2012, AMCON, 2012), adoption of IFRS and uniform year end (CBN 2010b, Adam 2009), new policy on the recapitalization of foreign subsidiaries (CBN 2012c) and the suspension of credit facilities to AMCON debtors (CBN, 2012d). While these were going on, the banks were also initiating and executing their own change programmes, in response to regulatory and competitive pressures, economic imperatives, the challenges of globalization, indescribable developments in technology and a lot of ***me-too***, isomorphic changes.

In effect, changes in the Nigerian banking industry, especially in the Sanusi era were too many and too rapid to the extent that both the enforcers and the operators lost count and became change-fatigued. It also led to the ***BOHICA*** paradigm. Abrahamson (2000) argues that such rapid changes create initiative overload and organizational chaos both of which provoke strong resistance and validates the first law of physics- when the pendulum swings, don't stick your neck. Consequently, staff (and banks in this instance) greet each programme with BOHICA alert: ***bend over, here it comes again***. Secondly, it adopted a thief-in-the-night strategy and outright ambuscade which took everybody unawares and change was personalised rather than institutionalised. Furthermore, these developments were not seen as issues of change management; they were seen merely as banking and monetary policy matters but in the real sense of it, they posed serious change management challenges. CBN managers also operated as if the CBN had just been created;, without any regard to antecedents and the lessons of history.

Finally, previous changes and programmes were not brought to closure as a prelude to new ones. (Muo, 2013).

Nigerian banks - as represented by those that survived into the Sanusi era - went through a lot of imposed and voluntary changes within a period of 30 years. They were involved in M/A, recapitalisation, rebranding, internationalisation, organisational restructuring, changes in ICT systems and processes, strategy, CEO/management, business models and massive staff retrenchment. Furthermore, voluntary changes by the banks continue to the present day. FCMB, WEMA and Fidelity banks have recently engaged in corporate rebranding while Skye bank acquired Mainstreet bank just as Heritage Bank acquired Enterprise bank. They are also engaged in staff rationalisation and other strategic steps to improve their competitiveness.

On June 3, 2014, a turbulent era ended after the suspension and ultimate retirement of Sanusi and the ascension of Emefiele as the 11th Governor of the Apex bank. Beyond the dramatic nature of the change of guards, he came on board at a period of rising monetary supply, dwindling oil prices, falling foreign reserve and fiscal buffers, pressure on the exchange rate, rising interest rates, turbulent banking environment due to the combustive nature of the predecessor, increasing non-performing loans, faltering capital market performance, and high incidence of customer-cheating tendencies by banks. With his priority on macroeconomic stability, development banking model and probably moving the CBN away from its controversy-prone past, changes have been more on the operational realms and include altering the capital base of Bureaux de change, finance houses and DFIs, multiple changes in the forex market operations, tinkering with bankassurance model and cashless policy, implementation of BASEL 2 accord, prohibiting delinquent creditors from further facilities and another round of ***name and shame strategy.***

Table 1:
Major Regulatory Trajectories in the Nigerian Banking Industry: 1986-2015.

	Programme	Year	Objectives	Actions/outcomes
1	**Structural Adjustment Programme**	1986 (12/7/86)	Enthronement of efficient resource allocation and utilization through the instrumentality of market forces; Minimizing Government involvement in commerce, restoring a healthy balance of payment, positioning the country on a path to sustainable, non- inflationary growth and development and establishing a "realistic" exchange rate for Naira.	Deregulation of interest and exchange rates, more banks (45 in '85 to 120 in '91) establishment of fringe banking institutions , withdrawal of public deposits. Introduction of OMO and several legal and institutional developments (BOFID, Prudential Guidelines, NDIC, new CBN decree, Failed Bank and Money laundering decrees.
1b	**Bank Distress**	1988	Not applicable (Byproduct of SAP)	Bank disposals, failures, and closures, loss of deposits, failed bank tribunals and several distress containment measures, regulated deregulation. 60 banks in distress (13/12/95); 34 banks with 1,744, 080 depositors in liquidation(as at 31/12/2001).
3	**Sanusi 1: Universal Banking**	2001	Total reconfiguration of the industry; uniform platform for banking and creation of universal banks	Removal of distinction between banks; banks to choose between banking, capital market & insurance activities (regulated by CBN, SEC & NAICOM; CBN as chief regulator. Most banks became universal banks and the financial supermarket model emerged
4	**Soludo: Consolidation**	2004-2009	13-point agenda: Improve capacity, efficiency, confidence and solvency; better risk management and corporate governance, reduce public sector dependency	Higher capital base (N2bn to 25bn); consolidation, reduction in banks from 89 to 25, through M/A and revocation of licenses new corporate governance code, automation of returns. Bigger highly capitalized *(mega)* banks, some listed in global 1000,
5	**Sanusi 2**	2009-2014	Managing the challenges of global economic crises, non performing loans, and poor corporate governance. Later, the 4 pillars: enhancing the quality of banks, establishing financial stability, enabling healthy financial sector evolution, ensuring that the financial sector contributes to the economy	Dismissed the management and board of 8 banks, N620bn liquidity support, uniform year end, and IFRS, AMCON, new banking model, limited tenure of management and board; a new wave of M/As , cashless policy and Islamic banking.
6	**Emefiele**	2014+	Development banking model, macroeconomic stability	Change in capital base of BDC, finance houses and FDI, payment system realignment, multiple changes in forex operations, stopping the bank assurance model, prohibiting debtors from assessing loans, ***name & shame strategy.***

3. The Implications and Challenges of these Regulatory Quakes

These frequent policy upheavals and reversals, whatever their objectives, were an ill-wind that adversely affected the banking industry and the economy. Indeed, since the advent of SAP in 1986, nether the banks, the bankers, the regulators, customers nor other stakeholders have known any peace. There have also been humongous losses that occurred mostly to shareholders through distress, collapse of the stock-market (in which the banks were involved, apart from being the key stocks) and the bridging exercise that shortchanged the original shareholders.

Mintzberg (1996) likens these regulatory upheavals to the activities of surgeons because like many surgeons, our managers are always engaged in continuous 'intervention' (the French term for medical operation). Managers keep operating on their systems, radically altering them in the hope of fixing them, usually by cutting things out. Then, they leave the consequences of their messy business to the nurses of the corporate world. Organisations need to be nurtured steadily and consistently and not to be violated by some dramatic new strategic plan or some gross new reorganisation anytime a new chief executive comes on board.

Regulatory violence, especially as we have witnessed in the banking industry in the recent past, is also a symptom of what Harper (2003) describes as Strategic Gridlocks, characterised by the following tendencies:

- One size fits all thinking: tendency to adopt previously successful solutions without regard to whether they can work in the organisation as if history would always repeat itself;

- Management by lobotomy: tendency to over-rely on organisational surgery to solve persistent problems forgetting that this strategy will not solve persistent problems when there is a basic dysfunction in the underlying the culture;

- Act now and think later, and roller coaster thinking: the tendency to assume that introducing a series of rapid initiatives will move the organisation forward.

The Nigerian banking industry has been engaged in prolonged and pervasive change. With respect to this state of affairs, Huy and Mintzberg (2003:79) are emphatic that prolonged and pervasive change means anarchy and that change has to be managed with a profound appreciation of stability. In making a case for the careful introduction of change, Pugh (1993) declares that organisations are not mechanisms which can be dissected and reassembled differently as required and that change must be approached carefully with the holistic implications and other views considered. In effect, while organisations need to change, there has to be a balance between the need for change (adaptation, innovation) and the equally important need for stability and continuity (Steers,1991). Kast and Rosenzweig (1974) refer to this paradox when they talk about the need to maintain dynamic equilibrium by diagnosing situations and designing adjustments that are most appropriate for coping with current conditions. Such dynamic equilibrium would include enough stability to facilitate the achievement of current goals, enough continuity to ensure orderly change in either ends or means, enough adaptability to react appropriately to external opportunities and demands as well as changing internal conditions and enough innovativeness to allow the organization to initiate changes when conditions warrant. Stadler (2007) also holds that successful companies are usually conservative with change, going through radical changes selectively and not jumping into every new management fad. In effect, changing too much and too fast does not pay.

Banks are already suffocated by rapid and complex changes; changes due to the interplay of forces of competition, technology, globalization, demographics and me-too tendencies. Regulatory changes, which impose both the 'what and when' on banks, may be necessary but they have to be occasional, properly articulated and allowed the usual gestation period before being assessed and reviewed. There may be jolts that lead to sudden regulatory interventions but we should not engage in wholesale regulatory u-turns every now and then. How will our banks and economy have fared if Emefiele reverses/reviews all the elements of Sanusi's programmes? The industry is so delicate that such upheavals destabilise its essence and weaken its ability to perform optimally, which also adversely affects other parts of the economy.

Most of these regulatory interventions were accompanied by unnecessary drama and media exposure while details - which may be factual - were disclosed in such a manner as to hurt business interests, destroy business relations and trust and vicariously erode confidence in the banking industry. Ogudu (2009) alludes to this when he recalled that -

in the peak of the global financial crises, the FED only released a vague summary of the stress-test of the 19 biggest banks and stated that the banks must be recapitalized. It did not tell everybody how badly these banks needed to be recapitalised for fear that the money would not be forthcoming, the banks would be priced cheaply or depositors would move their money. The FED identified the need to protect public confidence in the banking system. Contrast this with the CBN, which went to the extent of releasing contentious and un-reconciled list of debtors. In effect, there must be change but also there must be continuity; regulatory interventions must be properly sequenced in deference to absorptive capacity so as to ensure a much desired stable financial sector (Chizea,2005)

Even while we have not recovered from the avalanche of reforms and changes, and have not conducted a comprehensive review of these efforts, there were already calls for more reforms. Renaissance Capital was in the forefront of this advocacy when it argued that in order to contribute effectively to the anticipated growth in the Nigerian economy in the medium term, it was necessary to carry out another banking reform by 2014 in which banks would further consolidate, grow and be more capable of coping with the growth potentials and emerging opportunities. It believed that this would lead to more efficiency and would be beneficial to depositors, investors and the real sector (Chima, 2012:30). But banks are not machines to be dismantled and reassembled on the bases of lifeless mathematical models and efficiency considerations only. Reactions to that suggestion showed that change-fatigue had actually set in and that there was need to allow things to settle down. It was canvassed that the market should be allowed to settle down as further regulatory induced consolidation may pose danger to the system. Furthermore, some of the banks were just finalizing their recapitalizing and acquisition exercises and thus needed a level of stability before another round of reforms. It was also argued that there is need for the regulators to allow the system to settle down. Instead, banks should be allowed to develop manpower and competence, especially in the area of risk management and corporate governance which were identified as factors that largely contributed to the near collapse of the system few years ago (Chima, 2012:30)

4. Nigerian Banks and Innovation.

As the banks were contending with these imposed and voluntary changes, they were also engaged in an avalanche of diverse innovations. Of course innovations are mostly voluntary though some are imposed and industry-wide. Change and innovation are related but not synonymous because innovations are institutionalized through the change management process. Innovation is the production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets; development of new methods of production; and establishment of new management systems. It is both a process and an outcome (Crossan & Apaydin, 2010). It is also a process through which organisations add value to their customers, shareholders and stakeholders (Hobcraft,2016), an application of better solutions to satisfy new, unarticulated needs, or existing market needs (Dyer, Gregson & Christensen, 2009), involving a viable business model and accepted by customers (van Wulfen, 2016), and leading to increased revenue or reduced costs or both (Baumgartner, 2016). Edison, Ali and Torkar(2013) identify two dimensions of innovation as the degree of novelty (newness to the firm, market, industry and the globe) and types of innovation (process, product, organizational) as well as the nature if impacts (incremental, market and technical breakthrough, and radical innovation.

It has been established that a positive relationship exists between innovation and business turnover as 79% of firms that introduced at least one innovation from 2011 increased their turnover by more than 25% within three years (EU, 2016).OECD (2015) sees innovation as the key to a more inclusive and sustainable growth by generating new businesses and jobs and providing solutions to threatening social and global problems at lower costs. It goes on to identify five key routes to innovation as strengthening investment in innovation and fostering business dynamism, investing in and shaping an efficient system of knowledge creation and diffusion, seizing the benefits of the digital economy, talent and skill optimization, and improving the governance and policies for innovation (OECD, 2015).

Nigerian banks have become very innovative, especially since the emergence of new generation banks and increased competitiveness, sequel to the advent of SAP in 1986.

The era of passbooks, ledger-cards and manual processing which led to agonising delays in cash transactions, money transfers, clearing and payment processes, is over. Processes that used to take hours, days and weeks now take a few minutes and everything is automated, online and real-time. This is due to innovation in fintech (Financial technology), processes and business models. Regulatory push is also a factor in these innovative tendencies.

But Nigerian banks have just been following the trend across the globe in which quantum leaps in banking innovation is the norm. The emerging trends are in the areas of data monetisation, social value chain, robotisation of services, banking on things, re-intermediation and re-bundling, distributed payment capabilities, voice-based transactions, greater and genuine attentions on SMEs, online, non-stop banking and enhanced personalised banking attention (Skinner, 2016). Further avenues for innovation involves learning from the innovative practices of non-financial institutions in the areas of beacon and heat map technology, facial recognition software, 3D augmented reality, recommended product engines tabletop tablet solutions, preferred Customer Programs and appointment setting technology among others(Davies, 2015)

The 2015 Innovation in Retail Banking Report (Efina and Edgeverve, 2015) highlight key issues and developments in banking innovation as follows:

i) Banks have enthroned innovation strategies and continued to increase their investment in innovation (from 15% in 2009 to 84% in 2015).
ii) There are common innovative themes across the globe but with national colourations due to environmental peculiarities.
iii) There have been increasing investment in fintech ($12bn worldwide in 2015) with special interest in payments, lending and wealth creation.
iv) Several disruptive technologies are impacting on the banking industry. Key among these are mobility, advanced analytics, open APIs and internet of things.
v) In the realm of analytics, the greatest impacts come from customer cum social intelligence and real time analytics technologies.
vi) Start-ups continue to be at the forefront of retail innovations and they are competing or collaborating with banks. This scenario creates greater opportunities for collaboration between banks and start-ups.
vii) This collaboration can be through incubators, accelerators or directly taking stakes in these start-ups.

Thus, even though Nigerian banks have been playing the innovation game in recent years, the question remains how far they have gone and how far they still have to go vis-à-vis emerging challenges and global trends.

5. Agenda for Research

Nigerian banks have been undergoing a restless transition process since 1986. While some of the regulatory interventions were necessitated by the need to keep the banks in check and protect the economy, some were not urgent and may not even be very necessary. Most important, these changes were done with such rapidity that there was change fatigue (Crestani, 2014), policies were not evaluated before they were supplanted and at times, regulators in chief announce their arrival by launching some dramatic designs. It also appears that the banks were developing just for their own sake because, the banks have been booming while the economy was slackening, although the past year (2015) was not very buoyant for the banks. Furthermore, it also appears that the Central Bank Governors have personalized the powers of the CBN to the extent that the governor (strong man) can do anything as against the CBN (strong institution).

The frequency of these changes creates further challenges for the banking industry. The Lagos Chamber of Commerce & Industry (LCCI) expressed its concern about policy instability and the implications for the sector and the economy, advising that given its fragile and sensitive nature, reforms of the sector should be carefully managed, with systematic and methodical transition so as not to undermine confidence and to minimise shocks (LCCI, 2010). It has also been noted that every new rule creates a new burden for the operators, the regulators and the industry. Operators try to live with or escape the rules; regulators try to catch the operators and there is no way they can track all infractions and whenever rules are evaded, the credibility of the system is undermined (Coggan, 2014).

Following the change experiences of the Nigerian banking industry as discussed above, changes that have been radical and disruptive (Christensen & Overdof, 2000; McGahan, 2004), the need arises to examine prevalent practices, critical success factors (CSFs), key problems, and the relevance of some of the change management theories to the Nigerian situation. This is important because while a lot has been written on the impact of SAP and consolidation on bank profitability and performance, not much has been written on the change management implications of these developments.

Specifically, a new research roadmap should cover the following:

1. The most prevalent types of change, change management practices and preferences in the Nigerian banking industry.

2. The relevance of some change management theories to the Nigerian situation.

3. The critical success factors and hindrances of these change programmes

4. The nature of change resistance and its management.

5. Comparing Nigerian change management experiences with obtains elsewhere.

6. Sources of innovation ideas: internal, external or hybrid

7. The commonest types and methods of innovation

8. Innovative status vis a vis global trends

9. Innovation institutionalisation process

10. The way forward in view of the findings.

6. Conclusion

The Nigerian banking industry has changed monumentally and rapidly in the past 30 years during which it has been undergoing a restless transition; a transition that still continues today. The speed, intensity and scope of these changes posed and still pose serious challenges for the industry both operationally and as regards change management. They have also done immensely well in the realm of innovation. It thus becomes imperative to conduct more research as to how the banks have managed and survived these simultaneous developments and proffer suggestion on the way forward, both for the operators and the regulators. Addressing these issues will impact positively on the banking industry and also improve the practice of change management in Nigeria.

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All correspondence to
'Seye Awojobi, FCIB
Registrar/Chief Executive, CIBN
Bankers House, PC 19, Adeola Hopewell Street, Victoria Island, Lagos, Nigeria
Tel: +234-1-4617924, 4610655, 6310046 E-mail: cibn@cibng.org; Web: www.cibng.org

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