

Lack of Corporate Governance is the bane of Banking sector in Nigeria

The Chairman of the Economic and Financial Crimes Commission, EFCC, Abdulrasheed Bawa, has called for collaborative measures by relevant stakeholders as a way of militating against bank failure in the country. Bawa said forensic analysis of the annual reports, bank statements and other financial documents of some of the failed banks investigated by the EFCC clearly showed a pattern necessitating collaborative measures that could make the nation's banking sector work more effectively.

Baba stated this while delivering a goodwill message at the opening of a two-day workshop with the theme: "Effective Investigation and Prosecution of Banking Malpractices that Led to the Failure of Banks" organized by the Nigeria Deposit Insurance Corporation, NDIC, in Lagos.

The EFCC Chairman, who was represented by Ahmed Ghali,

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b u s i n e s s e s a n d
l a r g e c o r p o r a t i o n s
h a d a l w a y s r e l i e d
u p o n b a n k s t o
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f i n a n c i a l n e e d s a t
o n e t i m e o r t h e
o t h e r , m o s t b a n k s
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e x p e c t a t i o n s i n
t h i s r e g a r d d u e t o
f r a u d , m i s m a n a g e m e n t ,
i n e x p e r i e n c e a n d
t h e i n i t i a l a b s e n c e
o f r e g u l a t o r y l a w s
a n d a u t h o r i t i e s .



Taking a historical look at the failure of the banking sector in the country, he said:

"Failure in the banking industry was first experienced in Nigeria between 1930 and 1958, when some banks failed and were liquidated. As a matter of fact, more than 21 cases were recorded in Nigeria between 1930 and 1958 when the Central Bank of Nigeria (CBN) was established. Alpha Merchant Bank, Financial Merchant Bank and Republic Bank were some of the banks affected during this period (CBN statistical Bulletin, 1988)."

"In a bid to change the narrative and save the Nigerian Banking Sector from a near collapse, the Central Bank of Nigeria (CBN) in 2004, increased the minimum paid up capital of banks to N25billion from N2billion. The policy, which was effected in 2005, was intended to consolidate the existing banks into fewer, larger and financially stronger banks. As a result of the implementation of this policy, the 89 banks that existed as at

2004 decreased to 25 larger, better-capitalized banks in 2005.

"Furthermore, the enactment of the Nigeria Deposit Insurance Corporation (NDIC) Act in 2006, became a major landmark in the Nigeria's Banking sector as it made provisions for the insurance of all deposit liabilities of licensed Banks operating in Nigeria. (Section 2(a), NDIC Act, 2006).

"In 2010, the CBN however came up with another policy, which is a fundamental reversal of the consolidation policy in 2005.

"The new policy was aimed at categorizing banks into tiers by function and allowing varying levels of capital depending on the bank's function as opposed to the single current minimum capital of N25billion.

"These reforms indicated that the banks did not just fail; they were destroyed and brought to their knees by acts committed by

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b a n k i n g i n d u s t r y
h a s b e e n c a j o l e d
a n d m a n i p u l a t e d
b y h u m a n b e i n g s
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f o r b r e a t h".

W h i l e
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trend in the sector, Bawa further stated that lack of good corporate governance and accountability were reasons for bank failure in the country.

According to him, "In some of the failed banks, the management stole billions of Naira in the name of borrowing, some even gambled with depositors' funds to speculate on the stock market and manipulate share prices.

"Some banks granted loans to billionaires and captains of industries whose wealth actually was money belonging to the poor which they "borrowed" and refused or were not able to pay back." The EFCC boss, who also urged the NDIC to embrace technology to meet up with the investigative and prosecutorial challenges of the 21st Century, also called for cooperation from those who should furnish investigators with relevant information.

He also lamented the slow pace of court proceedings and interference from different quarters during investigations, saying: "This is a major challenge to the effective investigation and prosecution of fraud in bank

