

AN EXAMINATION OF THE RELATIONSHIP BETWEEN BANK REGULATION AND PERFORMANCE IN NIGERIA

EFERAKEYA, IDOWU

LECTURER,
DEPARTMENT OF ACCOUNTING,
BANKING & FINANCE,
DELTA STATE UNIVERSITY,
ASABA CAMPUS,
ASABA.

ABSTRACT

This paper examined the relationship between bank regulation (measured by regulation index) and bank performance (measured by bank performance index) in Nigeria for the period 1986-2004. Data used were obtained from CBN annual reports for 1986-1989 and NDIC annual reports for 1990-2004. The coefficient of correlation and coefficient of determination were used to test whether regulation causes bank performance. The results indicate that the relationship between bank regulation and performance is positively highly correlated. Against this backdrop, the study recommends that regulation of the banking sector should be intensified, regularly and proactively. The regulatory bodies should develop adequate capacity and competencies to deal with emerging challenges in banking operations now occasioned by globalization. Infractions on rules, regulations and procedures by banks should attract severe sanctions by applying the laws non-selectively. Regulators should be highly motivated in terms of work environment and emoluments so that the lure of corruption can be resisted.

KEY WORDS: Bank Regulation, Banks Performance, Bank Distress. Banking reforms, banking sector.

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