SYSTEMATIC BANK RESTRUCTURING AS A VIABLE SOLUTION FOR BANK FAILURE IN NIGERIA

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DECLARATION

I hereby declare this project is the product of my own efforts. It has not been presented in any previous application for a higher degree. The various sources of information not original to the study have been acknowledged in the references and bibliography. Any error in the work are entirely my responsibility

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CERTIFICATION

This project entitled, **SYSTEMATIC BANK RESTRUCTURING AS A VIABLE SOLUTION FOR BANK FAILURE IN NIGERIA** by **BABAGANA AHMADU** meets the regulations governing the award of the degree of Master of Business Administration (MBA) OF Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation

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DEDICATION

DEDICATED TO MY PARENTS

ACKNOWLEDGMENT

I remain eternally grateful to Almighty Allah, the cherisher and sustainer of all the worlds, the Beneficent, the Merciful for keeping me fit throughout my studies, and may peace and blessing of Allah be upon the greatest benefactor of mankind the Holy Prophet Muhammed, his family, companions and whosoever follow the right guidance till the day of judgment.

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ABSTRACT

The impact of global economic depression caught up with the Nigerian economy in the last decade and one of the industrial survival strategies was restructuring programmes. With this development arouse many unanswered problems in relation to method of approach and implications of such arrangements.

With the celebrated restructuring cases of FSB International Bank Pic and Standard trust Bank Limited, the research delve into the systematic methods applied by the two banks.

The information gathered shows that great effort, time and huge financial resources are expended in various training and retraining programmes, management retreats, recruitment, recapitalization, corporate promotion, computerization and sundry infrastructural developments. Little is being done by the banks in inculcating the concept of trust which I believe is a critical success factor in the new millennium. The systematic approach to restructuring can only be achieved through attention to details and maintenance of standards.

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CHAPTER ONE

1.1 INTRODUCTION

During the oil boom era of the seventies and early eighties, companies found themselves operating in an expanding market and so increasing companies performances was not too difficult. More so, when there was enough money to throw around. However the situation has changed, the economy is in a recession, inflation is on the increase the purchasing power of consumers has fallen and competition has unfortunately, become keen in every sector of the economy.

Given the competitive situation each company's attention now is on restructuring of its activities and a re-definition of their focus. In the banking sector, the advent of restructuring is a recent phenomenon. It came with the deregulation of various sectors of the economy, and was also necessitated by the growing needs of various banks to improve the corporate culture, a complete overhaul of bank's management and associated information technology.

To have a thorough understanding of the subject matter, the corporate restructuring strategy which constitute corporate turnaround, retrenchment and portfolio restructuring strategies were examined. Recapitalization and information technology were not left out. The

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interplay of these factors and how they affects the overall performance of the banks understudy was our aim in this project.

1.2 STATEMENT OF THE PROBLEM

Restructuring activities now sweeping through the banking sector have been attributed to the ever toughening operation climate for the banking system. Consequently, more banks are sharply refocusing their operation in line with new technologies and the changing regulatory framework. How many of these banks actually engage in full restructuring ? How many of them looks at such criteria of banks management, recapitalization operational automation and etc. As means of enhancing performance.

Again, the economy is going through turbulent period with its attendant consequences. Many of the banks have come to realize that their success and indeed, long run survival depends on efficient and effective management. Therefore systematic bank restructuring as a viable solution for banks failure was the focus of this research.

1.3 PURPOSE OF THE STUDY

Managing the restructuring of a distress banks involves more than

a complete overhaul of the bank's management. Each other factors must reinforce each other and complement other management efforts to ensure the attainment of organizational goals.

This research dwells on the conceptual and managerial aspects of restructuring as applied to the banking industries using FSB International Plc and Standard Trust Bank Limited as a case study.

Specifically, the research examines the following issues as they relate to the companies under study:

- The corporate goals of the banks
- How their restructuring are determined.
- The emphasis placed on each factors of restructuring programmes
- Make recommendations on the basis of findings

In a nutshell the research attempts to show restructuring 'in action' in the banking industries.

1.4 SCOPE OF THE STUDY

The emphasis of the study is on the systematic restructuring in a banking industry but no attempt is made to examine the totality of the management strategy of the Banks under study.

1.5. THE RESEARCH METHODOLOGY

In carrying out this study, emphasis will be more on secondary data. The method for this data collection and research will consist of the following:

i. Literary reading on the theories of bank restructuring

ii. A study of the past and current bank restructuring programmes in Nigeria.

iii. A study of papers delivered at seminars and workshops organized by the various sectors of the economy.

The primary sources shall mainly be obtained from interviews with some management staff of the banks in my case study.

1.6 LIMITATIONS OF THE STUDY

Research of this nature are usually not devoid of certain limitation and problems. One of these was the limited time available for the completion and submission of the project.

Added to this was the limited financial resources of the researcher which hindered more extensive study of the subject matter.

Other problems encountered in the course of this research were the paucity of information on the bank restructuring in the country and the

failure of the companies to divulge some information vital to this research but which it considered 'sensitive' and 'confidential',

1.7 SIGNIFICANCE OF THE STUDY

Competition has become keen in the banking industries as they are not competing within their respective fields, but also with increasing number of mortgage and savings institutions. Community banks, finance and investment houses.

Today's' banking must be alert to their environment and ready to adopt resources in response to changing consumer needs. This must communicate information regarding their offerings and obtain information through a feed back mechanism concerning the consumers perception and acceptance of their offerings

Restructuring is one of the competitive weapon that banking business can use to build and project their market share. It is thus important that both new and old generation banks are aware of the benefits of restructuring.

The findings of this research will go a long way in helping the banks understudy fine tune their restructuring program as a necessary step to achieving their objectives. On a broader level , other firms in the industry will be able to draw lesson from this research.

1.8 DEFINITION OF TERMS

The following terms are used in this research in the sense in which they are explained below:

LIQUIDATION: Is the termination or winding up of a business by conversion of its assets into cash and distribution of proceeds, first to the creditors in their order of preference and the remainder if any to the owners in proportion to their holdings.

RECAPITALIZATION: It denotes redemption of a sinking company as shareholders make good any serious capital diminution resulting from business losses.

RESTRUCTURING: Any change in capital structure in operations or in ownership that is outside the ordinary course of business.

CHAPTER TWO

LITERATURE REVIEW

2.1 THEORIES ON BANK RESTRUCTURING

The emerging financial services industry is increasing global in nature and is characterized by:

I. Capital moving freely across geographical boundaries.

ii. National regulators as no longer able to fully contain and control their markets.

iii. Products being created traded and distributed globally

iv Major institutions operating globally through concentrated in few major centres

v Competition becoming pervasive and from non traditional, that is non bank sources.

vi Technology continuing to make markets seamless.

These changes are accelerating and will become more so as the world transit into the 21st century. A company may undertake an expansion programmes, divestiture and rearrangements and ownership restructuring, yet all its efforts to adopt the structure of the organization to the changes.

The term restructuring as defined by Hall (1980) is any change in

management structure in operation or, or in ownership that is outside the ordinary course of business.

Bank restructuring theories can be prompted by any of several conditions as enumerated by Ansoff (1965). These conditions are:

1. When a strategy review reveals that the long term performance prospects for the cooperation as a whole have become unattractive (because the declining portfolio contains too many slow - growth or competitively weak business units).
2. When one or more of the firm's key business which fall prey to hard times.
3. When a new Chief Executive Officer takes over the reins and decides that it is time to redirect where the company is headed.
4. When "wave of the future" technologies products emerge and make a series of foothold acquisitions an attractive way to get a position in a potentially big new industry.

Restructuring is an appropriate and the therapy for the inherent inadequacies in the techniques and instruments for banking services. The restructuring efforts of any organization is bound to foster fear and uncertainty among staff, as periods of rapid change always do . Being disruptive, it is small wonder that the change process will be resisted by some. Yet change which is simply growth by a different name, is an

unmixed blessing, because in the long term it is main source of higher quality service delivery. What all this means is that although a big chunk of banks assumed long term cost savings will presumably come from right sizing, restructuring is not about eliminating jobs.

According to a World Bank Publication "Private Sector Development in low income countries", the success of banking reforms owe much to general economic policy. To World Bank, liquidation and privatisation has proved easier for the small and medium size banks, particularly when it is part of an overall reform program that allows new entry in the banking systems. However it is extremely difficult and demanding, especially in countries where legal and management skills are in short supply and where the private sector lacks the means to buy the companies or their assets.

2.2 FINANCIAL DISTRESS

Banking sector distress has been described as a situation in which sizable proportion of banks have liabilities exceeding the market value of their assets which may lead to runs and other portfolio shifts and eventual collapse of the banking system. Put differently, distress in the banking sector occurs when a fairly reasonable proportion of banks in the banking sector are unable to meet their obligations to their customers, their owners and the economy as a result of weakness in their financial,

operational and managerial capabilities which render them either illiquid and or insolvent (CBN/NDIC, 1995).

A survey of banking in emerging markets published by the Economist magazine on April 12, 1997 alluded to the fact that the past two decades have brought more than their fair share of banking crisis to emerging economies precipitated not only by the weak management of banks but also by factors such as unwise economic policies (such as capping interest rates in a high inflammatory period as was the case in Nigeria), political meddling, financial liberalisation and increased competition. The survey goes on to state that since 1980 more than 100 developing countries have suffered some kind of serious banking sector crisis. The survey estimates that in Africa, banking system have resulted in systemic distress at the rate of two per annum.

According to the World Bank, between 1988 and 1996, systemic bank crisis occurred in 20 African countries, five of which had to spend more than a tenth of their GDP to mend the damage. The problem of distress in the banking sector in Nigeria dates backs to the 1930s when about 21 bank failures were recorded prior to the establishment of the Central Bank of Nigeria in 1958. Recently, several financial institutions in Nigeria became distressed, thus highlighting the precarious position of the financial sector. Between 1993 and 1996, the financial conditions of

many banks and non banking financial institutions worsened significantly which compelled the authorities to take decisive steps to restore public confidence in the financial system.

During this period, the number of banks classified as distressed increased from 38 to 60(Table 1). The Central Bank of Nigeria (CBN) took over the management of 17 banks in 1995, while the licenses of 5 others were revoked. On January 16, 1998 the licenses of 26 distressed banks were revoked. The initial mistake was to allow just anyone that had access to government with little experience and in some cases little or no capital to set up their own banks. These banks were then ruined by amongst other things, weak supervision, inadequate rules governing accounting and bankruptcy, ineffective economic management and reckless lending. For example the process for licensing of banks was deregulated in 1988 and new banks established, which increased competition and introduced sharp practices before the regulatory and accounting rules such as prudential guidelines (1989), SAS No 10 (1990), BOFID (1991) were enacted/implemented.

There are broadly two categories of institutional arrangements that could be put in place in managing banks distress

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- those designed to avert distress (i.e. Preventive measures)
- those designed to mitigate the consequence of distress once it occurs (i.e. remedial measures)

Preventive Measures tend to be embodied in existing legal and institutional structures. These include specifying the rules of the game by instituting and protect the interest of depositors. A corollary action involves monitoring the banking system through government supervision and external (as well as internal) auditing procedures that enforce compliance with the regulations and international accounting standards and disclosure reveal the financial condition of the banks. The central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) constitute the regulatory/supervisory authorities for the banking system. These two institutions are jointly responsible for handling bank distress and failure resolution in Nigeria.

Remedial Measures: The second category of managing distress are remedial measures which are often ad-hoc, both in the nature of the actions taken and in the timing. There are several reasons for the ad-hoc nature of remedial measures, First the authorities may view the fiscal implications of recognizing and allocating huge losses as politically unpalatable. Moreover, these remedial measures are implemented only

in the eve of distress, which it is hoped may actually not occur. Also the event that triggers these remedial measures of insolvency (threatened or actual) is hard to define and measure precisely because of the lack of timely and accurate accounting information and the difficulty or valuing certain assets.

Remedial measures include deposit insurance, government intervention in troubled banks, either through restructuring efforts or assumption or ownership, use of the Central Bank's function as lender of last resort to improve liquidity and liquidation or re-capitalization procedures.

TABLE 1

Three Years Trend of Distress in the Banking Industry and Related Indices.

Parameters	Dec. 1993	Dec. 1994	Dec. 1995
Number of Distressed Banks	38	55	60
Total Assets (N billions)	55.1	73.1	95.6
Total Loans & Leases (N billions)	23.6	45.6	66.5
Non - Performing Loans & Leases (N billions)	13.1	29.5	44.5
Ratio of Non - Performing Loans & Leases to Total Loans & Leases(%)	56.0	65.0	67.4
Amount Required for Recapitalization (N billions)	12.8	16.7	24.3
Total Deposits (N billions)	27.7	48.8	70.8
Deposit Insurance Fund (N billions)	2.8	4.2	60.

Source: NDIC Quarterly Volume 6 Nos 1 & 2, March 1996

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2.3 THE IMPACT OF FAILED BANKS ON THE NIGERIAN ECONOMY

2.3.1 ROLE OF BANKS.

The significance of the Banking Sector in the Economy of any nation is of paramount importance as they play very vital role in promoting economic growth and development.

Banks plays their role of economic development by carrying out their functions of financial intermediation, provisions of an efficient payment system and facilitating the implementation of monetary policies. In intermediation banks mobilise savings from the surplus units of the economy and channel these funds to the deficit units for the purpose of expanding their productive capacity. Hence, banks contribute to the real productivity of the economy and to the overall standard of living since they are able to satisfy simultaneously the needs and preferences of both the surplus and deficit units. In essence banks act as conduits for converting savings into investment an activity that is critical for promoting economic growth and development.

They also serve as a medium of implementing a number of sensitive government policies and programmes. For instance, the allocation of scarce resources as foreign exchange and credit is done through the Banking system.

Furthermore, the banking industry provides a payment system to facilitate a relatively efficient settlement procedure. Without these institutions economic activities would have been severely impaired as the country will be limited to a barter economy which is clearly an inefficient system because markets cannot develop nor can specialization take place. Using the deposits mobilized as their stock - in - trade banks create money through the granting of credits at a price to be paid along with the principal at maturity. They, therefore, motivate and promote investment in a country.

The existence of a well functioning banking system in a developing economy like ours will determine the success of their privatization effort.

The absence of ready sources of financing serves as a barrier to entry and delays industrial restructuring and domestic competition (IMF working paper, 1990). At the broadest level of generalization, a well functioning banking system will promote rapid economic development while a banking system that is characterized by massive failures would retard growth and development in the real sector of the economy.

2.3.2 IMPACT ON THE ECONOMY.

As pointed out earlier, the importance of the banking system to the economic development of a nation cannot be overemphasized. Therefore, an industry - wide insolvency of banks such as the one being experience

in Nigeria should be expected to retard the economy state of capital formation, reduce its level of employment and output and ultimately the pace of economic growth. Another serious danger posed by wide - spread distress among banks is the threat to the development of an efficient payment mechanism. In Nigeria today, it is puzzling that Inspite of the global trend towards credit - based economies and the growth of this culture in most emerging markets most economic transactions in our economic are carried out on cash and carry basis. This resulted in the huge pool of funds in the informal sector - estimated to be as much as 50% of total money supply. The cash- based nature of our economy not only chokes the development of the financial services industry by hampering efficient resource allocation and financial intermediation, but it also encourages distortion in money supply and macroeconomic management.

In Table 2 below we have chosen to observe the trend of net domestic credit to the economy and compare it with the trend of key economic parameters such as the rate of growth of real GDP, the rate of manufacturing capacity utilization and per capita income in Nigeria.

TABLE 2

Selected Macroeconomic Indicators.

	1992 (1)	1993 (2)	1994 (3)	1995 (4)
Real GDP (Growth Rate %)	3.0	2.3	1.3	2.17
Manufacturing Capacity Utilisation (%)	41.8	37.2	30.4	27.9
Inflation Rate (%)	44.6	57.2	57.0	72.8
Net Domestic Credit (%)	91.4	69.1	29.2	23.1
Narrow Money (M2) (%)	52.8	54.4	47.8	8.1
Broad Money (M2) (%)	49.2	49.8	39.1	10.3
Current Account Balance (% of GDP)	-0.9	-2.4	-5.4	-5.6
Overall Balance (% of GDP)	18.3	-5.1	-4.7	-3.1
External Reserves (US$ Million)	713	1,330	1,659	1,441.0
Overall Fiscal Balance (% of GDP)	-10.2	-15.4	-7.9	-0.6
Domestic Debt Stock (% of GDP)	31.5	31.9	38.1	24.6
External Debt Stock (% of GDP)	98.9	79.0	72.3	73.9
GDP Per Capita (N)	1,066	1,069	1,069	1,290
Population Growth Rate (%)	2.1	3.2	2.1	2.1
Life Expectancy at Birth (Years)	51	52	52	52

Source: NDIC Quarterly Volume 6 Nos 1 & 2, March 1996.

As depicted clearly in the Table, the change in net domestic credit fell from its level of 91.4% in 1992 to 69.1% in 1993 and nosedive to 23.1% in 1995 respectively. Drawing from Table 1 as it relate to distress in the Banking Industry it is clear that as the banks in distress increased from 38 in 1993 to 60 in 1995 and the non - performing loans of these distressed institutions increased from N13.1billion in 1993 to N44.5 billion in 1995, the addition to total net domestic credit took a downward trend. This observation has corroborated the hypothesis that development that disrupt the operations of banks as financial intermediaries will adversely affect total quantity of bank credit (Ebhodaghe, 1996).

However the steady per capita income over the years, it was actually declining as inflation increased from 44.6% to 72.8% during the period under review.

While several intervening factors might have accounted for the deteriorating fortunes of the economy the situation cannot be completely divorced away from the relationship that exists between the banking sector and the real sector of the economy. Therefore there is the need to intensify efforts at sanitising the system.

2.4 CORPORATE RESTRUCTURING STRATEGIES

The managerial function of corporate strategy is to establish a coherent corporate direction and an action plan for the entire enterprise.

The core of corporate strategy rests with developing answers to three questions:

i. How should the corporations diversified business portfolio be managed to improve long-term performance, what scope and mix of business units makes the most sense, which businesses should be divested, what new businesses should be added, and what course to chart for continuing operations?

ii. To what extent should the strategies of the firm's individual business units be co-ordinated?

iii. How should the available corporate resources be allocated across all of the company's various activities in order to get maximum performance from the whole portfolio which business units deserve what kind of resources and investment priority.

The survival options provide a company many potential benefits or opportunities such as.

- diversifying into new markets
- enlarging managerial expertise
- increasing market share
- expanding product line
- maximising financial potentials and

- achieving technological success

The task of corporate strategy involves to restructure and rebuild the portfolio to fit new conditions and new corporate priorities. Seven generic corporate strategy approaches stand out (Harrigan, 1983).

2.4.1 The Single Business Corporate Strategy

Concentrating on a single line of business (whether it is total or with a small dose diversification) offers some impressive competitive strengths and advantages. To begin with single business concentration breeds directional clarity and unity of purpose up and down the whole organisation. A number of key strategic task become more manageable: the efforts of the total organisation can be directed down the same business path rather than becoming fragmented into the pursuit of several different business directions. Simultaneously the job of setting precise performance objective for the company and for each department is less complex; and all enterpreneural eyes can be trained squarely on keeping the firm's business strategy and competitive approach responsive to the winds of industry change and fine-tuned to specific customer needs. There is less chance that senior management's attention and limited organizational resources will be stretched thinly over too many diverse activities. All of the firm's managers, and especially those at the top

executive level can maintain hand on contact with the core business and can be expected to have in-depth knowledge about operations. Most senior officers will probably have come up through the ranks and possess first hand experience in field operations something that is hard to expect of corporate managers in broadly diversified enterprises.

The competitive strength and earning power often associated with single business concentration cannot be lightly dismissed. There are important sources of competitive advantage stemming from the single business corporate strategy approach, concentrating on a single business offers opportunity for a firm to

1. Build a distinctive competence by utilizing the full force of organizational resources and managerial know-how in order to become proficient at doing one thing very well and very efficiently.
2. Use the firms accumulated experience and distinctive expertise to pioneer fresh approaches in production technology and/or in meeting customer needs and/or in product innovation and/or in any other point of the overall activity/cost chain.
3. Translate the firm's distinctive competence and ability to innovate into a reputation for leadership and excellence. Many single business enterprise have parlayed such opportunities into a sustainable competitive advantage and achieved a prominent leadership position in their industry.

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2.4.2 Vertical Integration Strategies

Vertical Integration Strategies extend a firm's competitive scope within the same overall industry. They involve expanding the firm's range of activities backward into sources of supply and/or forward toward end-users of the final product. The generic approaches to vertical integration can involve integrating backward or integrating forward or doing both. The best reason for pursing vertical integration according to Harrigan (1985) is to strengthen a firm's market position and/or to secure a competitive advantage.

Whatever its specific formation forward integration is usually motivated by a desire to realize the profit potential of (1) a smoother , more economical production flow (2) product differentiation (3) having one's own capability for accessing end user markets, and/or (4) a distinction cost advantage.

All things considered, a strategy of vertical integration can have both important strengths and weakness. Which direction the scales tip on vertical integration depends on (1) How compatible it is with the organisation long-term strategic interests and performance objectives (2) How much it strengthens an organization's position in the overall industry and (3) the extent to which it creates competitive advantage. Unless these considerations yield solid benefits, vertical integration is not likely to be an attractive corporate strategy option.

2.4.3. **Related Diversification Strategies**

Related diversification is a very attractive way to expand a firms' field of business interests. It allows a firm to maintain a degree of unity in its business activities and gain any benefits of fit and cost sharing, while at the same time spreading the risks of enterprise over a broader base. But more importantly, perhaps when a firm has been able to build a distinctive competence in its original business related diversification offers a way to exploit what it doe best and to transfer a distinctive competence based competitive advantage from one business to another. Diversifying in ways that extend a firm's expertise to related businesses is a principal way to build corporate-level competitive advantage in a diversified firm; this advantage allows the diversifier to earn a profit greater than the total that would be earned if each business operated as an independent company.

2.4.4 **Unrelated Diversification Strategies:**

While many diversified companies have opted for related diversification to try to benefit from strategic fit opportunities, some firms have been more attracted to unrelated diversification. Possible ways to pursue unrelated diversification strategies include:

1. A cash -rich opportunity, poor company seeking to acquire a number of opportunity rich, cash-poor enterprises.

2. A firm subject to strong seasonal and cyclical sales patterns diversifying into area with a counter seasonal or counter cyclical sales pattern.

2. A debt heavy firm seeking to acquire a debt-free firm in order to balance the capital structure of the former and increase its borrowing capacity.

4. Building a diversified portfolio of three or four unrelated groups of businesses, striving for some degree of relatedness within each group.

5. Acquiring companies in any line of business, so long as the projected profit opportunities equal or exceed minimum criteria.

2.4.5. Strategies for Entering New Businesses

Entry into new businesses can take any of these forms; acquisition, internal start-up and joint ventures. Acquisition of an existing business is probably the most popular approach to corporate diversification. Acquiring an established organisation has the advantage of much quicker entry into the target market , Internally developing the knowledge, resources, scale of operation, and market reputation necessary to become an effective competitor can take years and entails all the problems of start up. Finding the right kind of company to acquire can sometimes present challenge though (Porter, 1980).

Achieving diversification through internal development involves creating a new business entity in the desired industry and, starting from scratch, establishing new production capacity, developing sources of supply, building channels of distribution, developing a customer base and so on. Porter (1980) enumerates reasons why internal is more attractive when:

1. There is ample time to launch the business from the ground up.
2. Incumbent firms are likely to be slow or ineffective in responding to new entry;
3. The entrant has lower entry costs than other potential entrants;
4. The entrant has a distinctive ability to compete effectively in the business
5. The additional capacity will not adversely impart the supply-demand balance in the industry; and
6. The targeted industry is young fragmented and has potential for rapid growth over the long run.

Joint ventures are useful way to gain access to a new business in at least three types of situations. Druker (1974) examines the situation as: First, a joint venture is a good device for doing something that is uneconomical or risky for an organization to do alone. Second, joint ventures makes sense when pooling the resources and competence of

two or more independent organization produces an organization with more of the skills needed to be a strong competitor. In such cases each partner brings to the deal special talents or resources which the other doesn't have and which are important enough that they can spell the difference between success and new success. Third joint ventures with foreign partners are sometimes a good way to surmount import quotas, tariffs, nationalistic political interest and cultural road blocks.

The draw back to joint ventures according to Porter (1980) is that they create complicated questions about the division of efforts among the partners and who has effective control.

2.4.6. Abandonment, divestiture and Liquidation Strategies

When a line of business loses its appeal, the best solution is often abandonment. Normally unattractive businesses should be divested as fast as is practical. To drag things out merely drains away valuable organizations resources. The more business units in a firm's portfolio the more it will need a systematic planned abandonment strategy for divesting itself of poor performers, dogs and misfits.

Divestiture can take either of two forms. In some cases it works fine to divest a business by spinning it off as a financially and managerial independent company, with the parent company retaining partial ownership or not. In other case a buyer needs to be found. As a rule,

divesting should not be approached from the angle of "who can we pawn this business off on and what is the most we can get for it?" Instead it is better to proceed by analyzing "for what sort of organization would this business be a good fit and under what condition would it be viewed as a good deal?" In identifying organizations for whom the business is a good fit, one also finds the buyers who will pay the highest price

Of all the strategic alternatives, liquidation is the most unpleasant and painful, especially for a single business enterprise where it means terminating the organizations existence. For a multi-industry, multi business firm to liquidate one of its lines of business is less traumatic; the hardship of suffering (through layoffs, plants closing) while not to be minimized, still leaves an ongoing organization, perhaps one that eventually will turn out to be healthier after its pruning than before. In hopeless situations an early liquidation effort usually serves owner - stockbroker interests better than inevitable bankruptcy. Prolonging the pursuit of a loss course simply exhausts an organisation resources and leaves less to liquidate: It can also mar reputations and ruin management careers. Unfortunately, it is seldom simple for management to decide when a cause is lost and when a turnaround is achievable. This is particularly time when emotions and pride get in the way of sound managerial judgment as they often do.

2.4.7. Corporate Turnaround, Retrenchment and Portfolio Restructuring Strategies

Corporate turnaround, retrenchment and portfolio restructuring strategies come into play when senior management undertakes restoration of an ailing corporate business portfolio to good health. The first task here is always diagnosis of the underlying reasons for poor corporate performance. Formulation of curative strategies then follows. Poor performance can be caused by large losses in one or more business units which pull overall performance down, having a disproportionate number of business in unattractive industries, a bad economy which has adversely impacted many of the firms business units, or having weak management at either the corporate or business levels

A. Corporate Turnaround

How to attempt a turnaround necessary depends on the roots of profitability and urgency of any crisis. Depending on the causes. There are six action approaches as enumerated by Guth (1980) that can be used singly or in combination to achieve a turnaround in a diversified enterprise.

1. Focus mainly on restoring profitability in the money losing units
2. Implement harvest/divest strategies in the poorly performing units

and allocate money and resources to expansion of better - performing units

3. Institute across - the- board economies in all business units
4. Revamp the composition of the business portfolio by selling off weak businesses and replacing them with new acquisition in more attractive industries.
5. Replace key management personal at the corporate and/or business levels; and
6. Launch profit improvement programs in all business units.

B. Retrenchment

Retrenchment differs from turnaround in that retrenchment is a temporary retreat and trimming back in the face of adverse conditions. The strategic posture of retrenchment is one of battering down, the hatches and weathering out the storm" Retrenchment is a common short run defensive strategy for responding to conditions of general economic recession, tight money, periods of economic uncertainty, a storm of public criticism and/or harsh regulation. Corporate retrenchment also makes sense as a response to internal financial crisis brought on by excessively rapid expansion strain in financing a major capital investment project, or and unexpected business reversal (loss of a major customer, failure to win an anticipated contract, a natural disaster and so on) Retrenchment

strategies are usually dropped as soon as conditions term favourable enough to resume expansion and otherwise launch new initiatives.

Retrenchment can be approached in either of two ways; One pursuing stringent across - the-board internal economies aimed at wringing out waste and improving efficiency and two, singling out the weakest performing businesses in the corporate portfolio for pruning and revamping. In the first instance, a firm that finds itself in a defensive or overextended position elects to remain in most or all of its current businesses and tries to ride out the bad times with various internal economic measures. Ordinarily this type of corporate retrenchment strategy is highlighted by directives to reduce operating expenses, improve efficiency and boost profit margins. It can involve curtailing the hiring of new personnel stretching out the use of equipment and delaying replacement purchase in order to economize on cash requirements, dropping marginally, profitable products, closing order and less efficient plants, reorganizing internal works flows, reducing inventories and the like.

The second variation of corporate retrenchment singles out the weak performing parts of the corporate business portfolio for major strategy revisions, internal overhaul and whatever else may be necessary to restore them to good health. Performing radical surgery on these units

that are least profitable is nearly always a by product of poor overall corporate performance and/or persistently poor performance in the targeted business units. Many diversified firms have been forced into drastic surgery on one or more business units because of an inability to make them profitable offer several frustrating years of trying, or because ongoing operating problems proved intractable or because funds were lacking to support the investment needs of all the businesses in their corporate port folios

C. Portfolio Restructuring Strategies

Portfolio restructuring strategies involves radical surgery on the mix and percentage make up of the types of businesses in the portfolio. Portfolio restructuring frequently involves both divestitures and new acquisition. The candidate business units for divestitures include not only those that may be competitively weak or more up-and down performers or are in unattractive industries, but also to see that no longer fit (even though they may be profitable and in attractive enough industries). Indeed many broadly diversified corporations disenchanted with their past experiences and future prospects with unrelated diversification have recently gone through the process of revamping their business portfolios. Units found not be compatible with newly established related diversification themes have been divested, the remaining units realigned

to capture more strategic fit benefits, and new units acquired to create, stronger mix of related business.

2.4.8 Mergers and Acquisitions

Mergers and amalgamations and take over are important features of corporate structural changes. They have played an important role in the external growth of most leading companies the world over. According to Arthur (1963), in the United States, the first merger wave occurred between 1890 and 1904 and the second began at the end of the World War I and continues through the 1920s. The third merger wave commenced in the later part of World War II and continues to the present day.

DEFINITION

There is some ambiguity regarding the concepts of amalgamation, merger, take over, consolidation and acquisition.

The term amalgamation, consolidation and merger are defined in dictionary for Accountants by Eric L. Koliler as follows:

Consolidation - A combination of two or more enterprises, accomplished by the transfer of their net assets to a new corporation organized for the [purpose, distinguished from merger or the group of enterprises considered as a unit. Amalgamation - A combination under a

single head of all or a portion of the assets and liabilities of two or more business units by merger or consolidation.

Merger: The fusion of two of more enterprises through direct acquisition by one of the net assets of the other or others. A merger differs from a consolidation in that in the former no new concern is created whereas in a consolidation a new corporation or entity acquires the new assets of all of combining units or loosely, any business combination.

Weinberg (1971) defined acquisition or takeover as a series of transactions whereby a person (individual, group of individuals or company) acquires control over the assets of a company, either directly by becoming the owner of those assets or indirectly by obtaining control of the management of the company.

Robert N. Anthony (1975), defines acquisition and merger as follows.

An acquisition is said to occur if one corporation buys either assets, net assets or stock of another corporation. If the firms are combined through an exchange of one corporations stock for the other's then a merger is said to have occurred.

Examples of Mergers:

There are three major types of mergers in the corporate sector They are:

Horizontal merger: This is a combination of two or more firms in similar type of production/distribution/area of business.

Vertical Merger: This is a combination of two or more firms involved in the different stages of production or distribution.

Conglomerate Merger: This is a combination of firms engaged in unrelated lines of business activities. A typical example is merging of different businesses like manufacturing of cement products, fertilizers, products, electronic products, insurance, investment and advertising agencies.

Motives and Benefits of Mergers.

From a practical point of view, the impetus for large mergers comes from the urge to maximise operations - production and marketing - as facilitated by enhanced competition, free flow of trade and capital and globalisation of business. More and more countries are liberalizing their economies and integrating internationally with the economies of other countries.

According to Ansoff et. al, the following are the possible motives for mergers:

- to limit competition
- to utilize under utilized market power
- as a response to shrinking growth and/or profit opportunities in ones' own industry.

- a desire to diversify;
- economics of scale, a firm can increase its income with less than proportionate investment
- establishing a transnational bridgehead without excessive start up cost to gain access to a foreign market;
- a desire to utilize fully the particular resources a personnel that are controlled by the firm, particularly in context of managerial skills;
- a desire to displace existing management
- to circumvent government regulations
- a desire to reap speculative gains attendant upon new security issue or change P/E ratios
- an individual owing or controlling a firm may be motivated for merger with a desire to create an image of aggressiveness and strategic opportunism, empire building and to amass vast economic powers of the company.

Are there any real benefits of mergers?

From the shareholders point of view, the chief benefit claimed is increased in the value of their shares. Some people feel that a planned merger helps to accelerate the pace of the company's growth. A number benefits of merger are claimed:

For example, according to Van Horne (1977) benefits of merger may be

1. Operating economics
2. Management acquisition
3. Financing
4. Taxation
5. Diversification
6. Personal gains and
7. Growth

Bradey and Myers (1984) classify the advantages of mergers as follows:

1. Economics of scales
2. Economics of vertical integration
3. Eliminating inefficiencies
4. Unused tax shields;
5. Use of surplus funds and
6. Combining complimentary resources

2.5 RESTRUCTURING AND INFORMATION TECHNOLOGY

The global economics is undergoing tremendous transformation which has been greatly influenced by new technological sophistication. Computer hardware high speed modems, Very Small Aperture Terminals (VSAT) internet, telecommunication and the like are some of the tools that have led to the transformation of the way and manner world business are

done today.

Information technology has radically changed how banking is done all over the world. The volume and speed to banking transactions has improved tremendously as a result of quantum growth in information technology, which has created business opportunities for the banks. The banks and finance sector are presently implementing information technology restructuring project which spans a general overhaul of their technological infrastructure. The new technology is structured to take the banks into the next millennium. All serious players in the industry are leveraging on information technology to reinforce the volume and speed of delivery of financial services.

The advent of information technology based techniques which speed up the process of delivery, analysis and interpretation enable very large amounts of data to be absorbed effectively. According to Roy (1974) it has exerted a strong and positive influence on management decisions and the process of decision making. He enumerates other factors as.

- changes in the way companies are organized and the function of management and staff within the new structure
- improves inter company and inter personal communication; the most spectacular consequence of this is that large

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organizations can now diffuse their activities worldwide exploiting the economic advantages offered by individual continues in a phenomenon called globalisation.

- Dramatic improvement in the productivity of operational clerical and managerial processes. Present opportunities for changing the span of control of top managers. The traditional management pyramid may become flatter as fewer middle mangers executives and clerical staff are required to produce a given amount of output.

As the life cycle of many products shorten, the appropriateness of traditional bureaucratic organizational structure may be challenged fundamentally. Restructuring must be implemented to allow large organizations to be more flexible and adaptable. These include the establishment of the firm within firm to establish a short term goal and then be dissolved ; or a shift towards the creation of small project teams who can handle all the functions involved in getting a particular product to market quickly and effectively

2.6 RESTRUCTURING AND RECAPITALIZATION.

The finance industry can only midwife economic development in the country, if it is well structured and positioned to provide the necessary

intermediation services to the economy. The industry must have the capacity in terms of capital, product mix,innovation, technology, and skilled manpower in order to propel the economy, as we approach the year 2010. One of the ways to ensure that finance industry especially the banking sub sector provides the engine of growth to the economy, it to see that the institution thereon are well capitalized to meet operational needs and international standards.

The banking industry in Nigeria, like in most other places the world over is probably the most regulated sector of the economy. The reasons of these regulations as enumerated by Usman (1997) can be traced to one or more of the three major goals which are the need to ensure.

a. The soundness and stability of the banking system and the economy.

b. Competition in the banking industry, and

c. Lack of discrimination and fairness by banks in their dealings with their customers.

Thus the banks according to him are regulated by the CBN through detailed and specific controls over, among others.

a. Capital requirements

b. Entry and exit

c. Lending and investing activities

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d. Reserve requirements

e. Spatial restrictions on operations through approval; for branch networks

f. Interest paid and charged by the banks and

g. Mergers acquisitions and holding company activities

The history of stipulating minimum capital requirement for banks in Nigeria predates the current minimum capital requirement of N500 million as announced in 1997. According to CBN, the increase in the minimum paid-up capital of banks necessitated by a number of factors including:-

I. The rapid Naira exchange rate depreciation

ii. The persistent inflationary pressures

iii. The erosion of the capital funds of banks by non-performing credits and

iv. The need to ensure consistency with international standard.

A minimum capital requirement was first stipulated for banks operating in Nigeria in 1952, when the colonial authorities realised that inadequate capitalization of the banks was one of the major reasons for the collapse of a number of the especially indigenous banks in operation then.

Between 1952 and 1979 , banks were differentiated not by function, but by type of ownership; and higher levels of minimum paid-up capital

were prescribed for the expatriate banks than the indigenous banks . The minimum paid up capital requirements for indigenous banks were kept low so as to encourage Nigerian to establish their own banks to finance businesses as a result of lack of access to credit from the expatriate banks by many Nigerian businessmen.

With successful indigenization of the expatriate banks from 1988 onwards, banks were no longer identified by ownership but by function, hence different minimum paid up capital requirements were stipulated for commercial and merchant banks were required to maintain a minimum paid-up capital of N10 million and N6 million each respectively. In 1989 the minimum paid-up capital was increased to N12 million for merchant and N20 million for commercial banks. The minimum paid-up capital was further increased in 1991 by 150 percent and 233 percent increased to N50 million and N40 million respectively.

As pointed out above in January 1997, the minimum paid-up capital for commercial and merchant banks was brought to a uniform level of N500 million each, representing percentage increases of 900 and 1150 for commercial and merchant banks respectively over their 1991 levels.

From 1952 up to 1987 there were only two instances of increase in the minimum paid up capital for both the indigenous and the expatriate banks. Since 1988, however there have been four such increases.

These increases can be said to be as direct consequence of the introduction of the Structural Adjustment Program (SAP) in July 1986, which brought in its wake a number of features that have rendered the banking industry unstable. The operating environment became so difficult and competitive that only the well managed banks could survive the resulting stress.

CHAPTER THREE

BANK RESTRUCTURING PROGRAMMES IN NIGERIA

3.1 AN OVERVIEW

Recent development in the Nigerian economy have disproved claims and contentious of macro-economic stability. The domestic economy has finally discarded the window dressing it has been wearing for quite long. The spending remain outside the production sectors, thus having no stimulating effect on output.

Corporate Nigerian has come face to face with the obvious fruit of several decades of political uncertainty and macro-economic policy misconduct. Weak export revenue induced by depressed crude oil prices, acute energy shortages, collapsed infrastructure plus weak consumer demand have created one of the most hostile business environments on the face of the earth.

With the resulting high and rising cost of doing business the mortality rate for corporate institutions has risen. Industrial output and capacity utilisation have since scaled down; still more than one third of the reduced output end up as unsold. The difficulties faced by the industrial sector has gradually translated into loan repayment disability for banks. That has led to a significant drop in the quality of bank portfolios, slashing

earnings margins and eating deeper into earnings than previously by way of loan loss provisioning. Banks again are circumscribed by low public confidence following the bitter experiences of financial distress. Safety considerations have taken priority over earnings in the investment judgement of depositors and other consumers of banking services. With that business and financial transactions have continued to move away from a greater number of players and concentrating in a fewer banks considered safe. More and more banks are increasingly restructuring their operations.

Restructuring and repositioning are always words in frequents use in management meetings these days. But most mangers navigating in uncharted waters with severe implications for organisational effectiveness. Besides the foregoing every business in our environment is confronted with rapid change in two different dimension in the external environment and in how work is done. Regulatory changes are central to the fortunes of banks and they must constantly gauage the likely changes and align their operations appropriately.

With this development, there was the need to have a systematic restructuring and adopt the structure of the organization to the prevailing circumstances.

3.2 BANK RESTRUCTURING PROGRAMMES

Banks plays a very significant role in the economic development of any nation. This role becomes even more pertinent in an economy such as Nigeria; considered as developing. This it does in the realisation that should there be any hiccup in the sector the reverberations in the entire economy can be dire indeed. Consequently, more banks are sharply restructuring their operations in line with new technology and the changing regulatory frame work in a vision process aimed at identifying each banks strategic focus.

3.2.1 ACCESS BANK NIGERIA LIMITED

Access Bank is looking forward to a better future. First it has moved to a stronger capital position following its successful recapitalisation programme which puts it in a situation where it can exploit profitable opportunities and withstand the challenges ahead.

The bank has also initiated a grand restructuring and repositioning programme which is expected to modernise its operations and improve service delivery ability. The service delivery improvement project launched by the bank has reached an advanced state of implementation. The project has already produced a responsive customer service delivery process and evolved an information technology strategy for the bank.

3.2.2 UNITED BANK OF AFRICA PLC

The restructuring programme of the bank has paid off in one percent drop in operating expenditure and a significant increases in operating profits. The high level of expenditure is due to the bank's global positioning efforts and new departments designed to generate more business. The newly established business sectors are optimally structured well focused, striving and succeeding in initiating rebuilding and deeping customer relationships.

Proof of this success is the results for the three months of the 1998/99 trading year. The unaudited results show total income at N2.57 billion up by 51% compared with the corresponding period of last year. The performance is as a result of the restructuring the bank underwent. Products of the programme come in increased automation and new product launches that now make the UBA the wise people's choice.

3.2.3 UNIVERSAL TRUST BANK PLC

It is one of the banks that has started reaping bountifully from the sharp restructuring sweeping across the nation's banking system. Created in the second half of 1995, UTB's vision 2005, a ten year long strategic initiative, has seen the banks's pre-tax profit jump by an unprecedented 529% margin from N16.8 million in 1995 to N105 million last year end.

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Coupled with a redefinition of its mission to provide unique excellent services to meet the financial needs of its customers, the visionary process also aims to infuse the bank with a stimulating sense of purpose and direction. This is to be achieved through a strong re-affirmation of UTB's commitment to its customers, whose trust it prides as its greatest asset.

The bank has taken steps to implement this new customer -focused direction through a restructuring of the bank into three major operating units. With the flexible and customer focused structured, the bank is set to remain one of the leading, innovative banks in the area of product design and service delivery. In 1998, the bank unveiled what is called UTB Direct. The product is a 24 hour tel-banking product which is well researched and packaged to ease transaction in the bank. It is the first of its kind in the industry and it is tailor-made to extend quality banking services to all its customer while ensuring that its customers no longer have to physically visit the bank to access their accounts.

3.2.4 EQUATORIAL TRUST BANK LIMITED

It is one of the fastest growing commercial banks in Nigeria today. Within seven years of operations, ETB has firmly positioned itself as a thorough breed, professional bank committed to first class service delivery, prudent management and capital adequacy.

After seven years of operations, the bank crafted a new vision 2000, the new strategic focus is envisaged to make ETB to be a pace setting institution committed to quality service and excellence aimed at achieving customer loyalty and optimum returns. And to achieve this the bank has undergone a strategic re-engineering programme designed to meet the changing and sophisticated needs of customers. The programme covers strategic issues like business development, market niche definition, product development, technological advancement, branch development strategy and staff excellence. If there is any area where ETB has demonstrated consistent leadership, it is in the area of product development.

3.2.5 GATEWAY BANK OF NIGERIA PLC

The Bank offers comprehensive and high quality services to its numerous customers. Its operations involve full commercial banking services.

The major restructuring efforts have been in the areas of cost reduction staff training and restraining, adoption of professional banking culture, pursuit of high income generating activities, staff rationalisation and consolidation of known strengths. The bank has strategic plans to put it on a very competitive basis with its peers.

3.2.6 CITIZENS INTERNATIONAL LIMITED

If there is a bank that has sharply defined its purpose, then it is Citizens Bank International Limited. The bank believes that the customer is the reason for its very existence and view its employees as the critical resources in delivering value to its customers.

Consequently, the front-line commercial bank strives to create deep relationships that are based on a long term view. With this outlook, it is not uncommon for the bank to incur loses in its commitment to build long term relationships. This singular disposition has no doubt endeared the bank to its customer and the general banking public alike.

Mindful of the dangers in relapsing into unbridled celebration of its success, CB has already embarked on a process of corporate renewal. The programme has three - pronged objectives to deal with demands of growth, set the direction of the banks's operation and ensure that the entire organization works common purpose.

3.2.7 INTERNATIONAL TRUST BANK PLC

Formerly known as Gamji Bank of Nigeria changed its name to International Trust Bank Plc. It adopted a new logo to reflect its new focus in the approach to the new millennium. The adoption of the new name is in line with the approval of the shareholders and the Central Bank of

Nigeria, the regulatory authority.

The new identity caps development at the bank in the past two years during which the ownership and control of the bank have changed from the government sector to private investors whose enthusiastic equity subscription has brought the paid-up capital to N500 million in line with the new regulatory minimum standard.

Following the transformation in the ownership profile, the bank has undergone a comprehensive restructuring to enhance its competitiveness and position it for the challenges of the approaching century. As part of the restructuring, there has been a corporate overhaul of the banks management upgrading of operational automation and associated information technology and a re-definition of the banks focus. Following this strategic redirection new vision and missions statement have been articulated for the bank.

3.3 HUMAN COST OF RESTRUCTURING

For over a decade past corporate bodies which have had to battle various oddities in a hostile environment have evolved different strategies to remain afloat while hoping for a better economic tomorrow. For the business community including some public sector agencies its results manifested in huge financial liabilities, high overhead and low productivity

situations once described by experts as "overweight condition" . Consequently, corporate performances dwindle year after year propelling a number of negative emotions and apprehension from different quarters directly connected with the performances of many a Nigerian company. As the heat continues some of the less virile companies that could not withstand the pressure, more so as brand performance dwindled with shrinking market degenerated skills, customer flight worsened by threat to closure and intimidation by creditors have collapsed.

As in life's battle for those still in business, the survival game demands a continuous adopt use of tactics, methods and sacrifices. Generally, they seem to have favoured restructuring and turn around strategies as magic pill which have however left on their trail human casualties as against other survival option in form of recapitalisation, consolidation through mergers and acquisitions, business process re-engineering (BPR) total quality management (TQM) and down sizing or right sizing .

While some of these methods way not have appealed to the corporate world a combination of some of these and other human restructuring antics have been applied to ensure survival. At the last count no fewer than 60,000 Nigerians have swept off employment due to the management instruments which is fast assuming different meanings.

For instance First Bank Nigeria Plc and Union Bank Plc sent 2,600 and 2,514 respectively of their worker to the labour market on account of restructuring. The restructuring was to re-position the banks following heightened competition, customers sophistication and increasing cost of doing business in the banking industry . Some of the strategies to improve bottom line performance were capacity building, restructuring and repositioning of information technology , re-engineering of the systems and procedures as readjustment and expansion of the portfolio investment (see table below)

A SAMPLE OF THE AFFECTED FIRMS

COMPANY	NUMBER	REASONS	MODE
UBA	4000	Computerisation	Terminations
UBN	2514	Restructuring	Termination
FBN	2600	"	"
NAB	260	Repositioning	"
NIB	70	Restructuring	"
IMB	16	Restructuring	"
SAVANNAH	539	"	"

SOURCE: NEWS REPORTS

CHAPTER FOUR

COMPANY PROFILE AND ANALYSIS OF THE BANK RESTRUCTURING PROGRAMMES

4.1 BANK PROFILE

4.1.1 F.S.B. INTERNATIONAL BANK PLC

FSB International Bank is no doubt a clear example of what a good management can do to an organisation. FSB formerly Federal Savings Bank was owned by the Federal Government. It has its own share of the usual ills of government enterprises before it was privatized.

The Bank has brought style into the management of a bank. It demonstrates strong ability to defy the depressive trend in the economy, dynamic management, strong financial base, strategic corporate positioning high quality of assets and high prospects for earnings growth. It commences operations on Sept. 1991 as a wholesale commercial bank. The bank demonstrates a special knowledge of the market and ability to advance earnings in lean times. Its capital base is also strong and clearly ahead of industry average.

The bank is owned by private individuals and public institutions which include Nigerian National Petroleum Corporations, National Maritime Authority and Nigeria Ports Plc.

The bank's after tax profit rose 51.8% percent in 1998 to N659 million after an 80% percent jump in 1997. The profit performance follows a 77.8 percent growth in interest income from loans and advance a 50.2 percent rise in fees and commission and increase of 47.6 percent in foreign exchange income. The bank's strongest earning are from its core business, its non-performing loans are quite modest and more than fully provided for. While the bank advanced its loans and advances by almost 50 percent in 1998, its ratio of classified assets improved from 4.1 percent to 2.6 percent while loan loss reserves are in excess of non-performing loans. The bank's equity is strong at 12.6 percent of total assets in 1998 though this was a drop from 14 percent in the preceding year.

There is no doubt that FSB is a good risk having brought prospects for earnings growth over the medium term while it will face the challenge of mobilizing sufficient liquidity to find its assets growth without sacrificing current liquidity standard.

Corporate Goals.

FSB is to achieve the position of a leading international financial group providing comprehensive and quality banking and financial services. It views each of its chart as a long-term investment and strive to provide a commitment not only to current activities but also the future.

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This sense of lasting partnership is represented in the interlocking hand of its new logo. The new identity is an expression of their commitment to provide a partner who can add value, provide flexibility and reduce lost, while it focus on core activities.

The Organizational Structure:

The bank has in place a strong management team with a strong penchant for credit administration and capital market development. The bank has a management team led by the Managing Director and Chief Executive. The rest of the management comprises well trained and experienced hands in corporate banking, treasury operations and private banking. Corporate planning, financial control and information technology departments.

4.1.2 STANDARD TRUST BANK LIMITED

Deregulation of the financial services industry in the late 1980s brought about rapid growth in the number of banks in the country. These new licensed banks were tagged "new generation banks" being the outcome of the introduction of the Structural adjustment Programme (SAP) in 1986.

Belonging to this class, is Standard Trust Bank Limited, hitherto known as Crystal Bank of Africa Limited. It was incorporated as a private

liability company on March 5, 1990, obtained its licence to operate a commercial bank in April 1990 and commenced business June 4, the same year. The bank was readmitted to the Banker's Clearing House on August 1, 1997 having been suspended due to technical suspension placed on it because of its state of financial weakness

Having experienced some years of distress which necessitated a change of focus and ownership structure, the bank was reactivated in August 1997 with an injection of fresh capital and professional manpower.

During its 1998 financial year which ended July 31, the bank's total assets stood at N5.052 billion, representing an increase of 413.4 percent when compared with the N983.924 million recorded for its operations in the seven months it operated in 1997. In the same vein, its shareholders' funds went up from N117.191 million in 1997 to N894.415 million in 1998, signifying a rise of 663.21 percent, reflecting the massive injection of funds by the new shareholders.

Standard Trust Bank's core competence is in the area of oil and gas, information technology and telecons. Public sector and automobile and transport. The Bank's focus in the energy sector has enabled it to create service products that have enabled several oil service companies to assume active operations in several aspects of the business. The institutional investors in the bank are MBCOM ventures limited; 46.3

percent, and Chanco Industries Limited; 10.7 percent.

The bank has strength in its paid-up capital that stand well above industry average and regulatory requirement at N1.24 billion. Its operating structure also places it at an advantage of speedy decision-making without sacrificing controls.

CORPORATE GOALS AND VISION

Standard Trust Bank Limited's vision is to be a first choice commercial bank offering innovative and quality products and services by eliciting public goodwill and instilling confidence. This is aimed at attracting and maintaining customer loyalty and generating maximum returns through superior service delivery, creative banking and high degree of transparency by focusing on:

- increasing its market share in its chosen niche areas - oil and gas, information technology/telecommunication, commerce, public sector, automobile and transport;
- deepening its existing and growing relationship.
- ensuring and enabling and congenial work environment that will continue to motivate and bring out the best in its highly resourceful employees;
- continuing to play a dominant role in finding support to oil and gas companies.

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OPERATING STRUCTURE

The Bank maintains a flat operating structure organized around six (6) business and two (2) support groups represented as follows:-

- energy
- public sector
- commercial banking
- financial institution and savings

Support Groups:

- processing
- financial control and management services.

The business and support groups are adequately supported by the executive office which comprises credit risk management, inspections, internal control, company secretariate/legal services, and corporate affairs. This flat structure ensures speedy decision making without sacrificing efficient controls.

4.2 ANALYSIS OF RESTRUCTURING PROGRAMMES

The successful implementation of the restructuring programme has resulted in a reinvention of the banks into a strong, dynamic and vibrant organisations. It was underscored by the significant and consistent growth in all key indicators of the banks for the past few years, despite the

competitive operating environment.

As a fulfilment of the banks mission statements and a part of the repositioning and repackaging, the banks changes their names. FSB International Bank Limited was formerly known as Federal Savings Bank and standard Trust Bank was formerly known as crystal bank of Africa Limited ultimately. The banks became organized along business groups for enhanced cohesion, service excellence and better account management.

4.2.1 Employing Competent Management

The quality of management in ensuring safe and sound banking practices and optimization of resources cannot be overstated. As in other areas of enterprise, it is the depth and breath of managerial capacity that determines whether the organisation succeeds or fails. This is more so in the case of a financial institution, as revealed from the distress saga that shock the industry recently.

Banking eggheads are continuously being assembled by the two banks. Those who cannot move with the new vision and challenges of the Banks are dropping out of ship as they sets to sail while more resourceful, visionary and professionally bankers are being recruited.

At FSB International Bank PLC, there was evidence in the wisdom of focusing mainly on fresh bright new graduates to fill the lower level.

There had been early casualties among the ranks of the middle mangers drawn from other banks for their experience. Those who did not have a forgetting curve to climb, it seemed learnt the new values quickly. There was need to share these values of quality, clean banking environment and total service to customers with others in organization.

4.2.2 Improvement in operational capacity

It was rightly felt that, apart from the failure of many banks to attain the minimum capital requirement, the specified base, even for those that achieved them, was no longer realistic. The new base of N500 million which translates into about $6 million was therefore fixed to improve the regional competitiveness of Nigeria banks,.

Having met the government requirement on paid-up capital since the first quarter of 1997, FSB International followed this up with funds, sourcing efforts rolling out 200 million ordinary shares at 400 kobo each too raise N800 million. The new issue has successfully raised its paid-up share capital to 1.2 billion which is way above the prescribed level of N500 million.

Having experienced some years of distress which necessitated a change of focus and ownership structure, Standard Trust Bank was injected with fresh capital. Its shareholder's funds went up from N117.191 million in 1997 to N894. 415 million in 1998, signifying a rise of 663.21

percent, reflecting the massive injection of funds by the new shareholders.

4.2.3 System Automation/Computerisation

The emerging information age in the history of human civilization, makes investment in automated processes by banks imperative. Any bank looking towards the future, therefore ought to start investing heavily in automation now

During the restructuring period of Standard Trust Bank, steps were taken to provide the necessary infrastructure such as a strong capital base and technological support. During the period, the bank has commenced the computerization of banking processes to shorten the full circle of transaction time as well as provision of on line services by linking widely dispersed office locations to eliminate the constraints of time and space.

About 40 percent of the net proceeds of the recent offer of FSB International Bank PLC was to be used in additional investment in information technology. This involve sophisticated hi-tech on line real time connectivity with all the branches and offer distinct services such as the FSB connect. It is an innovation that allows customer to carry out their banking transactions from the comfort of their houses or offices through the use of a PC, telephone line and modem.

4.2.4 Branch Expansion

Banks, given the advantages of an enhanced capital base, can also invest in setting up branch offices in vital locations that will generate returns in terms of building niche markets, expansion and diversification of services, boosting earnings, spreading the banking culture in line with national aspirations. The restructuring programme at FSB include a strategic expansion of the bank's current branch network. With the recent opening of two additional branches at Victoria Island and within the heart of Balogun Market, both in Lagos, brings to 14 the total number of FSB outlets. These are located in Aba, Abuja, Apapa, Idumota, Ikeja, Ikoyi, Kaduna, Kano, Maiduguri, Onitsha and Port-Harcourt. At each of these locations, the bank ensured that the customers' banking needs are promptly met by a professional relationship manager who combines his knowledge of business and a thorough grasp of banking principles to deliver superior banking services tailored to meet each peculiar requirements.

At standard Trust Banks, during the operating year, steps were taken to a supportive branch network. This is to consolidate and establish the bank more firmly in the financial sub-sector of the economy. It currently operates eleven branches.

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4.2.5 Training Emphasis

It is not just enough to strive to employ a competent workforce, they must be kept knowledgeable and informed in this fast-changing world of high technology, whose impact on the banking industry is tremendous. The only way to achieve such evergreen competence and relevance of the employee is through massive training.

At the standard Trust Bank, part of the ways to optimise the new capital base is to invest in quality training of staff on a continuous and deliberate basis. It was initiated with the top management team of the bank, spending two days at the Lagos Business school on TQM appreciation and implementation. This was quickly followed by in company programmes for the lower levels of staff who did not attend the TQM programme at the Lagos Business School. The new culture being built through the programme sought to focus staff on seeing themselves in roles aimed at achieving the objectives of the bank rather than seeing job descriptions.

About ninety percent of the employees of FSB International Bank have undergone training programme aimed at sharpening their skills for more creative, innovative and courteous service in this turbulent banking industry. The training tagged "Service Excellence" is made up of five modules, each presenting a fundamental strategy that puts every

employee in a better position to offer the very best in service excellence. The overall objective is to acquaint every employee with how to use service to "out perform the competition in revenues and profitability.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 SUMMARY

This research examined the conceptual and managerial aspects of restructuring in the banking industries using FSB INTERNATIONAL BANK PLC and STANDARD TRUST BANK LIMITED. These restructuring programmes are proper responses to the forces at work in the industry. These forces include regulations, intense competition, customer sophistication, technology and globalisation. In carrying out the study emphasis was more on secondary datas and interviews.

The foundation for the work was laid in chapter one in it, the statement of the problem, the purpose of the study, scope of the study and its significance were discussed. Also, the limitations of the study such as the failure of the banks to divulge some information vital to the research were discussed.

Furthermore, it was indicated that restructuring is basically any change in capital structure, in operation, or in ownership that is outside the ordinary course of management practice. The elements of corporate restructuring strategies such as single business concentration, partial or full integration, strategy of related diversification, divestiture, portfolio

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restructuring and merger and acquisition were discussed. Also restructuring and information technology, recapilitization and the human cost of restructuring were all contained in chapter two.

In chapter three, discussion was on the historical background on bank restructuring in Nigeria with typical examples of banks that have gone through the programme.

The banks historical profile and its restructuring activities were examined in chapter four. The ultimate aim of the restructuring programme of the banks is to improve on operational capacity and quality of management in ensuring safe and sound banking practices. Developments of new products are vigorously been pursued by the banks.

Among the findings of this work are the high level of non-performing assets and lack of an environment of trust. After all, banking is a trust business. To craft it otherwise is to ignore the heart beat of the customer.

At the standard Trust Bank, its performance indicators give an impression of strength in all the criteria of assessment. Its fortune are expected to enhance further in the immediate term At FSB, the bank is able to moved against the trend of deteriorating asset quality. The banks are also impressive in terms of profitability and management quality.

5.2 RECOMMENDATION

In line with the findings of this work, the following recommendations are made as a way of improving the corporate performance of the banks:-

1. For the restructuring programmes to succeed, every part of the banks must adopt and workers must become more flexible.
2. The banks should lay more emphasis on continuous training and development, openness and transparency so as to reinforce highest level of professionalism.
3. There should be an environment of trust between the banks and their customers. The critical success factors will no longer be technology and processes by invisible contracts with the market based on trust, strong culture, character and leadership.
4. With respect to FSB, the top heavy management team should be reduced and managers must strip out layers of hierarchy.
5. The branches at STB should be strengthen for optimal service delivery by stratifying viz: corporate, market and retail. This is to make the bank more competitive and give customer service.
6. There is the need of the management of FSB International Bank PLC to expand its market share to match increased capital base.
7. There should be a credible boards with clear purposes while emphasizing on non-interference an issue that was ranked highest among the causes of instability in the industry.

5.3 CONCLUSION

Restructuring though is capital intensive the operating environment has continued to dictate to the corporate bodies to perish or restructure. Since no one, not even the economy gains from the perish alternative, the only option left is restructuring, not minding its debilitating impacts on individuals and society.

Although, comprehensive restructuring programmes aims to infuse the banks with a stimulating sense of purpose and direction, it should be realised that a good product or service is the core of successful business. A solid foundation built on products and services is the key to surviving the rigours of competition. No amount of restructuring can sell an inherently bad or defective product or service.

The strategy, approach and targets of the two banks could be quite useful to the entire management industry and the financial sector as a whole. The totality of the issues as exposed is the fact that management style has a lot to do in corporate success. Infact, their approach is good riddance to the rubbish that some bank chiefs have brought to bear in the industry in the last five years.

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