IMPACT OF BANK REFORM ON THE QUALITY OF FINANCIAL STATEMENT OF SELECTED NIGERIAN BANKS

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Abstract: *The formulation and implementation of policies and reforms by government that will satisfy the conflicting interests of all and sundry will virtually result in an utopian state of nature. Therefore, this study believes that the 2005 reform in the Nigerian banking sector should not have been an exception. This study assessed the impact of the reform on the quality of financial position of the post-2005 banks. Accounting ratios were computed from the secondary data obtained from the 2006–2012 annual reports issued by four (4) judgmentally sampled banks. Correlation and regression analysis were carried out on the data. Results indicated that the post consolidation interest of the stakeholders (shareholders, employees, business contacts, depositors and government) are conflicting; and that all stakeholder interests, except that of the shareholders, have a positive relationship with the employee interest. It is therefore recommended that the management of the banks should mediate carefully among the stakeholders in the allocation of the banks funds to achieve maximization of their firms' value.*
Keywords: *Reforms, Financial Statement, Banking Sector, Shareholders*

INTRODUCTION

Financial markets play a key role in the mobilization and allocation of savings for production, provision of structures for monetary management, and serve as the basis for managing liquidity in the economy. The movement of such funds with medium term and long term maturity is engineered through the capital market while the short term funds are mobilized in the money market (Ikechukwu, 2013). In Nigeria, the platform on which the capital market participants meet is the Nigerian Stock Exchange while the money market participants transact through banks and non-bank institutions.

The Central Bank of Nigeria (CBN) was established in 1958 to oversee and regulate the banking sector, among other statutory functions required of it by the CBN Act of 1958 (Adekunle & Asaolu, 2013). Since then, several reforms have taken place in the bid to uphold customers' confidence in the Nigerian banking sector, and sustain the financial strength of the Nigerian economy (Abdullahi, 2007). One of such recent reforms is the recapitalization exercise of 2005 that required ₦25 billion from all commercial banks in Nigeria.

Since then (2005), the effect of the reform on the Nigerian economy became a theme of interest to the academia and an appreciable number of studies, some of which are reviewed in the Section two of this study, have been carried out. However, this study believes that there is a gap in literature on how the 2005 bank reform has affected the interest of stakeholders in the Nigerian banking industry. The tenet of the stakeholder theory is that the value of a firm is maximized when the interests of all those that affect and are affected in the running of the firm (stakeholders) are given due attention when making corporate decisions. But this notion has been severely criticized in the literature on the ground that is does not produce the envisaged maximum value for the firm. In addition to this, it has also been argued that since the interests of the stakeholders are usually conflicting, it is impossible for a firm to pursue more than one corporate objective at a time. Thus, given the magnitude of the change in the scale of operation in the Nigerian banking industry that was brought about by the 2005 bank reform, this study sought to investigate interactions among the stakeholders' interest in the post 2005 bank reform in the Nigerian banking industry.

Statement of Problem

The stakeholders in the Nigerian banking sector include regulators, employees, shareholders, depositors, loan and advance seekers, business contacts, government and the general public. The recapitalization exercise resulted in the reduction of the eighty-nine (89) operational banks to twenty-five (25) in 2005 while only twenty-one (21) deposit money banks are operational as at October, 2014. Despite the good side that was promised by the recapitalization exercise, there also exist the possibility of negative effects like that of some employees that lost their jobs; thus suggesting that all stakeholders might not have been affected by the recapitalization exercise in a similar fashion. It therefore becomes imperative to assess how various stakeholder groups have been affected by the recapitalization exercise; lest the negative experience of a minority segment of the bank stakeholders are submerged by the overwhelming applaud of the exercise as a result of the positive experience of the vast majority.

Research Questions

Based on the research problem, the following research question is raised for the purpose of this study:

What is the nature of relationships that exists among bank stakeholders' interest in the post-consolidation era?

How has the interest of other stakeholder groups affected the employee group?

Objectives of the Study

The main objective of this study is to assess the impact of bank reform on the quality of financial position on Nigerian banks. The specific objective is to:

determine the nature of relationships that exists among bank stakeholders' interest in the post-consolidation era; and

assess the effect of other stakeholder interests on the employee group.

Research Hypotheses

The following hypotheses are formulated and stated in the null form for the purpose of this study:

Ho_1: There is no significant relationship among the bank stakeholders' interest in the post-consolidation era.

Ho_2: The banks employees' interest is not significantly affected by other stakeholders' interest in the post-consolidation era.

Justification for the Study

According to Clementina and Isu (2013), the history of banking in Nigeria reveals that the CBN has had reasons to increase the capital base of Nigerian banks since 1980s; from ten million naira minimum paid up capital in 1988 to two billion naira in 2002 and, then, twenty-five billion naira in 2005. Past literatures identified various reasons for bank reforms. Kehinde and Adejuwon (2011) opined that the series of reforms in the banking and financial sectors were geared towards positioning banks and other financial institutions to play their primary and very crucial role of financial intermediation in the economy as the driving force for generating high savings and investment. However, noting that banking sector reforms have come into play due to banks inability to meet up to required obligations or satisfy their stakeholders which overtime has led to series of bank failure and crises, Olokoyo (2013) posits that bank reforms are not embarked upon only to forestall banking crises or cushion the effects of a recent crises, but banking reforms also occur independent of bank crises.

Studies are usually conducted into the effect of bank reforms on the performance of banks and the 2005 Nigerian bank reform has not been an exception. Prior studies include Abdullahi (2007) that assessed the challenges and prospects of banking sector reforms and bank consolidation in Nigeria, Gunu and Olabisi (2011) that evaluated the performance of consolidated banks in Nigeria using non-financial measures, Mogboyin, Asaolu and Ajilore (2012) that analysed bank consolidation programme and lending performance, and Sakariyahu, Jimoh and Bamigbade (2014) assessment of the post consolidation performance on the Nigerian banking sector. However, Sakariyahu *et.al.* (2014) recommended, based on the findings of their study that subsequent research work should examine how the relevant stakeholders in the Nigerian banking sector have benefited from the recapitalization exercise of 2005. This is furtherance to the argument for the possibility of a small-size stakeholder-groups' interest being submerged by the overwhelming gains made by dominant stakeholder groups within the Nigerian banking sector. Thus, this study fills a gap in literature by using the stakeholder approach to assess the impact of the 2005 bank reform on the Nigerian banking sector. About nine years post-2005 reform, a study like this is worthwhile because it allows a meaningful post consolidation analysis to be made compared to studies that made use of short(er) post consolidation data.

1.7 Scope of the Study

This study focuses on the impact of post 2005 bank reform on the employee stakeholder-group in the Nigerian banking sector. This is because the researcher believes that most prior studies have concentrated more on impact of bank reforms on the performance of banks from the angle of profitability. This suggests a preference in research in favour of the shareholders' wealth maximization objective of the firm. Thus, the study adopts the stakeholder perspective to contribute to literature on the effect of bank reforms on the Nigerian banking industry. The study spans from 2006 (the first year post consolidation) to 2012 (the last year for which the audited annual report of sampled banks was accessible). Thus, this study covers seven (7) years post-2005 reform periods.

LITERATURE REVIEW

This section reviews the previous work that related to the study. It is divided into three sections. The first section reviews the relevant concepts relating to the study, the second section provides the theoretical framework on which this study rests, while the third section reviews the empirical studies that are related to the study.

Financial Statement

Section 331 of the Companies and Allied Matters Act (CAMA), Cap C20 LFN 2004 states that:

- every company shall cause accounting records to be kept
- the accounting records shall be sufficient to show and explain the transactions of the company and shall be such as to:
- disclose with reasonable accuracy, at anytime, the financial position of the company; and
- enable the Directors to ensure that financial statements prepared comply with the requirements of the Act with regard to form and content.
- the accounting records shall, in particular, contain:
- entries from day-to-day of all sums of money received and expended by the company, and the matters in respect of which the receipts and expenditure take place, and
- a record of assets and liabilities of the company

It the business of the company involves dealing in goods, the accounting records shall contain:

- statements of stock held by the company at the end of each accounting year of the company;
- all statements of stock takings from which any such statement of stock has been or is to be prepared; and
- except in the case of goods sold by way of ordinary retail trade, statement of all goods sold and purchased, showing the goods and the buyers and sellers in sufficient detail to enable all these to be identified

Section 334 of CAMA further states that:

In the case of every company, the directors shall in respect of each year of the company, prepare financial statements for the year.

The financial statements required shall include:

- Statement of accounting policies;
- The balance sheet as at the last day of the company's financial year
- A profit or loss account or, in the case of a company not trading for profit, an income and expenditure account for the year;
- Notes to the accounts
- The auditors' report
- The directors' report
- The audit committee's report
- Cash flow statement
- A valued-added statement for the year
- A five-year financial summary; and
- In the case of a holding company, the group financial statement

The financial statements of a private company need not include the matters stated in (i), (vii), (viii), and (ix) in sub-section (b) above

The Nigerian Bank

There has been a wave of restructuring and consolidation of the banking sector around the globe, particularly in the developed and the emerging market economies. This has been driven mainly by globalization, structural and technological changes, as well as the integration of financial markets. Banking sector consolidation has become prominent in most of the emerging markets, as financial institutions strive to become more competitive and resilient to shocks. It is also promoted by the desire to reposition corporate operations to cope with the challenges of an increasingly globalized banking system. It was based on the above premise that banking sector consolidation, through mergers and acquisitions, was embarked upon in Nigeria from 2004.

According to Anyanwu (2010), following the banking sector consolidation, notable achievements were recorded in the financial sector among which was the emergence of 25 well capitalized banks from the former 89 banks. The banks raised N406.4 billion from the capital market. In addition, the process attracted foreign capital inflow of US$652 million and £162,000 pound sterling. The liquidity engendered by the inflow of funds into the banks induced interest rate to fall significantly, while an unprecedented 30.8 per cent increase was recorded in lending to the real sector in 2005.

Bank Reform

Lemo (2005) opined that reforms are designed to enable the banking system develop the required resilience to support the economic development of the nation by efficiently performing its functions as the fulcrum of financial intermediation. According to Kolawole (2006) as cited in Abdulraheem (2007), reform implies improvement on the prevailing state of affairs usually brought about by series of policy-driven actions geared towards eliminating waste and attaining efficiency. Also, Kehinde and Adejuwon (2011) stated that financial sector reforms seek to develop an efficient framework for monetary management. The study also noted that "this encompasses efforts to strengthen operational capacities of the banking system, foster efficiency in the money and securities markets, overhaul the payments system, and ensure greater autonomy to the central bank in formulating and implementing macroeconomic policies" (Kehinde & Adejuwon, 2011, p.329).

Olokoyo (2013) commented that most of the bank reforms are necessitated by the need to respond to banking crisis. The author noted that a banking crisis can be triggered by weakness in banking system characterized by persistent illiquidity, insolvency, undercapitalization, high level of non-performing loans and weak corporate governance, and if these happen, it becomes difficult for banks to meet its financial obligation to stakeholders. However, the study also noted that bank reforms are also implemented when there are no crises. If this happens to be the case, then the reform is aimed at ensuring a diversified, strong and reliable banking industry where there is safety of depositors' money and positions banks to play active developmental roles.

THEORETICAL FRAMEWORK

Stakeholder Theory

This study is hinged on the stakeholder theory. In the mid-1980, a stakeholder approach to strategy came up. One of the focal points in this movement was the publication of Richard Edward Freeman in his 1984 work and he is widely referred to as the "father of the stakeholder concept". The traditional definition of a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objective" (Freeman, 1984). In Freeman (2004) stakeholders were defined as "those group who are vital to the survival and success of the corporation". It propagates that the best way to maximize the shareholders wealth by the corporate managers is to ensure that the interest of other stakeholders is considered. If this is done, apart from maximizing the shareholders wealth, it increases the total value added and thus, makes commercial sense.
Bank reform like any other government policy affects people in different fashions. Even when the vast majority applaud a policy as having a positive influence on them, there are usually a few groups that pay the price of change. Thus, this study seeks to investigate the relationship between the interests of the various stakeholders in the Nigerian banking sector post 2005 bank reform in order to gain insight into the possibility of a preference of banks to satisfy a particular stakeholder interest.

EMPIRICAL EVIDENCE

Whenever there in bank reform, research is usually conducted on the impact of the reform of economic variables. For example, Fu and Heffernan (2009) investigated the relationship between market structure and performance in China's banking system from 1985 to 2002 (a period which was subjected to gradual but notable reform). Panel data estimation technique was used to test market-power and efficient structure hypotheses. It was found that the reforms has little of no impact on the structure of China's banking sector, though the joint stock banks became relatively more X-efficient. However, Andries, Apetri and Cocris (2012) analyzed the impact of the banking system reform in five (5) states in Central and Eastern Europe on the performance of registered banks between 2001 and 2008. The results of the analysis showed that during the analysed period, both the financial reform index and the banking reform index have a positive impact on the bank performance indexes.

Empirical evidence from previous studies on bank reforms in Nigeria mostly suggests that the benefits envisaged from the bank reforms were actually achieved. These studies include the Onikoye (2012) study that employed ratio technique and inferential statistics tools to evaluate the impact of mergers and acquisitions on the performance of banks in Nigeria. Pre-merger and post merger financial statements of two consolidated banks were obtained and the result revealed that all the two groups produced additional operational and relational synergy with financial gains far more than the 2+2 = 5 synergistic effects. Narrowing in to the effect of bank consolidation programme on the lending performance in Nigerian banking system, Mogboyin, Asaolu and Ajilore (2012) utilized cross-sectional data sourced from the 89 pre-consolidation banks and the 25 post consolidation banks in Nigeria and the Engle-Granger approach to error correction estimating techniques on a model for bank credit performance. The results from the panel data analysis provided evidence that consolidated-induced changes in banks structure in terms of size and capitalization positively influence bank lending performance in the Nigerian banking industry. Clementina and Isu (2013) also examined the effects of capital structure of banks on the performance of commercial banks in Nigeria using data from 1970 to 2010. The result from ordinary least square regression showed a long run positive relationship between capitalization and profitability. The result of Granger Causality also indicated a significant relationship between capitalization and profitability is bi-directional, implying that increase in capital leads to increase in profitability and vice versa.

However, despite the plethora of empirical evidence available to support the positive impact of the capitalization on the performance of the Nigerian banking industry, Sakariyahu, Jimoh and Bamigbade. (2014) suggested, based on empirical analysis, that research into how the various stakeholders in the Nigerian banking industry are affected by bank reforms is pertinent to avoid a situation where the overwhelming majority subdues the negative effect of the reform on infinitesimal stakeholders group(s). To this end, this study assesses the impact of the 2005 bank consolidation on the employee stakeholder group viz-a-viz the relationship between their interest and other stakeholders' interest post 2005 in the Nigerian banking industry.

Contribution to Knowledge

This study contributes to the body of existing knowledge in understanding the possibility of satisfying multiple stakeholder objectives in the bid to maximize the value of the firm. Findings from this study provides insight into the relationship between the satisfaction of different stakeholder interests within the Nigerian banking industry in the post 2005 bank reform era. It makes it possible to answer questions such as: will the interest of a stakeholder group be possible to get satisfied without being at the expense of one or more other stakeholder interest(s).

METHODOLOGY

Model Specification

Based on the variable measurement set out in Section 3.2, the multiple regression model for this study is specified thus:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \quad \ldots\ldots\ldots.equation\ 1$$

Where: $Y = E_{ij}$; α = y-intercept; $X_1 = S_{ij}$; $X_2 = BC_{ij}$; $X_3 = G_{ij}$; $X_4 = D_{ij}$; and ε = stochastic error term.

Variable Measurement

This study modeled the relationship between six (6) stakeholder groups in the Nigerian banking industry. These groups are:

- The employee group (E)

This group is made up of all the human resources that is used by the banks in creating values. As a consideration for the services rendered to the bank, they become entitled to both financial and nonfinancial employment benefits. These employee benefits are generally represented in the financial statements as staff costs. Therefore, the extent to which their interest is catered for can be measured through the proportion of the total earnings that is paid in any financial year as staff cost.

- Depositor group (D)

These are individuals and corporations that keep their surplus funds in banks' custody. A major interest of this group is the extent to which their funds are safe and will be made available on demand when they need to make withdrawals.

- Shareholder group (S)

These are the providers of the finance for running the banks. They are the owners of the banks. Their interest covers issues relating to dividend payments and safety of their investments. They are the risk takers in the banks' business ventures.

- Business contact group (B)

This group is typically made up of the renders ancillary services to the banks to make the operations flow. Their interest in the banks is the prompt payment of their bills. Their interest is usually captured in management expenses in the financial statements of banks.

- Government (G)

The major interest of the government in the banks is captured in the tax expenses incurred by the banks during any financial year. Thus, it will be in the interest of the government for the banks to generate more revenue at reduced (staff and overhead) costs so that the tax liability of the banks will be high.

- Loan and advances seeker group (L)

This group is made up of various categories of loan and advances seekers. They have deficient funds and seek the banks' intermediation function to assess the surplus funds that have been provided by both the shareholders and the depositors.

For the purpose of this study, the following financial statement ratios were used to proxy the interest of the stakeholders.

Dependent Variable

This study assesses the relationship between the interest of bank employees in the Nigerian banking industry and those of other stakeholders in the post 2005 banking reform. Thus the dependent variable is employee interest (Eij). The proxy adopted for

this variable is the percentage of Staff Cost (SC_{ij}) to Gross Earnings (GE_{ij}) in a year (i) by a bank (j). Thus,

$$E_{ij} = \frac{SC_{ij}}{GE_{ij}} \times 100\% \qquad \ldots\ldots\ldots.equation\ 2$$

This is considered adequate as empirical evidence has supported capitalization to affect profitability and invariably, Gross Earnings. Thus as a priori, the employees are expected to seek a maximum portion of the Gross earnings as employee remuneration.

Independent Variables

There are five (5) independent variables in this study that are expected to affect the employees' interest with each representing other classes of stakeholder groups. The first independent variable is the shareholder interest (Sij) and the proxy for this is the percentage of Profit for the year (Pij) to the Gross Earnings (GEij) in a year (i) by a bank (j). Thus,

$$S_{ij} = \frac{P_{ij}}{GE_{ij}} \times 100\% \qquad \ldots\ldots\ldots.equation\ 3$$

The second independent variable is the Business Contact interest (BCij) and the proxy for this is the percentage of Management Expenses less Staff Cost (MEij) to the Gross Earnings (GEij) in a year (i) by a bank (j). Thus,

$$BC_{ij} = \frac{ME_{ij}}{GE_{ij}} \times 100\% \qquad \ldots\ldots\ldots.equation\ 4$$

The third independent variable is the Government interest (Gij) and the proxy for this is the percentage of Tax (TAXij) to the Gross Earnings (GEij) in a year (i) by a bank (j). Thus,

$$G_{ij} = \frac{TAX_{ij}}{GE_{ij}} \times 100\% \qquad \ldots\ldots\ldots.equation\ 5$$

The fourth independent variable is the Depositors interest (Dij) and the proxy for this is the percentage of the balance of Shareholders' Fund (SHFij) after the settlement of Deposit liability (DLij) to the Shareholders' Fund (SHFij) in a year (i) by a bank (j). Thus,

$$D_{ij} = \left(\frac{SHF_{ij}}{DL_{ij}}\right) \times 100\% \qquad \ldots\ldots\ldots.equation\ 6$$

Where there are missing variables the average of the preceding and the next years' figures was adopted; while where the ratios computed are considered to be outliers, a value of zero (0) was adopted.

Research Design

The data used for the purpose of this study was collected from the audited annual reports and accounts of eight (8) post consolidation banks that were operational from 1999 – 2012. Thus, the research design combines both cross-sectional and time series properties; which makes it a panel study.

Population of the Study

The population of this study is made up of Deposit Money Banks in Nigeria. Based on the information available on the official website of the Central Bank of Nigeria (CBN), there are twenty one (21) of them in operation as at November 30, 2014. However before the 2005 consolidation, there were eighty-nine (89) of them in operation. Post consolidation, all the twenty-one (21) banks in existence have a minimum capital base of ₦25 billion. Thus, in terms of capitalization, they constitute homogeneous population.

Sampling Technique

This study employed a judgmental sampling technique. The criterion was met by any of the twenty-one (21) post consolidation banks to be part of the study sample is that both the date licensed and the date registered of the bank based on the CBN's record must be on or before 2006 (the first year for which data is required in this study). It should be noted that the 2005 bank reform exercise brought about series of mergers and acquisitions between (or among) the then existing 89 banks in the bid to meet the then deadline set by the apex bank. In addition to this, the audited annual reports of the banks must be available in the database provided by InvestinginAfrica.com; thus, making use of convenience sampling method. Thus, based on these criteria, only four (4) banks were sampled from the sampling frame in Table 1.

Table 1: Sampling Frame for the Study (List of Deposit Money Banks in Nigeria)

S/No.	Name of Deposit Money Bank	Date Registered	Date Licensed	Comment
1.	Access Bank	01/17/1990	01/17/1990	Sampled
2.	Citibank Nigeria Limited	10/11/2004	10/08/2004	Not Sampled
3.	Diamond Bank Plc	12/31/1990	12/31/1990	Sampled
4.	Ecobank Nigeria Plc	04/24/1989	04/24/1989	Not Sampled
5.	Enterprise Bank	01/03/2006	01/03/2006	Not Sampled
6.	Fidelity Bank Plc	01/02/2006	01/02/2006	Not Sampled
7.	First Bank of Nigeria Plc	01/29/1979	01/29/1894	Not Sampled
8.	First City Monument Bank Plc	11/11/1983	11/11/1983	Sampled
9.	Guarantee Trust Bank Plc	01/17/1990	01/17/1990	Sampled
10.	Key Stone Bank	05/02/2001	05/02/2001	Not Sampled
11.	MainStreet Bank	01/03/2006	01/03/2006	Not Sampled
12.	Skye Bank Plc	01/03/2006	01/03/2006	Not Sampled
13.	Stanbic IBTC Bank Ltd.	01/02/2006	01/02/2006	Not Sampled
14.	Standard Chartered Bank Nigeria Ltd.	12/01/2004	06/09/1999	Not Sampled
15.	Sterling Bank Plc	01/25/1999	11/25/1960	Not Sampled
16.	Union Bank of Nigeria Plc	01/02/2006	01/02/2006	Not Sampled
17.	United Bank for Africa Plc	01/02/2006	01/02/2006	Not Sampled
18.	Unity Bank Plc	01/02/2006	01/02/2006	Not Sampled
19.	Wema Bank Plc	01/18/1965	01/17/1945	Not Sampled
20.	Zenith Bank Plc	09/13/2004	06/20/1990	Not Sampled
21.	Heritage Banking Company Ltd.	01/01/1900	12/27/2012	Not Sampled

Source: Central Bank of Nigeria (2014)

Method of Data Analysis

The model in equation 1 was used to analyze the post 2005 financial data obtained from the various issues of the audited annual reports and accounts of the four (4) sampled

banks. In order to test the two hypotheses of this study, the post consolidation data was used to establish a multiple regression equation after conducting a correlation analysis. Subsequently, inference was drawn from the pattern of the signs of the coefficients of the independent variables to form the basis for conclusion on how the bank reform of 2005 has affected the Nigerian banking sector from a stakeholder perspective.

DATA ANALYSIS

This section presents a descriptive analysis of the data used to test the hypotheses of this study and the result of the test of hypotheses. STATA statistical package was used for the purpose of analysis. Correlation and Regression analysis was used to test the hypothesis. The result of the analysis is presented in the following sub-sections.

Descriptive Analysis

Table 2: Descriptive Statistics

Variables	Minimum	Maximum	Mean	Standard Deviation
E	6.61	69.58	22.5525	12.437
D	13.04	52.52	29.297	10.380
S	-89.64	74.85	24.988	29.625
BC	16.8	137.12	42.540	24.381
G	-3.19	35.34	9.191	8.396

Source: Results obtained from data analysis using Stata 11 statistical package

Table 2 explored the descriptive statistics of variables used for the study. It shows that the bank average for employee interest (E) was 22.55% and the standard deviation from mean was 12.44%. The minimum value of overall employee interest was 6.61%, while the maximum value was 69.58%. The bank average for depositor interest (D) was 29.30% and the standard deviation from mean was 10.38%. The minimum value of overall depositors interest was 13.04%, while the maximum value was 52.52%. The bank average for shareholders interest (S) was 24.99% and the standard deviation from mean was 29.63%. The minimum value for overall shareholders interest was -89.64% (reflecting the risk taker interest in the banks who suffers the most in events of adverse profitability), while the maximum value was 74.85% (enjoying the most in event of rosy returns). The bank average for business contact interest (BC) was 42.54% and the standard deviation from mean was 24.38%. The minimum value for overall business contact group was 16.8%, while the maximum value (reflecting periods of adverse operating results) was 137.12%. The bank average for government interest (G) was 9.19% and the standard deviation from mean was 8.40%. The minimum value for overall government interest (reflecting the banks negative disposition to tax payment) was -3.19%, while the maximum value was 35.34%.

Test of Hypotheses

Hypothesis One

The pair wise correlation was used to determine the relationship between the stakeholders' interests in the post 2005 reform. Table 3 shows that the employee interest has a negative relationship with the shareholders interest (r = -33.49%) and Depositors interest (r = -27.43%); the shareholder interest is in negative relationship with the Business Contact interest (r = -37.96%) and employee interest (r = -33.49%); the business contact interest is in negative relationship with the depositors' interest (r = -37.96%) and shareholders' interest (r = 13.62%); while the government interest is in negative relationship with only the depositors' interest (r = 14.84%). All other relationships were found to the positively related.

Table 3: Correlation Statistics

	E	S	BC	G	D
E	1.0000				
S	-0.3349	1.0000			
BC	0.7609	-0.1362	1.0000		
G	0.4284	0.3150	0.3873	1.0000	
D	-0.2743	0.0074	-0.3796	-0.1484	1.0000

Source: Results obtained from data analysis using Stata Statistical Package

Hypothesis Two

The result of the panel data estimation techniques for each of the models is presented in Table 4. The statistical significance of the Prob-F (0.000) of the fixed effect estimator suggests the inappropriateness of the pooled Ordinary Least Square method (OLS) estimator of the model. The argument between pooled OLS and fixed effect is whether there are specific effects individual to the cross-sectional units. The significance of Prob-F for the fixed effects giving a value of (0.000) signals that there are fixed effects and the cross-sectional units cannot be pooled together. This therefore explains that there are significant individual (banks) effects in the model. In comparison of the fixed effect with the random effect estimator, the probability value of the Hausman test shown in the Table 4 gives a value of (0.0000). Therefore, the result generated from using the fixed effect estimator is used to describe the relationship between banks employees' interest and other stakeholder interest in the post-consolidation era due to the fact that the Haussmann test was less than 5 percent significance level.

The result shows that shareholders interest, depositors' interest and government interest were not statistically significant in explaining the variation in employees' interest ($p > 0.05$) while business contact group were statistically significant in explaining the variation in employees' interest at 1 percent.

Inferring from the result, the Table 4 shows that there is a positive relationship between business contact interest (BC), government interest (G), depositors' interest (D) and employees' interest (E); thus, the average effect of business contact interest on employees' interest is that one percent increase in business contact interest will leads to 41% increase in employee's interest. The average effect of government interest on employees' interest shows that one percent increase in government interest will lead to 14% increase in employees' interest, while the average effect of depositors' interest on

employees' interest also shows that one percent increase in depositors' interest will cause an increase in employees' interest by 3.61%.

The result also shows that the only negative relationship is between shareholders' interest and employees' interest as it gives a value of -2.43%. This implies that one percent increase in shareholders' interest will cause a decrease in employees' interest by 2.43%. The R^2 lays emphasis on the fitness of the model, the R^2 gives a value of 0.8241 percent signaling that the independent variables can only explain 82.41% of the variation in the dependent variable while the minor 17.59% of the factors affecting employees' interest were not included in the model.

The Prob value explains the statistical significance of the model, the table above shows that the model was statistically significant. The result shows that model was statistically fit at 1 percent. The resulting model is thus:

$$E = 3.421 - 0.0243S + 0.4086BC + 0.1412G + 0.03608D$$

Table 4: Summary Statistics

E	Pooled OLS		Fixed Effects		Random Effects	
	Coefficient	P-val	Coefficient	P-val	Coefficient	P-val
Independent Variables						
Constant	9.1847	0.126	3.421	0.430	9.1847	0.115
S	-0.1475	0.005	-0.0243	0.620	-0.1475	0.002
BC	0.3024	0.000	0.4086	0.000	0.3024	0.000
G	0.4584	0.019	0.1412	0.328	0.4584	0.013
D	-0.000799	0.995	0.03608	0.717	-0.000799	0.995
R^2	0.7016		0.8241		0.767	
Prob-F	0.0000		0.0000		0.000	
Hausman Test			0.0000			

Source: Results obtained from data analysis using Stata statistical package

DISCUSSION OF RESULT

One of the major criticisms of the stakeholder theory has been that it does not provide any suggestion on how the conflicting interests of the stakeholders can be resolved. The result of the correlation analysis (test of hypothesis I) of this study supports this as the employee interest was found to be in negative correlation with the shareholders' interest and the depositors' interest; the shareholders' interest was found to be in negative correlation with the business contact interest while the depositors' interest was found to be in negative correlation with the government's interest. This finding supports the position of previous publications that the interests of stakeholders are indeed conflicting (McTaggart & Kontes, 1993; Jenson, 2001; Sakariyau, Jimoh and Bamigbade, 2014). Thus, management of the post consolidation banks will have to seek a balance amongst these conflicting interests to maximize the value of the post consolidation banks. Furthermore, the result of the multiple regressions (test of Hypothesis II) suggests that all other interests of the stakeholders except that of the shareholders of the post consolidation banks had positive effect on the employees interest. A good reason that can

be adduced is that the shareholders that have invested over twenty-three billion naira in additional funds to finance the operations of the post consolidation banks would have only done so with the expectation of the investments yielding adequate returns to justify such amount of huge investment. Consequently as the operations of the post consolidation banks widened as a result of greater investment (Sakariyahu, Jimoh and Bamigbade, 2014), the interests of employees measured by the proportion of gross earnings paid as employee emoluments was positively affected by the interest of business contacts as measured by the portion of gross earnings paid as expenses; the interest of government; and the interest of depositors. This result suggests long run direct relationship between employee interests, on the one hand, and business contact interests, government interests and depositor interests on the other hand. It is therefore evident that the interest of other stakeholders can easily affected in similar fashion since they all constitute deductions from what will be available to the shareholders who have the residual interest in the banks. Definitely, at a higher level of operations, the less the share of earnings that goes to employees, business contacts, government and depositors, the more will be available to the shareholders as the return on their huge investment in the post consolidation banks.

SUMMARY

This study examined the financial position of Nigerian banks in the post 2005 reform. The two specific objectives sought were to: determine the nature of relationships that exists among bank stakeholders' interest in the post-consolidation era; and assess the effect of other stakeholder interests on the employee group. Secondary data was collected from the annual reports of the four sampled banks selected as a result of judgemental sampling procedure. Relevant accounting ratios were computed from the data generated from the annual reports to proxy each of the stakeholders' interest. Correlation analysis and regression analysis was used to test the hypotheses formulated to achieve the first and second objectives. Results of the analysis provided evidence that the post consolidation stakeholders, interests are conflicting in the first instance. Furthermore, the business contact interest, depositors' interest and government interest were found to positively affect the employee interest. However, the shareholder interest was found to be in negative relationship with the employee interest.

CONCLUSION

Based on the results of this study, it is concluded that there is subtle evidence in support of the tenets of the stakeholder theory. It is concluded that the stakeholders' interest in the post 2005 bank reform in Nigerian are conflicting. In addition, the shareholders' interest in the post 2005 reform is in negative relationship with the employees' interest; other stakeholders' interests are in positive relationship with the employees' interest.

RECOMMENDATION

The most likely situation that management of the banks can face in the allocation of the company's resources and earnings is that of the shareholders versus others. It is recommended that:

- Good welfare package should be used to motivate the employees of banks to be more productive;
- The dividend policy of the banks should allow for more dividend payouts in order to assure that the investment in the consolidated banks are worthwhile;
- Adequate compliance with regulatory guidelines by the banks should be encouraged in order to improve depositors' confidence; and
- Banks should adopt an integrated reporting framework in order to disclose how management has been able to trade-off the conflicting interests among the stakeholders during the reporting period.

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