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# A Comparative Analysis of Pre and Post Re-capitalisation Financial Performance of Banks in Nigeria

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## Abstract
This study is a comparative analysis of pre and post recapitalisation financial performance of banks in Nigeria. The study employs secondary data from eight banks over a six-year of 2002 to 2008 broken into pre and post recapitalisation periods. The hypotheses of the study were tested using Wilcoxon signed rank test under 5% significance level. The study finds that the re-capitalisation has no significant effect on pre-tax profit margin, return on total assets, earning per share and dividend per share but has a significant effect on net interest income on loans and advances and return on equity. The study recommends that: the banks should carry out effective financial intermediation so as to enhance their profit generating ability; management demonstrate expertise by converting banks' assets to cash. It further recommends that the performance of the net interest income on loan and advances and return on equity should be sustained; the use of cheaper loan funds to generate higher profit should be encouraged. Management should show commitment to shareholders by the dividends they pay to justify their investments. Regulatory authorities should re-appraise the use of recapitalisation through mergers and acquisitions as a means of injecting efficiency gains into the sector since it is not all time that recapitalisation through mergers and acquisitions translates to good financial performance in the sector

**Key Words**: Re-capitalisation, merger, profitability, financing, investment

## Introduction
The Nigerian banking sector has witnessed remarkable changes in recent times given the increasing wave of globalisation, structural and technological changes and integration of financial markets. The reforms in the Nigerian banking sector marked another giant stride in the history and development of the Nigerian banking industry. Banking industry the world over plays fundamental roles in the development and growth of the economy, it plays the crucial roles of lubricating the payment system, resources mobilization and credit allocation. The effective and the efficient performance of these roles and the intermediation between the surplus and the deficit units of the economy are largely anchored on the level of development of the financial system. It is in view of these that the banking sector receives greater attention and has become the most regulated and controlled sector by government and its agencies (Imala, 2005).

Nnanna (2005) opines that policy makers must articulate robust policies that will deepen the financial system to enable banks play their roles most efficiently. It has never been easy for the Nigerian banks in performing their fundamental roles in the development and growth of the economy. Some of the teething problems of the banking sector arose from: insolvency and undercapitalisation, illiquidity, poor assets quality, dwindling earnings, low deposit base, weak corporate governance, and boardroom squabbles and management crisis.

This is consistent with the assertion by Kama (2006), who opines that the ability of the banking Industry to play its role has been periodically punctuated by its vulnerability to systemic distress and macroeconomic volatility, making policy fine-tuning inevitable. Nnanna (2005) posits that historically the Nigerian banking Industry had evolved in four stages. The first stage can be best described as the unguided laissez-faire phase (1930-1959), during which several poorly capitalised, and unsupervised indigenous banks failed in their infancy. The second stage was the control regime (1960-1985), during which the Central Bank of Nigeria ensured that only "fit and proper" persons were granted banking license, subject to the prescribed minimum paid – up capital. The third stage was post structural adjustment program (SAP) or de-control regime (1986 – 2004) during which the neo-liberal philosophy of "free entry" was over-stretched and banking licenses were dispensed by the relevant authorities on the basis of political patronage. The emerging fourth stage is the era of consolidation (2005 to date), with major emphasis on re-capitalisation and proactive regulation based on risk-focused supervisory framework. It is against this backdrop that this study seeks to study a comparative analysis of pre and post re-capitalisation financial performance of the Nigerian banking sector from 2002 to 2008.

**Statement of the Problem**

The scenario of commercial banking in Nigeria has been characterised by low capitalisation which consequently affected their financial performance. While re-capitalisation of Nigerian banks may address this concern, the effect of the exercise on banks performance remains an empirical one. The main problem addressed in this study, is whether recapitalisation of Nigerian banks has improved their financial performance.

**Objectives of the Study**

The overall objective of this study is to assess the effect of pre and post recapitalisation on the financial performance of Nigerian bank from 2002 to 2008.However, the specific objectives of the study are, to :

a) compare the effect of re-capitalisation on pre-tax profit margin;
b) compare the effect of re-capitalisation on returns on total assets;
c) compare the effect of re-capitalisation on net interest income on loans and advances;
d) compare the effect of re-capitalisation on earnings per share;
e) compare the effect of re-capitalisation on dividend per share and
f) compare the effect of re-capitalisation on return on equity.

**Hypotheses Formulation**

In order to arrive at reasonable conclusion and to provide accurate and reliable answers to the already stated research objectives, six hypotheses are formulated and tested. These hypotheses are stated in their null form as follows:

$\mathbf{H_{O1}}$: Bank re-capitalisation does not have a significant effect on pre-tax profit margin.

$\mathbf{H_{O2}}$: Bank recapitalisation does not have a significant effect on return on total assets.

$\mathbf{H_{O3}}$: Bank re-capitalisation does not have a significant effect on net interest income on loans and advances.

**$H_{O4}$:** Bank re-capitalisation does not have significant effect on earnings per share
**$H_{O5}$:** Bank re-capitalisation does not have significant effect on dividend per share,
**$H_{O6}$:** Bank re-capitalisation does not have a significant effect on return on equity.

**Significance of the Study**

A lot of developments had occurred in the financial sector especially in the banking sector with banks recapitalising through mergers and acquisitions. The study is of relevance to market participants, authorities, investors, creditors and the entire public, because it would enable us assess the success or otherwise of banks. Profitability has been adjudged to be the most appropriate yardstick for measuring the performance of corporate entities. This work is meant to act as a knowledge frontier with regards to market participants, authorities, investors, creditors and to show whether or not the recapitalisation exercise has done the Nigerian banking sector good or whether it has enhanced shareholders' wealth.

The conclusions of this research work will be of immense benefits and will provide a sound incentive to Government and the regulatory bodies in formulating policies and developing strategies capable of sustaining the banking sector and extending same to other sectors and sub-sectors of the economy. Since this research work drew from the wealth of knowledge and experiences of respected authorities through the in-depth literature review, there is no doubt that it will serve as a good reference material to future researchers in the same or related field(s).

**Scope of the Study**

This study is primarily concerned with evaluating the pre and post recapitalisation financial performance of Nigerian banks. A total of eight banks were chosen from the existing banks using judgmental sampling technique. The choice of this method is necessitated to include those that have complete information on re-capitalisation information. The study covered the period between 2002 and 2008.

**Literature Review**

The issue of re-capitalisation is a major reform objective; re-capitalisation means increasing the amount of long-term finances used in financing the organization. Re-capitalisation entails increasing the debt stock of the company or issuing additional shares through existing shareholders or new shareholders or a combination of the two. It could even take the form of mergers and acquisitions or foreign direct investment. Whichever form it takes the end result is that the long term capital stock of the organization is increased substantially to sustain the current economic trend in the global world. Asedionlen (2004) opined that a re-capitalisation may raise liquidity in a short term but will not guarantee a conducive macroeconomic environment required to ensure high asset quality and good profit.

Soludo (2004) opined that low capitalisation of the banks has made them unable to finance the economy, more prone to unethical and unprofessional practices. This makes them abandon the true function of banking to focus on quick profit ventures such as trading in foreign exchange (forex) and tilting their funding support in favour of import-export trade instead of the manufacturing sector.

**An Overview of Re-capitalisation Trend in Nigeria.**

Recapitalisation in Nigeria came with every amendment to the Central bank Act 1958, the Central bank (Amendment) Decree No. 37 of 1998 which repealed the CBN (Amended) Decree No. 3 of 1997. The regulatory powers of the CBN were strengthened by the Banks and Other Financial Institutions Act 1991. In 1969, capitalisation for banks was £1.5 million for foreign banks and £300, 000 for indigenous commercial banks (CBN Financial Publication, 1969). In 1979, when Merchant banks come on board in the Nigerian banking scene, the capital base was ₦2 million. As from 1988, there had been further increase in the capital base, particularly coupled with the liberalisation of the financial system and the introduction of structural adjustment programme (SAP) in 1996. In February 1988, the capital base for commercial banks was increased to ₦5 million while that of the Merchant bank was pegged at ₦3 million in October of the same year, it was moved up to ₦10 million for commercial bank and ₦6 million for Merchant banks. In 1989, there was a further increase to ₦20 million for commercial bank and ₦12 million for merchant banks (CBN Financial Publication, 1979-1989).

In recognition of the fact that well-capitalised banks would strengthen the banking system for effective monetary management, the monetary authority increased the minimum paid-up capital of commercial and merchant banks in February 1996 to ₦50 million and ₦40 million from ₦20 million and ₦12 million respectively. Distressed banks whose capital fell below existing requirement were expected to comply or face liquidation. Twenty-six of such banks comprising 13 each of both commercial and merchant banks were liquidated in January, 1998. Minimum paid up capital of merchant and commercial banks was raised to a uniform level of ₦500 million with effect from 1$^{st}$ January, 1997 and by December 1998, all existing banks were to recapitalise (CBN Financial Publication,1998). The Central Bank of Nigeria (CBN) brought into force the risk weighed measure of capital adequacy recommended by the Basle committee in the United Kingdom of the Board of Bank for International Settlements (BIS) in 1990. Before then, capital adequacy was measured by the ratio of adjusted capital to total loans and advances outstanding in line with the United Kingdom Accounting Standards. The CBN in 1990 introduced a set of prudential guidelines for licensed banks, which were complementary to both capital adequacy requirement and Statement of Standard Accounting Practices. The prudential guidelines, among others, spelt out the criteria to be employed by banks for classifying non-performing loans. In 2001, when Universal banking was adopted in principle, the capital base was raised to ₦1 billion for existing bank and ₦2 billion for new banks. But in July 2004, the governor of the CBN announced the need for banks to increase their capital base to ₦25 billion and that all banks are expected to comply by December 2005 (CBN Financial Publication, 2001- 2004).

**Consequences of Recapitalisation**

Even though re-capitalisation policy of the Central Bank of Nigeria (CBN) has increased the capital base and made them competitive players for the economic development of this country, there are still some noticeable drawbacks being envisaged. That is the more reason the scenario as introduced by the Central Bank of Nigeria has continued to draw comments from industry players and analysts with all pointing to the fact that there is a looming crises for industry players and consumers.

Obadan (2004) held the view that the N25 billion would not guarantee banks soundness unless fundamental cases of distress in the banks are tackled. Some factors, he added, such as adverse internal and external stocks, unstable economic policies, adverse conditions and unguarded liberation of entry into the banking industry, reckless use of depositors' funds and inadequate supervision and enforcement of regulations may constitute some drawbacks to the policy. He opined that the ₦25 billion capital base is harmful to the economy, according to him; the coming together of various banks with different systems of operation will lead to board room crises and unemployment, giving an instance, he said that when 10 banks come together, having their individual company secretaries and legal advisers, the emergent bank will have room for only one secretary and legal adviser with the others thrown into the Labour market. He added that the new development would bring back the days of customer sleeping in the banks when the industry was not deregulated.

Ojeifo (2004) is of the view that the National Assembly should be called upon to at least for once save Nigerians from what he referred to as "wicked policy" of the federal government by ensuring that the plan to have the Nation's Banks beef up their capital base to N25 billion within eighteen months does not succeed. He warned that the policy if allowed to stand would result in the loss of about thirty-five thousand jobs in the banking sector and thereby further exerting pressure on the already saturated employment market. He further said that Nigerians have not forgotten what happened with the 1976-indigenisation decree operations and how the major beneficiaries were lamenting.

Another consequence of this policy is the likely return of the monopolistic market, which the new generation banks had erased as a result of the deregulation in the industry from the late 80s. The emergence of mega banks would have grave implications for competition because consumers will be exposed to few banks like it was in the 70s and 80s. The result and effect being poor services, which are predominate in older banks known as old generation banks. This may also bring about the era of armchair banking whereby few banks held customers to ransom. Undoubtedly, this re-capitalisation mandate raised a lot of concern and formed the basis for a polarized debate among shareholders and financial analysts over the desirability and feasibility of such high capital base, Iyoha and Adeyemo (2007). Rotimi (2004) opines that many of the stakeholders view the pronouncement on the re-capitalisations of the magnitude of 1250 percent increase as coming from a dictatorial mind or a thoroughly insensitive person, given the envisaged instability the decision would cause in the banking sector and the economy in general. The challenges of mergers and acquisitions are of many folds: **-** the unwillingness of Directors and managers to sacrifice their present positions; the need to have a fortified management team in the form of visionary leaders capable of managing these mega banks. There is a need to have a robust regulatory and supervisory packages; the capacity of the Nigerian capital market to accommodate all the banks that entered into it to raise capital and the need for a dynamic and responsive corporate governance practices.

## Population and Sample Size

The population of the study consists of the twenty-four mega banks operating within the study period. In order to give empirical support to the research work concerns the comparative analysis of the effect of re-capitalisation on the financial performance of banks in Nigeria. Out of the twenty-four banks, eight were selected using judgmental sampling technique. The choice of this method is to ensure that banks that retained their identities prior to and after the merger activities were included in the sample, to make it a representative sample, banks that were heavily and marginally capitalised are included in the sample in addition to those that had complete information of pre and post merger operations. The definition of heavily capitalised is construed to mean those banks whose shareholders' funds are fifty billion naira and above, and those marginally capitalised are those banks whose shareholders' funds are below fifty billion naira as at 2006 accounting year. However, where a bank falls short of the required twenty five billion naira recapitalisation sum and a memorandum of Understanding (MOU) is entered into with the CBN subject to meeting up the sum, the CBN gives the go ahead on with recapitalisation plan. The shareholders' funds of the heavily capitalised banks as at 2006 accounting year were:

| | Name of Banks | Amount in (₦ billion) |
|---|---|---|
| 1 | First Bank of Nigeria Plc. | 59.0 |
| 2 | Intercontinental Bank Plc. | 54.47 |
| 3 | Union Bank of Nigeria Plc. | 95.69 |
| 4 | Zenith Bank Plc. | 93.80 |
| Those marginally capitalised were: | | |
| 1. | Guaranty Bank Plc. | 40.55 |
| 2. | Afribank Plc. | 27.06 |
| 3. | United Bank for Africa Plc. | 48.53 |
| 4. | Wema Bank Plc. | 20.50 |

**Source:** Annual Reports of the Banks

## Variables Definitions and Measurements

The study is an ex-post facto descriptive research which seeks to ascertain whether recapitalisation has significant effect on financial performance. The variables used to measure banks financial performances are pre-tax profit margin, return on total assets, and Net interest on loans and advances, earning per share, dividend per share and return on equity. Set below is how each variable is determined:

**(i) Pre-Tax Profit margin-** This is the profit before tax expressed on the total earnings.

It is expressed as: $$\frac{\text{Profit before tax}}{\text{Total earnings before interest and tax}} \times 100$$

**(ii) Return on total assets**: This is the measure of how effective the bank's assets were being used to generate profit or how capable the management of the banks had been converting the banks' assets into earnings. It is expressed as:

$$\frac{\text{Profit before tax}}{\text{Total assets}} \times 100$$

**(iii) Net Interest income on loans and Advances: -**This is the interest income that financial institutions earn for extending credits to customers. It is usually expressed as:

$$\frac{\text{Interest income}}{\text{Loans and advances}} \times 100$$

**(iv) Earnings per share**: - This is the company's net profit after tax and dividend divided by its equity capital. It showed how much a unit share is earning. It is expressed as:

$$\frac{\text{Profit after tax and dividend}}{\text{Equity capital}} \times 100$$

**(v)Dividend per share: -** This is the amount of dividend (return) a shareholder will receive for shares he owns. It is expressed as**:**

$$\frac{\text{Dividend paid}}{\text{Number of shares}} \times 100$$

**(vi) Return on Equity: -** This is measured as the net income after tax divided by the equity capital. It measures the rate of return to the shareholders. It is calculated as:

$$\frac{\text{Profit after tax and preference dividends}}{\text{Shareholders' funds}} \times 100$$

## Data Collection Strategy

The procedure for data collection commenced with the library, internet journals, CBN guidelines and Bullions and annual reports and accounts from the sampled banks which produced the secondary data which were used for this research study. Generally speaking, documents refer to any material that was already in existence, which was produced for some purposes than the benefit of the investigator. Nwana (1981) observes that documents are published, and unpublished materials found mainly in libraries in such public and private organisations. Usually these documents are produced for reasons such as historical documentation and trend of events.

## Data Presentation

The data presented in the tables as shown below are the mean scores of the variables examined from the banks studied.

**Table 1 Pre-Tax Profit Margin (%)**

| Name of Banks | Mean Score Before Recapitalisation % | Mean Score After Recapitalisation % |
|---|---|---|
| First Bank of Nigeria Plc | 24.39 | 27.86 |
| Inter Continental Bank Plc | 26.40 | 31.52 |
| Union Bank of Nigeria Plc | 26.28 | 25.97 |
| Zenith Bank Plc | 29.92 | 25.96 |
| Guaranty Trust Bank Plc | 27.04 | 34.48 |
| Afribank Plc | 12.09 | 24.79 |
| United Bank of Africa Plc | 17.95 | 25.56 |
| Wema Bank Plc | 21.6 | (119.33) |

**Source**: Field work 2011.

**Table 2 Returns on Total Assets (%)**

| **Name of Banks** | Mean Score Before Recapitalisation % | Mean Score After Recapitalisation % |
|---|---|---|
| First Bank of Nigeria Plc | 3.5 | 5.8 |
| Inter Continental Bank Plc | 4.42 | 3.17 |
| Union Bank of Nigeria Plc | 26.28 | 25.97 |
| Zenith Bank Plc | 4.15 | 2.69 |
| Guaranty Trust Bank Plc | 4.75 | 3.43 |
| Afribank Plc | 2.33 | 3.09 |
| United Bank of Africa Plc | 2.07 | 2.50 |
| Wema Bank Plc | 3.72 | (10.17) |

**Source:** Field work 2011

**Table 3 Net Interest Income on Loans and Advances (%)**

| **Name of Banks** | Mean Score Before Recapitalisation **%** | Mean Score After Recapitalisation **%** |
|---|---|---|
| First Bank of Nigeria Plc | 16.84 | 11.06 |
| Inter Continental Bank | 45.07 | 20.50 |
| Union Bank of Nigeria Plc | 49.94 | 36.29 |
| Zenith Bank Plc | 41.61 | 24.57 |
| Guaranty Trust Bank Plc | 36.49 | 23.55 |
| Afribank Plc | 43.40 | 24.22 |
| United Bank of Nigeria Plc | 32.00 | 27.78 |
| Wema Bank Plc | 33.65 | 23.60 |

**Source**: Field work 2011

**Table 4 Earnings Per Share (₦)**

| Name of Banks | Mean Score Before Recapitalisation **(₦)** | Mean Score After Recapitalisation **(₦)** |
|---|---|---|
| First Bank Nigeria Plc | 3.28 | 2.16 |
| Inter Continental Bank Plc | 0.81 | 1.44 |
| Union Bank of Nigeria Plc | 2.27 | 1.67 |
| Zenith Bank Plc | 2.67 | 1.69 |
| Guaranty Trust Bank Plc | 1.39 | 1.60 |
| Afribank Plc | 0.77 | 0.88 |
| United Bank of Africa Plc | 1.20 | 2.44 |
| Wema Bank Plc | 0.68 | (2.04) |

**Source:** Field Work, 2011

**Table 5 Dividend per Share (₦)**

| Name of Banks | Mean Score Before Recapitalisation (₦) | Mean Score After Recapitalisation (₦) |
|---|---|---|
| First Bank of Nigeria Plc | 1.36 | 0.67 |
| Inter Continental Bank Plc | 0.35 | 0.62 |
| Union Bank of Nigeria Plc | 1.33 | 0.33 |
| Zenith Bank Plc | 0.77 | 0.66 |
| Guaranty Trust Bank Plc | 0.71 | 0.88 |
| Afribank Plc | 0.11 | 0.10 |
| United Bank of Africa Plc | 0.15 | 0.33 |
| Wema Bank Plc | 0.68 | (2.04) |

**Source:** Field work 2011

**Table 6 Return on Equity (%)**

| Name of Banks | Mean Score Before Recapitalisation (%) | Mean Score After Recapitalisation (%) |
|---|---|---|
| First Bank of Nigeria Plc | 37 | 20 |
| Intercontinental Bank Plc | 23 | 14 |
| Union Bank of Nigeria Plc | 19 | 15 |
| Zenith Bank Plc | 32 | 14 |
| Guaranty Trust Bank Plc | 36 | 22 |
| Afribank Plc | 25 | 15 |
| United Bank of Africa Plc | 20 | 19 |
| Wema Bank Plc | 24 | 8 |

**Source**: Field work 2011

## Hypotheses Testing

Hypothesis is a tentative generalisation whole tenability is to be tested on the basis of the compatibility of its implication with empirical evidence and with previous knowledge, providing framework for drawing conclusions, providing direction to researchers and help to clarify procedures and methods to be used in solving problems. In this study, the Wilcoxon signed rank test is used to accomplish this objective at 0.05 significance level.

## Decision Rule:

Reject null hypothesis if: P- value is < 0.05, otherwise accept the null hypothesis.

**Hypothesis one**
In testing the first hypothesis which is stated in its null form $H_{o1}$: Bank re-capitalisation does not have a significant effect on pre-tax profit margin. The data in table 1 is used to accomplish this objective. For the variable of pre-tax profit margin, the following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =12, positive sum of the ranks = 24, asymptotic ( asymp.) Sig. (2 tailed) = 0.4, T is the smaller sum of the ranks and the critical value (c.v) of 4

**Decision:**
Since 0.4 > 0.05, we accept the null hypothesis that the pre-tax profit margin does not have a significant effect on re-capitalisation.

**Hypothesis two**
In testing the second hypothesis which is stated in its null form $H_{o2:}$ Bank recapitalisation does not have a significant effect on return on total assets. The data in table 2 is used to accomplish this objective. The following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =24, positive sum of the ranks = 12, asymptotic ( asymp.) Sig. (2 tailed) = 0.40, T is the smaller sum of the ranks and the critical value (c.v) of 4

**Decision**:
Since 0.40> 0.05, we accept the null hypothesis that the return on total assets does not have significant effect on re-capitalisation.

**Hypothesis three**
In testing the third hypothesis which is stated in its null form $H_{o3:}$ Bank recapitalisation does not have a significant effect on net interest income on loans and advances. The data in table 3 is used to accomplish this objective. The following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =36, positive sum of the ranks = 0.00, asymptotic ( asymp.) Sig. (2 tailed) = 0.01, T is the smaller sum of the ranks and the critical value (c.v) of 4.

**Decision**:
Since 0.01< 0.05, we reject the null hypothesis that the net interest income on loans and advances does not have a significant effect on re-capitalisation and conclude that net income on loans and advances has significant effect on re-capitalisation.

**Hypothesis four**
In testing the fourth hypothesis which is stated in its null form $H_{o4:}$ Bank recapitalisation does not have a significant effect on earnings per share. The data in table 4 is used to accomplish this objective. The following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =22, positive sum of the ranks = 14, asymptotic ( asymp.) Sig. (2 tailed) = 0.58, T is the smaller sum of the ranks and the critical value (c.v) of 4

**Decision**
Since 0.58 > 0.05, we accept the null hypothesis that earning per share does not have a significant effect on re-capitalisation.

**Hypothesis five**
In testing the fifth hypothesis which is stated in its null form $H_{o5:}$ Bank recapitalisation does not have a significant effect on dividend per share. The data in table 5 is used to accomplish this objective. The following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =24, positive sum of the ranks = 12, asymptotic ( asymp.) Sig. (2 tailed) = 0.40, T is the smaller sum of the ranks and the critical value (c.v) of 4

**Decision:**
Since 0.40 > 0.05, we accept the null hypothesis that a dividend per share does not have a significant effect on re-capitalisation.

**Hypothesis six**
In testing the sixth hypothesis which is stated in its null form $H_{o6:}$ Bank recapitalisation does not have a significant effect on return on equity. The data in table 6 is used to accomplish this objective. The following results are obtained from the Wilcoxon signed rank test: Negative sum of the ranks =36, positive sum of the ranks = 0.00, asymptotic ( asymp.) Sig. (2 tailed) = 0.01, T is the smaller sum of the ranks and the critical value (c.v) of 4

**Decision:**
Since 0.01< 0.05, we reject the null hypothesis that the return on equity does not have significant effect on re-capitalisation and conclude that return on equity has significant effect on re-capitalisation.

**Summary of the Study**
This study is an ex- post facto descriptive research whose objective is to comparatively analyse the effect of pre and post re-capitalisation of banks in Nigeria. The study noted that the re-capitalisation had a significant effect on net income on loans and advances and return on equity. While it does not have a significant effect on pre-tax profit margin, return on total assets, earnings per share and dividend per share for the period investigated.

**Conclusion**
In conclusion, therefore, it can be said that the objectives of recapitalisation are to enable the banks increase their market power, induce restructuring and engender the alignment and re-alignment of banks into the mergers of some and acquisitions of others, to ensure a good, responsive, competitive and transparent banking system suited to the demand of the Nigerian economy and the challenges of globalization. The study concludes that while recapitalisation raised the capital base of the banks, it is not all the time that it transforms into good financial performance.

## Policy Implications and Recommendations

The study therefore recommends that:

(i) Net interest income on loan and advances shows appreciable result, this must be sustained. The return on total assets is low after recapitalisation; management's efforts and expertise in converting banks' assets to cash must be stepped up by the management of the bank so as to justify the investment in this sector by shareholders. Since shareholders' wealth is basically the wealth shareholders get from their investment in shares; earnings per share is an indication of how much a unit of share is earning, the banks should generate higher profit after tax by exploring all investment opportunities available to them.

(ii) Dividend is an indication of the financial health of the banks, higher dividend payment per share should be encouraged in the banks.

(iii) The return on equity after recapitalisation shows an appreciable result, this must be sustained to give value to the shareholders.

(vi) Since the financial performances of banks after recapitalisation through mergers and acquisitions does not translate to good financial performances, this calls for a reappraisal of regulatory authorities' use of recapitalisation through mergers and acquisitions as the method of injecting efficiency gains in the banking sector.

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