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Effects of Banks Consolidation on Economic Growth in Nigeria (2004-2015)

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Abstract
This study examined the effect of bank consolidation on economic growth in Nigeria. The consolidation agenda introduced by CBN could be seen as an attempt to promote banking system stability and make the industry to operate more efficiently so as to enable the banks performs catalytic role of financial intermediation that will enhance the stability and growth of Nigeria economy. The main objective of this study is to examine what has changed after the consolidation exercise in relation to economic growth in Nigeria between 2004 and 2015. The study made use of secondary data sourced from the Central Bank of Nigeria statistical bulletin and the National Bureau of Statistics between 2004 and 2015. The model for the study has as its dependent variable the Gross Domestic Product (GDP) and its explanatory variables were commercial bank deposits and the commercial bank assets. Using the Ordinary Least Square (OLS) multiple regression techniques; the study revealed that both commercial bank deposits and assets have a positive and statistically significant relationships with the gross domestic product (GDP). The study, therefore recommended that policies that would sustain the viability of banks especially that which will guarantee availability of funds for investment purposes like the consolidation exercise should be greatly encouraged.

Keywords: banks consolidation, economic growth, merger & acquisitions, regression analysis

INTRODUCTION

The strength of the bank depends on the capital fund available to the bank. According to Soludo (2004), banks have not played expected role in the development of the economy because of their weak capital base of the banks was with the aims of strengthening the consolidation of the banking system was the first place of reforms design to ensure a diversified, strong and reliable banking sector which will ensured the safety of depositor money, play active development role in the Nigeria economy and also become competent and competitive in the financial system.

According to Somoye (2008) recent years have witness remarkable changes in the financial sector particularly banking industry, around the world, given the position of banking occupies in especially capitalist economies (Soludo, 2006).

One of the major instruments of banking industry reforms that is fast gaining ground is consolidation. Consolidation in the banking firms involve either a combination of existing bank growth among the leading banks .The capital banks is to serve as a symbol of confidence in the banking institutions. Therefore the strong capital base prescribe under the recapitalization programmed is consistent with the corporate mandate of promoting public confidence in the banking system. The increase in the minimum capitalization requirement for bank will, to a large extent, engender public confidence in the banking system as it will enhance bank capitalization absorb operating losses and minimized resources to depositor fund protection agency. It also means a reduction in the number of banks and other deposit taking institution with a simultaneous increase in the size and concentration of the remaining entities in the (Group of ten (G10), 2001; Landerman, 2003 Basu et al, 2004).

With regard to the conference focus being Emerging Trends for National Sustainable Development and Disaster Management; it is such that a weak banking system cannot provide the required capital for sustainable development and also fund disaster management initiatives. Hence, the essence of appraising the banks consolidation policy in Nigeria to ascertain its preparedness for these global demands in terms of sustainable development and disaster management.

Statement of the Problem

Promotion of bank consolidation by government is not a recent phenomenon. According to Kurgan-van (2001) many governments, especially of European countries have promoted bank consolidation when their financial system were expose to banking crises in the 1920s and 1930s. Okazaki and Sawada (2003) added that in the same period, the government of Japan actively promoted bank consolidation in other to stabilize the financial system when its banking industry experience repeated financial crises. In the United States from 1980 to 1994, there were a total of 6,347 mergers (Rhoda's 1996).

In Nigeria, the banking industry has experienced a boom and burst cycle in the past 20years (Hesse, 2007) leading to remarkable change over the year, in the terms of regulation and reform, the number of institution, ownership structure, as well as depth and breadth of operation especially from 1986 (Balogun, 2007). Four phases of banking reform in Nigeria were documented in the literature with the fourth phase adopting consolidation through merger and acquisition as an instrument for enhancing banking efficiency, size and development in order to ensure that they are diversified, strong and reliable banking sector on one hand and productivity and allow more resources to be made available for the creation and development of new technologies (Soludo, 2004)

The element of the fourth reform agenda was the requirement that the minimum capitalization for banks should be N25billion with the full compliance by the end of December 2005, 25 banks emerged from 89 mainly through merger and acquisition and later in 2008 the number reduce to 24 banks. Similar trends have occurred in the United States (Petersen, 1999) Asia and Europe (Saprenza, 1998).

Before the consolidation in Nigeria banking system, the banking sector was characterized by weak capital base, weak corporate governance, over-dependency on the public sector deposits, insolvency evidenced by the negative capital adequacy ratio; inadequate risk management practice inefficient supervision and banks failure result in loss of confidence. All these brought about loss of customers confidence as banks became weaker (Soludo, 2006).

It is in the light of the above that this study attempt to assess the effects of banks consolidation on the economic growth in Nigeria.

Research Questions

Based on the above statement of the problem the following research questions are presented.

i. What are the effects of banks consolidation economic growth in Nigeria?
ii. What is the nature relationship between bank consolidation and economic growth?

Objectives of the Study

The main objective of the study is to assess the significance of the bank consolidation exercise on the Nigeria economy. However, the study specifically seeks to;

i. Investigate the effects of bank consolidation on economic growth in Nigeria.
ii. Examine the nature of relationship between banks consolidation and economic growth in Nigeria.

Research Hypothesis

The hypotheses that shall guide this study are as stated below:

Hypothesis 1:

(Ho): Banks consolidation has not had effects on economic growth in Nigeria.

(Ha): Banks consolidation has had effects on economic growth in Nigeria.

Hypothesis 2:

(Ho): There is no significant relationship between Banks consolidation on economic growth in Nigeria

(Ha): There is a significant relationship between Banks consolidation and economic growth in Nigeria

Significance of the Study

The importance of a study on the effects of banks consolidation on economic growth in Nigeria cannot be played down, given the fact that it serves as a form of assessment and evaluation of a policy framework that was introduced to solve the problem of weak capital base of most banks in Nigeria and its implication for economic development. So doing a study on this area will be of great benefits to both the banks and the depositors alike. Furthermore, any study that would help to bring to the fore the effects of banks consolidation on economic growth in Nigeria should be considered as apt and highly significant for policy makers with respect to future policy direction. This is the essence of this study.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Bank consolidation is the reduction in the number of bank with a simultaneous increase in the sector (Landerman, 2003; Baku, Smith, et al 2004). It involve the resources of the industry becoming more tightly controlled either because the number of key firms is smaller or the rivalry between firms growth among leading firms, or industry of weaker institution (G10, 2001).

Consolidation is often used interchangeably with concentration, even though; there exist a difference between the two concepts. Concentration refers to the degree of economic activity by large firms (Sathye, 2002). According to Alenandrini, Presbitero, Zazzaro et al (2008),increase in the concentration levels could be due to considerable size enlargement of the dominant firm(s) and /or considerable size reduction of the none-dominant firm(s).In the context of this work however, the two concept are used interchangeably.

The key characteristic of the consolidation is change of control, which take place through a transfer of ownership (Ayadi and Pujal, 2004). Though bank or corporate consolidation is active by way of capitalization and the proactive regulation (Adam, 2005). The primary methods of consolidation employed by firms are merger and acquisitions (M&A).with both these methods two formerly independent firms becomes commonly controlled.

A number of researchers have been conducted on the rhyme and reason of bank consolidation. most studies support the view that consolidate is beneficial because more efficient bank managers substitute less efficient ones, and greater bank size can yield economics of scale and scope, increase diversification opportunities and generate cost saving (Landerman, 1995; Bonaccorsi di Patti and Gobi, 2002). The import of this position is that consolidation supposed to impact positively on the industry and consequently the economy due to its triggered possible economic efficiency and self-interest of bank management.

Proponent of banking consolidation argue that economic forces that may be driving consolidation through merger and acquisition are economic of scale and scope (Vennet 1996;Lang and Wetzel, 1996; Stiroh and Pole,2000; Altunbasetal, Ahumada and Marshal, 2002) which bring about value maximization (Berge etal 1999;Jahreskog 1999) and management personal incentive (Landerman 1995 and 2003). Soludo (2006) add that banking consolidation has the benefit of causing drastic fall of interest rate due to liquidity greater potential for banks to finance big-ticket transaction, dilution of ownership of bank to take the monster of insider and corporate governance abuse more effective supervisory and earning greater confidence of depositors.

According to Berger, Beek Levine etal (2003) and (G10 2001), the most important forces encouraging financial consolidation are improvement in information technology financial deregulation, globalization of financial and real market, and increase shareholder pressure for financial performance. It’s primarily motives on the other hand, are cost saving and revenue enhancement to enable banks discharge more efficiently their intermediary and development role (soludo, 2004)

Further Imala (2005) and Adeyemi (2006) identified eight reasons for M&A in the financial services sector. Cost savings, attribution to the economics of scale and as more efficient allocation of resources; revenue enhancement, resulting from the impact of consolidation on bank size scope and overall market power; risk reduction, due to change in organization structure.

Other reason include new development, which impose high fixed cost and the need to spread these cost across a large customer base; the advent of deregulation, which removed many important legal and regulation barring globalization, which engender a more globally integrated financial service and geographical expansion of banking operation financial stability, characterize by the smooth functioning of various component of the financial system, with each component resident to shock; and shareholder pressure on management to improve profit margins and returns on investment, made possible by new and powerful shareholder block.

According to the proponent (Beck and Jarome (2005) technological progress may have increase scale of economics in producing financial services, creating opportunities to improve efficiency and increase value through consolidation low interest rate and high stock prices which reduce prices financial constraint on M&A activities is another reason behind the rapid growth in bank consolidation. Even though they raise the price of target firm as well (G10, 2001). Transfers of better management skills from the buyer to the target are also quoted as a motivation for bank takeovers, while increases in market power are another possible motivation for M&As.

Consolidation according to Boyd and Gentler (1994) many efficient way to do away excess capacity that arises in the consolidating firms by solving the problem of inefficient product mix and financial distress, while merger (1998) content that globalization of financial market that is witnessing transfer of securities good and services in international Market and which create demand for currency deposit loan and other services by international financial institutions has contributed in no small measure to cross border M&A.

Economic growth represents the expansion of a country’s GDP or output (Akpan, 2005). For instance, if the social rate of return on investment exceeds the private return, then tax policies that can help to raise growth rate and levels of utility should be pursued. Economic growth has provided insight into why State growth at different rates over time and this influences government in her choice of tax rate and expenditure level that could influence the growth rates.

Growth means increase in economic activities. Todaro and Smith (2007) citing Kuznets defined a country's economic growth as a long-term rise in capacity to supply increasing diverse economic goods increasing to its population, this growth capacity based on advancing technology and institutional and ideological adjustment that it demands.

An assessment of the Nigeria banking industry as at end of 2004 shows that while the overall health of the system could be describe as generally satisfactory, the state of some banks was less cheering. The CBNs rating of the entire bank, classifies 62 as sound /satisfactory, 14 marginal and 11 unsound, while two of the banks did not render any return during the period.

A further review of the banking system as at that period reveals that the marginal and unsound bank accounted for 19.% of the total asset, 17.2% of the total deposit liabilities, while industry non-performing asset was 19.5% of the total loan and advance the implication of the unsatisfactory statistics as noted by Lemon (2005) is that there existed threat of a system distress judging by the triggers point in the CBN contingency planning framework of December 2002 which stipulated a threshold 0f 20% of the industry assets, 15% of deposit being held distressed banks and 35%of industry credit being classified as non-performing.

The fundamental problem of the marginal and particularly, unsound banks according to soludo (2004) had been identified to include persistent illiquidity, poor asset quality, unprofitable operation, weak corporate governance gross inside abuse insolvency, weak capital base and over dependency on public sector deposit. These negative developments necessitated the resolve to strengthen and consolidate the Nigeria banking system.

Over the years CBN has made capital adequacy of Nigeria bank as one of the top in all bank reforms particularly from the 1970, reviewing the literature, Ningi and Dutse (2008) identified four cogent reasons why the CBN has being expressing concern for capital adequacy of bank in Nigeria.

Firstly, the industry has witness unprecedented competition in 19970s and 1980s leading to engage in sharp and unscrupulous not minding the risky nature of their business, which made the supervisory authority in particular to express concern over capital adequacy. The concern of CBN has been reflected in the continual increase in the capital requirement for bank entering the industry secondly, significantly, as a result of inflation, the volume of banking business reflected in the total assets liabilities of banks has increased phenomenally in recent years. As the asset all diminish in relation to liabilities if no addition is mad to it, the CBN consider it imperative to gear up the minimum capital base of bank over the years.

Thirdly the international business environment and sector have become increasingly intertwined as a result of globalization. Consequently too, the bankers has expose to risk not directly inherent in the business of the economies which they operate. The question as to whether existing levels of capital are considered adequate for increasing level of risk has risen consequently in debate between supervisory authorities. Accordingly, for banks in Nigeria to play safe, adequately capitalization has always been given attention.

Finally, bank failures have become an important phenomenon in economies of Europe, American and indeed the world over since the early 1980-90s. Significant systematic banking crises have been experienced in East, Asia, (the US and Europe (Wilmarth, 2002). Borrowing from the experience of South Africa and Malaysia where the influence of bank failure phenomenon was tackle head-on through recapitalization and consequently consolidation of the banking industry b, the CBN fashion its banking reform along that line.

As a result of concerns of the CBN over capital adequacy of banks, legal and regulatory action are being instituted or reinforced to ensure the bank within their jurisdiction operate continuously with adequate capital (Ningi and Dutse, 2008). Beck etal (2005) noted that since 1952, when the fist banking legislation was enacted all the banking laws in Nigeria have specified minimum paid up capital with differentiation between indigenous and foreign banks.

According to Somoye (2008), the minimum paid up capital for indigenous and foreign banks between 1952 and 1978 was N1, 500,000 respectively between 1979 and 19847, different initial capital base requirement stipulated for commercial and merchant bank was N600, 000 and N200, 000 respectively. Lewis and stein (1997) noted that while the statutory minimum capital requirements largely stabilize during the pre-SAP period. Four upward review were put in place after SAP to adjust for inflationary impact of the SAP induce policies more so, the increase in the number of operators between 1987 and 1990 actually led to the ballooning of loans and advance of bank industry wide and a consequent deterioration in the quality of banks risk assets (Ningi and Dutse, 2008).

Consequently, in February 1988, minimum capital base for commercial and merchant banks was put at N5 million and N3 million and in October the same year to N10 million and N6 million and further to N20 million and N12 million respectively between 19879 and 1990 the CBN introduce the new famous prudential quid line, which made it mandatory for bank to recognize early and provide for not performing assets. The effort of those stringent but necessary measure was the erosion of the capital of quite a sizeable number of operators as their accumulated reserves were not sufficient to absorb the huge loses (Somoye,2008), leading to another upward review to N50 million and N40 million respectively between 1991 and 1996.

According to Lewis and Stein (1997) the new globally embraced capital adequacy measurement place considerable emphases on the risk element in the asset of banks. This is to ensure that each banks carries fund that are not only commensurate with its total asset but also cater adequately for the risk ness of it's, nationally and internationally.

With the advent of the universal banking in 2001, capital base different between commercial and merchant banks was eliminated. This between 2003 and 2004 minimum capitalization for all banks in Nigeria was raise to N2 billion to enable bank absorb shocks from the dwindling economic performance of the sector. In 2004, the CBN embark on yet another banking system reform to solidify the banking system and restore public confidence in the sector by announcing a minimum capitalization of N25 billion for all banks in Nigeria.

The announcement of new capital base was greeted by intellectual debate, with some notable economist faulting the CBNs decision on the minimum capital base. For example, Teriba (2004) contends that the Soludo's proposal emanated from misconception on cash, deposit mobilization/intermediation depths and capital adequacy of bank in Nigeria. However, since bank consolidation has come to stay in Nigeria, the challenge for stake holders is to appraise the new reform with a view to knowing whether or not its promised dividends have been realized.

Empirical Literatures

There are several scholarly empirical studies on the banks consolidation exercise and its effects on the Nigerian economy. Some of these literatures are reviewed below; a study by Barros and Caporale (2012) examines the Nigerian banking consolidation process using a dynamic panel for the period 2000-2010. The Arellano and Bond (1991) dynamic GMM approach is adopted to estimate a cost function taking into account the possible endogeneity of the covariates. The main finding is that the Nigerian banking sector has benefited from the consolidation process, and specifically that foreign ownership, mergers and acquisitions and bank size decrease costs.

Babajide, Olokoyo and Taiwo (2014) in their study on the impact of the banks consolidation on small scale industry put forward that prior to the 2004 reform in the Nigerian banking sector, banks neglected the small and medium class saver and concentrated more on big corporate savers. Many banks abandoned their essential intermediation role of mobilizing savings and inculcating banking habit at the household and micro enterprise levels. This paper presents empirical findings on the effects of the 2005 bank consolidation on small business finance in Nigeria. The main objective of this paper is to assess the response of flow of credit from the banking sector to small and medium enterprises in Nigeria. Data for the study were sourced from the list of the 25 post consolidation banks in Nigeria. Panel data covering a period from 2004 to 2011 were analysed using the Levin, Lin and Chu panel unit root test analysis to ascertain the authenticity and accuracy of the data series as well as its reliability on policy issues. The study adopts panel regression approach comprising of fixed and random effect models and used Hausman Taylor (1981) option in selection of a more efficient estimator for the model equation. The study shows a percentage increase in post consolidation asset base by over 9 percent for the banks and profit maximization increases by 72 percent which could translate to increased bank propensity and readiness to lend. There is also a significant increase in SME credit supply accessible by firms resulting to increase investment and consolidated effort to encourage the development of more SME driving enterprise. The study therefore recommends that credit policy effect should ensure that banks reorganize their asset portfolios so as to create more provision for lending to small firms rather than implementing policies that allow for more stringent conditions and requirements that discourage future development of SME investments in the economy.

Similarly, Olayinka and Farouk (2014) in their study, evaluates the impact of consolidation on the performance of banks in Nigeria. The study used a period of 12 years from 2000 to 2011 comprising six years pre and post consolidation era. The population of the study is (22) banks in which four (4) banks are drawn using stratified sampling technique. The study utilizes secondary data obtained through annual reports and CBN banking supervision. T-test was employed to test the hypothesis formulated. The findings of the study show that consolidation has significant positive impact on the performance of banks in Nigeria. The study therefore recommends that the management of banks should work hard to ensure that adequate measure is being put in place to determine increasing rate of return on asset, return on equity and net profit margin of their banks reform of this nature such as consolidation of banks is one of the ways to improve the banking sector financial stability.

Ajao and Emmanuel (2013) posits that in any economy, the banking industry is a highly regulated industry owing to the fact that the industry is considered as the engine of economic growth and development. The objective of their research is to analyze financial performances of pre and post consolidation program in order to determine whether there is significant difference between the two periods. The study employed the use of secondary data gathered from the audited financial reports of selected banks. Descriptive analysis was employed through the use of tables and charts; then the regression is used to determine the relationships while t-test statistics is used to find out whether there is statistical difference between the means of consolidation variables and financial performance variables. It was discovered that it is not all the time that consolidation transforms into good financial performance of banks and it is not only capital that makes for good performance of banks. The study, therefore, recommends that the CBN should increase its oversight role so as to ensure that none of the banks has weak corporate governance.

A study by Bernard and Obialor (2014) investigated the impact of bank recapitalisation on bank performance. The Ordinary Least Square (OLS) regression analysis was used for the analysis. The results showed that bank capitalization has no significant effect on bank profitability and asset quality, whereas liquidity and financial deepening were significantly influenced by the recapitalization. The study posits that profits maximization drives of Nigerian banks have had counterproductive effect on bank capitalization. Also, efforts of banks to maintain quality assets and remain in business normally erode their capital. Strategies to increasing bank capitalization can be used to boost loans and advances to the productive sector of the economy.
Berger and Udell (1995) used 1980-1988 as its study scope and the Thick Frontier Approach (TFA) method. The study found out that deregulation of deposit rates caused an increase in average cost in US banks especially the smaller ones, hence it led to reduced efficiency while during post-deregulation periods, and their average coast fell owing to the structural change.
Sobodu and Akiode (1995) employed data envelopment analysis (DEA) to study the efficiencies of banking institutions in Nigeria under the privatisation policy, the study showed that the efficiency of the Nigerian banking system declined significantly during period of financial deregulation compared to its levels before consolidation, they also discovered that privately owned banks operated more efficiently than government owned banks.
Favero and Papi (1995) used a sample consisting of 174 Italian banks, which represented 80 percent of total deposits, cross-sectional data from 1991 to 1995 and used the Data Envelopment Analysis (DEA) as its methodology. The major findings showed that efficiency of banks was mainly determined by productivity and specialisation by bank size and lesser by their locations.

Erel (2006) studied the effect of bank mergers on loans price. He found out that on average mergers reduced loan spreads, and that the results were stronger for acquirers with large declines in operating cost post merger. According to him, merger and acquisitions did not decrease the spread of the loans, because, by the time one or more banks were merged together at least they would be stronger more than before and that would allow them to spread credits to borrowers more than before.

Lamberte and Manlagnit (2004) examined the recent consolidation trends among depository institutions (commercial banks and thrifts) in Philippine for the period between 1989 and 1994. The study found out that market concentration increased significantly, midsize commercial banks were gaining market share at the expense of large banks in most markets. In addition, Roger and Ferguson (2009) studied the financial consolidation. Their study concluded with an extensive evaluation of the potential effects of financial consolidation on the efficiency of financial institutions, competition among such firms, and credit flows to households and small businesses.

According to Willson, Wilson and Goddard (2008) consolidation in the US had empirical evidence that there was often little improvement in efficiency or performance of merged entity. The study also suggested that the hubris and agency motives for merger may be relevant, or that synergy derived more from enhanced market power than from cost savings.

De young (1993) studied 348 merged banks, of which 43 percent were intercompany ones. The study estimated pre- and post-merger cost efficiency by applying a thick frontier approach. Prior to merger, the acquiring banks were more cost efficient than the target;

however, in the three years period after the merger, cost efficiency improved in about 64 percent of the cases.

Dogarawa (2011) posited that the trend of collapse and continual closure of business by Small and Medium Enterprises (SMEs) in Nigeria due largely to financial constraint has raised the important question of whether or not bank consolidation really impacts on the sector. Using an aggregated data for all the Deposit Money Banks (DMBs) in Nigeria as at the end of 2008, this paper assesses the impact of bank consolidation on credit availability to SMEs in Nigeria. The results of the ordinary least squares (OLS) regression model show that so far, bank consolidation in Nigeria has no positive impact on the size of credit available to SMEs. Based on that, the paper recommends that the Federal Government should come up Credit Guarantee Scheme to enhance accessibility of SMEs to banks' financing, taking into consideration the peculiarities of the sector and the reasons responsible for the failure of previous financing schemes. The Central Bank of Nigeria (CBN) on her part should review the minimum capital base of N25 billion for banks and classify banks into international, national and regional to enable the emergence of small and medium-sized banks that will concentrate on SMEs financing.

Odeleye (2014) holds that the Central Bank of Nigeria's (CBN) recent reform to consolidate the banking sector through drastic increase to #25billion as minimum capital base of any bank led to a remarkable reduction in the number of banks from 89 to 24 in 2005; changed their mode of operations and their contributions to the nation's economic development. Drawing on original research on consolidation of banking sector, this study examined the impact of consolidation on performance of Nigerian banks for the period 1999 to 2011. It employed Chow test; a parameter stability test which showed that there was parameter instability after the consolidation. System GMM (generalized methods of moments) estimation was further used to ascertain the directional and magnitudinal (size) impact of consolidation on the banks' efficiency. With emphasis on earnings per share as a proxy for consolidation, it is inferred that Nigerian banking consolidation exercise did impact their efficiency positively.

Oluitan, Ashamu and Ogunkenu (2015) in their study evaluates the effect of mergers and acquisitions on bank recapitalization in Nigeria with emphasis on the impact of the strategy on economy development. The study makes use of data from the foremost eight banks in Nigeria that account for over 60% of the banking transaction in the country. The research work was evaluated through regression analysis of secondaryyears (2002-2011) from the sampled banks. The research entails a study of the pre-recapitalization and post-recapitalization periods hence the sample period was divided into two. This approach assists to capture the actual effect of the latest recapitalization policy of the government during the period. The result suggests that the effect of the latest recapitalization policy was positive on the operational capability of the Nigeria banking system. There are lots of economies of scale derived from the exercise. Harnessing of resources through mergers and acquisition gave the banks the much required funds to intermediate more effectively within the financial system.

Berger and Allen (1998) examined mergers which occurred in the 1980s that involved banking organizations with at least $1 billion in assets and got to a conclusion as a result of the data aggregated to the holding company level, using frontier methodology and the relative industry rankings of banks participating in mergers. Frontier methodology involves econometrically estimating an efficient cost frontier for a cross-section of banks. For a given institution, the deviation between its actual costs and the minimum cost point on the frontier corresponding to an institution similar to the bank in question measures X-efficiency. They found out that, on average, mergers led to no significant gains in X-efficiency.

Molyneux, Altunbas and Gardener (1997) underscored the importance of efficiency in banking and pointed out that higher efficiency could be expected to 'lead to improve financial products and services, a higher volume of funds intermediated, greater and more appropriate innovations, a generally more responsive financial system, and improved risk-taking capabilities if efficiency profit gains were channeled into improved capital adequacy positions. They opined that bank efficiency was of critical importance to the evaluation of bank's performance.

Onaolapo (2008) employed CAMEL rating system to examine the effectiveness of recapitalization. He found that recapitalization had improved the financial health of banks. This finding was collaborated by Sani (2004). Using a regression model, Sani discovered a positive and significant relationship between recapitalization policy and economic growth in Nigeria.

To the contrary, Adegbaju (2008) examined the effectiveness of recapitalization on the performances of 20 Nigerian banks. He discovered that while few banks recorded appreciable improvements in their performances, majority of the banks remained the same or even worse off.

Okafor (2009) research on consolidation exercise in Nigeria employed capital adequacy asset quality liquidity and management. 2004 -2005 was regarded as the pre consolidation period while 2006-2009 was regarded as the post consolidation period, she concluded that consolidation improved the overall performance of banks in terms of assets size, deposit base, capital base and capital adequacy, however it did not contribute to the profit efficiency of those commercial banks.

Using the dynamic panel GMM method on a cross sectional data from 2000 -2010, Barnos and Caporale (2008) came to a conclusion that consolidation specifically reduced foreign ownership of commercial banks and also through merger and acquisition banks were more cost efficient.

The investigation carried out by Elumilade (2010) on the effects of mergers and acquisitions on the efficiency of financial intermediation in the Nigerian banking industry had evidence that the consolidation programme induced mergers and acquisitions in the banking industry and improved competitiveness and efficiency of the borrowing and lending operations of the Nigerian banking industry.

Olaosebikan (2009) investigated the efficiency of the Nigerian banking system between 1999 and 2005. Bank efficiency was evaluated using Data Envelopment Analysis (DEA). The results indicated that efficiency fluctuated during the first part of the period and improved during the recent years, a period associated with the increase in minimum capital requirement, differences in banks' efficiency was explained by problematic loans and their size.

Donwa and Odia (2011) investigated the impact of the consolidation on banking industry in the Nigerian Capital Market between 2004 and 2008 using primary (questionnaires) and secondary data from the Nigerian Stock Exchange. When the data was analyzed with the chi-square test and ANOVA, it was found that bank consolidation affected the industry significantly as most of the banks had to go to the capital market to raise the required amount by issuing securities. They submitted that banks' consolidation had increased public awareness and operations of the Nigerian capital market just as the capital market had continued to be an easy and cheap source of funds for banks in the post consolidation era. Based on their findings, it was recommended that the banks and capital market regulatory authorities should continue to monitor and institute reforms program that would better reposition the banking industry as a major player in the Nigerian Capital Market and the economy.

Adegboyega (2012) evaluated the impact of mergers and acquisitions on performance of Banks in Nigeria. Pre-merger and post-merger financial statements of two consolidated banks were obtained, adjusted, carefully analyzed and compared. The result revealed that all the two groups produced in addition to operational and relational synergy, financial gains far more than the 2+2=5 synergistic effects. Ratio technique and inferential statistical tools were used to highlight synergistic effects on the merging banks.

METHODOLOGY

Research Design

The study adopts a survey type of research design. There are two variables: independent and dependent. The dependent variable is economic growth proxy by the gross domestic product (GDP) in Nigeria. The independent variables are Commercial bank deposits (CBD) and Commercial bank assets (CBA) as evidence of the consolidation exercise. In addition to the above, the study equally seeks to examine the relationship between economic growth and commercial bank deposits and commercial bank assets in Nigeria.

Source of Data

Based on the nature of the study, data collection will be based on secondary data. The study will source data from Statistical Bulletin of the Central Bank of Nigeria (CBN), Federal Office of Statistics (FOS) and Annual Abstract of Statistic of the National Bureau of Statistic (NBS). The source of data for the study is secondary source because it requires the time series data of the GDP and commercial bank deposits and commercial bank assets for the period between 2000 and 2015.

Population of the Study

The population of the study constitutes the entire sectors of the Nigerian banking industry. However, the impossibility of including all the members of the population makes sampling imperative. As a result, the study concentrated on the commercial bank deposits and commercial bank assets.

Model Specification

Given the propositions stated that consolidation exercise should play a significant role in determining commercial banks deposits and assets, so as to give the bank a solid financial base and source of credit for desiring sectors of the economy. As such, in specifying our model, our dependent variable shall be the gross domestic product (GDP) while our explanatory variables shall be the annual time series data of Commercial bank deposits, and Commercial bank assets. Therefore, our multiple regressions model can be specified as thus;

$GDP = b_0 + b_1X_1 + b_2X_2 + U$ i

Where
GDP = Gross Domestic Product (GDP)
X_1 = Commercial Bank Deposits (CBD)
X_2 = Commercial Bank Assets (CBA)
U = the stochastic error term
bo, b_1 and b_2 are parameters

Technique for Analysis
We shall use the Ordinary Least Square (OLS) technique to estimate the values of the parameters Bo, B_1 and B_2. Besides, we will use the student's t-values obtained to determine the statistical significance of the parameter estimates and the test of goodness of fit for the model using the R^2 technique. This will enable us to know the percentage of variations between the dependent variable and the explanatory variables.

Then, the f-statistic test to determine the overall significance of the multiple regression models and the Durbin –Watson test for the presence or absence of auto-correlation.

Data Presentation
In the analysis of our model, in which the Gross Domestic Product (GDP) served as the dependent variable while the Commercial Bank Deposits (CDP) and the Commercial Bank Assets (CDA) serve as the independent or explanatory variables, we obtained the following results for the Ordinary Least Square (OLS) multiple regression models. Please note that the result presented below have their details in software form at the appendices.

Ordinary Least Square (OLS) results
The OLS multiple regression result is as presented below:

GDP =	b_0	+ b_1CBD	+ b_2 CBA
GDP =	40202733	+ 159.34CBD	+ 0.51CBA
S.E	(13634147)	(71.93)	(0.18)
t-stat.	2.95	2.22	2.83

$R^2 = 0.89$, F-stat = 35.24, d-w = 1.78, N = 16

Interpretation of Results
The study results generated from the ordinary least square multiple regressions as presented above shows that both commercial bank deposit and commercial bank assets had positive relationship with the GDP has a positive relationship with commercial bank deposits. In spite of being positively signed they were also statistically significant using the rule of thumb of 2. Furthermore, both commercial bank deposit and commercial bank asset were also found to have impacted on the gross domestic product (GDP) since its t-value was also statistically significant. This implies that the nature of relationship between the gross domestic product (GDP) and commercial bank deposit and commercial bank assets in Nigeria can be said to be positive and significant.

FINDINGS
Based on the multiple regression result, it suggested that banks consolidation exercise as reflected in increased bank deposits and assets have affected economic growth in Nigeria positively and significantly as well. This means that since the consolidation exercise, the GDP has been rising. This rise has been made possible by the availability of deposits in the vaults of commercial banks for its availability as loans to investors. The growth in the GDP over the time has proven that banks consolidation has yielded positively for the Nigerian economy. Hence, the banking industry in Nigeria can guarantee sustainable development and disaster management in the area of playing its obligatory role of making financial resources available for funding of projects and initiatives that would bring sustainable development and effective disaster management in Nigeria.

Intuitively therefore, it can be said that there has been a significant relationship between banks consolidation and economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS
The fundamental objective of reforms is to reposition an existing status to attain and efficient state consistent with best practices. Consequently, Nigeria banking industry reforms intended to achieve the objective of consolidation, competition and convergence, the nucleus remain that of firming up capitalization for economic growth in Nigeria. Consolidation was identified as the key means of achieving capital adequacy in line with regulatory stipulation as well as raising the competitive advantage and strategic positioning.

Ordinarily, an efficient financial system is important and instrumental to the growth and the development of any economy. A well developed and healthy financial system has long been recognized to play the role of efficient financial intermediation functions. Financial institution like the banking industry link up saver and borrower thereby reducing both transaction and search cost. They also create liquidity in the economy by the encouraging short-term and long-term borrowing and lending, reduce information cost, provide risk management service and reduce risk involve in financial transitions.

These benefits further translates into the economy through the process of motivating financial reforms where the system is considered undeveloped in order to increase the size of the domestic savings channeled through the formal financial sector, improve the efficiency of the financial intermediation and enhance the effectiveness of the monetary policy.

Using the gross domestic product as the independent variable and commercial banks deposits and assets as explanatory variables; our study via the results obtained shows that there has being corresponding impact of banks consolidation as reflected in the volumes of commercial bank deposits and assets on economic growth in Nigeria. This suggests that the banks consolidation exercise has spurred banks deposit for investments purpose and at the same enhances the stability of banks over the period of study. Suffice to say it then that the significance of huge bank deposits cannot be played down in the face of the financial intermediation role of financial institutions especially for economic growth. Obviously, money deposited in commercial bank make funds available for would be borrowers particularly for economic purposes.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made;

i. That all efforts be put in place to sustain the banks consolidation policy as it makes sufficient funds available for the overall well-being of the economy.
ii. Also, policies that would sustain the viability of banks especially that which will guarantee availability of funds for investment purposes like the consolidation exercise should be greatly encouraged. In addition, bank consolidation exercise should be employed at different interval to reflect prevailing economic realities of bank operations in Nigeria.
iii. With regards to the conference theme, the paper has brought to the fore the significance of the banks consolidation exercise to the Nigerian economy. Therefore, it can be said that banks in Nigeria are well positioned for sustainable national development and disaster management in the area financial provision given the positive impact of the consolidation exercise.

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