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The Consequential Implication of Bank Distress on the Financial Performance of Some Selected Deposit Money Banks (DMBs) in Nigeria

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Abstract

It examines the consequential implication of Bank Distress on the Financial Performance of some selected Deposits Money Banks (DMBs) in Nigeria. Data were collected from annual financial reports of concerned financial Institutes from 2001 - 2010 by using correlational analysis. The study found that, Asset qualities of the reviewed banks showed an appreciable growth and improvement as seen from their annual reports and accounts. Therefore, asset quality significantly affects the financial performances of quoted banks as the F- statistics for the selected banks calculated were far greater than their respective tabulated value at 5% level of significance. Trading capital of banks grew over the period under review and was highest with Zenith Bank Plc and First Bank Plc. It was discovered that employee motivation is a key success factor in evaluating the financial performance of selected banks. Banks that provide good and adequate employee motivation tend to perform better and even outperform banks that don't take issues of employee motivation serious. The study recommended that profits should not form the only key criteria for evaluating the financial performance of banks but rather other key factors should be introduced which include: capital adequacy tests, Basel accord compliance, assets quality evaluation, and employee's motivation. There should be strict and closely monitored supervision by the APEX regulatory authorities such as Central Bank of Nigeria (CBN), National Deposit Insurance Corporation (NDIC) and Economic and Financial Crime Commission and other related offences (EFCC) through their various on-site and off-site examinations. There should be regular training and re-training for financial institution employees to enable them acquires the latest skills on their very sensitive job.

Keywords: *Bank Distress, Assets Quality Evaluation, Employee's Motivation, Capital Adequacy, Financial Performance*

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Background to the Study

An efficient financial system is widely accepted as a necessary condition for an effective functioning of a nation's economy. Since, it is widely acclaimed that the banking system in particular and the financial system in general, play crucial role in economic development. Therefore, the state of development of financial market in a country serves as barometer for measuring the stages of development of the economy of every nation (Varsh, 1991). The mix of these financial intermediaries varies from country to country which reflect the stages of development and the degree of sophistications of the country's economy agents. The market provides services that are essential to a modern economy by offering access to varieties of financial instruments that enable economic agents to pool price and exchange risk. This is done through assets with attractive yield and marketability. Instability in the financial system and the banking sector in particular has arisen from institutional failure as in the past. In Nigeria, the lesson of the bank failure appeared to have been forgotten as generalized distress swept the banking sub-sector and systemic distress gripped the finance house sub-sector. A factor that leads to banks liquidation includes bad management, inadequate working capital, lack of trained manpower and poor accounting system. These problems are still hinting the industry to date.

Bank distress according to Abiola, (2002) is a phenomenon that involves poor liquidity, poor earning and gross inability to meets payment and maturity obligation to depositors and creditors. Banks are defined as financially distress when they are technically insolvent and illiquid. Insolvency refers to the situation in which the sum of assets in an institution is less than the sum of its liabilities. The pervading problems of banking industry in Nigeria particularly in the late 90s, and the late year of the millennium (2000—2005) have remain one of the disturbing features of the banking sector in those recent time. The rapid increase in the number of distress bank and the magnitude of distress has reached an alarming proportion.

In any country, the banking sector occupies an important place in the financial system. The reasons for these are because of the roles banks play in the development of an economy. The antecedent of banks proliferation and lack of control by the supervisory authority led to the paper profit declared by banks in order to stay afloat. The effect of this unethical practice led to the distress in the banking industry with the introduction of the prudential guidelines and statement of accounting standard (10) which majorly dwelt on the provisioning for loans and advances. The lesson to learn from the distress in the banking industry was that profitability alone does not determine the yardstick for financial performance of banks. The deficiency of profitability as a measure of financial performance led to the use of capital adequacy, Asset quality, Management, earnings and Liquidity (CAMEL) by Monetary Authorities. Since the introduction of CAMEL, the banking industry has improved tremendously with respect to their financial performances.

Objective of the Study

The study seeks to achieve these objectives to ascertain if quoted Banks operate with adequate capital and its impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria, to ascertain if quoted Banks maintain high quality assets and its impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria and then finally to determine employee contribution and motivation in achieving Bank's financial targets. Some questions will come to our mind, such as: How can we ascertain if quoted Banks operate with adequate capital and its impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria? To what extent does Asset Quality impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria? Does Employee Motivation affect the Financial Performance of Quoted Deposits Money Banks in Nigeria? This study is guided by the following hypotheses.

Hypotheses

HO_1: Banks operate with no any significant capital adequacy and it has no any impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria

.**HO_2:** Asset Quality has no any significant impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria

HO_3: Employee Motivation has no any significant effects on the Financial Performance of Quoted Deposits Money Banks in Nigeria

This study is expected to be of important to the entire public, because the study acquaint reader with the practical aspect of financial distress in the Nigerian banking industry. Also the study will serve as a guide to banks, because it provides possible recommendations. However, the regulatory authorities Central Bank of Nigeria (CBN) and Nigerian Deposit Insurance Corporation (NDIC) may also use the preferred solution to regulate the bank that fall among victims. The study also broadens the researcher horizon and enhances his research skills. It also provides the researcher with more opportunity in gaining more knowledge, ideas, and clear understanding about banking operations and services. The study concentrates only on selected Quoted Deposits Money Banks in Nigeria and their activities within the range of 2001 – 2010. The selected Quoted Banks under study were: First Bank of Nigeria PLC (FBN); United Bank for Africa PLC (UBA) and Zenith Bank PLC**.**

Review of Related Literature

The term "distress" connotes "unhealthy situation" or a state of inability or weakness which prevents the achievement of set of goals and aspiration (Egbobikwe, 1996). Ologun (l994) viewed distress as "a situation of complete or near complete loss of shareholders' funds". A financial institution is described as unhealthy, if it is unable to meet its obligation to customers, owners and the economy occasioned by severe financial, operational and management weaknesses.

It goes further to states that; "distress in financial institution is often technically used to described two distinct but closely related terms, namely, insolvency and illiquidity. Insolvency refers to a situation which prevents it from honouring its obligations to depositors and other shareholders. While illiquidity on the other hand, is described as the problematic cash flow position of a firm. Ogbuke (2003), used bank failures to described situation when as a result of irredeemable bank distress, a bank license is revoked and the bank subsequently is liquidated. Elebuta (1999) opined that distress in banking happens when a fairly reasonable proportion of banks in the banking sector is unable to meet their obligation to customers, owners and the economy, as a result of weakness in the financial, operational and managerial capabilities which renders them either illiquid or insolvent.

According to CBN brief, (1995) financial distress has been described as a situation in which "a single proportion of financial institutions have liabilities exceeding the market value of their assets which may lead to run" and other portfolio shifts and eventually collapse of the financial system.

Another serious danger posed by generalized distress among banks is the threat to the development of an efficient payment mechanism. Settlement of transaction becomes predominantly cash-based with its associated risk. Also, the effectiveness of monetary policy is reduce in direct proportion to the extent of loss of confidence in the banking system as reflected in the instability that would characterize the demand for money and the proportion of money in circulation that would be outside the banking system as banks are no longer seen as safe depositories. In Nigeria, more than 50 per cent of money supply is estimated to be outside the banking system (NDIC, 1998).

Nwankwo (1991) evaluated a comprehensive measurement criterion for bank liquidity. Liquidity can be measured either as a stock at a point in time or as a flow. The most widely used measure is derived from the stock approach. Examples are:

Loan – Deposit Ratios – All Banks loan are lumped together on the basis that they are the most liquid of all Bank assets. They then compare with the total bank deposit as a proxy for liabilities. A rise in this ratio implies a less liquid position and a fall implies a strong liquid position.

Loan to Liability Ratio – This has the merit in recognizing liabilities other than deposit, it can represent a potential drain on bank funds.

Liquid Assets Ratio – Assets are selected on the basis of their liquidity whether they are loans or investments.

Cash Ratio – Ratio of cash to total deposit, liquid assets are related directly to deposit, rather than loans and advances.

Capital adequacy is measured as a ratio of certain key balance sheet items such as; Total Capital/Total deposit, Total Capital to risk adjusted Assets, Total Capital to total loans and advances, Total deposit to total long-term borrowings, Primary capital to total capital, Primary capital to dividend, Dividend to profit after tax, Total capital to fixed asset.

Financial ratio is the relationship between two accounting figures. It involves the analysis of financial statement of firms. As noted by Reed*et al*(1980), in dealing with business borrowers in particular, Banks find that historical financial statements, performance statements, and cash projections provide not only a good basis for evaluating a loan applicant's financial condition and profitability, but also a knowledge of the applicant's ability to generate cash flows for operating, proposed business and making loan repayments. Nwankwo (1991) is of the view that financial statement and ratio analysis establishes the end and need for loan, as well as the repayment ability, how much is required, for how long, when required and whether the demands conform with existing directives and guidelines, both of the Bank's Head Office and the Central Bank of Nigeria.

According to Kotler (2005), leading is the process of influencing people so that they will contribute to organization and group goals. People assume different roles and there is no average person. While working toward goals, a Manager must take into account the dignity of the whole person. Motivation is not a simple concept: Instead, motivation pertains to various drives, desires, needs, wishes and other forces. Managers motivate by providing an environment that induces organization members to contribute. The need-want-satisfaction chain is somewhat over simplified. There are different views and assumptions about human nature. McGregor's sets of assumptions about people in his theory X and Y. Maslow's theory holds that human needs form a hierarchy ranging from the lowest order needs (physiological needs) to the highest-order need for self-actualization. According to Herzberg's Two-Factor theory, there are two sets of motivating factors. In one set are the dis-satisfiers, which are related to the job context (circumstances conditions). The absence of these factors results in dissatisfaction. In the other set are the satisfiers, or motivators, which are related to the content of the job. Vroom's Expectancy theory of motivation suggests that people are motivated to reach a goal if they think the goal is worthwhile and can see that their activities will help them achieve the goal.

The Porter and Lanler Model have many variables, essentially, performance is a function of ability, and the perception of the task required an effort. Effort is influenced by the value of rewards and then perceived effort-reward probability. Performance accomplishment in turn is related to rewards and satisfaction. Equity theory refers to an individual's subjective judgment about the fairness of the reward received for inputs in comparison with the rewards of others. Reinforcement theory was developed by skinner, who suggested that people are motivated by praise of desirable behaviour; people should participate in setting their goals and should receive regular feedback with recognition and praise–MC Clelland's Theory is based on the need for power, the need for affiliation, and the need for achievement. Special motivational techniques include using money, encouraging participation and improving the quality of working life (QWL). Job enrichment aims at making jobs challenging and meaningful. Although there have been some success, certain limitations must not over looked. Basically, performance including financial performance of quoted Banks could be seen as a function of employee motivation.

According to Ebhodaghe (1993), a distressed usually happen where the evaluation depicts poor condition in all or most of the five performance factors as follows Gross under-capitalization in relation to the level of operation, High level of classified loan and advances, Liquidity reflect the inability to meet customers' cash withdrawals, Low earnings resulting from huge operational losses and Weak management as reflected by poor credit quality, inadequate internal controls, high rate of frauds and forgeries, labour turnover etc. Gbojikwe (1996), identifies the following as the common features of a distressed bank: Large volume of non-performing assets, Persistent liquidity deficiency, Accumulated losses which erodes shareholder's base and then finally the Bank will in most cases require financial assistance from regulatory authorities.

Comparative analysis has revealed that all the failed banks are associated with one or more of these characteristics. Distress shows different type of signs, most of them is initially non-apparent to ordinary bank customers but ought to be very obvious to the regulatory authorities and discerning members of the banking profession. Some of the potentials or actual indication of distress are highlighted below. Illiquidity: The bank finds it difficult to repay customers deposit (especially cash withdrawals), when demand is made, similarly, other creditors to the bank begin to witness prolong delay in the payment of its matured rights (Gashinbaki, 2000), Distress Borrowings: The bank starts to borrow money desperately from the money market at higher rate than market interest rates. At inter-market, the bank usually becomes a net taker of deposits (i.e. borrow more than what it had), Low Cash Reserve at the CBN**:** The level of distress bank cash reserve usually divided and therefore, the bank will be unable to meets minimum cash reserve requirements stipulated by the CBN. (Ezeuduji, 1997)**,** Large Volume of Volatile Deposits: In the banks books, there are usually large volumes of unstable short term deposits, often from the inter-bank market. These volatile deposits are associated with high interest rates. (Ebhodaghe, 1997).

Methodology

The population of study comprises of (3) three quoted banks namely: First Bank of Nigeria Plc, United Bank for Africa Plc, Zenith Bank Plc. The Research period covers a ten years review of the Banks' financial statements ranging from 2001 to 2010. This covered period was informed by the need to have an extensive and comprehensive analysis of the financial performance of the three Quoted Banks. The choice of the quoted Banks is due to their perceived stability, network of branches, and size of workforce, public perception and profitability.

For the purpose of this research, secondary source of data was been adopted. The variables used as the secondary data in the analysis include: loans and advances, total deposits/savings, gross earnings, pre-tax profits, performing/nonperforming assets etc. The variables used affect the financial performance of these Banks. The main sources of the secondary data for this study include the following: Publications of selected Banks, Annual audited financial statements, records of government agencies such as the Central Bank of Nigeria, text books, magazines, articles, journals and the Internet.

The statistical method applied in analysing the data collected is regression analysis. The Risk index is yet another system for rating Banks. It was developed by FDIC from net income and dividends returns of Banks (Onoh 2002).

The Risk index R of a Bank is presented in the following equation form:

$$\mathbf{Y_t = \alpha_0 + \beta_1 X_t + \beta_2 X_t + \beta_3 X_t + \beta_4 X_t + \beta_5 X_t + \beta_6 X_t + e_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots 1}$$

Where:
X1= Primary capital to total assets (%);
X2 = loans and advances overdue by 90 days to total assets (%)
X3 = Non-accruing loans and advances to total assets (%);
X4 = Renegotiated loans and advances to total assets (%);
X5 = Net loan charge offs (annualized) to total assets and
X6 = Net income (annualized) to total assets (%).
e_t =Error Term

While β_1, β_2, β_3....... β_6 are parameters and are constant figures once estimated. Parameter B is the value of Y when the value of X is zero. It is also the Y intercept while α is the slope of the regression line or the rate of change of the dependent variables as the independent variables change by one unit. Y is the dependent variable.

A 5% level of significance will be used in the hypothesis testing. The tested hypothesis will be accepted or rejected based on the decision rule. Where the calculated value is less than the tabulated value accept H_O and reject H_1. Reject the null hypothesis and accept the alternative where the calculated value is greater than the tabulated value (reject H_O and accept H_1.).

Essentially, the equation rests on the support of three (3) core variables, i.e. capital adequacy (X1), loans and advances (X2-X5) and asset profitability or return on assets X6. The loan quality of a Bank is a major determinant of the risk index. A bank will be regarded as healthy if its risk index lies below unity, i.e. R<1. A risk index above unity, R>1, indicates a problem. The further away the risk index lies above unity, the greater the problem the particular bank has. With the aid of risk index, Banks are ranked according to the degree of their riskiness. The size of the risk index informs the regulatory authorities the degree of the problems of each bank, the nature of the problems, the regulatory interference required and the point of time the intervention should take place to save the bank from going under or to liquidate it if the risk index so dictates. Under the risk based insurance premium, the banks adjudged as having very serious risk problems are required to pay high insurance premium.

Presentation of Findings and Discussions

Table 1: First Bank Nigeria Plc – Risk Index Variables (2001 – 2010)

YEAR	X1	X2	X3	X4	X5	X6
2001	0.60130	0.31129	0.02744	-	0.00983	0.03186
2002	0.66795	0.22844	0.03150	-	0.00725	0.02123
2003	0.66010	0.14774	0.05425	-	0.01114	0.03524
2004	0.10828	0.21732	0.06326	-	0.01787	0.03865
2005	0.10348	0.26280	0.09284	0.00272	0.01816	0.03569
2006	0.10420	0.28744	0.05163	0.00275	0.01627	0.03539
2007	0.09175	0.23917	0.03474	0.00333	0.02014	0.02836
2008	0.23023	0.30498	0.02897	0.00673	0.00207	0.03134
2009	0.16787	0.36837	0.02581	0.00585	0.02731	0.02676
2010	0.14776	0.49608	0.08213	0.00328	0.02338	0.01791
TOTAL	2.88292	2.86363	0.49257	0.02466	0.15342	0.30243
AVERAGE	0.288292	0.286363	0.049257	0.002466	0.015342	0.030243

Source: First bank Plc, annual reports and accounts 2001 to 2010

NB: X1 = PC / Total Assets, X2 = LAO / Total assets, X3 = NALA / Total Assets, X4 = RLA / Total Assets, X5 = NLCO / Total Assets, X6 = NI / Total Assets

Table 2 – United Bank for Africa Plc– Risk Index Variables (2001 – 2010)

YEAR	X1	X2	X3	X4	X5	X6
2001	0.48220	0.12288	0.12490	0.00541	0.01351	0.00895
2002	0.53080	0.20047	0.99890	0.00508	0.01586	0.01234
2003	0.73090	0.22600	0.12546	0.01065	0.01803	0.02515
2004	0.92120	0.26476	0.07236	0.01631	0.01465	0.02834
2005	0.77520	0.26959	0.01776	0.00008	0.01391	0.02599
2006	0.54890	0.12429	0.04028	0.00002	0.02292	0.01448
2007	0.14081	0.26901	0.03771	0.00001	0.02405	0.02478
2008	0.11561	0.25781	0.06121	0.00035	0.02471	0.03395
2009	0.11723	0.39179	0.05619	0.00598	0.03853	0.00882
2010	0.10912	0.38870	0.01762	0.00625	0.02903	0.00981
TOTAL	4.47197	2.5153	1.55239	0.05014	0.21520	0.19261
AVERAGE	0.44719	0.25153	0.155239	0.005014	0.021520	0.019261

Source: United bank for Africa plc. Annual reports and accounts 2001 to 2010

Table 3: Zenith Bank Plc – Risk Index Variables (2001 – 2010)

YEAR	X1	X2	X3	X4	X5	X6
2001	0.1117	0.2096	0.1641	0.0031	0.0353	0.0465
2002	**0.1005**	0.2176	0.0097	0.0038	0.0224	0.0432
2003	0.1124	0.2425	0.1164	0.0042	0.0203	0.0483
2004	0.0081	0.2761	0.0170	0.0043	0.0172	0.0331
2005	0.1275	0.3685	0.0697	0.0025	0.0169	0.0278
2006	0.1625	**0.3269**	0.1083	0.0027	0.0167	0.0251
2007	0.1254	0.3155	0.1179	0.0026	0.0205	0.0276
2008	0.1939	0.2547	0.0180	0.0025	0.0298	0.0314
2009	0.2035	0.4207	0.0081	0.0033	0.0505	0.0211
2010	0.1906	0.3763	0.0094	0.0069	0.0334	0.0263
TOTAL	**1.3361**	3.0084	0.0094	0.0359	0.2630	0.3304
AVERAGE	0.13361	0.30084	**0.06394**	0.00359	0.02630	0.03304

Source: Zenith bank plc, annual reports and accounts 2001 to 2010

The test data was processed and tested using the SPSS regressions statistical tool.

Research Question
Hypothesis 1
Do the Quoted Banks have Capital Adequacy and what is its impact on their Financial Performance of Quoted Deposits Money Banks in Nigeria?

Ho: Banks operate with no any significant Capital Adequacy and it has no any impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria

Result of Regression on Capital Adequacy

$YF = 0.15740 + 0.011700X_1$ --------------Eq.4 (FBN) (0.558137) (1.345)

$YU = -0.072101 + 0.025508X_1$ -----------Eq.5 (UBA) – (0.706880) – (20827)

$YZ = 0.013797 + 0.006066X_1$ ------------Eq.6 (ZENITH BANK) (0.651868) (2.274)

Synopses of the Regression Result

	FBN PLC	UBA PLC	ZENITH BANK PLC
MR	0.55814	0.70688	0.65187
R^2	0.31152	0.49968	0.42493
ADJUSTED R^2	0.13940	0.43714	0.34278
SE	0.04894	0.23169	0.04699
FC	1.80987	7.98973	5.17248
TC	1.345	–2.827	2.274

Based on the above result, Zenith Bank Plc has a t- statistic of 2.274 and an actual capitalization of N361.2 Billion, this is closely followed by First Bank Nigeria Plc with a t-statistic of 1.345 and an actual capitalization of N340.63 Billion. United Bank for Africa Plc is ranked third with a negative t – statistic of –2.827, showing a serious under capitalization when compared with the levels of business being carried on. We also reject the null hypothesis and accept the alternative and conclude that capital adequacy has significant impact on the financial performance of these Banks.

Hence, UBA plc is strongly advised to pursue fresh capital injection steps or approach to remain strong, stable and relevant in tomorrow's banking world. This possibly accounts for its low capitalization of N176.5 Billion.

Decision Rule

Since the computed value is greater than the table value (i.e. Fc > Ft 0.05). The study therefore accepted HA (alternative hypothesis) and rejected HO (null hypothesis).

2. To what extent does Asset Quality impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria?

Hypothesis 2

HO_1: Asset Quality has no any significant impact on the Financial Performance of Quoted Deposits Money Banks in Nigeria

Result of Regression on Asset Quality

$YF = 0.042143 + 0.013682X_2$ ------------ Eq.1 (FBN) (0.838712) (3.082)
$YU = 0.022776 + 0.07021X_2$ --------------Eq.2 (UBA) (0.753732) (30244)
$YZ = 0.019208 + 0.006631X_2$ ------------Eq.3 (ZENITH BANK) (0.738383) (2.897)

Synopses of the Regression Result

	FBN Plc	UBA Plc	Zenith Bank Plc
MR	0.83871	0.75373	0.73838
R^2	0.70344	0.56811	0.54521
ADJUSTED R^2	0.62930	0.51413	0.48024
SE	0.05723	0.06377	0.05136
FC	9.48792	10.52332	8.39172
TC	3.080	3.244	2.897

The result above shows that the impact of asset quality on financial performance of the quoted banks is more highly felt in the financial performance of United Bank For Africa Plc (UBA) having the highest calculated F - statistics of 10.52332 and should be ranked first and followed by First Bank Plc (FBN) with a calculated F - statistic of 9.48792. We have Zenith's Bank Plc with a calculated F – statistic of 8.39172, showing that of the three Banks being evaluated, Zeniths asset quality has the least impact on its financial performance. We therefore reject the null hypothesis and accept the alternative hypothesis and conclude that the Asset quality of Banks has significant impact on their financial performance. While we commend FBN and UBA on asset quality and utilization in generating financial returns, its inherent risks should as well be considered such as high bad loan generation, future loss of profit through loan, loss provisions, etc. This is where Zenith Bank's conservative asset quality utilization initiative should be commended.

Decision Rule

Since the computed value is greater than the table value (i.e. Fc > Ft 0.05). The study therefore accepted HA (alternative hypothesis) and rejected HO (null hypothesis).

Does Employee Motivation affect the Financial Performance of Quoted Deposits Money Banks in Nigeria?

Hypothesis 3

HO_3: Employee Motivation has no any significant effects on the Financial Performance of Quoted Deposits Money Banks in Nigeria

Result of Regression on Net Income

$YF = -0.003195 + 0.000761X_6$ -------Eq.7 (FBN) – (0.90278) – (4.198)

$YU = -0.000282 + 0.000966X_6$ -------Eq.8 (UBA) – (0.102558) – (0.292)

$YZ = -0.003107 + 0.000387X_6$ -----Eq.9 (ZENITH BANK) – (0.862980) – (4.519)

Synopses of the Regression Result

	FBN PLC	UBA PLC	ZENITH BANK PLC
MR	0.90278	0.10256	0.86298
R^2	0.81501	0.01052	0.74473
ADJUSTED R^2	0.76877	– 0.11317	0.70827
SE	0.00318	0.00877	0.00532
FC	17.62303	0.008504	20.42247
TC	4.198	2.92	–4.517

From the equations (7) to (9), the calculated F – statistics for First Bank Plc and Zenith bank were both greater than their respective table values while only United Bank for Africa Plc F – statistics was less than the table values. Hence, while for First Bank and Zenith Bank Plc we reject their null hypothesis and accept their alternative hypothesis that employee motivation has significant impact on the financial performance of quoted banks; we adopt this position for the entire population since from the sample drawn; we discount the negative result of united bank for Africa in this regard.

The outcome shows that Zenith bank Plc with the highest F- statistic of 20.42247 followed by First bank Nigeria Plc with F – statistic of 17.62303 ranked first and second in that order when it comes to employee motivation and this significantly impacts on the financial performance of quoted banks

Decision Rule

Since the computed value is greater than the table value (i.e. Fc > Ft 0.05). The study therefore accepted HA (alternative hypothesis) and rejected HO (null hypothesis).

Conclusion and Recommendations

The objectives of the study are to ascertain the impact of asset quality on the financial performance of quoted banks; to determine if quoted banks trade with adequate capital and ascertain its impact on the financial performances of the quoted banks; to determine if quoted banks are efficient in their operations and asset utilization and to evaluate the impact of employee motivation on the financial performance of such banks. This study was designed to analyse the variables that affect and truly reflect trends in the financial performances of quoted banks.

The methodology included the collection and analysis of secondary data from various annual reports and accounts covering 2001 to 2010 of the three (3) selected banks, namely: First Bank Plc., United Bank for Africa Plc, and Zenith Bank Plc since they reflect the financial performance of quoted banks. The variables used include: primary capital to total assets (X_1), loans and advances overdue by 90 days to total assets (X_2), non-accruing loans and advances to total assets (X_3), renegotiated loans and advances to total assets (X_4), net loan charge offs to total assets (X_5), net income to total assets (X_6). Data collected were analysed using regression analysis.

The findings were that, Asset qualities of the reviewed banks showed an appreciable growth and improvement as seen from their annual reports and accounts. That asset quality significantly affected the financial performances of quoted banks as the F- statistics for the selected banks calculated were far greater than their respective tabulated value at 5% level of significance.

Trading capital of banks grew over the period under review and was highest with Zenith bank Plc and first bank Plc. These from our test statistics significantly affect the financial performance of quoted banks.

It was discovered that employee motivation is a key success factor in evaluating the financial performance of selected banks. Banks that provide good and adequate employee motivation tend to perform better and even outperform banks that don't take issues of employee motivation serious. The study recommended that;

1. Profits should not form the only key criteria for evaluating the financial performance of banks but rather other key factors should be introduced which include: capital adequacy tests, Basel accord compliance, assets quality evaluation, and employee's motivation. There should be strict and closely monitored

supervision by the apex regulatory authorities such as Central Bank of Nigeria (CBN), National Deposit Insurance Corporation (NDIC) and Economic and Financial Crime Commission and other related offences (EFCC) through their various on-site and off-site examinations.

2. There should be regular training and re -training for financial institution employees to enable them acquires the latest skills on their very sensitive job. In this dynamic and competitive global economic environment, regular and periodic evaluation of the financial performances of quoted banks is very critical to a sound and regularly improving financial performance.
3. Performance monitoring and control should cover every aspect of a quoted bank's business, in order to forestall distress and institutional decay and outbreak of financial epidemic among financial institutions. It is not enough to use paper profit as the yardstick to measure financial performance in order to prevent systemic distress witnessed in the 1990s and early turn of the century. Proper tools for measuring capital adequacy, asset qualities, net income, sound credit system and adherence to prudential guidelines should be put in place by both the financial institution and the apex regulatory authorities.
4. Financial institutions especially quoted banks should be encouraged to render regular and prompt returns to the regulatory authorities. There should be regular remuneration reviews for all categories of employees in the financial sector to motivate them to perform their best and reduce incidence of fraud.

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Appendix

Table 1: Assets and Capital of First Bank Nigeria Plc. (2001 – 2010)

YEAR	PC N' Million	TA N' Million	LAO N' Million	NALA N' Million	RLA N' Million	NLCO N' Million	NI N' Million
2001	11,320	188,242	58,598	5,166	-	1,552	5,998
2002	19,406	290,593	66,384	9,156	-	2,245	6,172
2003	27,006	409,083	60,439	22,193	-	4,558	14,420
2004	41,605	384,211	83,500	24,307	-	6,886	14,853
2005	48,726	470,839	123,739	43,716	1,283	8,555	16,808
2006	64,277	616,824	177,303	31,851	1,701	10,040	21,833
2007	83,627	911,427	217,995	31,664	3,043	18,357	25,854
2008	351,854	1,528,234	466,096	44,275	10,297	31,569	47,906
2009	337,405	2,009,914	740,397	51,888	11,769	54,908	53,799
2010	340,626	2,305,258	1,143,614	189,350	7,581	53,912	41,299
TOTAL	**1,325,852**	**9,114,625**	**3,138,065**	**453,975**	**35,674**	**192,862**	**248,942**
AVERAGE	**132,585.2**	**911,462.5**	**313,806.5**	**45,397.5**	**3,567.4**	**19,286.2**	**24,894.2**

Source: First Bank Plc, annual reports and accounts 2001 to 2010

NOTES PC = Primary Capital,TA = Total Assets**,** LAO = Loans and advances, Overdue by 90 days**,** NALA = Non-accruing loans and advances**,** RLA = Renegotiated loans and advances**,** NLCO = Net loan charge offs, I = Net income (used here as a proxy for employee motivation).

Table 2: Asses and Capital of United Bank for Africa Plc (2001 – 2010)

YEAR	PC N' Million	TA N' Million	LAO N' Million	NALA N' Million	RLA N' Million	NLCO N' Million	NI N' Million
2001	9,067	188,032	23,106	23,487	1,019	2,542	1,682
2002	10,627	200,196	40,135	19,998	1,017	3,176	2,472
2003	14,901	203,871	46,076	25,579	2,173	3,767	5,128
2004	19,533	212,024	56,136	15,343	3,460	3,107	6,010
2005	19,443	250,783	67,610	4,455	21	3,490	6,520
2006	48,535	884,137	109,896	35,618	21	20,269	12,811
2007	167,719	1,191,042	320,406	44,926	21	28,649	29,525
2008	193,460	1,673,333	431,410	102,436	588	41,355	56,815
2009	181,513	1,548,281	606,616	87,003	9,261	59,659	13,662
2010	176,529	1,617,696	628,811	28,511	10,118	46,969	15,885
TOTAL	**838,327**	**7,969,395**	**2,330,202**	**358,845**	**27,699**	**212,892**	**124,028**
AVERAGE	**83,832.7**	**796,939.5**	**233,020.2**	**35,884.5**	**2,769.9**	**21,289.2**	**12,402.8**

Source: United bank for Africa Plc., annual reports and accounts 2001 to 2010

Table 3: Asses and Capital of Zenith Bank Plc (2001 – 2010)

Year	PC N′ Million	TA N′ Million	LAO N′ Million	NALA N′ Million	RLA N′ Million	NLCO N′ Million	NI N′ Million
2001	6,725	60,190	12,619	990	187	2,129	2,802
2002	9,305	92,562	20,144	906	360	2,079	3,999
2003	12,651	112,534	27,290	1,310	474	2,289	5,440
2004	15,674	193,321	53,391	3,294	847	3,331	6,404
2005	42,100	330,008	121,626	23,017	841	5,594	9,188
2006	100,662	619,342	202,501	67,087	1,716	10,377	15,590
2007	116,455	927,943	292,814	109,446	2,445	19,039	25,676
2008	346,617	1,787,000	455,324	32,293	4,615	53,294	56,120
2009	337,793	1,659,703	698,326	13,517	5,506	83,957	35,085
2010	361,242	1,895,027	713,285	18,936	13,188	67,166	50,026
TOTAL	**1,349,224**	**7,677,630**	**2,570,030**	**270,796**	**30,179**	**249,255**	**210,330**
AVERAGE	**134,922.4**	**767,763.0**	**257,003.0**	**27,079.6**	**3,017.9**	**24,925.5**	**21,033.3**

Source: Zenith bank Plc. annual reports and accounts 2001 to 2010