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Impact of Regulatory Compliance on Commercial Banks Performance: A Case Study Of Selected Banks In Lagos, Nigeria

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ABSTRACT

Regulation and supervision cause banks to make sub-optimal capital allocation and lending decisions that mainly serve the interests of regulators and their entourage but the debate over how regulation and supervision affects bank efficiency remains theoretically unsolved. However, this study investigated the impact of regulatory compliance on the performance of commercial banks in Lagos, Nigeria. A total of 392 questionnaires were administered to the staff of some selected banks in Nigeria and 319 were retrieved. The questions were structured in such a way as to gather pertinent and specific information on the impact of regulatory compliance on the performance of banks. The responses were analyzed using descriptive analysis (frequency, percentages and mean score) and the hypothesis were analyzed using regression test statistics. The result from the analysis shows that regulatory compliance has a significant effect on the performance of commercial banks in Nigeria in terms of the variables used including corporate governance, depositors' confidence and financial inclusion of the selected Banks in Lagos State. It is therefore recommended that bank regulators should insist on sound regulations in the banking sector, having in mind that the regulation put in place will positively influences their performance and that of the economy of the country as whole.
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Keywords: Impact, Regulatory Compliance, Commercial Banks, Lagos, Nigeria

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1. INTRODUCTION

Banks exist primarily to provide financial intermediation services in a bid to maximize profit and create value for its shareholders and also provide a medium for channeling financial resources needed for economic growth and development. In the aftermath of the financial crisis, financial institutions have been hit by a wave of new regulations and closer attention from supervisors. These regulations are more detailed and complex than their predecessors, requiring more data on their activities to be submitted at more regular intervals. This has greatly increased the compliance requirements on financial institutions.

Chartis (2013) notes that financial institutions are struggling to meet these requirements, as they have to put more and more resources into meeting regulators' demands for compliance. Stricter regulations and closer supervision mean that regulators want firms to provide more evidence of compliance and to submit more information on their activities. Performance related goals, such as profitability, return on equity, and customer satisfaction, need to take precedence. However, according to Chartis (2013), as a result of the increased focus on compliance, financial institutions are finding it hard to improve performance-related goals. In a difficult financial environment, firms are looking for options that will allow them to meet compliance requirements without costing too many resources and preventing them from improving risk management and performance.

The three most common triggers for sustainable banking activities according to Deloitte (2017) are reputational benefits, regulatory compliance and operational benefits. Regulatory compliance is costly and can affect bank performance through several channels: (i) lending decisions; (ii) asset allocation decisions; (iii) funding decisions. Ultimately, these costs are borne not by regulators or banks, but by bank customers, in terms of lower saving rates and higher lending rates. This, in turn, may lead to an inefficient allocation of resources in the economy. As Haldane (2013) indicates, if systemic stability can be achieved in other ways, these are deadweight costs to society.

The evidence on the effects of regulatory compliance on bank stability is mixed and depends on the individual risk or the specific stability measures utilized. Podpiera (2004) finds some evidence that higher BCP compliance leads to lower Non-Performing Loans (NPLs) and lower net interest margins (used as a proxy of bank efficiency) on an aggregate basis. Demirgüç- Kunt and Detragiache (2011), on the other hand, show that compliance with the overall BCP index, and with its constituent components, is not associated with bank risk, as measured by banks' Z-scores. On the regulators' side, excessive reliance on systematic adherence to a checklist of regulations and supervisory practices might hamper regulators' monitoring efforts and prevent a deeper understanding of banks' risk-taking.

1.1 Statement of the Problem

The recent global financial crisis which unfolded into a European sovereign debt crisis has prompted a renewed interest in banking regulation and supervision to safeguard global financial systems. As a result, a number of reforms of the financial regulatory framework have been agreed internationally. While there is growing pressure to further strengthen regulation and supervision of financial institutions, there is still no consensus on the benefits from such approach. On one hand, proponents argue that tighter regulation and supervision helps prevent market failures and promotes sound banking practices consequently enhancing bank efficiency. On the other hand, opponents argue that tighter regulation and supervision cause banks to make sub-optimal capital allocation and lending decisions that mainly serve the interests of regulators. Therefore, the debate over how regulation and supervision affects bank efficiency remains theoretically unsolved. Available empirical studies use accounting ratios or frontier techniques to explore how regulation affects bank efficiency and performance [Chortareas et al. (2011), Ben Naceur et al. (2009, 2011), Pasiouras (2007, 2009), Barth et al. (2010), Demirguc-Kunt et al. (2003)]; Development and soundness of the banking sector [Boudrigua (2009), Barth et al. (2001, 2004)]; and Bank risk level [Bourgain et al. (2012), Klomp and de Haan (2011), DemirgucKunt et al. (2011)].
This growing literature uses measures for regulation that are based either on the level of adherence

to the core principles for effective bank supervision published by the Basel committee, or data from the seminal survey conducted in 1999 by Barth, Caprio and Levine. The latter was updated 3 times in 2001 and 2006 and 2011, providing the most comprehensive snapshot of bank regulation and supervision around the world. Overall, the existing empirical findings did not help reach a consensus on this debate. Additionally, despite the considerable attention BCP have received in FSAPs and other IMF work, there is limited evidence about the relationship between the compliance with BCP and the performance of the banking system.

Therefore, this study seeks to examine the impact of regulatory compliance in managing the systemic crisis and spillover effects arising thereof, with a view to providing better oversight functions that will help minimize the spate of banking failures due to non-compliance.

1.3 Objectives of the Study

The main objective of this study is to examine the impact of regulatory compliance on the performance of commercial banks in Lagos, Nigeria. Specific objectives to enhance the attainment of the main aim are to:

i. Investigate the influence of supervision and regulation on the corporate governance of the Nigerian banking sector
ii. Ascertain the effect of supervision and regulation on depositors' confidence of the Nigerian banking sector
iii. Assess the influence of supervision and regulation on financial inclusion of Nigerian banking sector

1.4 Statement of Research Questions

In order to achieve the stated objectives, the following research questions will guide the study:

i. What is the influence of supervision and regulation on the corporate governance of the Nigerian banking sector?
ii. What is the effect of supervision and regulation on depositors' confidence of the Nigerian banking sector?
iii. What is the influence of supervision and regulation on financial inclusion of Nigerian banking sector?

1.5 Statement of Research Hypotheses

In order to adequately address the problem of the study, the following null hypotheses were formulated;

Ho_i: Supervision and Regulation have no significant effect on the corporate governance of the Nigerian banking sector.

Ho_{ii}: Supervision and Regulation have no significant effect on depositors' confidence of the Nigerian banking sector.

Ho_{iii}: Supervision and Regulation has no significant effect on financial inclusion of Nigerian banking sector.

2. THEORETICAL, CONCEPTUAL AND LITERATURE REVIEW

2.1 Introduction

This section reviews literature relating to regulatory compliance and firm performance. The literature review has been organized in the following sections. The first section covers the theoretical framework. The second section covers the conceptual review on regulatory compliance. The third section covers the empirical studies on related literature regulatory compliance and performance.

2.2 Theoretical Framework

This section gives an overview of the theories on which the study is based on. These includes agency theory, risk management theory and the regulatory dialectic theory.

2.2.1 Agency Theory

Agency theory as developed by Stiglitz in 1989 to justify the government goals of safety and protection. Regulatory intervention is required for the protection of public savings when it is threatened by the behavior of financial institutions. The main trust of this theory is that, government agencies must be present to supervise and limit the excesses of financial institutions toward customer safety and protection. The theory also focuses attention on the problems of hidden actions and hidden information, what Sinkey (1992) called “moral hazard” and “adverse selection” respectively, to set strategies in order to circumvent the problems and ensure safety and confidence of savers in the system.

2.2.2 Risk Management Theory

Risk management theory, developed by Davis in 1991 to explain why regulators are concerned with monitoring and supervising the management of risks, such as liquidity and credit due to the effect of mismanagement by major banking financial institutions, of the amount and timing of such risks on other parts (layers) of the financial system. The main trust here is, the level of risk in the system, the volatile nature of financial sector require an ultra-sound to ensure risks are minimal and participants bear less burden in the financial system (Currie, 2003).

2.2.3 The Regulatory Dialectic Theory

The regulatory dialectic theory is based on the work of Kane (1981). This theory strives to explain the ongoing struggle between the regulators and financial institutions. The regulators attempt to impose constraints on the financial system (interest rate, product, geographic control etc). The institutions who tend to be driven by profit or wealth maximization motives, attempt to circumvent the restrictions because they consider such as structural arbitrage. This process create cost and benefit analysis for government officials leading to reactive adjustment in operative codes of regulation. In a nutshell, Kane’s theory examine the struggle engage by both the regulators and the financial institutions to achieve their goals, in the process some adjustment emerged (exogenously) leading to regulatory changes toward financial or monetary stability.

2.3 Conceptual Review

2.3.1 Corporate Governance

Corporate governance has become a burning issue all over the world. It became most pronounced in the United States especially after the collapse of two corporate giants- Enron representing the power sector and WorldCom representing the communication sector in 2001 and 2002 respectively. In

addition, one of the world's top five accounting firms –Arthur Andersen, collapsed under the corporate scandal generated in Enron. They audited the accounts.

2.3.1.1 Financial Inclusion

Financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at affordable costs." The services include, but are not limited to, payments, savings, credit, insurance, pension and capital market products. Financial inclusion has continued to assume increasing recognition across the globe among policy makers, researchers and development oriented agencies. Its importance derives from the promise it holds as a tool for economic development, particularly in the areas of poverty reduction, employment generation, wealth creation and improving welfare and general standard of living.

2.3.1.2 Deposit Insurance

Deposit Insurance is a system established by the Government to protect depositors against the loss of their insured deposits placed with member institutions in the event a member institution is unable to meet its obligations to depositors. Deposit Insurance ensures that the depositor does not lose all his money in the event of a bank failure. It also engenders public confidence in, and promotes the stability of, the banking system by assuring savers of the safety of their funds. Deposit Insurance makes a bank failure an isolated event, hence it eliminates the danger that unfounded rumours will start a contagious bank run. Deposit insurance is a widely adopted policy to promote financial stability in the banking sector. Deposit insurance helps ensure depositors' confidence in the financial system and prevents contagious bank runs, but it also comes with an unintended consequence of encouraging banks to take on excessive risk.

2.3.2 Bank Regulation

Regulation of banks has been defined as a body of specific rules or agreed behaviour either imposed by government or other external, agency or self-imposed by explicit or implicit agreement within the industry that limits the activities and business operations of banks (Llwellyn, 1999). Banking regulation has two major components: (i) The rules or agreed behaviours; and (ii) The monitoring and scrutiny to determine safety and soundness and ensure compliance. Supervision on the other hand, is the process of monitoring banks to ensure that they are carrying out their activities in a safe and sound manner and in accordance with laws, rules and regulations. It is a means of determining the financial condition and of ensuring compliance with laid down rules and regulations at any given time. Bench (1993) asserts that effective supervision of banks leads to a healthy banking industry.

2.3.2.1 Compliance Risk

The expression "compliance risk" is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities (together, "compliance laws, rules and standards") (BIS April 2005). Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice

2.4 Related literature

2.4.1 Commercial Banks in Nigeria

The Central Bank of Nigeria (CBN) is the apex regulatory and supervisory body for the Nigerian banking industry. CBN serves as the country's central monetary authority. Established under a 1958 Act of Parliament, the Central Bank of Nigeria commenced operations in 1959. CBN oversees the operations of financial institutions and banks in Nigeria, helping ensure high banking standards and financial stability in the industry, as well as promoting an efficient payment system.

2.4.1.1 Brief History of Selected Commercial Banks

i. First Bank of Nigeria Limited

First Bank of Nigeria Limited (FirstBank) is Nigeria's premier commercial bank and most valuable banking brand. With over 10 million active customer accounts and more than 750 business locations. Headquartered in Lagos, First Bank of Nigeria provide a comprehensive range of retail and corporate financial services to customers and investors wishing to explore the vast business opportunities available in Nigeria and business locations across Africa, Europe, Middle East and Asia.

ii. Ecobank Nigeria

The operations of Ecobank Nigeria are supervised and regulated by the Central Bank of Nigeria (CBN) as well as the National Deposit Insurance Corporation (NDIC). Incorporated as a public limited liability company on October 7, 1986, Ecobank Nigeria is a key subsidiary of Africa's leading independent banking group, Ecobank Transnational Incorporated (ETI).

iii. Access Bank Plc

The Central Bank of Nigeria granted Access Bank a commercial banking license in 1988. In 1989, it became a privately owned commercial bank. Access Bank PLC is a leading full service commercial bank operating through a network of more than 600 branches and service outlets, spanning three continents, 12 countries and 29 million customers. In 2012 it become a top five bank in Nigeria following its acquisition of Intercontinental Bank and began to build a pre-eminent position in retail as well as corporate banking.

2.4.2 Relationship between Regulation and Bank Efficiency

Available literature suggests that the relationship between bank regulation and efficiency is highly dependent on the type of regulation under study. This literature mainly focuses on the impact of regulation aspects that are related to the 3 pillars of the Basel capital framework namely Capital Adequacy, Official Supervisory Power and Market Discipline.

2.4.2.1 Capital Requirements

Chortareas et al. (2011) and Ben Naceur et al. (2009) find that more stringent capital requirements lead to enhanced bank efficiency and performance. Likewise, Klomp and de Haan (2011) show that capital requirements reduce both capital and asset risk while Boudrigua et al. (2009) report that such requirements are associated with reduced levels of Non-Performing Loans (NPLs) in the banking sector.

2.4.2.2 Supervision Quality and Independence

The Basel committee on banking supervision stresses the importance of supervision quality and independence in fostering a stable and well performing banking system. However, there are conflicting views about the benefits of stronger supervision. On the one hand, proponents argue that supervisors need significant resources and powers to prevent banks from engaging in undesirable activities and from taking excessive risks, especially in light of the growing complexity of banking activities. It is also paramount to ensure their independence.

2.4.2.3 Private Monitoring

Private monitoring refers to the disclosure of information to officials, the public and specialized entities such as rating agencies and auditors. It is expected to complement existing regulation and supervision to monitor and discipline banks. There are divergent views about the benefits of private monitoring. A first view argues that bank shareholders and creditors have a greater incentive to monitor banks than regulators because of their on-going ownership and lending relationships. This view is supported by findings reported in Pasiouras (2007, 2009) and Barth et al. (2010) who find that private monitoring is associated with enhanced bank efficiency.

2.4.2.4 Restrictions on Banking Activities

The benefits of imposing restrictions on banking activities are far from being the subject of a consensus. Opponents argue that such restrictions prevent banks from achieving economies of scope and scale and from diversifying their income sources. Djankov et al. (2002) argue that such restrictions only lead to increased bargaining power of regulators which is not necessarily good for the sector. This view suggests that putting restrictions on banks' activities hinders their efficiency and performance and is supported by findings in Barth et al (2010) and Chortareas et al. (2011).

2.4.2.5 Deposit Insurance Schemes

Deposit insurance schemes are expected to prevent bank overruns by making necessary resources available to support failing banks which should translate into improved banking sector performance and stability. Yet, deposit insurance schemes are also likely to reduce the incentives for depositors and creditors to perform effective monitoring and to institutionalize the liability of the government (Beck et al, 2011).

2.4.3 BCP Compliance and Bank Performance

There is a small but growing literature on the impact of bank regulation and compliance on bank behavior. A major issue in this line of research is how to construct proxies for bank regulation, supervision and compliance. A few studies use an index (what index) that measures the extent to which countries adhere to the Core Principles for Effective Bank Supervision as issued by the Basel Committee on Banking Supervision (BCPs). A good example is the study by Demirgüç-Kunt et al. (2008) who find a positive relationship between financial soundness and the overall index of BCP compliance, but this result is sensitive to controlling for the institutional quality of the country and to the exclusion of outliers.

RESEARCH METHODOLOGY

3.1 Research Design

In pursuit of the goals of this study, efforts will be made to provide an analysis of the current state of events with regards to regulatory compliance and assessment of bank performance. The survey research design was adopted. Advantage of survey research design in a research like is that, people's opinions, attitudes and emotion among other subjective entities that can be measured only by obtaining information directly from the people themselves, under such circumstances, it is possible to gather peoples opinion verbally or orally to express themselves (Kidder & Fine, 1987).

3.2 Population of the Study

The population for the study is made up of employees of First bank, Eco bank and Access bank in Lagos state. Lagos was selected being the commercial hub of Nigeria and most of the business head offices are located. The total workforce for this banks as estimated by their annual report 2018 are given below:

Banks	Population
First Bank	9158
Access Bank	3399
Eco Bank	7374
Total	19931

Therefore, the population of the study consists of a total of 19931employees.

3.3 Sample Size and Sampling Technique

A Sample size is the number of observations used for determining estimates of a given population (Neuman, 2006). To determine the sample size, the researcher is using employees of First bank, Eco bank and Access bank, Lagos. The Taro Yamane (1967) formula was adopted to derive the sample size.

Taro Yamane is presented as follows:

$$n = \frac{N}{1 + N(e^2)}$$

Where:
n is the sample size
N is the population size
e is the sampling error.

The total population for the study are the total workforce of 19931. This implies that N=19931, e= 0.05 (i.e. 95% confidence level). Therefore the sample size can be computed mathematically below:

$$n = \frac{19931}{1 + 19931(0.05^2)}$$

$n = 392$ (Nearest whole number)

The samples allocated to each banks are given below

Banks	Sample
First Bank	178
Access Bank	69
Eco Bank	145
Total	392

Thus, three hundred and ninety-two staff of the selected Nigerian banks in Lagos was selected as sample size. The study will adopt convenient and simple random sampling in the sampling process. Banks in Lagos will be adopted due to the easy accessibility and proximity of data to the researcher.

3.4 Sources of Data

This study will make use of the Primary data. The data that will be used in this research will be obtained from primary sources. The primary source data will be retrieved by administering copies of questionnaires to the respondents for answers relating to the research questions.

3.5 Data Collection Instrument

The instrument that will be used in this research is the questionnaire. The questionnaire is divided into three sections: Section A, B and C respectively. Section A captures demographic information like age, gender, educational qualification. Section B addresses the research variables of interest which include independent variable (regulation and supervision) and dependent variables (corporate governance, depositors' confidence and financial inclusion). Section B is based on a five point likert scale. **Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (SD)** for the questions provided.

3.6 Validity and Reliability of Research Instrument

A research instrument is said to be valid if it measures accurately what it is designed to measure. In designing the questionnaire, the researcher will be guarded by the need to draw the right responses from the respondents. Consequent to that, the questionnaire will be given to the supervisor and peers for vetting and approval to ensure content validity. The results for each respondent will be analyzed and the significant level of impact of independent variables will be computed. The researcher used the Cronbach Alpha method to test the reliability of the response from (40) employee from Sterling Bank Plc. If the findings were reliable, this will allow the research to be tested again and obtain the same results. Results are expressed between 0-1, however to test a good reliability, this result should test above 0.7 which will show 70% reliability.

Reliability Statistics for the Constructs

Construct	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
supervision and regulation	0.831	0.864	5
corporate governance	0.816	0.807	4
Depositors' confidence	0.801	0.828	4
financial inclusion	0.704	0.785	8

Source: Pilot Study Result, 2019.

The table above shows the reliability test for the instrument. All the measurement scales for this instrument produce a Cronbach alpha of 0.831, 0.816, 0.8301, and 0.704 for such constructs as supervision and regulation, corporate governance, depositors' confidence and financial inclusion respectively study met the above criteria with α figures above 0.7 which suggest an excellent internal consistency of these constructs and their individual observed variables.

3.7 Method for Data Analysis

Descriptive and inferential analysis was adopted in this research. Data collected was summarized in tables (mean score, frequency and percentages) using SPSS 20.0 (Statistical Package for Social Science) to analyse data. Regression analysis was be used to test the hypothesis.

3.8 Model Description and Justification

The regression test was adopted to test hypotheses about cause-and-effect relationships. In this case, the researcher determines the values of the X-variable (s) and sees whether variation in X causes variation in Y. Linear regression is used in estimating the value of one variable corresponding to a particular value of the other variable. The specified regression model description for this research work is:

i. Hypothesis 1:

$$CG = \alpha_1 + \alpha_2 \mathrm{SR} + \varepsilon$$

ii. Hypothesis 2:

$$\mathrm{DC} = \beta_1 + \beta_2 \mathrm{SR} + \varepsilon$$

iii. Hypothesis 3:

$$\mathrm{FI} = \gamma_1 + \gamma_2 \mathrm{RS} + \varepsilon$$

Where SR=supervision and regulation, CG=corporate governance, DC=depositors' confidence and FI=financial inclusion. Also, $\alpha_1, \alpha_2, \beta_1, \beta_2, \gamma_1, \gamma_2$ are the regression constants while ε is purely a white noise phenomenon which is expected to capture the effect of other exogenous elements that are able to influence the dependent variable.

3.9 Limitation to the methodology

The methodology is limited to the few selected sample size.

4. DATA PRESENTATION AND ANALYSIS

The descriptive analysis of data obtained shall be summarized in frequency and percentages while the inferential analysis will be done using the regression test statistics. Out of the 392 copies of questionnaires administered to the respondents, 319 copies of questionnaire were completed and returned which implies a response rate of 81.38%.

Table 4.1.1: Questionnaire Response and Analysis

Banks	Number of Questionnaire	Number of Questionnaire Retrieved	Percentage responses
First Bank	178	163	**41.58**
Access Bank	69	50	**12.76**
Eco Bank	145	106	**27.04**
Total	392	319	**81.38**

4.2 Presentation and Analysis of Questionnaire

Table 4.2.1: Respondents' Socio – Demographic Information

Variables	Response Label	Frequency	Percentage
Gender			
	Female	141	44.2
	Male	178	55.8
Age			
	18 - 30 years	101	31.7
	31 - 40 years	166	52.0
	41 - 50 years	26	8.2
	51 - 60 years	13	4.1
	Above 60 years	13	4.1
Highest Educational Qualification			
	Post Graduate Degree	113	35.4
	B.Sc	128	40.1
	OND	52	16.3
	Others	26	8.2

Source: Field survey, 2019.

Table 4.2.1 showing the distribution of the respondents' information revealed that 44.2% were female while 55.8% were males. 31.7% of the respondents were within the age range of 18 - 30 years, 52.0% were within the age range of 30 - 40 years, 8.2% were within the age bracket 41 - 50 years, and 4.1% were within the age range of 51 - 60 years while the remaining 4.1% were 50 years and above.

Majority of the respondent falls under the category of post graduate and B.sc level of studies taking a percentage of 34.5% and 40.1% respectively, 16.3% and 8.2% are categorized under the diploma level of study and other qualification respectively. This suggests that majority of the respondents holds Postgraduate/B.Sc. It could therefore be said that the survey population are literate and are expected to provide an objective assessment of the issues raised in the questionnaire used, thus valid information are expected to be elicited from these set of respondents. Thus it could be deduced that these set of respondents are expected to provide relevant and valid information for the subject matter of study, as they are predicated to have in depth understanding of the issues raised in the subject matter.

4.3 Analysis of the Research Constructs Represented in Percentages

The research questions are summarized using the percentage and mean score. As regards to the tables below, the calibrations adopted were as follows: Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (SD).

Table 4.3.1 Distribution Addressing Supervision and Regulation

Items	Scale Level					Mean	Std. Dev
	SD	D	U	A	SA		
	%	%	%	%	%		
	1	2	3	4	5		
Maximum tenor of 10 years for banks' Chief Executive Officer is a good regulatory directive.	3.4	4.1	0.0	44.2	48.3	4.2978	.93282
The maximum tenure for Banks Board members and Auditors of 12years and 10years is a good regulative directive.	3.4	0.0	0.0	48.3	48.3	4.3793	.80701
There are more stringent rules to check mate money laundering and financing terrorism.	0.0	3.8	4.1	51.7	40.4	4.2884	.71697
Sound and effective supervision by CBN/NDIC has led to stable and strong financial system?	0.0	7.8	3.4	68.3	20.4	4.0125	.74384
There is strong awareness about the role of NDIC by depositors	3.4	23.8	0.0	40.4	32.3	3.7429	1.23487

Source: Field Survey, 2019.

The descriptive analysis for the table 4.3.1 is summarized using percentages. It is evident from the result that the respondents strongly agree or agree to statement addressing supervision and regulations. The result show that Maximum tenor of 10 years for banks' chief executive Officer is a good regulatory directive; The maximum tenure for Banks Board members and Auditors of 12years and 10years is a good regulative directive; There are more stringent rules to check mate money laundering and financing terrorism; Sound and effective supervision by CBN/NDIC has led to stable and strong financial system and also there is strong awareness about the role of NDIC by depositors

Table 4.3.2 Distribution Addressing Corporate governance in Banks

Items	Scale Level					Mean	Std. Dev
	SD	D	U	A	SA		
	%	%	%	%	%		
	1	2	3	4	5		
Risk based Examination is more robust, forward looking and sophisticated than compliance based examination.	0.0	0.0	8.2	56.4	35.4	4.2727	.60207
There is reduction on unprofessional and unethical conduct in Nigerian banks.	7.2	11.6	0.0	60.8	20.4	3.7555	1.12284
Corporate governance issues in the financial system has been effectively addressed.	3.8	23.8	0.0	40.1	32.3	3.7335	1.24430
Compliance of the bank to the adoption of common accounting year end and international financial reporting standard to improve the integrity and comparability of financial data reports has been enhanced.	4.1	3.8	8.2	43.9	40.1	4.1223	.99406

Source: Field Survey, 2019.

The descriptive analysis for the table 4.3.2 is summarized using percentages. It is evident from the result that majority of the respondents strongly agree or agree to statement addressing corporate governance. The result show that Risk based Examination is more robust, forward looking and sophisticated than compliance based examination; There is reduction on unprofessional and unethical conduct in Nigerian banks; Corporate governance issues in the financial system has been effectively addressed; Compliance of the bank to the adoption of common accounting year end and international financial reporting standard to improve the integrity and comparability of financial data reports has been enhanced.

Table 4.3.3 Distribution Addressing Depositors Confidence in the Banking System

Items	Scale Level					Mean	Std. Dev
	SD	D	U	A	SA		
	%	%	%	%	%		
	1	2	3	4	5		
There has been decreased incidence of inability to withdraw funds from banking system recently.	7.5	3.8	3.4	36.7	48.6	4.1505	1.15303
Customer complaints/petition to the regulator are promptly addressed.	4.1	4.1	11.9	48.0	32.0	3.9969	.98574
There have been restored and boosted public confidence in the financial system.	0.0	0.0	19.7	55.8	24.5	4.0470	.66421
There is increased depositors awareness as regards premium charge and insurance limit for NDIC.	15.4	15.7	8.2	36.7	24.1	3.3856	1.40033

Source: Field Survey, 2019.

The descriptive analysis for the table 4.3.3 is summarized using percentages. It is evident from the result that majority of the respondents strongly agree or agree to statement depositors' confidence. The result show that There has been decreased incidence of inability to withdraw funds from banking system recently; Customer complaints/petition to the regulator are promptly addressed; There have been restored and boosted public confidence in the financial system; There is increased depositors' awareness as regards premium charge and insurance limit for NDIC.

Table 4.3.4 Distribution Addressing Financial Inclusion in the Economy

Items	Scale Level					Mean	Std. Dev
	SD	D	U	A	SA		
	%	%	%	%	%		
	1	2	3	4	5		
There is strong awareness of various banking products for low level depositors.	0.0	31.7	7.5	24.5	36.4	3.6552	1.26151
There is reduction in requirements for opening Tier 1 & 2 accounts for customers.	0.0	12.2	0.0	59.6	28.2	4.0376	.87873
There is increase patronage of banking facilities by members of the public.	0.0	4.1	4.1	43.9	48.0	4.3574	.74661
ATM machine is easily accessible in the country.	4.1	7.2	8.2	48.3	32.3	3.9749	1.03066
There is reduction of complaints due to usage of ATM machine.	11.3	11.9	0.0	36.7	40.1	3.8245	1.36692
There is strong awareness by the general public about cybercrime in the economy.	7.5	11.9	11.9	32.3	36.4	3.7806	1.26222
Percentage of the unbanked public has been reduced.	3.4	7.8	4.1	60.5	24.1	3.9404	.95144
The various intervention fund by CBN has generated increased employment.	12.2	11.6	20.4	23.8	32.0	3.5172	1.36402

Source: Field Survey, 2019.

The descriptive analysis for the table 4.3.4 is summarized using percentages. It is evident from the result that majority of the respondents strongly agree or agree to statement addressing financial inclusion of the economy. The result show that there is strong awareness of various banking products for low level depositors.; There is reduction in requirements for opening Tier 1 & 2 accounts for customers; There is increase patronage of banking facilities by members of the public; ATM machine is easily accessible in the country; There is reduction of complaints due to usage of ATM machine; There is strong awareness by the general public about cybercrime in the economy; Percentage of the unbanked public has been reduced; The various intervention fund by CBN has generated increased employment.

4.4 Test of Hypotheses

Hypothesis one

H_0: Supervision and Regulation has no significant effect on the corporate governance of the Nigerian banking sector.

Table 4.4.1: Regression Analysis of supervision & regulation vs. corporate governance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.366[a]	.134	.131	.54998

a. Predictors: (Constant), Supervision and Regulation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.785	1	14.785	48.880	.000[b]
	Residual	95.884	317	.302		
	Total	110.669	318			

a. Dependent Variable: Corporate Governance
b. Predictors: (Constant), Supervision and Regulation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.505	.212		11.815	.000
	Supervision and Regulation	.354	.051	.366	6.991	.000

a. Dependent Variable: Corporate Governance

The correlation coefficient equals 0.366 indicates a positive relationship between supervision & regulation and corporate governance. The R-Squared statistic indicates that the model as fitted explains 13.4% of the variability in corporate governance. This simply implies that about 13.4% of the total variation in measure of the corporate governance is explained by the variations in supervision & regulation. The regression coefficient (β=0.354) of the above equation for the model implies that unit change in supervision & regulation will exert a positive effect on corporate governance. Also the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore, the null hypothesis is rejected and it can be concluded that Supervision and Regulation has a significant effect on the corporate governance of the Nigerian banking sector.

Hypothesis two

H_0: Supervision and Regulation has no significant effect on depositors' confidence of the Nigerian banking sector.

Table 4.4.2: Regression Analysis of supervision & regulation vs. depositors' confidence

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629[a]	.395	.393	.56392

a. Predictors: (Constant), Supervision and Regulation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.923	1	65.923	207.300	.000[b]
	Residual	100.809	317	.318		
	Total	166.732	318			

a. Dependent Variable: Depositors Confidence
b. Predictors: (Constant), Supervision and Regulation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.799	.217		3.674	.000
	Supervision and Regulation	.747	.052	.629	14.398	.000

a. Dependent Variable: Depositors Confidence

The correlation coefficient equals 0.629 indicates a positive relationship between supervision & regulation and depositors' confidence. The R-Squared statistic indicates that the model as fitted explains 39.5% of the variability in depositors' confidence. This simply implies that about 39.5% of the total variation in measure of the depositors' confidence is explained by the variations in supervision & regulation. The regression coefficient (β=0.747) of the above equation for the model implies that unit change in supervision & regulation will exert a positive effect on depositors' confidence. Also the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore, the null hypothesis is rejected and it can be concluded that Supervision and Regulation has a significant effect on the depositors' confidence of the Nigerian banking sector.

Hypothesis three

H_0: Supervision and Regulation has no significant effect on financial inclusion of Nigeria

Table 4.4.3: Regression Analysis of supervision & regulation vs. financial inclusion

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725[a]	.525	.524	.43942

a. Predictors: (Constant), Supervision and Regulation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67.751	1	67.751	350.868	.000[b]
	Residual	61.211	317	.193		
	Total	128.962	318			

a. Dependent Variable: Financial Inclusion
b. Predictors: (Constant), Supervision and Regulation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.747	.169		4.410	.000
	Supervision and Regulation	.757	.040	.725	18.731	.000

a. Dependent Variable: Financial Inclusion

The correlation coefficient equals 0.725 indicates a positive relationship between supervision & regulation and financial inclusion. The R-Squared statistic indicates that the model as fitted explains 52.5% of the variability in financial inclusion. This simply implies that about 52.5% of the total variation in measure of the financial inclusion is explained by the variations in supervision & regulation. The regression coefficient (β=0.757) of the above equation for the model implies that unit change in supervision & regulation will exert a positive effect on financial inclusion. Also the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore, the null hypothesis is rejected and it can be concluded that Supervision and Regulation has a significant effect on financial inclusion of Nigeria.

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This whole work was divided into five chapters with each presenting its own addition to the research, with each previous chapter serving as a stepping stone into the next chapter The first chapter, which is a critical introduction of the area of study described the aim of the study, scope of the study and questions to which the study attempted to answer. Chapter two of this research reviewed other literatures that had been developed by recognized authorities in this field. Chapter three demonstrated how the data was obtained for this work was carried out, it encompassed all the methodologies that were employed in this work and how they were implemented. It also gave a brief description of other know methods but focused on those that were eventually implemented. Chapter four analysed and presented the data in an orderly and understandable manner while chapter five concluded the project.

5.2.1 Summary of Findings

Research Questions	Remark
i. What is the effect of supervision and regulation on the corporate governance of the Nigerian banking sector?	The results showed that supervision and regulation have a significant effect on corporate governance of the Nigerian banking sector as it helps to reduce unprofessional and unethical conduct in banking operations; corporate governance issues in the financial system have been effectively addressed. This is similar to the work of Safugha 2017.
ii. What is the effect of supervision and regulation on the depositors' confidence of the Nigerian banking sector?	The results showed that supervision and regulation has a significant effect on depositors' confidence of the Nigerian banking sector as there has been decreased incidence of inability to withdraw funds from banking system recently; There have been restored and boosted public confidence in the financial system. This is similar to the work of Chortareas (2011).
iii. What is the effect of supervision and regulation on the financial inclusion of the Nigeria?	The results showed that supervision and regulation has a significant effect on financial inclusion of the Nigeria as it helps to create strong awareness of various banking products for low level depositors.; There is increase patronage of banking facilities by members of the public; ATM machine is easily accessible in the country; There is strong awareness by the general public about cybercrime in the economy; Percentage of the unbanked public has been reduced. This is similar to the findings of Podpiera (2004).

5.2 Conclusion

The findings from this study ascertained that statutory and regulatory compliance have significant effect on the performance of commercial banks in Nigeria in terms of corporate governance, depositors' confidence and financial inclusion. Conclusively, regulatory compliance must be seen as available means of increasing the status of the banks in Nigeria. In this connection, management must

take action and ensure they have in place clear paths for supervision and regulation. Trend of global integration shows that organizations' standardizations in regulatory compliance ensures their competitive position and consistency. Therefore, organizations have to adapt global best practices of regulatory compliance

5.3 Recommendations

Based on the findings of this study, it is recommended that:

i. Bank regulators should insist on a sound regulation in the banking sector, having in mind that the regulation put in place that it would influence their performance and that of the economy of the country as whole.
ii. Instituting and completing the arrangements of compliance administration which concentrate on dangers, including the execution and evaluation of unique strategies and conventions, examination on compliance dangers, compliance testing, compliance training and instruction, and so on.
iii. Examining and evaluating the compliance of all strategies, conventions and operational rules of the insurance industries, arranging, organizing and regulating and asking all business lines and the inward control office to kind of and overhaul the related arrangements, customs and operational rules, and ensuring that all approaches, customs and operational rules consent to the prerequisites of the related laws, guidelines and principles.
iv. Organizations should be encouraged to come up with rules and codes in form of compliance booklets and behavioural code of its staff, assessing the customs for compliance management and the suitability of compliance rules, offering direction to its staff on implementing related laws, standards and principles.
v. Keeping day by day contact with its supervisory organ, and following and assessing the execution of supervisory assessments and supervisory prerequisites.

5.5 Areas for Further Research

This study examined impact of regulatory compliance on firm performance using a homogenous group (Banks in Lagos, Nigeria). Research could be extended and conducted on a larger sample size to further compliments the findings of this study. Further research with more general business organizations and other types of organizations i.e comparing heterogeneous population will provide a better understanding of the practices of evaluating effect of regulatory compliance on firm performance. There are several non-governmental organizations which need to be further researched on. I also suggest that further research could be extended to other countries in order to perform a cross cultural study on the effects of regulatory compliance on firm performance. This will give a more comprehensive answer to the culture issues.

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