Impact of Asset Management Corporation of Nigeria (AMCON) On the Securitisation in the Nigerian Banking Sector

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Abstract

Since the inception of AMCON, some analysts have contested its relevance to the economy and critically questioned its contribution toward enhancing the performance of Nigerian banks. This study therefore empirically examined the impact of AMCON, proxying a securitisation, on the performance of Nigerian Banks. The study adopted a combination of descriptive and explanatory survey research designs. A carefully prepared and experts-moderrated data generating instrument was employed to gather the relevant data. These instruments were administered on fifty one (51) respondents drawn from relevant departments of the twenty one (21) Deposit Money Banks (DMBs) in Nigeria. Two key hypotheses were formulated and tested. While hypothesis one was tested using ordinary least square (OLS) regression analysis, hypothesis two was tested using chi-square non-parametric test. The two statistical tests were carried out at 5% level of significance, utilising statistical package of social sciences (version 17.0). The findings revealed that AMCON has positively impacted on the asset quality and liquidity of these banks. In contrast, not much of the impact of AMCON has been felt on the capital adequacy of these banks. The findings also revealed that AMCON has contributed to the stability of the Nigerian Banking Industry. On the strength of these findings, this study concluded that AMCON, a financial crisis resolution vehicle, has positively impacted on the performance of the Nigerian Banks and by extension, has contributed to the industry’s stability. It was recommended, inter alia, that AMCON should be more professionally managed, have skilled resource base and its operations should be devoid of any political interference. Consequently, the study has empirically confirmed the impact and contributions of AMCON on the performance of Nigerian Banks and the stability of the industry as a whole respectively.
1. Introduction

One of the most prominent developments in international finance in recent time and the one that is likely going to assume even greater importance in future is “securitization”. Simply put, securitization is the process of making a loan or mortgage into a tradable security by issuing a bill of exchange or other negotiable paper in place of it (Dictionary of Banking and Finance, 2005). It is a financial technique where assets, and or the rights to future cash flows are sold for cash to a third party. This third party, usually a Special Purpose Vehicle (SPV), raises funds for the purchase through the issuing of bonds or commercial paper. Although, it no longer owns them, the originator of the assets/cash often retains right to a portion of the income generated (Aidan O’Neill, Ronan White, 2001:40). The name “securitization” is derived from financial instruments used to obtain funds from the investors (Sachin, 2005). Financial institutions, like any other business organization, have some risks to manage before they can successfully achieve their aim and objectives, which are mostly profit oriented.

The Nigerian banking reform which commenced in 2009 consequent upon the stress tests that were carried out on some Nigerian Deposit Money Banks led to the dismissal and prosecution of five Banks’ Chief Executive Officers. The aggregate percentage of non-performing loans of the five banks was 40.81 with chronic borrowing at the Expanded Discount Window (EDW) of the CBN, indicating that they had little cash on hand (Alford, 2011). On August 14, 2009, the CBN declared the five banks as insolvent. Non-performing loans (NPLs) are loans which do not generate income for relatively long period of time; that is the principal and/or interest on these loans are left unpaid for at least 90 days (Caprio and Klingebiel, 1995). Non-performing Loans (NPLs) have become contemporary issues in credit management and undoubtedly the new frontier in finance. Loans are the major output provided by banks, but loan is a risk output hence there is an ex ante risk for a loan to finally become non-performing. It can be treated as undesirable outputs or costs to a bank, which will decrease the bank’s performance (Chang, 1999).

Goldstoin and Turner (1996) and Servigny and Renault (2004) attributed the accumulation of Non-performing loans (NPLs) to a number of factors, including economic downturns and macroeconomic volatility, terms of trade deterioration, high interest rate, excessive reliance on overly high-priced inter-bank borrowings, insider lending and moral hazard. Because of mounting pressure of Non-performing Loans (NPLs) on bank’s balance sheets and incessant bank failures, the Central Bank of Nigeria’s Prudential Guidelines (1990) and subsequent reviews subsume credit facilities into loans, advances, overdrafts, commercial papers, banker’s acceptances, bills discounted, leases, guarantees, and other loss contingencies connected with a bank credit risks. The CBN report over the years found out
that Non-performing Loans (NPLs) reduces banks’ liquidity, credit expansion, slow down the
growth of the real sector with the direct consequences on the performances of banks and the
economy as a whole (Kassim, 2012).

Controlling NPLs is hence very important for both an individual bank’s performance and
an economy’s financial environment (McNulty et al. 2001). Because banks provide the oil for
corporate financing, saddling them with unpaid loans will hampered its credit intermediation
role because a huge portion of loanable funds have to be reserved as provisions for possible
losses, instead of being productively used for new loans and investments (Terada-Hagiwara
and Pasadilla, 2004). The erstwhile CBN Governor, Sanusi Lamido argued that eight factors
caused the Nigerian financial crisis: “macroeconomic instability caused by large and sudden
capital inflows, major failures in corporate governance at banks, lack of investor and
consumer sophistication, inadequate disclosure and transparency about the financial position
of banks, critical gap in regulatory frameworks and regulations, uneven supervision and
enforcement, unstructured governance and management processes at the CBN/weaknesses
within the CBN, and weaknesses in the business environment” (Alford, 2011).

At the end of 2011 financial year, it was obvious that the banks were neck deep in
measures to come out clean in the 2012 performance an excuse given by a number of banks
that posted not so encouraging results for their 2011 operations. This development was
confirmed by the International Financial Advisory Firm, Renaissance Capital Limited, in its
recent report on the big five banks in Nigeria, noting that with the exception of Access bank
Plc., the NPLs ratios for the banks are now below the 5 per cent CBN guideline (ThisDay
Newspaper, 2012). The big five banks are First Bank Plc., Guaranty Trust Bank Plc., Zenith

Governmental approach towards resolving these threats to banking industry performance and
economic stability led to the establishment of Assets Management Corporation of Nigeria
(AMCON) following the passage into law the Assets Management Corporation of Nigeria
Bill on July 19, 2010. The rationale behind the establishment of AMCON is for the
corporation to purchase the toxic assets from the banks and after the purchase the banks will
have “clean” balance sheet. This paper therefore examines the impact of securitization on the
performance of Nigerian banks and the contribution to the stability of the entire banking
industry

2. Literature Review

The global financial crisis that reared its ugly head and culminated in the global economic
meltdown could be attributed to the sub-prime mortgage issues in America. Due to the impact
of globalization and the effect of interconnectivity in financial and economic affairs, the crisis
spread like wild fire to the most economically active parts of the world (Proshare, 2012).
Today, almost 50 per cent of over 8,000 banks/financial institutions in the world has failed. Governments of the US, Nigeria, Britain and most of Europe resulted to the utilization of tax payers’ money to bail out some banks and other companies that were considered very strategic so as to avoid the collapse of their economies because, “they are too big to fail” (Proshare, 2012).

The Banking sector stabilization process started in August, 2009 following a special audit by the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Commission (NDIC). The CBN subsequently declared nine banks as being dangerously below minimum capital requirements with corporate governance concerns, thereby forcing drastic measures to save the banks from bankruptcy. Nine banks failed to meet the minimum 10 per cent capital adequacy ratio and 25 per cent minimum liquidity ratio (Alawiye, 2013). Apart from accumulating high non-performing loans, the banks were exposed to the oil and gas sector as well as the capital markets. Poor risk management practices in the form of absence of necessary controls measures were prevalent as the board and management had failed to observe established controls (Alawiye, 2013).

The CBN moved decisively to strengthen the banking industry, protect depositors and creditors, restore public confidence and safeguard the integrity of the Nigerian Banking industry. The initial measures taken by the CBN in conjunction with NDIC and the Federal Ministry of Finance (MOF) included injection of N620 billion into the nine banks in form of Tier 2 capital to be paid from the proceeds of recapitalization in the near future (Egwuatu, 2012); the replacement of the chief executive/executive directors of eight of the nine banks with competent managers with experience and integrity; reaffirmation of the guarantee of the local interbank market to ensure continued liquidity for all banks; and guarantee of foreign creditors and correspondent banks’ credit lines to restore confidence and maintain important correspondent banking relationship. Consequently, the CBN had to introduce different forms of reforms to bail the banking sector out of its crises. Some of the measures include the cancellation of universal banking; introduction of tenures for chief executive officers and directors of banks; the setting up of the Asset Management Corporation of Nigeria (AMCON) to buy toxic asset of banks and the introduction of the Nigerian Uniform Banking Account Numbering System, among other reforms.

In line with its mandate, AMCON has so far acquired non-performing risk assets of some banks worth about N2.8 trillion, which has boosted liquidity, profitability, capital adequacy as well as enhanced their safety and soundness (Egwuatu, 2011). The nation would have lost over N2 trillion if the CBN had not acted at the time it did (Sanni, 2011). The CBN based its reforms on a four pillars namely: enhancing the quality of banks, establishment of financial stability, enabling healthy financial sector evolution, and ensuring that the financial sector
contributes to the real economy. The pursuits of the mentioned pillars are not without challenges. Absence of basic economic and social infrastructure remains a major constraint, striking an appropriate balance between monetary, fiscal and other policies will be of help to the attainment of desired objective.

3. Conceptual Framework

3.1 Securitisation

Securitisation is the process of pooling and repackaging of homogenous illiquid financial assets into marketable securities that can be sold to investors. The process leads to the creation of financial instruments that represent ownership interest, or are secured by a segregated income producing assets or pool of assets which collateralizes securities. These assets are generally secured by personal or real property like automobiles, real estate, or equipment loans, but in some cases re unsecured, such as credit card debt, consumer loans (Sachin, 2005)

According to Teasdale (2003), the process of securitisation creates asset-backed bonds. According to him, these are debt instruments that have been created from a package of loan assets on which interest is payable, usually on a floating basis. He further contended that techniques employed by investment banks today enable an entity to create a bond structure from any type of cash flow; assets that have been securitised include loans such as residential mortgages, car loans, and credit card loans. The loans form assets on a bank or finance house balance sheet, which are packaged together and used as backing for an issue of bonds (Teasdale, 2003). The interest payments on the original loans form the cash flows used to service the new bond issue (Teasdale, 2003).

Arguably, mortgage-backed bonds are grouped in their own right as mortgage-backed securities (MBS) while all other securitisation issues are known as asset-backed bonds or ABS (Teasdale, 2003). The securitisation process involves a number of participants. In the first instance is the originator, the firm whose assets are being securitised. The most common process involves an issuer acquiring the assets from the originator. The issuer is usually a company that has been specially set up for the purpose of the securitisation and is known as a special purpose vehicle or SPV and is usually domiciled offshore. The creation of an SPV ensures that the underlying asset pool is held separate from the other assets of the originator. This is done so that in the event that the originator is declared bankrupt or insolvent, the assets that have been transferred to the SPV will not be affected (Teasdale, 2003).

The process of structuring a securitisation deal ensures that the liability side of the SPV – the issued notes – carries lower cost than the asset side of the SPV. This enables the originator to secure lower cost funding that it would otherwise be able to obtain in the unsecured market. This is a tremendous benefit for institutions with lower credit ratings (Teasdale, 2003).
3.2 Functions of AMCON

It is noteworthy to mention that AMCON is arguably regarded as a securitisation vehicle. According to the Assets Management Corporation of Nigeria Act (2010), the Corporation is established to achieve, among others, the following objectives:

- Assist Eligible Financial Institutions to efficiently dispose of Eligible Bank Assets in accordance with the provisions of the Act;
- Efficiently Hold, manage, realize and dispose of Eligible Bank Assets (including the collection of interest, principal and capital due and the taking over of collateral securing such assets) acquired by the corporation in accordance with the provisions of the Act;
- Obtain the best achievable financial returns on Eligible Bank Assets or other assets acquired by it in pursuance of the provision of the Act;
- Paying coupons on and redeeming at maturity, bonds and debt securities issued by the Corporation as consideration for the Acquisition of Eligible bank assets in accordance with the provisions of the Act.
- Performing such other functions, directly related to the management or the realization of Eligible Bank Assets that the corporation has acquired.

3.3 Empirical Framework

Previous studies have described the processes of and factors influencing the NPLs problem in Asia. Ueda (2000) analysed the causes of NPLs in Japanese banks in the 1990’s, including the role of real estate related loans, the influence of financial liberalization, inefficient bank management, and moral hazards relating to certain safety nets. Hu et al. (2004) considered the effects of deregulation on the NPLs of a panel of Taiwanese commercial banks during the period 1996-99, identifying a relationship between the number of NPLs and the total loan amount and government shareholdings. They concluded that as the percentage of government shareholdings in a bank increased, the NPLs rate initially fell and then increased thereafter. Hosono (2010) looked at the factors which increased the number of NPLs as explanatory variables in the regression, and showed that land prices were an important contributing factor in the decline of NPLs. In another work, Boudriga et al. (2009) employed aggregate banking, financial, economic, and legal environment data from a panel of 59 countries over the period 2002-2006 and empirically analysed that higher capital adequacy ratios and prudent provisioning policies appeared to reduce the level of problem loans. Inoguchi (2012) explores the factors which eliminated the non-performing loan problem in Malaysia and Thailand following the 1997 Asian Financial crisis. He analysed whether the characteristic features of banks, improvement in macroeconomic conditions, and facilities for purchasing loans caused a reduction in the number of NPLs in Malaysia and Thailand. The study found out that selling loans to a public.
asset management company was effective in reducing the number of NPLs in Thailand while good performing commercial and investment banks generally had smaller NPL ratios throughout and following the crisis.

3.4 Research Method

This study employed a combination of descriptive and explanatory survey research designs. The use of descriptive survey research design was informed by the need to describe salient characteristics of some key variables and also to determine the nature of the distribution of the gathered data so as to determine the appropriateness of the use of non-parametric statistical techniques such as Chi-Square. Explanatory survey research design, on the other hand, was employed in order to explain the behaviour of the dependent variable(s) occasioned by the impact of the independent variable. The independent variable is Securitisation (representing the operations and effectiveness of AMCON), while the dependent variable is the performance of the Nigerian Banks. The performance of the Nigerian Banks, for the purpose of this study, is operationalised into capital adequacy, liquidity and asset quality. The parsimonious models and sub-models adopted attempt to explain the impact of securitisation separately on capital adequacy, liquidity and asset quality, bearing in mind the fact that the three dependent variables proxy for the performance of Nigerian Banks.

It is of note to mention that primary data, gathered through a carefully prepared, experts-moderated and properly administered questionnaires, were employed in this study. The choice of primary data was necessitated by the fact that sufficient and long range secondary data that would have allowed for a very robust empirical analysis and econometric modelling were not available, considering the fact that AMCON came into existence on 19 July, 2010. Furthermore, fifty one (51) questionnaires, containing fifteen (15) incisively relevant research items were administered on key management personnel in Financial Controls, Treasury and Credit Management departments of the current twenty one (21) Deposit Money Banks (as at 31 December, 2013). The administration was done in a way that the selections of respondents were random and a reasonably even spread was ensured amongst the participating banks. These sampling efforts were aimed at ensuring high level of validity and reliability of the data. Of note also is the fact that 5-point Likert Scale of strongly agree, agree, undecided, disagree and strongly disagree was employed.

To analyse the data, correlation and regression analysis were utilised to test hypothesis one, while chi-square non-parametric statistical technique was used to subject hypothesis two to testing. To facilitate the correlation and regression analysis, the research items in the data-gathering instrument were carefully worded in order to easily identify the dependent and
independent variables and these variables were appropriately matched. All the analyses were carried out using SPSS Version 17.0

As noted by Osuagwu (2006), Chi-square test is appropriate where the distribution of data is asymmetric (i.e. non-normal). In this study, Kolmogorov-Smirnov and Shapiro-Wilk test of normality were employed on all the variables. Based on the results obtained, it was established that the distribution of the data was non-normal as the null hypothesis of normality was rejected for all the variables (See Appendix 4). This rejection of the null hypotheses was due to the fact that asymptotic significance was less than the level of significance of 0.05. These results provided an empirically defensible basis for the use of Chi-square test.

4. Test of Hypothesis

4.1 Hypothesis One

H₀: Securitisation has not positively impacted on the performance of Nigerian Banks
H₁: Securitisation has positively impacted on the performance of Nigerian Banks

4.1.1 Model Specification

Deterministic Model Specification

BP = f (Sec.) + μ.............................................................................................................. (i)

Operationalised into:

CA = f (Sec.) + μ.......................................................................................................................

(ii)

L = f (Sec.) + μ.......................................................................................................................

(iii)

AQ = f (Sec.) + μ......................................................................................................................

(iv)

Econometric Model Specification

BP = β₁ + β₂ Sec...........................................................................................

(v)

Operationalised into:

CA = α₁ + α₂ Sec.......................................................................................................................

(v)

L = λ₁ + λ₂ Sec.......................................................................................................................

(v)

AQ = γ₁ + γ₂ Sec...................................................................................................................

(v)

Where:

BP = Bank Performance
Sec = Securitisation
CA = Capital Adequacy
L = Liquidity
AQ = Asset Quality
μ = Stochastic error term

4.1.2 Findings

Correlation Analysis
It can be inferred from the correlation analysis results (See Appendix 1) that there exists a positive relationship between Securitisation (i.e. AMCON operations and effectiveness) and the selected indicators of the performance of Nigerian Banks. The nexus between securitisation, the independent variable, and asset quality, as well as liquidity as independent variables, are not only positive and strong, the relationship is also statistically significant at 1 per cent level of significance. Conversely, though the association between securitisation and capital adequacy is positive but this positive relationship is not statistically significant at 1 per cent level of significance, suggesting a very weak link between the former and latter variables. The logical deduction from the foregoing is that there is strong and statistically significant relationship between the operations and effectiveness of AMCON, proxying securitisation and liquidity, asset quality of banks. However, weaker evidence of association is indicated regarding the relationship between securitisation and capital adequacy.

**Regression Analysis**

**Sub-model 1: Securitisation has not positively impacted on Capital Adequacy of Nigerian Banks**

\[
\text{CA} = 3.419 + 0.131 \text{Sec} \\
\text{Std. error} = (0.941) (0.209) \\
\text{T-Statistic} = (3.632) (0.626) \\
\text{P-Value} = (0.001) (0.534) \\
\text{F-Value} = 0.534 \quad R^2 = 0.008
\]

From the results above, it is evident that securitisation has not positively impacted on the capital adequacy of Nigerian Banks. This position is based on the fact that the coefficient of the explanatory variable (i.e. securitisation) is not statistically significant at 5 per cent level of significance. Furthermore, the model appears overall not to be fit based on the F-Value which is equally greater than the level of significance. It can also be inferred that only a meagre 0.8 per cent of the variation in capital adequacy can be explained by the impact of securitisation, while other factors account for a staggering 99.2 per cent of the variation in capital adequacy of Nigerian Banks.

**Sub-model 2: Securitisation has not positively impacted on Asset Quality of Nigerian Banks**

\[
\text{CA} = 0.629 + 0.855\text{Sec} \\
\text{Std. error} = (0.328) (0.074) \\
\text{T-Statistic} = (1.917) (11.532) \\
\text{P-Value} = (0.061) (0.000) \\
\text{F-Value} = 0.000 \\
R^2 = 0.731
\]

From the results above, it can be deduced that asset quality of Nigerian Banks has improved partly because of securitisation. This position is based on the fact that the coefficient of the explanatory variable (i.e. securitisation), as well as the autonomous variable
are statistically significant at 5 per cent level of significance. Furthermore, the overall fitness of the model is evident based on the F-Value which is less than the level of significance. Further demonstrating the fitness of the model is the 73.1 per cent of the variation in asset quality which can be explained by the impact of securitisation. Conclusively, the operations and effectiveness of AMCON has translated into improved asset quality of Nigerian Banks.

Sub-model 3: Securitisation has not positively impacted on Liquidity of Nigerian Banks

\[
CA = 2.347 + 0.475\text{Sec}
\]
\[
\text{Std. error} = (0.403) (0.102)
\]
\[
T\text{-Statistic} = (5.819) (4.675)
\]
\[
P\text{-Value} = (0.000) (0.000)
\]
\[
F\text{-Value} = 0.000
\]
\[
R^2 = 0.308
\]

It is clear from the results above that Liquidity of Nigerian Banks has considerably improved, in part, because of securitisation. This deduction is premised on the fact that the coefficients of the explanatory variable (i.e. securitisation), and that of the constant are statistically significant at 5 per cent level of significance. Furthermore, the F-Value which is less than the level of significance indicates that the overall fitness of the model is not in question. The fitness of the model is further strengthened by the 30.8 per cent of the variation in liquidity which is attributable to the impact of securitisation. The operations and effectiveness of AMCON has therefore translated into improved liquidity position of Nigerian Banks.

4.2 Hypothesis Two

\[H_0: \text{Securitisation (AMCON) has not contributed to the stability of the Nigerian Banking Industry}\]
\[H_1: \text{Securitisation (AMCON) has contributed to the stability of the Nigerian Banking Industry}\]

At 5 per cent level of significance, the null hypothesis that securitisation has not contributed to the stability of the Nigerian Banking Industry stands rejected, while the alternative hypothesis is accepted. What drives this decision is the fact that the asymptotic significance of the relevant six (6) variables measuring this construct is considerably less that the level of significance of 5 per cent. It is therefore apparent that the AMCON’s operations and effectiveness has contributed to the stability of the Nigerian Banking Industry, and by so doing, restored confidence in the industry by the banking public.

5. Discussion of Findings

As obtained above, securitisation has clearly and demonstrably positively impacted on liquidity and asset quality. Not much can be said of its impact on capital adequacy. Also, it has greatly contributed to the restoration of confidence in the banking sector by ensuring the sector’s stability especially sequel to the credit crunch crisis of 2007-2008. It is empirically interesting that the key findings of this study align much well with available statistics.
In 2009, the shareholders fund of the deposit money banks in existence and operations significantly nosedived from N2.80 trillion recorded as at 31 December 2008 to N448.99 billion as at 31 December, 2009 (NDIC Annual Report, 2009). This represents a whopping 84.30 per cent decline. The industry capital adequacy ratio was 0.24 per cent marginally higher than the prudential minimum of 10.0 per cent (NDIC Annual Report, 2009). According to NDIC Annual Report (2009), this monumental decline could be attributed to considerable increase in loan provisions. In contrast, in 2012, capital adequacy of the industry stood at 18.07 per cent with only one bank falling below the minimum prudential capital adequacy ratio of 10 per cent. It is salient to state that this turn-around in performance has been attributed to the coming on board of AMCON. It is however disturbing that the finding of this study seemed to suggest a weak evidence in terms of the impact of securitisation on banking industry capital adequacy.

In relation to liquidity, the juxtaposition of the industry’s pre-2010 and post-2010 liquidity positions underscores the role of securitisation on the performance of Nigerian Banks. Pre-2010, precisely in 2009, average liquidity ratio stood at 44.45 per cent, while it was 68.01 per cent as at 31 December, 2012 (NDIC Annual Report, 2009 & 2012). This demonstrably shows that AMCON operation and effectiveness has positively impacted on the liquidity of Nigerian Banks. The picture is similar about the impact of securitisation on asset quality of Banks in Nigeria. While the ratio of Non-performing loans to total loans was 3.51 per cent as at 31 December, 2012, it was 32.8 per cent in 2009. This bears vivid testimony to the beneficial role of AMCON on the performance of Banks in Nigeria. The purchase of the non-performing loans of Deposit Money Banks by AMCON and the enhanced credit risk management by DMBs were responsible for the improvement in asset quality of these Banks (Chike-Obi, 2013)

6. Recommendations

As salutary as the role of AMCON has been to the Nigerian Banking Sector, the operations of the special purpose crisis-resolution vehicle (i.e. AMCON) still leaves much to be desired. It is therefore against this background that this study offers the following recommendations:

i. It is widely believed that AMCON is the brain-child of Central Bank of Nigeria and by extension, widely rumoured that it is the brain-child of the current Governor of Central Bank, Mr. Sanusi Lamido Sanusi. Considering the fact that the tenure of the Governor will end in June, 2014, there is a possibility, though remote, that the workings of AMCON may be negatively tampered with, with the advent of a new CBN governor. Policy somersault is a sad characteristic of the Nigeria Policy Making Process. It may however be visited on AMCON with negative consequences. Rather,
the current operation of the crisis-resolution vehicle should be fine-tuned for improved performance.

ii. It is important that banks should be better placed to resolve NPLs than using centralized special-purpose securitisation like AMCON. This is due to the fact that these banks have the loan files and some institutional knowledge of the borrowers. Leaving the toxic assets on banks’ balance sheets may also provide better incentives for banks to maximize the recovery value of bad debt and avoid future losses by improving loan approval, monitoring procedures and overall credit management process. One other beneficial important of this measure is that it will discourage care-free, indiscriminate lending. The existence of AMCON in itself could cause moral hazards.

iii. This study also recommends that AMCON should be professionally managed, have skilled resource base and devoid of political interference. Adequate funding should also be provided while overhauling the country’s bankruptcy and foreclosure laws. There should also be a robust information and management systems, and transparency in operations and processes. As noted by Klingebel (2000), “in the Philippines and Mexico, the success of the AMCs was doomed from the start as governments transferred large amount of loans that had initially been extended by the originating banks based on political connections and/or fraudulent assets to the AMCs which are difficult to be resolved or to be sold off by a government agency. Both of these agencies did not succeed in achieving their narrow objectives.”

Other complimentary policies in energy, agriculture and government expenditure and borrowings must be in place before monetary policy can deliver economic growth. Banking sector reforms is a necessary but not a sufficient condition for economic growth and development.

References


Appendix

1. Correlation Analysis

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable(s)</th>
<th>Coefficients</th>
<th>P-Value</th>
</tr>
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<tr>
<td>Securitisation (AMCON)</td>
<td>Capital Adequacy</td>
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<td>0.534</td>
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<td></td>
<td>Asset Quality</td>
<td>0.855</td>
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<td></td>
<td>Liquidity</td>
<td>0.555</td>
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Source: Field Survey, 2014

2. Regression Analysis

Sub-model 1: Securitisation has not positively impacted on Capital Adequacy of Nigerian Banks

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<td>1</td>
<td>.089</td>
<td>.008</td>
<td>-.012</td>
<td>1.156</td>
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</table>

a. Predictors: (Constant), Securitisation

Source: Field Survey, 2014

ANOVA

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<th>Model</th>
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<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<td>.392</td>
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<td>49</td>
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<td>Total</td>
<td>66.000</td>
<td>50</td>
<td></td>
<td></td>
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a. Predictors: (Constant), Securitisation

b. Dependent Variable: Capital Adequacy

Source: Field Survey, 2014

Coefficients

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<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
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<td>(Constant)</td>
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<td></td>
<td>Securitisation</td>
<td>131</td>
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a. Dependent Variable: Capital Adequacy

Source: Field Survey, 2014

Sub-model 2: Securitisation has not positively impacted on Asset Quality of Nigerian Banks

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<td>1</td>
<td>.855</td>
<td>.731</td>
<td>.725</td>
<td>.477</td>
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a. Predictors: (Constant), Securitisation

Source: Field Survey, 2014
ANOVA\textsuperscript{b}

<table>
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<tr>
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<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
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<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>30.204</td>
<td>1</td>
<td>30.204</td>
<td>132.986</td>
<td>.000\textsuperscript{a}</td>
</tr>
<tr>
<td>Residual</td>
<td>11.129</td>
<td>49</td>
<td>.227</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>41.333</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Securitisation

\textsuperscript{b} Dependent Variable: Asset Quality

\textit{Source: Field Survey, 2014}

Coefficients\textsuperscript{a}

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.629</td>
<td>.328</td>
<td>1.917</td>
<td>.061</td>
</tr>
<tr>
<td>Securitisation</td>
<td>.855</td>
<td>.074</td>
<td>.855</td>
<td>11.532</td>
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</tbody>
</table>

\textsuperscript{a} Dependent Variable: Asset Quality

\textit{Source: Field Survey, 2014}

Model 3: Securitisation has not positively impacted on the Liquidity of Nigerian Banks

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.555\textsuperscript{a}</td>
<td>.308</td>
<td>.294</td>
<td>905</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Securitisation

\textit{Source: Field Survey, 2014}

ANOVA\textsuperscript{b}

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>17.901</td>
<td>1</td>
<td>17.901</td>
<td>21.852</td>
<td>.000\textsuperscript{a}</td>
</tr>
<tr>
<td>Residual</td>
<td>40.139</td>
<td>49</td>
<td>.819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>58.039</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Securitisation

\textsuperscript{b} Dependent Variable: Liquidity

\textit{Source: Field Survey, 2014}

Coefficients\textsuperscript{a}

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
</tbody>
</table>

\textit{Source: Field Survey, 2014}
a. Dependent Variable: Liquidity

Source: Field Survey, 2014

3. Chi-Square Test

Test Statistics

<table>
<thead>
<tr>
<th></th>
<th>A10</th>
<th>A11</th>
<th>A12</th>
<th>A13</th>
<th>A14</th>
<th>A15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>28.902\textsuperscript{a}</td>
<td>20.078\textsuperscript{a}</td>
<td>43.412\textsuperscript{a}</td>
<td>34.980\textsuperscript{a}</td>
<td>60.667\textsuperscript{a}</td>
<td>69.294\textsuperscript{a}</td>
</tr>
<tr>
<td>Df</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Asymp. Sig.</td>
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<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

\textsuperscript{a} 0 cells (.0\%) have expected frequencies less than 5. The minimum expected cell frequency is 10.2.

Source: Field Survey, 2014

4. Tests of Normality

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov\textsuperscript{a}</th>
<th>Shapiro-Wilk</th>
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</thead>
<tbody>
<tr>
<td>Statistic</td>
<td>Df</td>
<td>Sig.</td>
</tr>
<tr>
<td>A1</td>
<td>.500</td>
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<tr>
<td>A2</td>
<td>.466</td>
<td>51</td>
</tr>
<tr>
<td>A3</td>
<td>.355</td>
<td>51</td>
</tr>
<tr>
<td>A4</td>
<td>.265</td>
<td>51</td>
</tr>
<tr>
<td>A5</td>
<td>.312</td>
<td>51</td>
</tr>
<tr>
<td>A6</td>
<td>.345</td>
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</tr>
<tr>
<td>A7</td>
<td>.300</td>
<td>51</td>
</tr>
<tr>
<td>A8</td>
<td>.279</td>
<td>51</td>
</tr>
<tr>
<td>A9</td>
<td>.298</td>
<td>51</td>
</tr>
<tr>
<td>A10</td>
<td>.289</td>
<td>51</td>
</tr>
<tr>
<td>A11</td>
<td>.284</td>
<td>51</td>
</tr>
<tr>
<td>A12</td>
<td>.293</td>
<td>51</td>
</tr>
<tr>
<td>A13</td>
<td>.261</td>
<td>51</td>
</tr>
<tr>
<td>A14</td>
<td>.311</td>
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</tr>
<tr>
<td>A15</td>
<td>.332</td>
<td>51</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Lilliefors Significance Correction

Source: Field Survey, 2014