KWARA STATE UNIVERSITY, MALETE, NIGERIA

SCHOOL OF POSTGRADUATE STUDIES (SPGS)

REGULATORY COMPLIANCE PRACTICES AND PERFORMANCE OF MICROFINANCE BANKS IN KWARA STATE, NIGERIA.

BY

DURODOLA, matthew olalekan

18/27/MFI006

AUGUST, 2022.

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DEPARTMENT OF ACCOUNTING AND FINANCE

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AUGUST, 2022

DECLARATION PAGE

I hereby declare that this thesis titled 'Regulatory Compliance Practices and Performance of Microfinance Banks in Kwara State, Nigeria' is a record of my research and has neither been presented nor accepted in any previous application for higher degree.

_____ _____

Matthew Olalekan Durodola **Signature /** Date

APPROVAL

This is to certify that this thesis written by Durodola Matthew Olalekan with matriculation number: 18/27/MFI006, titled "Regulatory Compliance Practices and Performance of Microfinance Banks in Kwara State, Nigeria has been read and approved as meeting the requirement for the award of Master of Science (M.Sc.) Degree in Finance, Kwara State University, Malete, Nigeria.

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DEDICATION

This research work is dedicated to Almighty God.

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ABSTRACT

The Central Bank and Nigeria Deposit Insurance Corporation (NDIC) have implemented various regulations and policies over the years to guarantee that the Nigerian banking sector remain stable and capable of creating economic efficiency. Yet the banking industry has continued to witness various form of distress and liquidity problem which has been caused by inadequate regulatory framework, mismanagement, high toxic assets, poor loan repayment, fraud and corruption among bank management staffs .This therefore raises the question of how efficient and effective are regulatory practices put in place by the regulatory authorities. Therefore, this study investigated the effect of regulatory practices and Performance of microfinance banks in Kwara State. The study adopted cross-sectional survey research design and primary data was gathered from purposively selected 144 of senior management staff of Microfinance in Kwara State through copies of structured questionnaires. The valid and usable questionnaire was received from 104 stakeholders of 18MFBs in Kwara State and the data were analyzed using descriptive and inferential statistics using multiple regression analysis. From the multiple regression coefficient table, the findings revealed that at 5% level of significance, capital regulation, prudential regulation, risk-based regulation have significant effect and Performance of microfinance banks in Kwara State, as quantitative results shown by: capital regulation (β=0.136, t= 2.252 p=0.027), prudential regulation (β=0.136, t= 6.336, p=0.000), risk based regulation (β=0.157, t= 2.394, p=0.019. This result implies that the extent to which management of microfinance banks applying capital regulation, prudential regulation and risk-based regulation explain variations in their performance. The other findings revealed that operational regulation and structural regulation have insignificant effect and Performance of microfinance banks in Kwara State, as quantitative results shown by (β=0.130, t= 1.605, p=0.112), structural regulation (β=0.110, t= 1.509, p=0.135) at 5% significant level. It was concluded that structural regulation and operational regulation have no significant effect and Performance of microfinance banks in Kwara State, while capital regulation, prudential regulation and risk-based regulation have significant effect and Performance MFBs in Kwara State. The study therefore recommended that the stakeholders of MFBs in Kwara State, should persist in engaging

experience capital regulation, risk-based regulation and prudential regulations in line with banking acts, as this will ensure capital adequacy, restrict some advances, credits and guarantees and also be made restrictions on proceeds from crime and money laundering.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The banking sector is a crucial arm of an economy for the reason that it serves as an instruments for growth and development. Banks are imperative because of the incredible functions they perform such as financial intermediation, provision of an efficient payments system and facilitating the implementation of monetary policies (Ugwuanyi, 2015). It is not surprising therefore, that Governments of the world over attempt to evolve an efficient banking regulation, not only for the promotion of efficient intermediation, but also for the protection of depositors, encouragement of efficiency, competition, maintenance of public confidence in the system stability and protection against systemic risk and collapse.

Worldwide, the banking business is highly regulated because of the important position the financial industry occupies and its complexities. An efficient regulatory system is absolutely necessary for efficient functioning of a nation's economy. Thus, for the industry to be efficient, it must be regulated and supervised in view of the failure of the market system to recognize social rationality and the tendency for market participants to take undue risks which could impair the stability and solvency of their institutions (Simeneh, 2020).

In Nigeria, at the apex of the regulatory and supervisory framework for the banking industry is the Central Bank of Nigeria (CBN). The Nigerian Deposit Insurance Corporation (NDIC) however, exercises shared responsibility with the Central Bank of Nigeria for the supervision of insured banks. Active co-operation exists between these

two agencies on both the focus and modality for regulating and supervising insured banks. This is exemplified in the coordinated formulation of supervisory strategies and surveillance on the activities of the insured banks, elimination of supervisory overlap, establishment of a credible data management and information sharing system.

The origin of regulation in the banking industry in Nigeria dates back to the early 1950s following the tragic failures suffered by the largely unregulated indigenous banks – a phenomenon which caused untold hardship for customer (depositor and shareholder). This incidence led to the enactment of the 1952 Banking ordinance, repealed in 1969 following the birth of the 1969 Banking decree. The 1969 decree (amended several times) is now repealed following the promulgation of central Bank of Nigeria Decree No 24 and Banks and other financial institutions (BOFID) decree No 25 both of 1991. These decrees update the innovations in the financial system consequent upon the deregulation of the system; they now cover both banks and non-bank financial institutions (Mustapha, 2017).

The establishment of CBN created the platform for adoption of monetary management by indigenous personnel, stricter rules and regulations, and improved institutional facilities. The basic reason for bank and other financial institutions regulation and supervision is to forestall financial system failure. If financial institutions such as banks were not regulated and supervised, their power to create money will be unchecked and on one hand, it might result in excessive monetary creation and hence inflation. On the other hand, excessive money creation may lead to bank distress through loan defaults and thereby halting further lending and jeopardizing the payment system (Ozili, 2015).

The Nigerian banking sector went through two noteworthy regulatory reforms (2005 banking reforms and 2009 banking reforms) that transformed the Nigerian banking landscape. The Central Bank of Nigeria (CBN) announced major changes for the Nigerian banking sector on 6 July 2004. CBN assessments of the Nigerian banking sector in the pre-2005 banking examination periodic checks revealed the major problems in the industry as: weak corporate governance, late or non-publication of annual reports, gross insider abuses, insolvency caused by negative capital adequacy ratios and low levels of shareholders' funds that had been completely eroded by operating losses, weak capital base, and over-dependence on public sector deposits and neglect of small and medium class savers (Toby, Adolphus J. 2008). Hence, the issues and weaknesses informed the decision of Nigerian regulators to consolidate and strengthen the Nigerian banking sector to meaningfully protect deposits, play significant developmental roles in the economy and become an efficient and active player in the African and global financial system.

The 2005 banking changes was not a reaction to any economic or financial crisis but were undertaken to make the Nigerian banking sector more regulated. Nonetheless, Nigerian regulators initiated the 2009 regulations largely because of the weaknesses identified during the periodic stress tests of Microfinance banks that include depreciating capital levels, high levels of non-performing loans, and weak corporate governance practices. To be specific, the 2009 banking regulations were initiated in response to the financial crisis and the inability of the 2005 banking exercises to adequately shield the Nigerian banking sector from the adverse effect of the crisis. Regulatory reports after the 2005 changes indicate that apart from the huge capital

base of Microfinance banks that survived, other benefits accrued to the Nigerian banking sector.

Microfinance activity has existed as an ancient financial regulation practice in Nigeria and it is culturally rooted dating back to several centuries to support merchandising (Bello, Isiaka&Kadiri, 2018). The Microfinance systems started as an informal activity in the rural area and done through Self-Help Groups or Rotating Savings and Credit Associations. The savings collectors and co-operative societies are forms of traditional financial intermediation institutions prevalent in the rural areas. The traditional Microfinance institutions provide access to credit for the rural and urban, low-income earners. However, the informal financial institutions generally have limited outreach primarily to paucity of loanable funds. Microfinance provides financial services to excluded banking groups who are not served by the conventional money deposit banks (MDBs). According to CBN (2010), Microfinance institutions are characterized by: lack of asset based collateral; small sizes of loans advanced and/or savings collected and relatively simplicity of operations. No doubt Microfinance is targeted at the less privileged and vulnerable member of the society. To address the failure of the existing Microfinance institutions, Microfinance banks were established purposely to finance the needs of the poor and low income groups. The weak capital base and regulations of existing community banks as well as lack of institutional capacity, existence of huge unserved market are potent reasons for the upgrade and conversion of the Community Banks to MFBs (Bello et al., 2018).

The CBN initiatives to convert Community Banks to MFBs in Nigeria help to bring the Microfinance activities in to the supervisory and regulatory purview of the CBN (unlike

the Community Banks that were supervised by the National Board for Community Banks), to enhance monetary stability, prudential regulation, structural and capital regulation, expand the financial infrastructure of the country to meet the financial requirements of the Micro, Small and Medium Enterprises (MSMEs). The policy is also expected to help create a vibrant Microfinance sub-sector that could be adequately integrated into the mainstream of the national financial system as well as providing the stimulus for growth and development. Again, to ensure that these MFBs operate in conformity with the global standards, Nigeria MFBs must imbibe regulatory practices (CBN, 2020). How then can regulatory practices be instituted into the Nigerian Microfinance financial system and comply accordingly. This study therefore seeks to examine the regulatory compliance on the performance of Microfinance Banks in Kwara State, Nigeria.

1.2 Statement of the Problem

Despite the series of regulations and guidelines, the banking industry has continued to witness various form of distress and liquidity problem which has been caused by inadequate regulatory framework, high investment in speculative businesses, mismanagement, high toxic assets, poor loan repayment, fraud and corruption among bank management staffs and so on (Okpara, 2009). This therefore raises the question of how efficient and effective regulatory practices put in place by the regulatory authorities such as CBN/NDIC in form of their policy, guidelines, supervision and monitoring of the Nigerian banking sector has affected the performance of the industry in line with the expectation of the regulatory bodies. Information sharing system has contributed in no small measure in disrupting the activities of banks, thereby leading to

the often-distasteful incidents of banking distress. Even though various banking legislation/acts have been promulgated over and over again, banks still witness stress in performance. The banking sector has expanded considerably in both size and scope of operation without an obvious matching increase of supervisory resources and it is believed that the seemingly haphazard trial and error approach to policy formulation has jeopardized the ability to effectively monitor bank asset and liability portfolios through bank regulations including structural, capital, prudential, operational and risk based operation.

However, there has not been clearly evidence in the literature whether the introduction of the bank capital regulation as one of regulatory reforms has positive effect on financial performance of banking sectors as it was characterized by a number of structural and operational inadequacies (Soludo, 2004; Usman&Waheed, 2020). In one of their conclusion, Usman and Waheed (2020) indicated further that such inadequacies include, low capital base, a large number of small banks with relatively few branches (89 banks with 3,382 branches), the dominance of a few banks (top 10 banks controlled about 51% of aggregate assets, 52% of deposits and 45% of aggregate credits), poor rating by regulatory authorities (as at December 2004, no Nigerian bank was rated very sound).This new capital base is expected to inject sanity, maintain good health and protect the depositors against incessant bank failure in the economy. Based on the study of Usman and Waheed (2020), as evidenced on the effects that a stricter enforcement of minimum capital discipline can have on bank intimidation in Nigeria. Thus, capital regulation may not clearly address the distinct needs of Nigerian economy.

Stringent Structural bank regulation restricts the activity and investment area of banks

on few activities. In this regulation, the banks may have many idle resources which need to be invested. Since those resources have implicit and explicit costs, it makes the banking industry cost inefficient and leads poor performance (Simeneh, 2018). According to Banerjee and Mio (2018), activity regulation of banks affects the banking performance negatively by increasing their risk and reducing the portfolio that will reduce risk. That structural bank regulation should not be tightened to boost the performance and productivity of bank from competitive and activity perspective. This regulation has been expected to protect the activities of banks from loss incurred elsewhere and reduce risk taking moral of banks which boosts the banks performance. As per the existed empirical evidence (Simeneh, 2018), the structural regulation has not been effective enough in reducing the complexity, size of banking organizational structures and risk of banks.

Prudential regulations are associated with financial behavior of banks and efforts to revive ailing and collapsing banks are always focus on tightening regulations in an effort to curb financial crises in the division and promote financial stability in the whole system (Shittu Musbau&Jimoh, 2022). However, there is no consensus from existing literatures whether the new regulations have a positive or negative influence on bank performance (Kiplagat 2020), as (Mwenda 2018) argued that there is no significant relationship between prudential regulation and bank performance. Consequently, prudential regulations required banks to maintain adequate levels of capital, liquidity, credit risk, asset quality, and management efficiency requirements. However, Kiplagat (2020) also argued that the challenges facing the banking industry to date are associated with liquidity management, capital inadequacy, non-performing loans, credit

risk management and management efficiency which have led to liquidation and collapse of some banks.

The continuous collapsing of banks in Nigeria proved that it is necessary to have stability considerations in the banking system through efficient regulations by the regulatory bodies. The argument of Mwongeli (2018) was based on operational regulations of banks that the regulations have not been efficient enough to improve efficiency, quality of service and promote financially sound practice in banks. he also argued that operational regulations have not improve financial performance of banks and the general public have seen banks 'financial statement disclosure to determine the fitness of the banks which need to be reviewed. The implication that there may not be strict regulations on the operational efficiency of Microfinance Banks.

There has not been empirical evidence as to whether risk based regulation has helped in assisting the discovery of financial problems in the banking sectors despite the periodic bank returns (Buchak et al., 2018). He highlighted that the imposition of risk based regulation checks by regulatory bodies has not strengthen the financial condition of banks neither ensured the banks' compliance with operating guidelines. Since this operation seems not effective and efficient, then it will have financial implication as the policy will not improve financial stability and performance of banks (Gosh, 2015; Berger &Bonaccorsi, 2020).

Several research studies (Mustapha, 2017 Igbinosa et al., 2017; Ifeanyi et al. 2018; Luis, 2018; Waheed, 2020; Kori et al., 2020; Onuwa, 2021; Igbinosa&Ogiemudia, 2022) examined effect of bank regulations proxied their independent variables with prudential,

structural and monetary regulation on banks without considering capital regulations, operational regulations and risk based regulations in Nigeria.And most of the prior works (Mongeli, 2016; Igbinosa et al., 2017; Santos, 2018; Nwanna&Odia, 2019; Duodu&Abayie, 2021; Alber& Ramadan, 2022) focused on financial measures. However, the existing empirical evidence is not sufficient to identify the real impact of bank regulations on the banks performance (Onuwa, 2021). Hence, it needs further research. So, researcher concluded to investigate the regulatory compliance and Performance of Microfinance Banks is still an empirical open question. This study, therefore intends to investigate the regulatory compliance and Performance of Microfinance Banks in Nigeria. This study will fill the lacuna by examine the regulatory compliance and measure with structural, capital, prudential, operational and risk based regulation.

1.3 Research Questions

In an attempt to study the Regulatory Compliance Practices on the performance of Microfinance banks in Kwara State and based on the problem highlighted earlier, the following questions were raised:

i. What is effect of structural regulation and Performance of Microfinance banks in Kwara State?
ii. To what extent does capital regulation affect performance of Microfinance banks in Kwara State?
iii. What is the effect of prudential regulations on the performance of Microfinance banks in Kwara State?
iv. How does operational regulation affect performance of Microfinance banks in Kwara State?

v. What is the effect of risk based regulation and Performance of Microfinance banks in Kwara State?

1.4 Research Objectives

The main objective of the study is to examine the Regulatory Compliance Practices and Performance of Microfinance banks in Kwara State. Specifically, the study seeks to:

i. Evaluate the effect of structural regulation and Performance Microfinance banks in Kwara State
ii. Examined the effect of capital regulation and Performance of Microfinance banks in Kwara State
iii. Determine the effect of prudential regulations and Performance of Microfinance banks in Kwara State
iv. Evaluate the effect of operational regulation and Performance Microfinance banks in Kwara State
v. Investigate the effect of risk based regulation and Performance of Microfinance banks in Kwara State

1.5 Research Hypotheses

In order to answer the questions raised above and to achieve the research objectives, the following null hypotheses were tested:

H_{01}: Structural regulation has no significant effect and Performance Microfinance banks in Kwara State

H_{02}: There is no significant effect of Capital regulation and Performance Microfinance banks in Kwara State

H_{03}: Prudential regulation has no significant effect and Performance Microfinance

banks in Kwara State

H_{04}: Operational regulation has no significant effect and Performance Microfinance banks in Kwara State

H_{05}: Risk based regulation has no significance effect and Performance of Microfinance banks in Kwara State

1.5 Justification of the Study

Over the years, different developing countries including Nigeria have gone through an unprecedented number of failures in the banking sectors which have been called for different regulations. These failures have prompted the need for a more serious focus on suitable methods of improving the performance of Nigerian financial institutions. The motivation of this study was based on the fall down in banks' performance which has posed some worrisome, this study has therefore examined the regulatory compliance and Performance of Microfinance banks in Kwara State.

Based on literature reviewed, (Mustapha, 2017 Igbinosa et al., 2017; Ifeanyi et al. 2018; Luis, 2018; Waheed, 2020; Kori, 2020; Onuwa, 2021; Igbinosa&Ogiemudia, 2022) have examined on the impact of banking regulations (using prudential regulation, monetary regulation, structural regulation as proxied variables) on financial performance of Microfinance banks in Kwara State with no studies on capital regulation, regulatory framework on financial and non-financial performance of Microfinance banks in Kwara State. This will holistically examine the effect of regulations and Performance of Microfinance banks in Kwara State. The performance of Microfinance banks will be focused in two ways: financial and non-financial performance. This has established the lacuna in this study.

This research work would be useful to three key essentially interested parties, namely academic researchers, the banking industry regulators, and the management of banks,

The research's findings will contribute to the body of knowledge on effect of regulations and Performance of Microfinance Banks in selected Nigeria. Furthermore, the study may be useful to researchers and scholars, as it would form a basis for further research, particularly on the areas not covered.

This study's findings will also be beneficial to regulatory authorities such as the CBN, Nigerian Deposit Insurance Corporation (NDIC), the Assets Management Corporation of Nigeria (AMCON), Governments and other banking industry regulators in formulating policies that will enhance the relevance of the financial intermediation roles played by banks in moving the economy forward.

The study's findings will enable the respective management of Microfinance banks to determine various bank regulations, techniques, including workable risk acceptance criteria that would support the steady creation of loans and advances, growth in interest income and profitability.

1.7 Scope of the Study

This study is restricted to the regulatory compliance and Performance of Microfinance banks in Kwara State, Nigeria. Geographically, the study will focus the activities of the licensed Microfinance banks in Kwara State, Nigeria. The choice for chosen Kwara State as a study area was based on the fact that Kwara State has largest number of Microfinance banks in Nigeria (CBN, 2022). These banks were selected because among them, they have been in operation for the past ten years. This study covered period of investigation (2019-2021).

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews existing literatures on the regulatory compliance and Performance of Banks. This involves the opinion and findings of scholars who have written on the topic. The chapter is partitioned into the following four sections: conceptual reviews, theoretical reviews, empirical reviews, and Summary and gaps identified in literatures. The first segment reviews literature from numerous authors and scholars. The second part discusses various related theories and emphasized the adopted one. Also, the empirical part reviews numerous research studies done on the topic and the gaps in literature are identified.

2.1 Conceptual Review

The conceptual review serves to provide an in-depth understanding of the concepts under study which are; regulatory practices and performance of Microfinance Bank.

2.1.1 Regulations

Regulation means an official rule and guidelines made by government for the banking system. According to Zakariayu and Mustapha (2021), bank regulation is a form of government regulations which subjects to banks to certain requirements, restrictions and guidelines intended at creating transparency between the institutions of banking and the persons and corporations they conduct business with, among other things. The government regulator in Nigeria is the Central Bank of Nigeria. Nwanna, Odia and Chukwufumnanya (2018) defined regulation as a form of government rules which subjects' banks to certain requirements, restrictions and guidelines, designed to create market transparency between banking institutions and the individuals and/or companies with whom they conduct business.

According to Alber and Ramadan (2022), Banking Regulations refers to a set of laws,

rules and regulations issued by central banks to all banks operating in the banking sector, to determine the legal and regulatory status of these banks, to know the permitted activities, and to determine the banking operations they carry out and how to implement them, with the aim of ensuring the protection, safety and stability of the banking sector. Regarding Banking Performance capacity of financial institution to generate sustainable profitability and efficiency (European Central Bank, 2010).Buhari, (2001) defined financial regulation as the process of ensuring that cash and other financial resources of government are in accordance with the legislation, regulation and accounting manual which constitute legal and administrative framework of a particular entity.

Specifically, in the case of banks regulation, it is necessary to maintain safe and sound banking system that can meet its obligations without difficulty hence a high solvency and liquidity level is expected of individual banks than they would ordinarily maintain. As stated by Idam (2005) that two types of regulations in financial institutions: internal and external regulations.

External Regulation is a situation where governments establish some bodies to regulate the activities of financial institutions to avoid distress. The bodies charged with these functions in Nigeria are: Central Bank of Nigeria (CBN) and Nigeria Deposit insurance corporation (NDIC). Central Bank of Nigeria (CBN) is the lead banking regulator charged with the overall control and administration of the monetary and financial sector policies of the Federal Government in Nigeria. Section 2 of the Act provides for the principal objectives of the CBN as follows (Central Bank of Nigeria, 2022); to ensure monetary and price stability,to issue legal tender currency, to maintain external reserves to

safeguard the international value of the legal tender currency, to promote a sound financial system in Nigeria; and act as a bank and provide economic and financial advice to the Federal Government.Nigeria Deposit Insurance Corporation (NDIC)was established by Decree No. 22 of 1988 and commenced operation in March, 1989. The NDIC is an autonomous body (i.e. an independent agent of Government) which acts as an additional supervisory authority over licensed banks and other deposit-taking financial institutions. For now, NDIC insures only all banks licensed as universal banks and therefore limits its supervisory activities to them. The NDIC not only provides financial guarantee to depositors in case of failure but also ensures that banks comply with regulations and practices which foster safety and soundness in the market place.

Internal regulation is a situation where banks are regulated at the branch level. Internal regulation are policies, procedures, practices and organizational structures implemented to provide reasonable assurance that an organization's business objectives will be detected and corrected, based on either compliance or management initiated concerns (Mordi, 2004). According to Nagy, (2005) cited in Nwanna, Odia, &Chukwufumnanya, (2018), internal regulation consists of collection of measures at management's disposal intended to ensure bank's proper functioning of a correct management of bank's assets and liabilities, and a true recording in accounting evidence.

According to the Banking Supervision Annual Reports (2005), regulatory reforms of the banking industry are usually introduced either in response to the challenges posed by factors and developments such as systemic crisis, deregulation, globalization and technological innovations, or as proactive measures both to strengthen the banking

system and prevent systemic crisis. Some key Regulations which have recently shaped the banking landscape include: Introduction of the structural adjustment program (SAP) in 1986 that gave way for the adoption of quantitative monetary policy instruments such as the Open market operations; In August, 1987 the CBN liberalized the interest rate regime and adopted the policy of fixing only its minimum rediscount rate to indicate the desired direction of interest rate; Introduction of prudential guidelines in 1991; Total deregulation of interest rates in 1996; The adoption of the universal banking model in 2001, allowing banks to diversify into non-bank financial services (Ojong, Ekpuk, Ogar&Emori, 2014); Adoption of the monetary Policy rate (MPR) to replace the minimum rediscount rate in 2006 (CBN Statistical Bulletin, 2018). 7. According to Sanusi (2012), another set of regulatory reforms was the 2004 banking reforms with emphasis on the recapitalization of banks. The regulatory reforms also focused on the following: Risk-focused and rule-based regulatory framework; Zero tolerance in regulatory framework in data/information rendition/reporting and infractions; Strict enforcement of corporate governance principles in banking; Revision and updating of relevant laws for effective corporate governance and ensuring greater transparency and accountability in the implementation of banking laws and regulations, as well as; The introduction of a flexible interest rate-based framework that made the monetary policy rate the operating target .

Central Bank of Nigeria also rolled out guidelines for electronic banking (e- banking) in line with global trends in 2004 and banks were encouraged to install Automated Teller Machines (ATMs) for cash withdrawals (Ojong, Ekpuk, Ogar&Emori, 2014).; Following the banking crisis of 2008, the Central bank of Nigeria articulated a blue-print known as

“the Project Alpha Initiative” for reforming the Nigerian financial system and the banking sector in particular (Sanusi, 2012); The establishment of Asset management Corporation of Nigeria in 2010 to address the problem of nonperforming loans in the Nigerian Banking industry, among others (Sanusi, 2012); In February 2014, the CBN in collaboration with the Bankers’ committee introduced a centralized bank verification system and a regulatory framework for bank verification number (BVN) operations for the Nigerian banking industry was initiated by the CBN in 2017 (CBN, 2017). For sound risk management, the CBN identifies board and oversight of senior management, adequate policies, procedures and limits, adequate risk monitoring and adequate internal controls as some important elements. Regulation is necessary in the case of bank specifically to maintain safe and sound banking system that can meet its obligation without difficulty, hence a high solvency and liquidity level is experience of individual banks than they would ordinarily maintain (Kori et al., 2020).

Lawrence (2018) summarized the rationale for banks regulation as efficiency, diversity of choice, competition stability of financial system, macroeconomic stability and development and social objective. This view is in line with the World Bank (1989) cited in Bello (2016) that good regulation and supervision will minimize the negative impact of moral hazard and price shocks on the financial system there by leading to a reduction in bank distress and failure. In terms of policy thrust therefore the banking sectors reforms are expected to build and foster a competitive and healthy financial system to support development and avoid systemic distress (Soludo, 2004).

There are four approaches to banking regulation which are standardized and applicable in all jurisdictions although with some variations (Saunders, Lewis &Thornhill, 2016).

These approaches include: Information disclosure; Self-regulation through the use of internal audit, external audit and board committee; Banking supervision; and Deposit insurance scheme.The first approach relates to information disclosure which is of two types. The disclosure to the general public through the announcement of operating results and full disclosure to bank supervisors where public disclosure may not be necessary in order to protect the clients' secrecy. Information disclosure by banks is basically designed to ensure that supervisors, depositors, investors and the general public are adequately informed of bank's performance/condition. The enforcement of adequate disclosure is paramount. The level of disclosure and timing of information to the various stakeholders should be articulated for banks to comply as a operational. This is an issue in Pillar III (Market Discipline) of the New Capital Accord (Deli &Hasan, 2016).

The second approach is self-regulation through the use of internal audit and controls, external audit and board audit committee. Self-regulation involves the various independent checks and reviews put in place by the bank itself to ensure that its sound procedures do not deteriorate. Self-regulation and self-discipline are supposed to be more effective than regulation by a government agency because it is based on the conviction of self (Ugwuanyi 2015). It is also developed from industry norms; hence the stigma of non-compliance with peers and competitors are enough to encourage compliance. Basically, in all banks, the primary responsibilities for safety and soundness, and prevention and detection of frauds and errors rest with the bank management. Self-regulation which is yet to be imbibed in emerging markets works in developed countries where market leaders impose market discipline. Self-regulation

normally fails due to competition or when market leaders themselves are weak. At such periods, self-regulation becomes ineffective; indecision and self-interest become a determinant.

The third approach is through banking supervision which is in two forms. The on-site examination is to ascertain the financial condition of a bank. It also aims at verifying the accuracy of the periodic reports of the banks sent to the Regulatory Authorities, analyzing those aspects of a bank that cannot be adequately monitored through Risk based regulation surveillance and confirming and ensuring compliance with laid down laws, rules and regulations (Ugwuanyi 2015). On-site examiners assess the quality of assets, management, earnings, capital and funds management as well as accounting and internal control systems. The second form is Risk based regulation surveillance. The returns of banks to the Regulatory Authorities are analysed by Risk based regulation supervisors for completeness, accuracy and consistency as well as compliance with prudential ratios and regulations (Keffala, 2015).

Finally, deposit insurance scheme is a financial guarantee scheme which seeks to protect depositors' fund against losses associated with bank failures. The scheme promotes a safe, sound and stable banking system. As a means to curtail moral hazard that deposit insurance could engender, the insured limit is always set at a low amount to ensure adequate protection of small savers for which the scheme is primarily designed. It is therefore, necessary for Regulatory Authorities to set up effective monitoring systems and increase punitive measures against the abuses in the system (Iyade, 2006).

2.1.1.1 Structural Regulation

Structural regulation may affect the international activities of universal banks through at least three channels (Gambacorta& Van-Rixtel, 2013). First, initiatives seeking to protect depositors and cut the cost of the official safety net within the home country jurisdiction may create disincentives for global banking. In particular, the Vickers Report seeks to restrict government support to retail banking and payment services with the European Economic Area.

Second, restrictions that raise the cost of trading activities will affect banks that have large international trading operations. This may be because of the reduced ability to fund them via deposits or to combine proprietary trading with market making. For example, national authorities in several jurisdictions have expressed some concerns about the cross-border effects of the Volcker rule, fearing that a pullback of US banks could reduce the liquidity in their government bond markets

Third, ring-fencing and subsidiarisation may constrain the allocation of capital and liquidity within a globally operating banking group. These restrictions would add to the supervisory responses in several countries that aim to increase the self-sufficiency of foreign subsidiaries by tightening local liquidity and/or capital requirements. Through these channels, structural regulation may contribute to a fragmentation of banking markets along national lines. This may reinforce the longer-term trend towards multinational banking, characterised by banks largely matching assets and liabilities in subsidiaries in multiple jurisdictions, as opposed to operating directly across borders or relying on inter-office transfers sometimes referred to as the international banking model (McCauley et al (2010)). Structural bank regulation initiatives are designed to

reduce systemic risk in several ways. First, they can shield the institutions carrying out the protected activities from losses incurred elsewhere. Second, they can prevent any subsidies supporting the protected activities (e.g central bank lending facilities and deposit guarantee schemes) from cutting the cost of risk-taking and inducing moral hazard in other business lines. Third, they can reduce the complexity and possibly the size of banking organisations, making them easier to manage, more transparent to outside stakeholders and easier to resolve. Gambacorta and Rixtel(2013). However, the initiatives also raise some challenges. One risk is that banks may respond to the reforms by shifting activities beyond the perimeter of consolidated regulation. In fact, one reason why the Liikanen Report opts for subsidiarisation rather than full separation is to reduce this risk. Migration would be a concern if these activities proved to be systemic in nature.

Several business models can be distinguished in global banking (McCauley et al (2010)). Multinational banks operate sizeable foreign branches and subsidiaries in multiple jurisdictions. In their extreme form, they also fund these positions locally in the host countries. International banks predominantly conduct cross-border business from their home country. Hence, they have limited local business activity in host countries. Banks also differ in the degree to which they fund their operations locally in the host countries (decentralised model and high degree of local intermediation) or through internal capital markets from their main offices (centralised model and low local intermediation). The latter markets are important funding mechanisms for large and globally active banks and played an important role in their international liquidity adjustments during the financial crisis (De Haas and Van Lelyveld (2010); Klein and Saidenberg (2010); CGFS

(2010a); Cetorelli and Goldberg (2012)). Multinational models with relatively low local funding seem especially vulnerable to “self-sufficiency” regulations. To indicate the varying impact of changes in regulation, Table 3 summarises the global lending and funding strategies of various banking systems. Those that are characterised by relatively large local lending operations (multinational model) funded cross-border (centralised model) may have significant local funding gaps, defined as the difference between local lending and funding in a particular host country. Hence, in case “self sufficiency” requirements would become more stringent, these banks would have to change their strategies and obtain more local funding or reduce their local lending.

Second, structural regulation may, through various channels, affect the international activities of universal banks in particular. For example, disincentives for global banking may be created by initiatives seeking to protect depositors and cut the costs of the official safety net within the home country jurisdiction. Moreover, ring-fencing and subsidiarisation may constrain the allocation of capital and liquidity within a globally operating banking group. Through these channels, structural regulation may contribute to a fragmentation of banking markets along national lines. A third risk is that structural regulation may create business models that are, in fact, more difficult to supervise and resolve. For example, resolution strategies may be rather complex to design and implement for globally operating banks that have to face increasing heterogeneity in permitted business models at the national level.

2.1.1.2 Prudential Regulation

Prudential regulations refer to bank regulations issued to lower the risk level or protect depositors (Wairimu, 2015). Prudential regulations is described, in the study of

Laurence (2018), as the set of legal rules or general principles as that pursue their objective, and is essential for efficient and stable performance of financial markets and institutions. Prudential regulation aims to safeguard the stability by introducing penalties that discourage organizations for taking too many risk prudential regulations ensure the system of soundness and safety through placing constraints and bounds on financial intermediaries' actions (Woods & Clement, 2015). Cull et al., (2009) stressed that, when the whole financial system plus small deposit in individual organizations are protected, regulation is said to be prudential. Depositors benefit from having safer depository institutions whereas economies profits through Prudential regulations that are sound by having financial systems that are deeper and robust (Abdrams et al., 2010).

Prudential regulations are a type of government commands that place banking sectors into some requirements, precincts and guidelines as formulated by their Regulators such as Central Bank in order to ensure market transparency between banking industry and individuals or among banking institution or other corporation that they do business with (Wangari&Mutswenje, 2020). These regulations include adequacy of capital, liquidity, credit risk and investment regulations, as they are the most key components of prudential regulations.

2.1.1.3 Capital Regulation

The objective of bank capital regulation is to ensure that banks have sufficient capital for the risks they take and to ensure that banks have sufficient risk capital to serve as a cushion to absorb unexpected losses and other adverse shocks that threaten the solvency of a bank (BCBS, 2004). Beltratti and Stulz (2009) posit that banks with

sufficient regulatory capital ratios perform better because they have sufficient capital to absorb adverse shocks and/or unexpected losses that would otherwise lower bank profitability and/or performance, particularly, during periods of financial distress. This view is consistent with the positive relation between risk and return in the theoretical literature (e.g. Campbell, 1993; Connor &Korajczyk, 1988; Mandelker, 1974), and predicts that banks that engage in risky activities to increase profitability would keep higher regulatory capital ratios for the risk they take. Thus, banks with higher regulatory capital ratios would be more profitable than banks with lower regulatory capital ratio.

The regulatory capital ratio of listed banks is subject to greater scrutiny because listed banks are more visible to investors and regulators. Listed firms (including banks) are required by stock market regulators to disclose large amounts of information to meet the needs of various capital market participants and users, compared to non-listed firms (Healy &Papelu, 1993). Such disclosures may impose substantial costs to listed banks and, subsequently, may reduce bank profitability, depending on the size of the bank, needs of stock market participants, extent of compliance with mandatory disclosures requirements, and level of capital market development (Cooke, 1992; Raffournier, 1995). The difficulty in isolating the impact of the costs (or benefits) of disclosure, and the impact of regulatory capital ratios on bank profitability makes listed African banks an interesting and natural setting to investigate profitability determinants of banks whose financial reporting are subject to: greater scrutiny because they are more visible; greater disclosure requirements and; facing greater scrutiny of minimum regulatory capital ratios in a region considered to have less developed capital markets, weak capital markets incentives and less sophisticated users of financial reports

2.1.1.4 Regulatory Authorities Supervisory Roles

According to Yauri, Gulati and Kumar (2016), regulatory authorities carry out their missions through Risk Based Regulation and Operational Regulation.

The Risk based regulation of supervision to banks is carried out by the banking regulatory department of the CBN and it involves essentially the appraisal of banks returns. Essentially, it serves as an early warning device to detect a bank's emerging financial problem. This is accompanied by analyzing key bank financial ratios and other financial data that are generated from periodic bank financial reports that are submitted to the supervisor (Ghosh, 2015). A Risk based regulation surveillance system can also contribute to a more efficient use of examiners' resources by giving priority to the examination of banks that are experiencing problems or which appear to be significantly increasing their risk exposure. The availability of Risk based regulation surveillance reports and analyses can help examiners to prepare for on-site bank examination by focusing attention on specific banks' operational areas that may require close supervision / attention (Dunn, Intintoli, & McNutt, 2015).Risk-Based Regulation means different things to different people. At one level, any regulator with a mission to address risks of economic activity, accident risks, environmental risks, financial risks, and so on.

While Operational Regulations referred to as the document in which CBN set out the procedures and regulations that apply in respect of the services, which procedures and regulations are accessible through the Electronic banking system (Shitnaan, 2016).

2.1.3 Organizational Performance

Organizational performance has been defined differently by different scholars but all agree that it is a multidimensional concept (Wairimu, 2015). Organizational performance involves both financial and non-financial measures. It is defined as the evaluation of the degree to which organizations attain their set vision through fulfillment of set objectives which may be financial and /or non-financial (Bonface, 2014).

Financial performance is a measure of how well a bank is utilizing its resources to generate income. Bank's financial performance is not only important to bank management and shareholders but also to customers and creditors as they make decisions on dealing with the bank (Ndolo, 2017). Microfinance banks operate with the objective of making profits. Profits ensure continuity of business taking into account the current competition within the banking industry, this goal can either be enhanced or curtailed by the prudential regulations (Gudmundson et al., 2013). Financial performance measurement generally looks at firms‟ financial ratios (derived from their financial statements) such as liquidity ratios, activity ratios, profitability ratios, and debt ratios. The financial performance of commercial banks is measured through its profitability. There are various profitability measures that are used to measure the performance of commercial banks such as the Net Interest Margin (NIM), the Return on Assets (ROA) and the Return on Equity (ROE).

The Net Interest Margin is a measure of the difference between the interest income generated by banks from their loans and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided

by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets (Gul et. al., 2011). Net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. It reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions (Khrawish, 2011).

The Return on Equity (ROE) is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation. It is further explained by Khrawish (2011) that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. It represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders‟ funds. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders capital. The Return on Assets (ROA) is another financial ratio that refers to the profitability of a firm. It is a ratio of Income to its Total Assets (Khrawish, 2011). It measures the ability of the firm management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the

resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution (Khrawish, 2011). Wen (2010), state that a higher ROA shows that the company is more efficient in using its resources.

Bank performance can be influenced by both internal and external factors. The internal factors are the individual banks characteristics influenced by decisions made by the individual bank management and governing board. External factors are issues that are beyond control of individual banks, inflation, interest rates and political instabilities of a country (Ongore andKusa, 2013). In Microfinance banks, good performance results in increased profitability and investors worthiness. A profitable bank increases its shareholders worthiness thus maximization of wealth is achieved (Njeule, 2013). Microfinance banks play a major role in the economy of resources allocation in Kenya, they channel funds from depositors to investors. This can only be done if the banks are profitable. Good financial performance rewards investors for their investment thus encourage additional funding resulting in economic growth. Poor performance by the banks can result in banking failure than can have a negative impact on the economy of a country (Ongore and Kusa, 2013).

Hughes and Mester (2013) identified two categories of non-financial aspect of banks which are; Bank operational efficiency and Operational performance.

Operational efficiency is a concept wider in scope, which assess the variation from cost -efficient frontier set as the maximum expected output that can result from given resources into the production process (Nwobodo, Adegbie&Banmor, 2020). According

to Akinrinola (2019), operational efficiency is a concept used as a high level planning in an organisation to ensure a proper balance between cost and output. Operational efficiency is concerned with identification of process waste that drains resources and impacts negatively on the bottom-line of the organisation. Cost reduction is a must for organisations that want to reduce wastages and this can be achieved either by ensuring the same production level with smaller resources or increasing production level with less proportionate increase in cost, thus reducing average production cost. Production in this sense can be service or intangible goods. Operational efficiency is also focuses on efficient utilisation of all resources including man, materials, machines and finances. Appropriate use and mix of these resources in production of goods and services can result in high productivity and cost reduction (KarimZadeh, 2012). Operational efficiency can be measured both in quantitative and qualitative terms. Among these measures are financial performance, customer satisfaction, internal control and business process, and employees‟ growth and development in the organisation (Karimzadeh, 2012). Performance can be defined as the achievement of a pre-agreed task measured against pre-set standards of accuracy, completeness, cost, and speed. The pre-agreed task and the pre-set standards must be related in such a way that comparison will be meaningful and motivating. It is the efforts extended to achieve the targets efficiently and effectively, which involve the use of human, financial and natural resources. This study used the three nonfinancial performance perspectives of Balanced Scorecard to proxy operational efficiency.

Balanced Scorecard (BSC) as a concept comprises of group of Key Performance Indicators (KPIs) that relate to internal control and business process, customers, and

learning and growth in addition to the main financial KPIs. These additional KPIs, according to Kaplan and Norton (2001) are referred to as “the leading measures”, which advocates the benefits attained through the use of a unified group of KPIs. The adoption of the BSC in totality confirms the necessity to rely on the group of KPIs for the purpose of assessing the extent to which organisational goals are being achieved. The Balanced Scorecard (BSC) is a strategic performance management tool developed to address the theory that the existence of business organisation is just to meet the expectations of the shareholders (Kaplan & Norton, 1992). BSC is built on a framework with four facets with each facet representing a set of stakeholders. These are: Financial; Internal Control and Business Processes; Learning and Growth; and Customers (Kaplan & Norton, 1996). The idea of BSC was first brought to notice, after years of research, in a 1992 article by Kaplan and Norton, which made it a distinctive tool from the traditional perspectives of management accounting. Although their article was just one of the several articles published on the subject in early 1992, it was a well acclaimed milestone and was followed by a second article in 1993. In 1996, a book “The Balanced Scorecard” was written and the two articles together with the book popularised the concept of Balanced Scorecard with the knowledge being put into practice. The popularity enjoyed by the book makes Kaplan and Norton to be acclaimed as the author of the BSC concept. The word „balanced‟ in the BSC arose because financial performance measurements in the past focused on financial results, which were then considered vital to proprietors of businesses and led to imbalanced in measurement system. Emphasis begins to shift from the early eighties through to the nineties from just financial result but to include consumers, internal business processes, quality and

services. The term „BSC" reflects an effort to maintain a balance between the financial and non-financial measures such that business can achieve performance in both short-term and long-term (Gomes &Liddle, 2009).

Operational Performance can further been defined within three critical performance factors (quality, dependability, and speed). Consistent quality, dependability of delivery, and prompt delivery (speed) are critical operations performance factors in service delivery systems (Nwobodo et al., 2020). There are four criteria to measure the operational performance; are quick delivery compared to the major competitor, unit cost of product relative to competitors, overall productivity and overall customer satisfaction.

2.2 Theoretical Review

This section presents relevant theories relating to this study. These theories are: the regulatory dialectic theory, the institutional theory and stakeholder theory.

2.2.1 The Regulatory Dialectic Theory

The regulatory dialectic theory was propounded by Professor Edward Kane in 1980s when he coined the term "regulatory dialect" to capture the dynamics of how regulated financial institutions found innovative ways to circumvent regulations designed to restrict their behavior. For example, banks adopted the one-bank holding company form in late 1960s to avoid the restrictions on permissible activities. They subsequently used that device to create nonbank that also enabled them to cross state lines, avoiding the process led to a new era of nationwide banking that we now take for granted.

The regulatory dialectic theory assumes that there is a relationship between the regulators and financial institutions. This theory strives to explain the range of war

between the regulators and financial institutions. The regulators attempt to impose constraints on the financial system interest rate, liquidity, prudential requirement, capital requirement by CBN and periodic bank returns.This theory, as the regulators role out policies that create impediment on the paths of financial institutions to maximize profit, the financial institutions on their path, strategize to manipulate the system in order to avoid such bottlenecks that tend to hinder their profit maximization motives thus, leading the government and its regulatory agencies to continually weigh the, benefits of pursuing certain regulatory constraints against their associated costs. This contagion, therefore determines whether a given regulatory policy is actually desirable or needs to be either changed if not dropped in its entirety. In this case, the regulators are the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation (NDIC) while the financial institutions are the Microfinance Banks. CBN/NDIC regulates and ensures sanity and efficiency in banking sector.

The regulations and examination of banks are premised on the legal authority given the provision of the act that the regulations such as operational regulation, risk-based regulation, prudential regulation and capital regulation provided by regulators to reduce bank distress, boosting public confidence, guarantee safety and promote financial sound practices, manage the financial risks of Microfinance banks so as to increase their performance through risk based regulation.

This theory has some weaknesses. According to Hayes (2021) regulatory dialectic theory is only applicable where firms capitalize on loopholes in regulatory systems in order to circumvent unfavourable regulations. This theory's opportunities may be accomplished by a variety of tactics, including restructuring transactions, financial

engineering and geographic relocation to amenable jurisdictions. The theory may not applicable outside the regulatory system.

2.2.2 Institutional Theory

Institutional theory was developed by William Richard Scott in 1995. Institutional theory is a theory on the deeper and more resilient aspects of social structure. The assumptions of this theory was based the processes by which structures, including schemes; rules, norms, and routines, become established as authoritative guidelines for social behaviour. The theory inquiries into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse". With respect to, structures, rules and regulations, this study provides an insight into how CBN uses bank regulations to shape expected outcomes regarding the Microfinance banks' financial performance. According to Kraft's Public Policy (2007): Institutional theory is policy-making that emphasizes the formal and legal aspects of government structures. And one of the legal aspects of government structure is the structural regulations to influence the activities of Nigerian banking sectors so as to enhance their performances. Regulators' structural regulatory initiatives seeking to protect depositors and cut the cost of the official safety net within the county country jurisdiction may create disincentives for international banking.

Brinks, Levitsky and Murillo (2019) identified the element that introduced concept of institutional weaknesses arguing that weakness or strength is a function of the extent to which an institution actually matters to social, economic or political outcomes. The element then presents a typology of three forms of institution al weakness: insignificance, in which rules are complied with but do not affect the way actors behave;

non-compliance in which the rules are changed at an unusually high rate. The major criticisms of institutional theory have been its assumptions of organizational passivity and its failure to address strategic behavior and the exercise of influence in its conceptions of institutionalization. Given resources dependence theory's focus on the methods and benefits of noncompliance in response to external demands, this theory provides a particularly appropriate basis of comparison for revealing institutional theory's delimiting assumptions, identifying the full repertoire of alternative strategies available to organizations that confront institutional demands and expectations, and determining the factors that predict when organizations will resist or conform to institutional pressures. Also, Critiques of the mainstream institutionalist agenda include: Experts caution that it is futile to look for empirical regularities linking individual institutional forms to particular outcomes (World Bank, 2012)

2.2.3 Stakeholder Theory

Stakeholder theory was postulated by Freeman 1984. The theory bases its argument on the relationship between stakeholder and competitive advantage. The theory assumes that stakeholder is key for the firm sustainability, which firms should not only concentrate in creating value for stockholders only, but they should consider the interconnectedness relationships between business and its stakeholders. In other words, both business financial performance (profitability, efficiency and other financial measures) and stakeholders are key if a firm wants to obtain competitive advantage to enhance their performances. This implies that stakeholders are capabilities synonymously the capabilities found in RBV and Dynamic capabilities (DC), such as

human resources (Kor and Mahoney, 2004; Collins, 2020). Dynamic capabilities theory focuses on interior factors of the firm, its resources, competences and capabilities (Wojcik, 2015). On other hand RBV is said to be relevant and applicably within the organizational economics paradigm (Mahoney &Pandian, 1992). Stakeholder theory also assumes that where management cooperates with stakeholders, they became part of the organization's key decision makers hence the achievement of the firm performance through regulatory framework of government initiatives.

The political philosopher Charles Blattberg has criticized stakeholder theory for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other. Blattberg argues that this is a product of its emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between stakeholder interests. He recommends conversation instead and this leads him to defend what he calls a patriotic conception of the corporation as an alternative to that associated with stakeholder theory (Blattberg, 2004).

2.3 Empirical Review

This section focused on reviewing various studies that are conducted on the effect of regulations on banks' performance on developed countries, developing countries and Nigeria so as to establish the existing coverage and bring out the contribution to knowledge and lacuna of this study.

2.3.1 Studies on Developed Countries

Andrea (2016) examined the impact of the regulatory and supervisory instruments on the efficiency of banks in the countries of European Union. The study used GLS panel

data estimation in order to test for the regulatory determinants of efficiency, and specified various models with the focus on different regulatory instruments. The study applied SFA Fourier-flexible model for estimation of profit and cost efficiency scores. Results of analysis firstly showed that high cost efficiency does not necessarily imply high bank profit efficiency. Secondly, it uncovered that the negative relation between market concentration, the level of development of financial market and the cost efficiency of foreign banks. Thirdly, it also found evidence supporting the assumption of positive impact of private monitoring and the independence of supervisory authority implying the increasing of transparency in the market. Additionally, it uncovered support for negative effect of activity and diversification restrictions.

Deli and Hasan (2016) examined the effects of bank capital regulation on loan growth in Asia and Europe. The study used bank-level data from 125 countries in Asia and Europe within the period of 1998 to 2011. The results indicated that capital regulation only has a weak negative effect on loan growth. Moreover, the effect is entirely offset when banks hold moderately high levels of capital. Findings showed that the components of capital requirements that have the most significant negative effect on loan growth are those associated with the prevention of banks to utilize as capital borrowed funds and assets other than cash or government securities.They only considered regulation without considering supervision in relation to efficiency of banks.

In their studies, Yang, Gan, and Li (2019) examined the relationship between regulation, supervision, and state ownership in commercial banks in the Asia-Pacific region. The study adopted ex post facto research design and secondary source of data was used to gather data for this study. The analysis of the data collected was carried out using the

bootstrap data envelopment analysis. The result of the findings indicated that excluding off-balance sheet activities in efficiency estimations lead to underestimating of the pure technical efficiency, while overestimating the scale efficiency of banks in the Asia-Pacific region. Also, findings from cross-country comparisons reveal that Australian banks exhibit the highest levels of technical efficiency, while Indonesian banks exhibit the lowest average. The bootstrap regression results also revealed that bank regulations and supervisions are positively related to bank technical efficiency; while state ownership is not significantly related to bank efficiency. Furthermore, findings show that tighter regulations and supervisions are significantly related to higher efficiency for small and large-sized banks.

Similarly, Djalilov and Piesse (2019) documented the effects of regulation on the efficiency of banks in United Kingdom. The study used secondary data for data collection using system GMM and dynamic panel quantile regressions for 21 transition countries for the period 2002–2014. Within the system GMM estimation the study found that bank activity restrictions to be the only regulation improving banking efficiency in these countries. The study revealed that regulation has no significant effect on operational efficiency of banks.

In China, Yang, Wijnbergen, Qi and Yi (2019) evaluated the implications of the presence of shadow banking for economic activity and the effectiveness of monetary policy in China. The developed a model of the Chinese economy using a DSGE framework that accommodates interacting traditional and shadow banks. Efficient policy frontier analysis was adopted along the China's two specific banking regulations, in the form of loan-to-deposit ratio(LDR) and loan quota, only applies to the traditional banks. The

study estimates showed that regulation shocks have been a major driver of China's rising shadow banking during 2009-2016. The results from estimates showed that presence of shadow banking negatively affects the transmission of monetary policy and the effectiveness of macro-prudential policy

In Ukraine, Balatsky and Ekimova (2019) explored the effectiveness of monetary regulation in conditions of sanctions in Ukraine. The adaptation process of the Bank of Russia institutional activity to international sanctions was considered in the article. The study used the dynamics of three new special indices: monetary efficiency, monetary stability and monetary freedom. The ideology of construction of the specified indices is based on the account of two functions of institutes – stabilizing and stimulating – and originates in works of D. North and D. Dzolo. Empirical analysis of these indices showed that international sanctions completely reformatted the activities of the Russian mega-regulator, which began to focus mainly on stabilizing institutional norms. The inconsistent policy of the Bank of Russia with respect to incentive rules reduced the overall effectiveness of monetary regulation. The econometric model has shown that the Monetary Efficiency Index has good predictive properties of the dynamics of GDP. Applied calculations have shown that the Bank of Russia has a fairly large reserve to maintain economic growth even under sanctions. It is shown that the activity of the Bank of Russia have been most effective in 2016–2017 and much less successful in 2015 and 2018. The estimated effect of sanctions together with the attendant negative factors does not exceed 6.5% of GDP annually.

In their own study, Noor, Bakri, Yusof, Noor andZainal (2020) investigated the impact of

bank regulation and supervision on the efficiency of banking sectors on 108 Islamic banks from 26 countries. The study employed ex post facto researcher design and using secondary source of data. The data collected on technical efficiencies of individual Islamic banks were analyzed using the data envelopment analysis method (DEA). The ordinary least square estimation method is employed to examine the impact of country supervision and regulation on the technical efficiency of Islamic banks. The empirical findings showed that supervisory power, activity restrictions and private monitoring positively influenced the efficiency of Islamic banks. The study revealed that Islamic banks that are operating in Middle East and North Africa (MENA) and middle-income countries are more technically efficient given the less stringent rules on capital requirement and we found that there is statistically significant evidence that higher capital requirements are negatively associated with the efficiency of Islamic banks.

In United State, Buchak, Matvos, Piskorski and Seru (2020) the study investigated the implications for bank regulation and monetary policy in United State. The study generate the quantitative data of several policies on lending volume and pricing, bank stability, and the distribution of consumer surplus across rich and poor households. From inferential statistics of data analysis, the results revealed that Both margins identified, have significantly shaped policy responses, accounting for more than $500 billion in lending volume across counterfactuals. Secondary market disruptions such as quantitative easing have significantly larger impacts on lending and redistribution than capital requirement changes once we account for these margins.

In Uk and Australia, Lea, Luu and Huynh (2020) examined whether the capital requirements under Basel III are effective in enhancing the profitability and efficiency of

the banking sector. the study used secondary data for data collection. The data were collected from the largest commercial banks of the UK and Australia over the period from 2000 to 2019. The study employed the FMOLS (Fully Modified OLS) and DOLS (Dynamics OLS) estimation approaches. The results indicated that stricter capital ratio increases operating earnings, whist it fails to improve bank profitability and bank efficiency. Our findings casted doubts on the effectiveness of tax policy in the observed banks. Further empirical testing showed that an optimal capital structure in which the banks can achieve the best performance. Interestingly, these optimal ratios are broadly in line with the minimum common equity ratio required under Basel-III.

Kladakis, Chen and Bellos (2022) examined bank regulation, supervision and liquidity creation in United Kingdom. The study used the 2019 bank regulation and supervision survey published by the World Bank to update the respective indexes and examine the relationship between regulation, supervision and liquidity creation. The study found that banks create more liquidity in countries with stronger supervision policies such as supervisory power and mitigation of moral hazard, while they create less liquidity in countries with tighter regulatory regimes such as activity restrictions and capital regulations.

2.3.2 Studies on Developing Countries

Pierre-Richard, Koray and Luiz Pereira (2013) examined the roles of bank capital regulation and monetary policy in promoting financial stability in Turkey. The study employed descriptive research design and secondary data was used for data collection from annual report of banks. The analysis is based on a dynamic stochastic model with imperfect credit markets. Our basic experiment showed that with endogenous credit

market frictions, a positive housing demand shock, through its effect on collateral values, leads to a credit expansion and an investment boom. This is consistent with the evidence and provides the proper “background” for discussing the roles of monetary and regulatory policies in achieving economic stability.

In Kenya, Mulwa (2014) established the effect of monetary policy regulation on the financial performance of Commercial Banks in Kenya. The study adopted descriptive research design. For the purpose of this study, only secondary data was used. The secondary data was sourced from the Financial Statements of the commercial Banks that are available from their websites and Central Bank of Kenya Publications. Data was collected for a period of five years from 2010 to 2014. The study then used descriptive statistics and inferential statistics to establish the relationship between monetary policies tools and the financial performance of commercial banks in Kenya. The results showed that the model explained 17.7% of the variance in financial performance of commercial banks as given by the value of R2. The study established that monetary policy tools as represented by open market operation have no significant effect on the financial performance of commercial banks in Kenya. Bank size was however found to have a weak positive effect on financial performance of commercial banks in Kenya.

Mwongeli (2016) examined the effect of regulations on financial performance of commercial banks in Kenya. The study used secondary data to gather information from annual reports of banks. The financial performance was measured using financial ratios such as return on capital, return on equity, return on assets, credit risk, liquidity ratio, interest coverage ratio, core capital to total risk weighted assets ratio, total capital to total risk weighted assets ratio and core capital to total deposit liabilities ratio. 43

commercial banks were observed from 2010 through 2015 (three years before the reviewed prudential guidelines for banks of 2013 came into effect and three years after). Chi square test of independence was used to analyze the relationship between the two variables. The result revealed that there was no relationship between regulations and financial performance of commercial banks

In Turkey, Mahmut and Ebru (2016) investigated the determinants of Turkish banks' profits and the effects of the regulations implemented in the banking industry on profits. In the research, 36 Turkish banks that were observed for the period 1995-2007 were used and analysed with Prais-Winsten regression method. The empirical findings of the study show positive and statistically significant relations between capital, size, off-balance sheet transactions, liquidity and loans and performance and negative and statistically significant relations between quality of loans, concentration and performance.

In relation to prudential regulation, Kahuthu (2016) examined the impact of prudential regulation on financial performance of deposit taking savings and credit co-operative societies in Kenya. The methodology of data collection was mining secondary data from Sasra data base and The study used comparative design and a linear regression model to establish the impact of prudential requirements on the SACCO‟s financial Performance. The study used comparative design and a linear regression model to establish the impact of prudential requirements on the SACCO‟s financial Performance. The data and the perceptions of the SACCO industry professions were able to show low performance before legislation and higher performance after legislation. Further analysis, compared the Betas of various independent and dependent variables before

the regulatory reforms and after. On comparison, all the betas showed that the independent variables, namely core capital, credit management, membership growth and liquidity were not strong predictors of financial performance but after the prudential regulations they all became strong predictors

In Kenya, Khayongo (2016) established the effect of banking regulations on financial performance of commercial banks. The study adopted cross-sectional correlation research design was used for this study to enable the researcher to observe two or more variables at the point in time and is useful for describing a relationship between two or more variables. The study used secondary data for the purpose of analyzing the relationship between bank regulation and financial performance for commercial banks in Kenya. A linear regression model was adopted for inferential statistical analysis. The study revealed that capital regulation requirement, liquidity requirement and risk management have a positive effect on return on assets. The study further established that mean capital requirement and mean liquidity requirement have a significant effect on return on assets. Contrarily, Mwongeli (2016) determined the relationship between regulations and financial performance. Findings were that there is no relationship between regulations and financial performance of commercial banks.

Peterson (2017) investigated the determinants of African bank profitability on bank capital regulation. The study adopted static and dynamic panel estimation techniques. The study's findings indicated that bank size, total regulatory capital and loan loss provisions are significant determinants of the return on assets of listed banks compared to non-listed banks. Also, regulatory capital has a more significant (and positive) impact on the return on assets of listed banks than non-listed banks

particularly when listed banks have sufficient regulatory capital ratio. The study also found that higher regulatory thresholds have a negative impact on the return on asset of non-listed banks.

Lawrence (2018) determined the effect of prudential regulations on financial performance of Microfinance banks in Kenya. The study employed a descriptive research design and the population of the study was made of the thirteen Microfinance banks in Kenya as at 31st December 2017. The researcher's data was secondary in nature and covered a 5 years' time period covering 2013 to 2017. Analysis of the secondary data gathered was done by use of inferential and descriptive statistics. Inferential statistics entailed regression and correlation and was employed in determining the connection between the variables that are independent and aid in drawing conclusions. The results established that there was a positive and statistically insignificant while the relationship between loan loss provisions and financial performance of Microfinance banks was negative and statistically performance and that the relationship between liquidity and financial performance was positive and statistically significant relationship between capital adequacy and financial significant.

Similarly, Miroslav (2019) investigated the impact of regulation and ownership on the performance of banks in 19 countries in the Middle East and North Africa (MENA) region. The study found that only capital regulations have a strong impact on bank efficiency, but this effect does not depend on the level of ownership concentration of the bank. The findings also established that the impact of regulatory measures on bank profitability does not depend on bank ownership type. Another finding showed that the interaction effect of bank regulations and different types of ownership on a bank's

profitability is strongly significant only in the sample of Islamic banks. Also, the analysis of bank performance before and after the recent global financial crisis reveals that bank regulations have no influence on cost efficiency of a conventional bank either before or after the crisis. In Ethiopia, Simeneh, (2020) examined the effect of bank regulation on the banks' performance. The research was conducted by using a prior study content analysis technique. By doing so, it was found that, structural bank regulation affects the performance of the banks positively or negatively in both advanced and emerging countries. The study also revealed that monetary regulation affects the bank operation and performance negatively. Also, prudential regulation affects the banks' performance positively, but in case of prudential regulation effect, there is different effect in size and risk level of the banks

In Kenya, Wangari and Mutswenje (2020) examined the effect of Prudential Regulations andFinancial Performance of Commercial Banks. The data to be collected was secondary in nature. The analysis involved the application of both descriptive and panel regression analysis with aid of STATA software. The findings revealed regulation of capital adequacy had a statistically significant influence on the financial performance of banks. The analysis further revealed that regulation of liquidity had a statistically significant influence on financial performance of the commercial banks. As a moderator, it was found that bank size did not significantly influence the relationship between prudential regulations and financial performance ($p=0.289>0.05$) and its interaction with capital adequacy, liquidity and credit risk did not have any significant effect on ROE. In accordance with the result above, Al-Tamimi and Fakhri (2020) also found a statistically strong and positive relationship between ROA and adequacy capital. However, this

result is opposite to results from other studies by Berger and Bonaccorsi (2020) and Dao and Nguyen (2020). In their work, by using various tests (linear, quadratic and spline), they showed a negative association between capital and profitability. Yet, that outcome is not consistent when leverage ratio is high, which can be explained by two hypotheses – efficiency-risk hypothesis and franchise-value hypothesis. In line with the former theory, that more efficient banks prefer to pick lower capital ratios as high current profit efficiency tends to maintain high expected yields and higher expected returns from more efficient banks can be substituted for equity to serve as a cushion against risks in order to curb arisen financial distress costs.

In their own view, Kiplagat and Kalui (2020) determined the effect of prudential regulations on the financial performance of commercial banks in Kenya. The study adopted ex-post facto research design. Data was extracted from annual financial reports of the banks and Central bank of Kenya (CBK) annual regulatory reports, which reduced the sample to 36 banks. Multiple regression method was used to determine the linear relationship to examine the effect of the prudential regulations of profitability of commercial banks. From study findings, liquidity management, credit risk management and management efficiency has significant effect on the financial performance of commercial banks while capital adequacy and asset quality has no significant effect on the performance of commercial banks in Kenya. The research findings are useful to the CBK and banks, as it demonstrates the extent to which new prudential regulations influence the financial performance. Variables contributing positively to financial performance should be strengthened while those influencing performance negatively should be reviewed.

Hunjra, Zureigat and Mehmood (2020) analysed impact of capital regulation and market discipline on capital ratio selection in Asian developing countries. The study used the panel data of Asian developing-countries banks for the period from 2009 to 2018. The researcher collected data from the financial statements of 73 banks of Pakistan, Jordan, Indonesia, the Philippines, Saudi Arabia, and Thailand. The study used the generalized method of moment (GMM) to analyze the results. The study found that capital regulation and market disciplines significantly influence the capital ratio in Asian developing countries. Similarly, Dao and Nguyen (2020) identified the determinants of capital adequacy ratio and banks' performance in Vietnam. The study used ex post facto research design and the secondary data was used as source of data to gather data for this study and the descriptive and inferential statistics. Ordinary least square technique was used to show the statistically relationship between independent and dependent variable. The results reveal that Capital Adequacy Ratio and Banks' Performance have statistically significant relationship and Credit growth, GDP growth, Equity-to-Deposit ratio and Costto-Income ratio all have significant effects on two dependent variables. The findings of this study suggest that commercial banks should control the respective elements in order to maintain adequate level of capital and also create effective performance.

In his own study, Adams (2020) investigated the impact of MFI regulation on their sustainability and outreach performance in selected sub-Saharan African countries. The study employed secondary data and the data collected were subject to statistical analysis. The dynamic generalized method of moment estimation technique was employed for inferential statistics. The study found empirical evidence that regulations

have positive significant impacts on both the sustainability and depth of outreach performance of MFIs.

Kori, Muathe and Maina (2020) examine the effect of regulatory framework in commercial banks, in Kenyan context. The study adopted mixed methods and used primary and secondary data, primary data was obtained from Kenya commercial banks head offices, while secondary data, for the year 2016 – 2018, was acquired from the annual publications by the central bank of Kenya. The study evaluated commercial banks performance using both financial and non-financial performance measurers. The financial measurers for this study comprised return on equity (ROE), while non-financial measures were customer satisfaction, learning and growth, and internal processes. Data analysis was done using descriptive statistics and simple regression analysis. Findings of study indicated that regulatory framework has a statistically significance on the performance of commercial banks in Kenya but not to a large extent. He also conducted similar study but considered different study area as he considered Microfinance bank; Hadizatou (2021) assessed regulatory framework and Microfinance institutions' performance within the West African Monetary Union. The employed descriptive research design and the secondary data Results of econometric estimations based on data covering the period 2002-2015 showed that the application of the 2007 law did not bring any benefit to the performance of the MFIs. This is because the opportunity cost of holding liquidity when the new law was adopted and the period during which it was effectively enacted was high enough to have a negative effect on return on assets, on the return on equity and on the proportion of loans per capita. During the same period, the minimum capital requirements were of great importance for

financial performance, since they led to an accumulation of funds for investment purposes. The relationship between minimum capital and performance remained positive even when different performance indicators and estimation methods were used.

However, the effect of liquidity and regulation varied with the estimation method used. Sandow, Duodu and Abayie (2021) established the relationship between capital requirement and performance of banks in Ghana. The study employed panel data and data collected were analyzed using descriptive and inferential statistics and the results indicated that draw data on a sample of 20 universal banks spanning 2008 to 2017. The minimum capital requirement has a significant positive impact on bank per requirement and bank performance in Ghana to be double-edged.

In their own study, Alber and Ramadan (2022) investigated the effect of banking regulations on banking performance on 19 MENA region countries (Egypt, Sudan, Lebanon, Libya, Iraq, Tunisia, Algeria, Morocco, Qatar, United Arab Emirates, Saudi Arabia, Bahrain, Palestine, Oman, Djibouti, Turkey, Kuwait, Jordan, and Mauritania), on a yearly basis over the period from 2008 to 2018. The study employed time series. Banking regulations have been measured by each of capital adequacy requirements (capital base to risk-weighted assets), liquidity requirements (liquid assets to total assets), legal reserve requirements (balances with CB to banks' deposit), leverage requirements (total equity to total assets) and provisions policy (total provisions to total capital), while Banking performance has been measured by each of banking efficiency using (data envelopment analysis "DEA" & operational efficiency ratio), banking stability (ABSI & Z-score indexes), credit risk ("non-performing loans" & "provisions for non-performing loans") and profitability (return on assets & return on equity). This has been

conducted using panel data analysis according to static panel models (SPM) according to three models (pooled regression, fixed effects, and random effects).Results indicated that banking regulations have significant effect on banking efficiency, banking stability, credit risk and profitability.

2.3.3 Studies on Nigeria

Uduak and Ubong (2015) investigated impact of the banking sector regulation and Performance of commercial banks in Nigeria. The study analyzed the relationship using Error Correction Mechanism and Chow test over the period 1970-2012. The study found that the new regulation brought about some important changes in commercial banks performance in Nigeria in term of profitability. Further result revealed that regulation has no significant impact on performance. This implies that the regulation has not really impacted on real economy at least on the short run.

In a contrarily view, Georgina and Evelyn (2015) examined bank capital requirement as a regulatory tool in Nigeria. A t-test statistic technique was employed to test the equality of the means of the pre and post 2005 key profitability ratios of selected quoted banks– using the year 2005 recapitalization as the base year. In both the pre and post recapitalization analyses of descriptive statistics and the t-test statistic technique employed, most of the bank performance evaluation indicators revealed that the pre-recapitalization means are better than the post recapitalization means and the t-tests shows that the difference between the two means at 5% level of significance is not statistically significant. On the aggregate, the analysis of the profitability indices of banks and test of equality of the pre and post means for 2005 recapitalization exercise reveal that recapitalization without a conducive and sound macro-economic

environment does not always transform to enhanced bank performance.

Shitnaan (2016) analyzed the effects of banking regulation and supervision on the performance and stability of Nigerian Microfinance Banks (MFBs). The study adopted the use of content analysis of interview responses to examine the initiatives employed by both Nigerian regulators and bank managements towards ensuring healthy banking practices. Also, multiple regression estimation is adopted to ascertain the effects of capital adequacy, asset quality, management quality, earning ability, liquidity, and sensitivity to risk, bank size, and GDP on bank efficiency, bank performance, and financial stability. Findings indicated that changes in regulations led to a general increase in the performance and efficiency of Nigerian MFBs. The results also showed that resolution techniques adopted by Nigerian regulators prevented the failure of several Nigerian MFBs during the global financial crisis. Moreover, the study also found that MFBs fortified their internal control practices in line with the 2009 banking to reduce the build-up of non-performing loans as it was the case after the 2005 banking new regulation when there was excess liquidity.

Mwongeli (2016) carried out a research work on the effect of regulations on financial performance of commercial banks in Kenya. The study used secondary data and data collected were analysed with aid of descriptive statistics and inferential statistics. For inferential statistics, Chi square test of independence was used to analyze the relationship between the two variables. The test was carried out on each of the ratios and the findings were that there is no relationship between regulations and financial performance of commercial banks. In his investigation on banking regulation, Akinkunmi (2017) empirically addressed regulatory impact of bank performance in

Nigeria. The empirical work was carried out through the use of stochastic frontier analysis on 14 commercial banks over10 years. The study found out that regulation has a negative and significant influence on the total cost while bank output, input prices and bank size have a positive and significant effect. This implies that the larger the bank size, the higher the total cost that is incurred

In the work of Mustapha (2017), he examined the regulatory impact of bank performance in Nigeria by applying the stochastic frontier Analysis on 14 commercial banks over 10 years. This study employed a panel dataset on the cost efficiency of Nigerian commercial banks to test the hypothesis whether internal regulation from the monetary authority affects the performance of commercial banks. The study found that regulation has a negative and significant influence on the total cost while bank output, input prices and bank size have a positive and significant effect.

Igbinosa, Ogbeide and Akanji (2017) examined financial regulation and banking sector performance in Nigeria. Time series data for the period 1993 to 2014 was used for the study. As an analytical tool, the study uses unit root test to determine the stationary state of the variables. The study employed the Johansson co-integration and error correction model (ECM) statistical techniques to establish both short-run and long-run dynamic relationships between the endogenous and exogenous variables. The empirical findings indicated that financial regulation significantly impacted the banking sector performance while financial regulation has both short-run and long-run dynamic relationships with the banking sector performance in Nigeria. It was found that the four-period lag of capital adequacy negatively affects banking sector performance

Yakub, Haruna and Mohammed (2018) examined effect of the regulation of bank capital on bank risk-taking behavior of the bank operators in Nigeria. The study used the ex-post-facto research design and the study used secondary data and data were gathered from annual reports of quoted banks from years 2009-2013. Simultaneous linear regressions were used to ascertain the behavior of banks to regulatory capital requirements from time to time. The panel least squares result suggests that risk, size, and interest margin (spread), and capital adequacy relate positively with changes in risk thus implying that an increase in size and capital, increases bank risk taking appetite. The study revealed that regulation pressure has a negative correlation with capital adequacy and risk-taking appetite but does not significantly affect the capital adequacy as well as risk taking appetite of Nigerian banks. Santos (2018) examined the relationship between regulation and profitability. The study adopted secondary data. He tried to find out whether there is a relationship between commercial banking Profitability (proxied by ROA) and explanatory variables that directly or indirectly are influenced by Regulation. An unbalanced panel data set for 16 years was built and with information for more than 12,500 different commercial banks in the world. Using slightly different models relating ROA with explanatory variables that directly or indirectly may be considered as proxies for regulation, it was discovered that normally bank size and Equity to Total Assets have a positive relationship with ROA. That is, in general, larger and more capitalized banks have better profitability. Nwanna and Chukwufumnanya (2018) examined the effect of Central Bank of Nigeria regulation on the profitability of Selected Microfinance Banks (2004-2016). Banking regulation is implemented to ensure a safe and sound financial system in the economy. The

regression analysis used to test the desired hypotheses was Statistical package for Social Sciences (SPSS.). Findings revealed that monetary policy rate and liquidity ratio were the variables that have positive and significant relationship with Earnings per share, only monetary policy rate has positive significant relationship with return on assets (ROA), monetary policy rate has significant positive relationship with net profit margin and monetary policy rate was found to be the only variable that has significant (positive) relationship with return on equity.

Similarly, Nwanna and Odia (2019) examined the effect of Central Bank of Nigeria regulation on the profitability of Selected Microfinance Banks (2004-2016). Banking regulation is implemented to ensure a safe and sound financial system in the economy. The regression analysis was used to test the desired hypotheses with Statistical Package for Social Sciences (SPSS.). Findings revealed that monetary policy rate and liquidity ratio were the variables that have positive and significant relationship with Earnings per share, only monetary policy rate has positive significant relationship with return on assets (ROA); monetary policy rate has significant positive relationship with net profit margin and monetary policy rate was found to be the only variable that has significant (positive) relationship with return on equity.

Aderemi(2021) investigated the impact of capital regulation in Nigeria. The study employed the time series data covering the year 2004-2017 were fitted to the regression model using both Ordinary Least Square (OLS) and Vector Error Correction (VEC) method of estimations. The results of the two methods were not significantly different. The simulations based on Vector Autoregressive (VAR) method indicated the importance of growth of economic activities (growth of GDP) as a major determinant of

change in deposits and change in loans. The results revealed that capital regulation has significant impact on economic growth.

Nwosu, Ajibo, Nwoke and Okoli (2021) explored the legal and institutional frameworks for optimal regulation of capital market beyond compliance-based regulation in Nigeria. The study adopted doctrinal approach to assess the existing regulatory approaches and prospects for the future. The study found that the regulatory authorities unduly concentrate on compliance-based and sanction-based regimes without sufficient emphasis on innovations and transformative solutions that foster diversification and efficiency in the market. The study also found that the deployment of innovations and transformative solutions complemented with robust regulation is positively correlated with capital market growth.

Zakariyau and Mustapha (2021) examined the impact of regulatory and supervisory framework on the quality of financial reports of Microfinance banks in Kwara State, Nigeria. The study employed a cross-sectional survey research design. The primary data collected through the questionnaire administered to three hundred and one (301) respondents from all Microfinance banks in Kwara State. The data collected were analysed using ordinary least square (OLS) regression analysis. The study found that prudential requirements, reporting requirements and corporate governance requirements have positive and significant effect on the quality of financial reports of microfinance banks in Kwara state, Nigeria as shown by t-values 6.82, 4.582 and 4.141 with p-values of 0.009,0.037and 0.0102 respectively. The result implied that the extent to which management of microfinance banks comply with prudential requirements, reporting requirements and corporate governance requirements explain variations in

their financial reports.

Igbinosa and Ogiemudia (2022) examined the influence of financial regulation on bank failure in Nigeria and USA since 1980 - 2018. Secondary data stream and General Least Square (GLS) methodology were adopted. The findings show that the financial regulations of capital adequacy, liquidity ratio and Nonperforming have significantly reduced bank failure in Nigeria (except for Credit to private sector). In the USA, capital adequacy and liquidity ratio are the most effective financial regulation that prevented bank failure during the period under review. Causality relationship runs from nonperforming loan, liquidity ratio and private sector credit to bank failure in USA and Nigeria.

2.4 Summary and Gap Identified in the Literature

The review of literatures in this study focus on the issues related to objectives of the study. In line with the scope of this study, extensive review of previous empirical research efforts have been conducted on the area of effect of regulations ranging on Nigerian economy growth, efficiency, financial performance, profitability and so on. Some literatures focus majorly on regulation, prudential regulation and monetary regulation in banking industry, most especially among commercial banks and Microfinance banks. Significant percentage of these literatures failed to examine the effect of regulations and Performance of Microfinance Banks, which is the main focus of this study. Therefore, the summary of the literatures reviewed indicated that there some knowledge gaps left unfilled.

Conceptually, few prior studies have examined the effect of Banking regulation and Performance of Microfinance Banks in developing countries (Uduak&Ubong, 2015; Shitan, 2016; Muongeli, 2016; Akinkumi, 2017; Mustapha, 2017 Igbinosa et al., 2017; Ifeanyi et al. 2018; Luis, 2018; Igbinosa&Ogiemudia, 2022). And also, very few prior studies (Omankhanlen, 2014; Afolabi et al., 2018; Onuwa (2021) evaluated the relationship between banks regulation and financial performance of Microfinance Banks (formerly called commercial banks). To the extent of literature search, only few studies (Geogina& Evelyn, 2015; Usman&Waheed, 2020) were found, to have examined bank capital regulation in relation to financial performance of Microfinance Banks in Nigeria. Most of the studies aforementioned didn't consider the relationship between prudential regulation, structural regulation, and risk based regulation, operational regulation and performance of Microfinance banks in Nigeria. And most of the previous studies early mentioned only considered financial performance aspect. However, little or no studies had captured both financial and non-financial performance of Microfinance banks in Nigeria. Therefore, this has completely considered the following variables (prudential regulation, structural regulation, operational regulation, capital regulation and risk based regulation) as independent variables of interests in this study, as it has investigated the regulatory compliance on performances of Microfinance banks. By this, conceptual gap has been established.

Most of the previous studies (Omankhanlen, 2014, Uduak&Ubong, 2015; Shitan, 2016; Muongeli, 2016; Akinkumi, 2017; Mustapha, 2017 Igbinosa et al., 2017; Ifeanyi et al. 2018; Afolabi et al., 2018; Luis, 2018; Onuwa, 2021; Igbinosa&Ogiemudia, 2022) in the literature reviewed on aspect of bank regulations and Performance of banks used

secondary data in Nigeria. This study is different as it employed primary data in generating data. Geographically, above mentioned studies conducted studies on the impact of banking regulation and Performance of Microfinance Banks in Nigeria. And most of those studies did not focus on Microfinance banks; they still fell short from being conducted in other locations other than Nigeria. The present study is therefore, investigated the regulatory compliance and Performance of Microfinance banks in Kwara State, Nigeria. This study focuses on Microfinance banks in Kwara State, Nigeria. The study related to this is very rare to the best of my knowledge and extent of literature search.

2.5 Theoretical Framework

The theoretical framework for this study is based on institutional theory of organisation and regulatory dialectic theory. These theories are able to explain the relationship between the independent variable and dependent variable of this study. The organisation is established to serve the environment, there must be adjustments to external expectations or social expectations with the tendency of organisations to arrange an internal activity and focus on systems that are to help external parties. Organisations that tend to gain legitimacy will tend to have similarities with other public organisations to meet up with their dependent variable, that is Financial and non financial performance of the organisation. while independent variables are the regulatory practices such as prudential, structural, operational and Risk Based regulation.

2.5.1 Institutional Theory

This theory explains actions and decision making in organisations. Institutional theory argues that organisations that prioritise legitimacy will have a tendency to try to adjust to external expectations or social expectations where the organisation is located. Adjustments to external expectations or social expectations result in the tendency of organisations to separate internal activities and focus on systems that are symbolic to external parties. Organisations that tend to gain legitimacy will tend to have similarities or isomorphism with other public organisations (Ridha &Basuki, 2012).

Institutional Theory illustrates three types of drivers (i.e., coercive, normative, and mimetic) that generate isomorphism in organisational strategies, structures and processes (DiMaggio & Powell, 1983). In line with research question one as to: To what extent does capital regulation affect performance of Microfinance banks in Kwara Sate. The structural regulation will be effective in protecting activities from losses; cost of risk-taking and through the structural regulatory compliance the performance of banks can be enhanced. However, coercive power arises from the pressures applied by those influential positions and these pressures are vital to driving environment management and sustainability of firms (Kilbourne, Beckmann &Thelen, 2002). Normative pressures come in the form of professional standards or good practices, most often presented by influential professional communities. The effectiveness of normative pressures and the successful implementation of normative professional practices depend largely on the professional and educational background of individuals in the observed entity, as well as their willingness and commitment to encourage the implementation of professional norms of behaviour. The existence of mimetic pressures implies that certain organisations carry out good or best practices in the environment, this is why other

organisations follow such behaviour. Mimetic occurs when organisations imitate the actions of a successful organisation in the system, as an endeavour to follow the pathway and then legitimacy (DiMaggio et al., 1983).

2.5.2 Regulatory Dialectic Theory

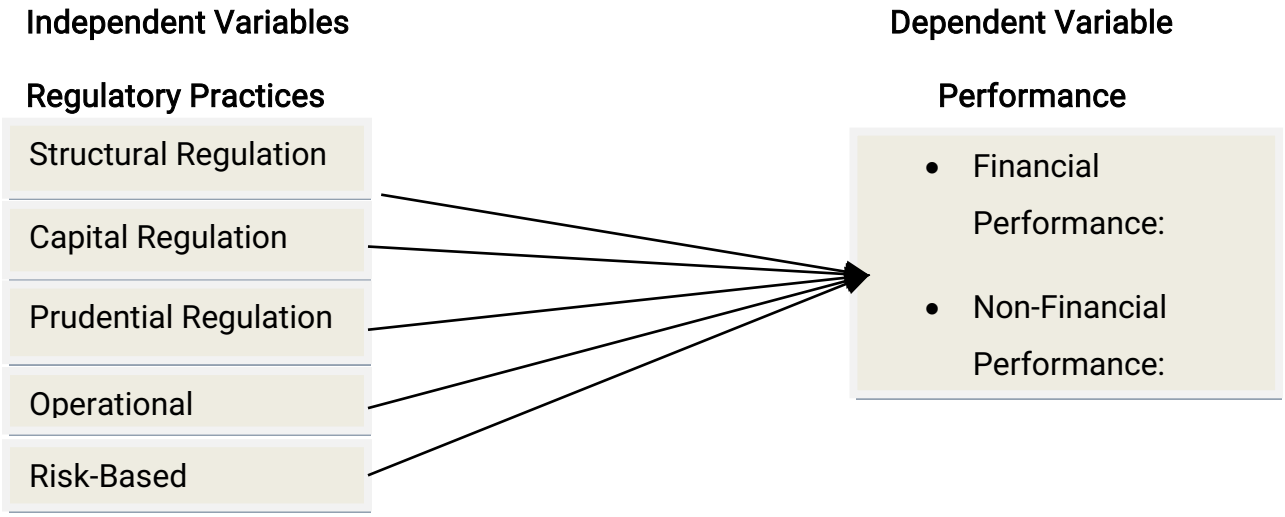
The deregulatory dialectic theory assumes that there is a relationship between the regulators and financial institutions. This theory strives to explain the range of war between the regulators and financial institutions.The regulators attempt to impose constraints on the financial system interest rate, liquidity, prudential requirement, capital requirement by CBN and periodic bank returns.These goes in line with research question two, three and five as; what is the effect of capital regulation/prudential/risk-based regulation and Performance of Microfinance banks in Kwara State. This theory, as the regulators role out policies that create impediment on the paths of financial institutions to maximize profit, the financial institutions on their path, strategize to manipulate the system in order to avoid such bottlenecks that tend to hinder their profit maximization motives thus, leading the government and its regulatory agencies to continually weigh the, benefits of pursuing certain regulatory constraints against their associated costs. This contagion, therefore determines whether a given regulatory policy is actually desirable or needs to be either changed if not dropped in its entirety. In this case, the regulators are the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation (NDIC) while the financial institutions are the Microfinance Banks. CBN/NDIC regulates and ensures sanity and efficiency in banking sector.

In line with research objectives of two, three, four and five of this study, as the

regulations and examination of banks are premised on the legal authority given the provision of the act that the regulations such as operational regulation, risk based regulation, prudential regulation and capital regulation provided by regulators to reduce bank distress, boosting public confidence, guarantee safety and promote financial sound practices, manage the financial risks of Microfinance banks so as to increase their performance through risk based regulation. This goes in line with research question five as to: what is the effect of risk-based regulation and Performance of Microfinance banks in Kwara State?

2.6 Conceptual Framework

The conceptual framework provides a concise description of the phenomenon being studied accompanied by graphic or visual depiction of the major variables of the study (Mugenda, 2008).



Source: Author's

Figure 2.1 shows the relationship between the independent variables (regulations) and the dependent variables (performance). The dependent variable is the performance (financial and non-financial performance) of Microfinance banks. Financial performance

was measured in 5-point Liker scale using the following indicators: Profitability, Efficiency, and Bank Liquidity whereas the non-financial performance was measured in 5-point Likert scale using (Quality of Service Delivery, Customer Satisfactions, High Productivity and Employee Empowerment and Motivation)(Alber&Ramadan, 2022). Bank regulation is the independent variable measured through prudential regulation, structural regulation, capital regulation, risk-based regulation and operational regulation.

CHAPTER THREE

METHODOLOGY

This chapter provides discussion of the research methods and procedures used in this study. The methods and procedures cover discussion on the research design,

population of the study, sample size and sampling techniques, source and method of data collection, model specification, measurement of variables, and data analysis technique

3.1 Research Design

This study adopted a cross sectional survey research design. The survey method involved the use of structured questionnaire, which was designed to obtain data from respondents on the structural regulation, prudential regulation, capital regulation, risk-based regulation and operational regulation as well as bank's performance. A survey design was adopted purposely to generate data from targets respondents across Microfinance institutions in Kwara State, so as to provide answers to research questions raised in this study on the relationship between the regulatory practices and performance of Microfinance Banks. The choice for this type of design was based on the cause and effect, hence linking between the independent and dependent variables that pertained the research problem.

3.2 Population of the study

The target population of the study comprises senior management employees of 29 licensed Microfinance Banks in Kwara State. There are twenty nine (29) Microfinance Banks (see Table 3.1 below) in Kwara State as appeared on the website of CBN as October 31st, 2020. The informed the choice of population groups adopted for this study, which consists of two managing directors/managers (operation manager and finance manager), two staff from internal audit unit and other four senior management staff from each of the Microfinance Banks in Kwara State. Hence, the total population of this

study is two hundred and thirty two (232) management staff of Microfinance Banks.

Table 3.1: Population of Licensed Microfinance Banks located in Kwara State

S/N	NAME	ADDRESS	LOCATION
1.	AJIKOBI MFB	13, Ajikobi Street, Ilorin, Kwara State	Ilorin
2.	APEKS MFB	Ghalib House 24, WahabFolawiyo (Unity) Road Ilorin	Ilorin
3.	AZABE ZINARIYA MFB	Phase 2, Ultra Modern Market, Western Reservoir Road, Ilorin Kwara State	Ilorin
4.	BALOGUN FULANI MFB	9 Balogun Fulani Rd. Ilorin, Kwara State	Ilorin
5.	BALOGUN GAMBARI MFB	1 Ojagboro Junction BologunGambari Road, Ilorin	Ilorin
6.	BLUCON MFB	Ahmadu Bello Way, Opposite Kwara Hotel P.M.B. 1508, Ilorin, Kwara State	Ilorin
7.	BRIGHTWAY MFB	17, New Market Road, Baboko, Ilorin, Kwara State	Ilorin
8.	CITIZEN TRUST MFB	No. 52, Olofa Way, Beside GtbankPlc, Offa, Kwara State	Offa
9.	CONFIDENCE MFB	156, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin
10.	CRESCENT MFB	Ilorin, Kwara State	Ilorin
11.	FIRST HERITAGE MFB	Opposite C.C.C., Oro-Ago, IfelodunLga, Kwara State	Ifelodun
12.	GAA-AKANBI MFB	Bola Saadu House, 10, Ahmadu Bello Way, Gra, Ilorin, Kwara State	Ilorin
13.	IBOLO MFB	86 Olofa Way, Offa, Kwara State	Offa
14.	ILOFFA MFB	Ilorin/Lokoja Federal Highway, Iloffa, Oke-EroLga, Kwara State	Iloffa
15.	ILORIN MFB	Exit Gate Of Baboko Market, Along Kuntu Street, Oppo. HiwanuLgea School, Ilorin, Kwara State	Ilorin

16.	ILUDUN - ORO MFB	Iludun Oro, Irepodun Local Govt. Area, Kwara State	Iludun Oro
17.	IYERU OKIN MFB	Olofa Way/Oshogbo Road, Offa , Kwara State	Offa
18.	JANMAA MFB	12, Sulu Gambari Road, Ilorin, Kwara State	Ilorin
19.	KCMB MFB	159, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin
20.	KWACOFOCUS MFB	Kilometre 4, Old Jebba Road, Sango, Ilorin	Ilorin
21.	KWASU MFB	Behind Administrative Complex, Kwara State University, Malete, Moro Lga, Kwara State	Malete
22.	MAGAJIN-GARI MFB	Ago Market, Behind Emir's Palace, Ilorin, Kwara State	Ilorin
23.	OMU-ARAN MFB	93, Aperan Road, P.M.B. 1037, Omu-Aran, Kwara State.	Omu-Aran
24.	OSI MFB	Egbe Road, Osi, EkitiLga, Kwara State	Ilorin
25.	OURS MFB	23/25 Olofa Way, Offa, Kwara State	Offa
26.	SINCERE MFB	246 Olofa Way Offa, Kwara-State	Offa
27.	STOCKCORP MFB	95, Olofa Way, Offa, Kwara State	Offa
28.	UNILORIN MFB	Permanent Site Of Unviersity Of Ilorin, Kwara State	Ilorin
29.	WELFARE MFB	159, Abdul AzeezAttah Road, Surulere, Ilorin, Kwara State	Ilorin

Source: CBN website, 2022

3.3 Sample Size and Sampling Techniques

Based on sample frame for the eight senior employees of each Microfinance banks in kwara state earlier highlighted in the population of the study. Purposively, the sample size of this study is 144 which were determined using a Judgmental sampling technique. The sampled respondents are the senior employees (two managers, two staff in audit unit and four other senior management staff) of 18 Microfinance Banks (MFBs) within

Ilorin Metropolis because of availability, economic and proximity reasons to information, out of the total 29 Microfinance Banks in Kwara State, given 144 sampled target respondents. Thus, all 18 MFBs in Ilorin metropolis are the sampled target respondents for this study, which are most conversant with the phenomenon at hand.

Table 3.1: Population of Licensed Microfinance Banks within Ilorin Metropolis

S/N	NAME	ADDRESS	LOCATION
1.	AJIKOBI MFB	13, Ajikobi Street, Ilorin, Kwara State	Ilorin
2.	APEKS MFB	Ghalib House 24, WahabFolawiyo (Unity) Road Ilorin	Ilorin
3.	AZABE ZINARIYA MFB	Phase 2, Ultra Modern Market, Western Reservoir Road, Ilorin Kwara State	Ilorin
4.	BALOGUN FULANI MFB	9 Balogun Fulani Rd. Ilorin, Kwara State	Ilorin
5.	BALOGUN GAMBARI MFB	1 Ojagboro Junction BologunGambari Road, Ilorin	Ilorin
6.	BLUCON MFB	Ahmadu Bello Way, Opposite Kwara Hotel P.M.B. 1508, Ilorin, Kwara State	Ilorin
7.	BRIGHTWAY MFB	17, New Market Road, Baboko, Ilorin, Kwara State	Ilorin
8.	CONFIDENCE MFB	156, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin
9	CRESCENT MFB	Ilorin, Kwara State	Ilorin
10.	GAA-AKANBI MFB	Bola Saadu House, 10, Ahmadu Bello Way, Gra, Ilorin, Kwara State	Ilorin
11.	ILORIN MFB	Exit Gate Of Baboko Market, Along Kuntu Street, Oppo. HiwanuLgea School, Ilorin, Kwara State	Ilorin
12.	JANMAA MFB	12, Sulu Gambari Road, Ilorin, Kwara State	Ilorin
13.	KCMB MFB	159, Ibrahim Taiwo Road, Ilorin, Kwara State	Ilorin

14.	KWACOFOCUS MFB	Kilometre 4, Old Jebba Road, Sango, Ilorin	Ilorin
15.	MAGAJIN-GARI MFB	Ago Market, Behind Emir's Palace, Ilorin, Kwara State	Ilorin
16.	OSI MFB	Egbe Road, Osi, EkitiLga, Kwara State	Ilorin
17.	UNILORIN MFB	Permanent Site Of Unviersity Of Ilorin, Kwara State	Ilorin
18.	WELFARE MFB	159, Abdul AzeezAttah Road, Surulere, Ilorin, Kwara State	Ilorin

Source: CBN website, 2022

The choice for selecting 18 Microfinance Banks in Ilorin Metropolis was because they constitute 62% larger numbers of Microfinance Banks in Kwara State and so as to avoid bias in selection bases. The sample size of 144 respondents, drawn from respondents of the population of 18 licensed Microfinance Banks, whom the designed questionnaires were administered to. These banks were selected because they have been in operation for the past ten years, they will provide data on questions raised about regulatory practices and performance of Microfinance banks in Kwara State.

3.4 Method of Data Collection.

This study used primary data as a source of data. The data was collected in quantitative form through the research instrument of questionnaire administered to the target respondents.The data for the study were resources collected from the senior management staff and other stakeholders of Microfinance Banks in Kwara State, Nigeria through the use of questionnaire administered.

3.5 Research Instruments

The instruments of research are determined in line with the nature and objective one to five of this study.Data for this study were collected from the stakeholders (the senior

management staff and other employees) of Microfinance Banks in Kwara State with aid of questionnaire distributed to them. The question was scored using 5-point Likert scale ranging from 5 (Strongly Agree) to 1 (Strongly Disagree). This was designed to be facilitated using a survey format hence the use of a carefully designed and standardized questionnaire that allows respondents to answer certain collated questions for a short period of time. Questioning involves using a questionnaire (data collection instrument) to ask respondents questions to secure the desired information. The result of the questionnaire will be combined with data collected from observations, to draw concluding inferences. The questionnaire employed in this study was administered to the other senior management staff and stakeholders of Microfinance Banks asking for their views about the statements on structural regulation, prudential regulation, capital regulation and performance of Microfinance Banks in Kwara state while the second questionnaire was administered to the operational managers, finance managers or managing directors of Microfinance Banks (MFBs) by eliciting their opinions on the statements raised on risks-based regulation, operational regulations and performance of MFBs in Kwara State. Part 1 of the questionnaire consists of the demographic data of respondents while Part 2 consists of statement to elicit information on the regulatory practices and Performance of Microfinance Banks in Kwara State, Nigeria.

3.6 Model Specification.

In order to test the hypotheses of this study on the effect of bank regulations on performance, the study built on the two separate models for financial and non-financial measures to explain performance of Microfinance Banks. The model employed was a model of Simeneh (2020) on a study of the effect of bank regulation on the banks'

performance in Ethopia. This study adopted and adapted the model of Simeneh (2020) which was stated as:

Financial performance = *f (bank regulations)* …… (3.1)

$FP = f(SBR, MOR, PRR)$ …… …… (3.2)

$FP_{it} = \beta_0 + \beta_1 SBR_{it} + \beta_2 MOR_{it} + \beta_3 PRR_{it} + \varepsilon_{it}$ ……..... (3.3)

FP = Financial Performance

SBR = Structural Regulation

MOR = Monetary Regulation

PRR = Prudential Regulation

ε= Error term

β_0= Intercept coefficient

For the purpose of this study, the model was modified and re-arranged as follows:

$PERF_{it} = \beta_0 + \beta_1 SR_{it} + \beta_2 CR_{it} + \beta_3 PR_{it} + \beta_4 OPR_t + \beta_5 RBR_t \varepsilon_{it}$ ……..... (3.4)

The performance as dependent variable of this study has replaced financial performance of previous model of model of Simeneh (2020). In order to make this work more robust, performance of Microfinance banks in this study comprises both financial and non-financial performance and an extension has been made to Simeneh model by adding capital regulation (CR), operational regulation (OPR) and risk-based regulation (RBR) so as to build the new model of this current study. Also, to achieve the objectives of the study, the three independent variable (CR, OPR and RBR) were added because they were found to be significant in the study of Deli and Hasan (2016); Mwongeli (2016); Kahuthu (2016); Khadakis, Wangari and Mutswenje (2020); Kiplagat and Kalui (2020); Hunjra, Zuregat and Mehmood (2020).Monetary regulation used in the model of

Simeneh (2020) has been replaced by capital regulation so as to fit this model.

Pf = Performance

SR = Structural Regulation

PR = Prudential Regulation

CR = Capital Regulation

OR= Operational Regulation

RBR = Risk Based Regulation

β1 – β5 = Regression Coefficients

i = the bank; t = the year.

ε = Error term

The a-prior expectation of the objective is β_1, β_2, β_3 ,β_4, and $\beta_5 > 0$. Hence, a prior expectation of this study is that structural regulation, capital regulation, prudential regulation, operational regulation and risk based regulation should enhance the performance of Microfinance Banks.

3.7 Variables Measurement

Table 3.3: Definition and Measurement of Variable used in the Study

Variable acronym	Variables	Variable Type	Measurement/ Indicators 5-point Likert Scale	A prior Expectation	Source of Data
PF	Performance	Dependent	1. High productivity 2. Assessment of customer satisfaction 3. Cost reduction 4. Improved Quality of Services 5. Employment empowerment and	Positive	Kori et al.(2020)

			motivation 6. Liquidity and Profitability.		
SR	Structural Regulation	Independent	1.Losses incurred 2.Cost of risk-taking. 3. Complexity and size. 4.Simplification of the management and administration 5. Moral hazard problems 6.Regular financial capacity 7.Cut cost of administration 8. Market innovations and development	Positive	Klomp and Haam (2015)
CR	Capital Regulation	Independent	• Minimum capital required by CBN • Effective managing risk • Management of bank assets • Reducing money in circulation. • Capital Adequacy	Positive	Pierre-Richard et at., 2013; Gosh, 2015; Berger &Bonaccorsi, 2020
PR	Prudential Regulations	Independent	• Capital adequacy; • Restrictions on advances, credits; • Restrictions on trading investment, restrictions on ownership of share capital. • Liquidity management regulation	Positive	Wangari &Mutswenge (2020)
OPR	Operational Regulation	Independent	1. Stability in banking system	Positive	Shitnaan (2016);

			2. Guarantee safety & promote financially sound 3. Guarding against insider credits 4. Encouraging quality of service 5. Disclosures of Banks's annual reports 6. Uncovering incidence of bad loans		Nwanna &ChukwuFimnanya, (2018)
RBR	Risk Based Regulation	Independent	1. Laid down rules and regulations 2. Monitoring 3. Disclosure of bank's financial statement 4. Strengthen the financial conditions of banks 5. E-payment and cashless policy 6. Improving financial performance.	Positive	Klomp and Haam (2015); Miroslav (2019)

Source: Author's compilation, (2022)

3.6 Technique of Data Analysis

The study employed both descriptive and inferential statistics for data analysis so as to achieve the objective of the study after collecting primary data. Descriptive statistics was employed to measure the main features of data used in the study. These features include the minim, maximum, mean values and the standard deviation from the mean. Relevant diagnostic tests were done to ensure that data used for the study conform to its assumptions. Some of the tests carried out include data normality test using skewness and kurtosis, reliability test using Cronbach Alpha, multicollinearity tests

using Variance Inflation Factor. Meanwhile inferential statistics was also employed to analyse the data collected from stakeholders of banks to describe the patterns of behaviour and detailed about information of each variable statement. The study also employed multiple regression analysis, Pearson's correlation to estimate the relationship between regulatory practices and performance. Pearson correlation was also applied to check the level of interconnection of the variables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter provided a presentation, an analysis and discussion of the data collected from the study area through the questionnaires. The primary objective of this study was to investigate the regulatory compliance and Performance of listed Microfinance Banks in Nigeria. Based on the research questions raised, stated objectives and hypothesis designed, the study employed both descriptive and inferential statistics to analyze the data gathered from the respondents. One hundred and forty four (144) questionnaires were distributed but only one hundred and four (104) questionnaires were valid useful, analyzed and presented using tables and figures.

Table 4.1: Response Rate Statistics

Description	Frequency	Percentage

Distributed Questionnaires	144	100
Returned Questionnaires	105	73
Invalid	1	0.7
Valid Questionnaires	104	72

Source: Authors' Computation, 2022.

The quantitative data was obtained through questionnaire. The questionnaire layout was divided seven sections: A, B, C, D, E, F and G. Section "A" focused on the company and respondent profiles. Section A-F contains statements raised on regulatory practices: structural regulation, capital regulation, prudential regulation, operational regulation and risk-based regulation and are specifically scaled and measured on 5-point likert scale with numerous measurements questions from previous studies was substantially adopted. While section "G" focused on statement raised on performance, based on questions adopted from the previous related studies.

A total of 144 questionnaires were administered on the sampled respondents. Out of this number, 104 were correctly and successfully filled and collected from the respondents. This translates to 73% response rate which is sufficient and acceptable for analysis. According to Nulty (2008) the response rate was acceptable as it has slightly surpassed the 70% response rate threshold.

4.1 Demographic Characteristics of the Respondents (Bank Stakeholders)

The demographic factors in this section include respondents' profile such as age, gender, marital status, educational qualification, length of service and status in organization. These will help the researcher later identify and relate the results of the findings based on respondent characteristics and recommend the concerned bodies

specifically.

Table 4.2: Respondents Demographic Profile

Variables	Respondents Profile	Frequency	Percentage (%)	Cumulative Percentage (%)
Gender	Male	70	67.3	67.3
	Female	34	32.7	100.0
	Total	**104**	**100.0**	
Age	31-40yrs	34	32.7	32.7
	41-50yrs	44	42.3	75.0
	Above50yrs	26	25.0	100.0
	Total	**104**	**100.0**	
Marital Status	Married	62	59.6	59.6
	Divorced	15	14.4	74.0
	Single	27	26.0	100.0
	Total	**104**	**100.0**	
Educational Qualification	HND/BS.c	70	67.3	67.3
	MBA/MS.c	20	19.2	86.5
	PhD	6	5.8	92.3
	Others	8	7.7	100.0
	Total	**104**	**100.0**	
Status in Organization	Operational manager	4	3.8	3.8
	Shareholder	12	11.5	15.4
	Internal Auditor	16	15.4	30.8
	Finance Manager	11	10.6	41.3
	Others	61	58.7	100.0
	Total	**104**	**100.0**	
Length of Service	0-5yrs	16	15.4	15.4
	6-10yrs	28	26.9	42.3
	11-15yrs	21	20.2	62.5
	16-20yrs	16	15.4	77.9
	21-25yrs	23	22.1	100.0
	Total	**104**	**100.0**	

Source: Author's survey, 2022

The table 4.2 reveals that 67.3 percent of the respondents are males; while 32.7 percent of the respondents are females. This shows that majority of respondents are males. The age of the respondents is also represented in Table 4.2, and it shows that 32.7% of the respondents are within the age of 31-40 years; while respondents that are 41-50 years and above 50 years old amount to 42.3 percent and 25.0 percent respectively.

Also display in Table 4.1 is the marital status of the respondents, and it indicate that 26.0 percent of the respondents represent the singles; married respondents amount to 59.6 percent of the respondents; while divorced represent 14.4 percent of the respondents. This means that majority of the respondents are singles. Respondents with HND/B.Sc. qualification amount to 67.3 percent of the respondents; while 19.2 percent and 5.8 percent of the respondents represent respondents with MBA/MSc and Ph.D. 7.7 % represent respondents with other educational qualifications respectively.

The status of the respondents in the bank is represented in Table 4.2 and it indicates that 3.8 percent are operational managers; 11.5 percent are shareholders; while 15.4, 10.6, and 58.7 percent are internal auditors, financial managers, and other stakeholders respectively. The number of years spent in the service by the respondents is also represented in Table 4.2. Respondents that have spent 11-15 years in service amounts to 20.2 percent; while 26.9 percent, 15.4 percent, 22.1 percent and 15.4 percent of the respondents represent respondents that have spent 6-10 years, 0-5 years, 21-25 years, and 16-20 years in service respectively. This implies that the respondents are experienced and are well acquainted with what is happening in their working place.

4.2 Preliminary Analyses

This section presents the results of the diagnostic tests concerning the distribution of the study variable scores and their relationships. Before running the linear regression model, it is essential to ensure that data collected are normal, reliable and certify that the assumptions of the model are valid. Therefore, this study conducted some diagnostic analyses such as normality test, reliability test and multicollinearity test so as to ensure that conclusions are made from inferential statistical analysis are valid and non-violation of assumptions of the multiple regressions techniques used for testing of hypotheses on the study raised research questions. The normality of data was discussed in the descriptive statistical table presented in section 4.2.1 below.

4.2.1 Descriptive Statistics

This section presents summary of descriptive analysis of data collected for each of the variables employed in this study. This entails a statistical summary of mean, minimum, maximum and standard deviation. Assessment of data normal distribution was also conducted using skewness and kurtosis.

Table 4.3: Descriptive Statistics

Variables	Valid	Mean	Maximum	Minimum	Std. Deviation	Missing	Skewness	Kurtosis
PF	104	4.0331	5.00	1.00	0.4791	0	0.506	-1.298
SR	104	3.8750	5.00	1.00	0.4839	0	0.659	0.530
CR	104	4.0179	5.00	1.00	0.6776	0	-1.391	-1.426
PR	104	3.8245	5.00	1.00	0.6087	0	1.257	-1.446
OPR	104	4.2363	5.00	1.00	0.3353	0	0.785	0.460

RBR	104	3.9588	5.00	1.00	0.4722	0	-1.173	-1.296

Source: Authors' computation (2022)

The descriptive statistics in Table 4.3 show the maximum value of 5 and minimum value of 1 for all the variables. The maximum value of 5 represents strongly agrees while the minimum value of 1 represents strongly disagree as the response of likert scale questions coded. The result of the mean which is the average score of responses from respondents ranged from 3.8245 to 4.2363. This represents an acceptable value for the data obtained for the variable as the value of 3.8245 is high and above 3 based on Nik, Jantan and Taib (2010) interpretation of the level of score from likert scale questionnaire. They recommended that scores of less than 2.33 are low level, 2.33 to 3.67 are moderate level, and 3.67 and above are regarded as high level. The results of descriptive statistics show mean values are level of mean score. Thus, all the variables have the higher mean score within the rule of thumb of 3.67 and above based on Nik et al. (2010), implying that they are in the high level range, whereas only the operational regulation (OPR) has the highest mean score of 4.2363 with the standard deviation of 0.3353. In addition, descriptive statistics such as skewness and kurtosis were used to determine if data are normally distributed as these values are within the cut of point of -1 and +1 (Hair, Anderson, Tatham& Black, 1998). Therefore, the result obtained from Table 4.3 shows that all the variables observed are normally distributed. Therefore, analysis can be conducted with parametric statistics.

4.2.2 Reliability Test

Prior to the analysis of the data collected through questionnaire, the instrument was

subjected to reliability test using Cronbach Alphas. The theoretical value of alpha varies from 0 to 1, meaning that estimates of alpha can take on any value less than or equal to 1, including negative values, although only positive values are allowable but higher values of alpha are more desirable (Ritter, 2010). Table 4.4 shows the Cronbach's Alpha for all variables

Table 4.4: Reliability Statistics

S/N	Variables	Name Variable	Cronbach's Alpha	No of Items
1	SR	Independent	.782	8
2	CR	Independent	.776	7
3	PR	Independent	.774	8
4	OPR	Independent	.787	7
5	RBR	Independent	.786	7
6	PF	Dependent	.790	9

Source: Authors' computation (2022)

From Table 4.4, the initial numbers of statements were considered in order to obtain a reliable Cronbach alpha coefficient. Meanwhile, the statistics show that all variables exhibited values ranging from 0.740 to 0.824 which suggested that the instruments are reliable and consisted within acceptable research standards. This is higher than benchmark of 0.7 (Ritter, 2010). This implies that Cronbach's Alpha is considered acceptable which suggested that the data are reliable and consistent with acceptable standards.

4.2.3 Multicollinearity Test

The VIF represents a measure of the amount of multicollinearity in a multiple regression framwework. The multicollinearity test among the variables was carried out using the variance inflation factors (VIF) as shown in Table 4.5 below.

Table 4.5: Collinearity Statistics

Variable	Tolerance	VIF
SR	0.710	1.408
CR	0.613	1.632
PR	0.669	1.496
OPR	0.953	1.049
RBR	0.842	1.187

Source: Author's computation (2022)

Table 4.2.3 shows the result of multicollinearity test. The statistical result showed that the value of independent variables exceed 1 and 3, therefore, there is an absence of multicollinearity. In lieu of this, there are no multicollinearity issues between the independent variables within this model as all the VIFs are less than 5 (Gujarati, 2009) and or all the variable have a VIF less than 10, which mean they are not collinear and it also indicate that the level of multicollinearity is within the acceptable standard (Anuj, 2017). The VIF and tolerance can be used interchangeably to determine multicollinearity as the VIF is inversely related to tolerance.

4.3 Inferential Statistics

This section puts into perspective the relationship between the independent variable and dependent variable. The inferential statistics depict the testing of hypotheses stated in the study. The various tests were carried out under this inferential statistics which include test for mode adequacy, test of analysis of variance, Pearson correlation coefficient, and multiple regression analysis.

4.3.1 Pearson Correlation

Pearson correlation coefficient measures the strength of the linear relationship between variables and how the value of the variable changes when the value of another variable changes. It also portray if the correlations among the independent variables are high or not because the higher the figure, the greater possibility of multi-collinearity problems. The Pearson correlation coefficient for all variables based on the sampled 104 stakeholders was illustrated in Table 4.8.

Table 4.6 Pearson Correlation Matrix

Variables	PF	SR	CR	PR	OPR	RBR
PF	1.000					
SR	.429	1.000				
CR	.500	.492	1.000			
PR	.655	.412	.518	1.000		
OPR	.126	-.046	.061	.074	1.000	
RBR	.078	.090	.297	.306	.200	1.000

Source: Author's Computation, 2022.

Table 4.3.1 shows the pair-wise correlation values for the explanatory variables. The values explain the possibility of having perfect linear relationship between any pair of two or more independent variables. This is because linear regression technique assumes the absence of multi-collinearity among the independent variables if a higher level of accuracy is to be expected from the estimation. Pearson correlation coefficient ranges from +1 to -1 and a correlation of "+1" means that there is a perfect positive linear relationship between variables and a correlation of "-1" means that there is a perfect negative linear relationship between variables. A correlation of "0" means there is no linear relationship between two variable. So, It is clear from Table 4.8 that there is

no perfect relationship between the different pairs of independent variables. Gujarati (2009) asserts that multicollinearity becomes a serious issue when the correlation coefficient between two regressors is above 0.8 (Kennedy).

4.4 Restatement and Testing of Hypothesis

The section discussed the five null hypotheses stated in chapter one of this study and the hypotheses were tested with aid of multiple regression coefficient appeared in table 4.9. The results in the table revealed β value, t-value and p-value at 0.05 level of significance in the acceptance or rejection of the hypotheses.

4.4.1. Multiple Regression Analysis

In regression model the coefficients of multiple regressions explain the contribution of an individual explanatory variable on the dependent variable. Therefore, table 4.9 below summarizes and shows the results from the tests of hypotheses of this study.

Table 4.7: Multiple Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (P-value)
		B	Std. Error	Beta		
1	(Constant)	1.848	0.432		4.275	0.000
	SR	0.110	0.073	0.126	1.509	0.135
	CR	0.136	0.060	0.203	2.252	0.027
	PR	0.353	0.056	0.546	6.336	0.000
	OPR	0.130	0.081	0.116	1.605	0.112
	RBR	-0.157	0.066	-0.184	-2.394	0.019

a. Dependent Variable: PF (Performance).

b. Predictors: (Constant), RBR, PR, SR, CR, OPR

Source: Author's Computation, 2022

Table 4.9 exhibited the regression coefficients of the model and the level of significance.

The regression table showed the results of hypotheses tested and the significant relationship between the regulatory practices (independent variables) and performance (dependent variable). Where SR (Structural regulation),CR (Capital regulation), PR (Prudential regulation), OPR (Operational regulation), RBR (Risk-based regulation) and PF (Performance).

H_{01}: Structural regulation has no significant effect and Performance of Microfinance banks in Kwara State. From the coefficient result in table 4.4 revealed that structural regulation (SR) has an insignificant effect and Performance of Microfinance banks in Kwara State as shown by coefficient of 0.110, and t-value of 1.509 with p-value of 5% level of significance. This result leads to the acceptance of the null hypothesis which states that structural regulation has no significant effect and Performance of Microfinance banks in Kwara State.

H_{02}: There is no significant effect of capital regulation and Performance of Microfinance banks. The coefficient result in table 4.4 revealed that capital regulation (CR) has an a positive and significant effect and Performance of Microfinance banks in Kwara State as shown by coefficient value (β) of 0.136 and t-value of 2.252 with p-value of 0.027 at 5% level of significance. This result leads to the acceptance of alternative hypothesis which states that capital regulation has significant effect and Performance of Microfinance bank in Kwara State, thereby result to rejection of the rejection of the null hypothesis. This implies that Microfinance banks in Kwara State have been complying with capital regulatory practice.

H_{03}: Prudential regulation has no significant effect and Performance of Microfinance banks in Kwara State. The coefficient result presented in table 4.4 revealed that

prudential regulation (PR) has a positive and significant effect and Performance of Microfinance banks with (β = 0.353, t = 6.336and p = 0.000) at 5% level of significance. This result leads to the acceptance of alternative hypothesis which states that capital regulation has significant effect and Performance of Microfinance bank in Kwara State, thereby result to rejection of the rejection of the null hypothesis. This indicates that Microfinance banks in Kwara State have been complying with prudential regulation practice in enhancing performance

H_{04}:Operational regulation has no significant effect and Performance of Microfinance banks. From the coefficient result in table 4.4 revealed that operational regulation (SR) has a insignificant effect and Performance of Microfinance banks in Kwara State with (β = 0.130, t =1.605, p = 0.112) at 5% level of significance. This result leads to the acceptance of the null hypothesis which states that operation regulation has no significant effect and Performance of Microfinance banks in Kwara State.

H_{05}: Risk-based regulation has no significance effect and Performance of Microfinance. Based on the coefficient result presented in table 4.4, it appeared that Risk-based regulation (OPR) has a significant effect and Performance of Microfinance banks with (β = 0.157, t = 2.394and p = 0.019) at 5% level of significance. This result leads to the acceptance of alternative hypothesis which states that risk-based regulation has significant effect and Performance of Microfinance bank in Kwara State, thereby result to rejection of the null hypothesis. This indicates that Microfinance banks in Kwara State have been complying with risk-based regulation issued by CBN to check the activities of their banks in laid down rules and guidelines so as to reduce the risk exposures and enhance their performances.

4.4.1 Test for Model Adequacy

This section is to measure for R Square, Adjusted R Square and Standard Error of the Estimate. These are discussed under the table 4.6 below.

Table 4.8: Model Summary of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.717[a]	.513	.489	.27708	1.966

a. Predictors: (constant), regulatory practices (SR, CR, PR, OP, RBR).

Table 4.6 shows how R^2 measures the proportion of variation in the dependent variable (performance) which demonstrated by independent variables. Coefficient of determination R^2 was used to explain the extent to which changes in performance can be explained by the changes in regulatory practices (structural regulation, capital regulation, prudential regulation, operational regulation and risk-based regulation). The table 4.6 shows the results of regression analysis and the R^2 value of 0.513 implies that 51.3% of performance of Microfinance Banks in Nigeria can be adjudged by regulatory practices. More so, the value of the adjusted R square is 0.489 indicates that, 48.9% of the variation (change) in effectiveness of regulatory practices is attributed to the total effect of independent variables/ structural regulation (SR), capital regulation (CR), prudential regulation (PR), operational regulation (OPR) and risk-based regulation (RBR). The remaining 51.1% of the variation in effectiveness of regulatory practices is due to factors which are not included in the model of this study. The Durbin Watson statistic is a test for autocorrelation in a regression model's output. The estimated Durbin Watson value of 1.966clears any doubts as to the existence of positive first order serial correlation in the estimated model. The Durbin Watson Statistics of 1.966is close to 2 and can be regarded to be within the acceptable range (Gujarati, 2003).

4.4.2 Test of Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) was employed to see the share of regression in the total sum of squares by splitting the model into regression and residual. Hence, in order to establish the relationship between regulatory practices and performance of Microfinance Banks in Nigeria, ANOVA was used. Analysis of Variance results are presented in Table 4.7.

Table 4.9: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.940	5	1.588	20.685	.000[b]
	Residual	7.524	98	.077		
	Total	15.464	103			

a. Dependent Variable: PF

b. Predictors: (Constant), RBR, PR, SR, CR, OPR

In table 4.7, analysis of variance (ANOVA) exhibits the regression by splitting the total sum of squares into regression (explained) sum of squares and error (unexplained) sum of squares. If a regression model is adequate, the explained variance should be considerably higher than the unexplained variation. In the ANOVA table 4.7, the IBM SPSS output illustrates, the total sum of squares (15.464) is split into regression (7.940) and residual (7.524) which ascertain the condition, $F(5, 98) = 20.685$, $p(0.000) < \alpha(.05)$. F statistic value of 20.685 and a P-value of 0.000 which was lower than the conventional p value of 0.05. This implies that the relationship between regulatory practice and performance of Microfinance Banks in Nigeria was statistically significant.

4.5 Discussion of Findings

This study examined the regulatory compliance (SR, CR, PR, OPR and RBR) and Performance (PF) of Microfinance banks in Kwara State, Nigeria.

4.5.1 Effect of Structural Regulation on Performance

The empirical results of hypothesis tested diagnosed in relation to research question one, showed that structural regulation has an insignificant effect on the performance (β = 0.110, t = 1.509 and p=0.135) at 5% level of significance. This implies that the structural regulation introduced by CBN has not improved performance of banks. Thus, it could be evidenced that the practice of structural regulation seems ineffective and inefficient in protecting activities from losses incurred neither reduced the complexity and size of banking organizational structures. Regulation could also be adjudged not efficient in reducing moral hazard problems in other business lines of Microfinance banks and their irregular financial capability in Kwara state, Nigeria. This finding is in conformity with the findings of Simeneh (2020), but it was contrary to the results from the studies of Hunjura et al.(2020), Kladakis et al., 2022, Igbinosa and Ogiemudia (2022) that the regulation was effective and efficient in enhancing banks 'performance. In relation to theinstitutional theory, the finding shows the relationship between the structural regulation and performance of the Microfinance banks.

4.5.1 Effect of Capital Regulation on Performance

The empirical results of hypothesis tested diagnosed in line with research question two, findings of this study revealed that capital regulation has significant effect and Performance based on the quantitative result (β = 0.136, t = 2.252 and p=0.027) at 5% level of significance. This variation was statistically significant; which implies that capital regulations have improved the performance of Microfinance banks in Kwara state, this was also in support of a-priori expectation of this study. By implication, this regulatory practice is effective and efficient in managing banks distress, improving bank

liquidity, ensuring prudent in management of bank assets and guarantee the safety of depositor's funds.The finding of this study is in tandem with the study of Deli and Hasan (2016), Peterson (2017), Hunjura et al., (2020), Duodu and Abaye (2021) but it was not the same scenario with the findings of Djalilov and Piesse (2019), Simeneh (2020) that capital regulation has no impact and Performance of banks. In a contrary view by Osa(2020), The study found that only capital regulations have a strong impact on bank efficiency, but this effect does not depend on the level of ownership concentration. The outcome conformed to the assumption of the regulatory dialectic theory that there is a relationship between the regulators and performance of financial institutions and the ways to improve financial performance of banks is to impose constraint on capital requirement by regulatory author and create impediment on the paths of banks to maximize profits and minimize the associated costs incurred.

4.5.3 Effect of Prudential Regulation on Performance

The empirical results of hypothesis tested conducted in line with research question three, findings of this study revealed that capital regulations have positive significant effect and Performance ($\beta = 0.353$, $t = 6.386$ and $p=0.000$) at 5% level of significance. This implies that prudential regulations have improved the performance of banks in Nigeria. In support of *a priori* expectation of the study, prudential regulation has shown a significant effect and Performance of Microfinance Banks: that prudential regulation has been ensuring capital adequacy, restrictions on proceeds from crime, money laundering so as to improve bank liquidity and profitability of banks thereby improve performance as a whole. The result is in line with the study of Khayongo (2016); Lawrence (2018); Simeneh (2020); Al-Tainimi and Fakbri, 2020 and Wangari and

Mutswenje (2020) suggested the prudential regulation positively correlated with financial performance but not in tandem with the findings of Kahuthu (2016); Miroslav (2019); Kiplagat and Kalui (2020); Berger and Bonaecorsi (2020); Dao and Nuyen (2020) that prudential regulation has no significant effect and Performance of banks. The institutional theory was employed as it shows the relationship between prudential regulation and performance of Microfinance banks. As the theory provides an insight into how CBN uses bank regulations to shape expected outcomes regarding the banks' financial performance in Nigeria.

4.5.4 Effect of Operational Regulation on Performance

The empirical results of hypothesis tested conducted in line with research question four, findings based on coefficients table of this study showed that operational regulations have not increased the performance of Microfinance Banks in Nigeria (β = 0.130, t = 1.605and p=0.112)at 5% level of significance. This quantitative result of does not support a-priori expectation as early expected by the researcher. This interprets that operational regulation has an insignificant effect and Performance of Microfinance banks in Kwara state. This implies that operational regulation has not efficient to ensure stability in banking system and not helped to guarantee safety, guarding against insider credit and other abuses by managing directors/senior managers and promote financially sound thereby not improving operational performance of Microfinance banks. This result is consistent with the findings of Ajibo et al.(2019), however, this finding is in contrast with the findings of Iyade (2006).This is supported by theory of regulatory dialectic. The regulatory dialectic theory based on it assumptions as it predicts banks regulations are based on the legal authority given the provision of the act that

operational regulation provided by regulators to reduce banks distress and boost public confidence of banks so as to increase operational performance of banks.

4.5.5 Effect of Risk-based Regulation on Performance

Based on empirical results of hypothesis tested conducted in line with research question five, findings based on coefficients table 4.7 of this study showed that risk-based regulation has significant effect and Performance of Microfinance banks in Kwara State (β = 0.157, t = 2.394 and p=0.019) at 5% level of significance. This implies that there risk-based regulation has been effective in assisting the discovery of financial problems in the banks through financial ratios and periodic banks returns and risks based regulatory checks have enhanced financial performance of banks in Kwara State. This result is consistent with the findings of Ajibo et al.(2019), however, this finding is in contrast with the findings of Iyade (2006). This is supported by theory of regulatory dialectic. The regulatory dialectic theory based on it assumptions as it predicts banks regulations are based on the legal authority given the provision of the act that operational regulation provided by regulators to reduce banks distress and boost public confidence of banks so as to increase operational performance of banks.

The result of this study supports a-priori expectation as it is expected by the researcher. This result is in line with agree with the findings of Buchak et al.(2020) that discovery of financial problem in banks and the periodic bank returns through risk-based regulation and impositions of risk-based checks by regulatory bodies have increased performance of Microfinance banks in Kwara State, but the result was not in agreement with the findings of Gosh (2015), Berger and Bonaccorsi, 2020). This could be explained by regulatory dialectic theory risk-based regulation practice has a significant effect and

Performance of Microfinance banks in assessing customer satisfaction, complaints, deposits and internal control weaknesses.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary, conclusion and recommendations, contributions to knowledge, suggestion for further studies, as well as the limitations and delimitations of the studies

5.1 Summary

This study examined the regulatory compliance practices and Performance of Microfinance banks in Kwara State, Nigeria. The purpose of this study is to examine the effect of regulations such as structural regulation, prudential regulation, operational regulation, risk based regulation and capital regulation (independent variables) on financial and non financial performance of Microfinance Banks in Kwara state.

The methodology for the study is purposive sampling technique and descriptive analysis with inferential statistics (multiple regressions) estimator was used to achieve the study objectives. Data were analyzed with two types of statistical analysis: descriptive and inferential statistics method for the analysis of the data gathered through questionnaire. Which were analyzed using descriptive statistics such as simple percentage, frequency, means, minimum value, maximum value and standard deviation, skewness and kurtosis and to analyze the relationship between dependent variable and independent variable of this study, linear regression analysis was employed for the inferential statistical analysis to test the hypotheses with assistance of IBM SPSS statistics version 20. The study highlighted conclusions, recommendations, limitations and delimitation of the study, contributions to knowledge and suggestions for further study.

5.2 Conclusion

Based on the empirical results of the hypotheses tested in chapter four, the conclusions

were revealed. The first objective of the study sought to evaluate the effect of structural regulation and Performance Microfinance banks in Kwara State. The output of multiple regression result portrayed that structural regulation has an insignificant relation to performance as the coefficient table 4.9 showed (β = 0.110, t = 1.509 and p >0.05) positive but no changes in performance which implies that structural regulation has no significant effect on revenue performance. The second objective of the study sought to examine the effect of capital regulation and Performance of Microfinance banks in Kwara State. The empirical result showed that capital regulation has significant effect and Performance as the coefficient table 4.9 exhibited (β = 0.136, t = 2.252 and p <0.05) positive changes and Performance which translate that capital regulation has significant effect and Performance of Microfinance banks in Kwara State.

The effect of prudential regulations Performance output of multiple regression result showed that prudential regulation has a significant relation to performance as the coefficient table 4.9 portrayed (β = 0.353, t = 6.336 and p <0.05) positive changes in performance. It was concluded that change was statistically significant which implies that prudential regulation has significant effect on revenue performance positively. More so, operational regulation and Performance output of multiple regression result showed that operational regulation has an insignificant relation to performance as the coefficient table 4.9 showed (β = 0.130 t = 1.605 and p >0.05) positive no changes in performance which implies that operational regulation has no significant effect on revenue performance. Lastly, risk based regulation and Performance findings portrayed that risk based regulation has a significant effect and Performance as the coefficient table 4.9 showed (β = 0.157, t = 2.394 and p <0.05) negative but changes in

performance which implies that risk based regulation has a significant effect on revenue performance

Therefore, all null hypotheses were accepted due to the evidences stated above while alternative hypotheses were rejected in the case of structural regulation and operational regulation. While alternative hypothesis for capital regulation, prudential regulation and risk-based regulation will be accepted whereas null hypothesis will be rejected.

5.3 Recommendations

In view of the findings of the study and conclusions above, it was found that the practices of bank regulations (structural regulation and operational regulation) have no significant positive effect and Performance of Microfinance banks in Kwara State. Therefore the regulatory bodies (CBN/NDIC) should review these regulations. Additionally, based on findings and conclusions, this study provides the following recommendations:

i. In line with the findings of this study and conclusion, the study recommends that Microfinance banks in Kwara State, should continue to align strategies so as to competitively match CBN prudential regulation and in the long run safeguard their financial and non-financial performance. The CBN should adequately and regularly probe regulations and their effects on Microfinance banks before implementing them. The study also recommends that management of Microfinance banks in Kwara State, should closely keenly monitor CBN regulations to allow conformity and compliance hence safeguarding penalties and fines.

ii. Given that capital regulation has a positive effect and Performance as early

concluded, Microfinance banks should continue to comply with CBN capital regulation in improving bank liquidity and increasing total deposits so as to improve performance of Microfinance banks. There should be more reviews on operational regulations of banks or, stakeholders of Microfinance banks should use other measures to evaluate the performance of banks in Nigeria.

iii. Prudential regulation has a positive effect on the performance, it's therefore, recommended that the stakeholders/managements of Microfinance banks should persist in engaging more experience and knowledge about prudential regulations in line with banking acts, as this will ensure capital adequacy, restrict some advances, credits and guarantees and also be made restrictions on proceeds from crime and money laundering.

iv. Given that operational regulation, has a positive and insignificant effect and Performance of banks as evidenced from findings and conclusions stakeholders/management of Microfinance banks should use other measures to evaluate the performance of their banks since the assessment of customer satisfaction and customer complaints through the regulatory framework initiative introduced were not enough. The Microfinance banks should further continue to assessing the satisfactions and complaints of their customers through operational regulatory initiative introduced by CBN to improve operational performance of banks.

v. Furthermore, risk-based regulation has a significant effect and Performance Microfinance banks should continue to using this measure to evaluate the

performance of Microfinance banks through continuous checking the activities that are risky for the bank and obey laid down rules and guideline to minimize risk exposures of banks thereby increasing profitability.

5.4 Contribution to knowledge

The study contributed to knowledge and existing literature on the regulatory practices and performance of Microfinance banks in Kwara State through the following areas:

This study has however contributed the following to the study of regulatory practices;

i. The study has contributed to the knowledge by filling the gaps in the existing literatures. In accordance with findings which are of opinion that capital regulation, prudential regulation and risk based regulation are the key indicators in attaining performance of Microfinance banks. It added to the body of knowledge as it has examined the regulatory compliance and Performance of Microfinance banks which can help the stakeholders of Microfinance banks and regulatory bodies in making decisions on their next plans on new policies for banks.
ii. Instead of considering just a single measure of regulations (as prior studies in the literature have done), the study considered five different regulatory measures. This will help researchers in this area of interest to draw inference.
iii. To the best of the researcher's knowledge, no study in Nigeria has extensively

covered regulatory practices of banks as it relates to performance, this study will serve as a data base for future research.

5.5 Suggestions for further study

This Study was explored in Kwara State and employed five variables to investigate the regulatory compliance and Performance of Microfinance banks. The study therefore suggests that future researchers should further investigate the regulatory compliance in other states and consider the effects of other variables which were not included in this study.

5.4 Limitations and delimitation of the Study

The findings of this study are limited to the activities of Microfinance banks in Kwara State. Only licensed Microfinance banks in Ilorin Metropolis, Kwara State were focused. Other states were not cover in the study. The results were adjudged good enough to give a reasonable insight on the regulatory compliance and Performance of banks in Kwara state, Nigeria.

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APPENDIX I

QUESTIONNAIRE

PART 1

SECTION A: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

INSTRUCTION: Indicate the most appropriate answers by a tick (√) in the brackets. Each question should have only one tick (√) for your chosen answer

1. Sex: Male ( ) Female ( )

2. Age: 20-30yrs ( ) 31-40yrs ( ) 41-50yrs ( ) Above 50yrs ( )

3. Marital Status: Single ( ) Married ( ) Divorced ( ) Widowed ( )

4. Educational Qualification: HND/BSc( ) MBA/MS.c ( ) Others ( )

5. Status in the organization: Operation Manager ( ) Shareholder ( ) Internal Auditor ( ) Finance Manager ( ) Others( )

6. Length of service: 0-5yrs ( ) 6-10yrs ( ) 11-15yrs ( ) 16-20yrs ( ) 21-25yrs ( ) Above 25yrs ( )

PART 2

SECTION B: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Structural Regulation	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	Structural regulation is effective and efficient in protecting activities from losses incurred elsewhere.					
2	Structural regulation is effective in preventing any subsidies supporting the protected activities from cutting the cost of risk-taking.					
3	Structural regulation has reduced the complexity and size of banking organisational structures.					
4	Structural regulation has made the					

	management and administration of banks simple and more transparent to outside stakeholders.					
5	The regulation has reduced the moral hazard problems in other business lines					
6	Banks are able to cut cost of administration, eliminate misuse and exploitations as a result of structural regulatory compliance					
7	The regulation introduced by CBN has helped banks to have regular financial capacity					
8	Structural regulation is more effective in bringing more market innovations and development due to better monitoring of entire financial system by CBN					

SECTION D: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Capital Regulation	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	Minimum capital requirement by CBN has helped in improving bank liquidity and preventing bank distress					
2	Bank Capitalization has proven effective for managing bank distress					
3	The introduction of the treasury single account has helped in reducing bank distress					
4	Liquidity stress was effective in revealing the capital position of banks that fell below regulations					
5	Capital regulation of banks has ensure prudent management of bank assets and guarantee the safety of depositors' funds					
6	The capital regulations of banks has aided in reducing the amount of money in circulation outside the banking system					
7	The Capital regulation has boosted depositors' confidence in Nigeria Banking Industry					

SECTION E: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Prudential Regulation	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	Prudential regulation has ensured capital adequacy					
2	Prudential regulation introduced has made restrictions on advances, credits and guarantees					
3	Regulation has made restrictions on proceeds from crime and money laundering					
4	Prudential regulation is effective in ensuring liquidity management of banks.					
5	The regulation has placed restrictions on trading and investments.					
6	The regulation has placed restrictions on ownership of share capital of the financial institution.					
7	Restrictions on deposit taking have been achieved through the prudential regulations introduced by CBN.					
8	Regulation has enabled the imposition of charges and payment of interest.					

SECTION F: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Operational Regulation	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	The stability in the banking system was as a result of efficient Regulations issued by the CBN and NDIC					
2	The regulatory functions of the CBN and the NDIC have helped to guarantee safety and promote financially sound practice in					

	Nigerian banks					
3	Bank operational regulations have helped in guarding against insider credits and other abuses by directors, managers and other officers of the bank					
4	Bank operational regulations have helped in ensuring that only men and women of impeccable character are approved as directors of banks					
5	Effective operational regulation encourages quality services and promotes an efficient and competitive banking system					
6	Disclosure of banks' annual financial statements to investors and the general public would help in determining the fitness of the banks					
7	Operational regulation uncovers incidence of bad loan portfolio in Nigeria Banking Industry					

SECTION G: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Risk based regulation	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	The Risk based regulation of banks issued and used by the CBN/NDIC to check the activities of banks in laid down rules and guideline has reduced risk exposures of banks.					
2	Risk based regulation has helped in assisting the discovery of financial problems in the banks through financial ratio and periodic bank returns					
3	The approval/expansion of banks' branches has been keenly monitored through Risk based regulation supervision					
4	Disclosure of banks' annual financial statements to depositors, investors and the					

	general public has helped in determining the soundness of the bank.					
5	Imposition of Risk based regulation checks by the regulatory bodies has strengthen the financial condition of banks as well as compliance of banks with operating guidelines					
6	E-payment and cashless policy has helped to curb bank distress					
7	Risk based regulation checks have enhanced financial performance of the Nigerian Banking Industry					

PART 3: Independent Variable (Tick in the appropriate box provided)

S= Strong Agreed (5), A= Agreed (4), U=Uncertain (3), D=Disagree (2), SD= Strongly Disagree (1)

S/N	Statement on Performance	SA (5)	A (4)	U (3)	D (2)	SD (1)
1	Efficient utilization of all banks' resources has ensured high productivity through government regulatory framework.					
2	Assessment of customer satisfaction and customer complaints through the regulatory framework initiative introduced has enhanced operational performance of banks.					
3	Strong internal control and quick business processes have been achieved through initiatives of regulatory framework.					
4	Costs of running activities of banks have been reduced as a result of the bank regulations' compliance.					
5	Qualities of services levels and quick delivery by banks have been increased with aid of regulatory framework of government.					
6	More employee empowerment and motivation through training and development improve performance.					
7	Profitability of Banks have been increased					

	through banking regulations					
8	Banking Regulations have improved market share and bank liquidity					
9	Regulations introduced have increase total deposits thereby improve performance of Microfinance banks.					

APPENDIX II

LETTER OF INTRODUCTION AND QUESTIONNAIRE

Department of Accounting and Finance,

School of Business and Governance,

Kwara State University, Malete.

25th March, 2022.

Dear Sir/Ma,

I am a postgraduate student currently conducting a research work as part of the requirements for the Master of Science Degree. This questionnaire aims at collecting data regarding; Bank regulations and Performance of Microfinance Banks in Kwara State, Nigeria. A questionnaire has been developed essentially for the purpose of this work. I kindly request you to give the correct answers to ensure attainment of the expected objectives of this study. Please note that you are not required to provide your name. High level of confidentiality will be observed when presenting the data collected from you on a subject matter.

Thank you for your assistance.

Yours Faithfully,

Matthew Olalekan DURODOLA

18/27/MFI006