INSIDER DEALINGS AND THE PROBLEMS OF BUSINESS ETHICS IN THE BANKING INDUSTRY IN NIGERIA.

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Abstract

Professionalism in banking is violated when ethical or legal fundamentals are breached or blatantly disregarded. Ethics is a strong code of morality, which for an occupation such as banking, plays an important role in the well being of individuals, businesses, national and international economies. Unethical conduct manifests itself in various ways, including insider abuse, fraudulent dealings; irregularity/inaccuracy in rendition of reports, these are problems bordering on business ethics as evident in the Nigerian banking crisis. A multiple regression analysis was used and from the summary of the finding, we can infer that the consequences of insider dealing and problem of business ethics can be disastrous and could result in loss of confidence and trust in the industry, loss of business for the institutions, shareholders, board/management disputes, operational losses, distress of the sector, and liquidation of institutions, capital flight, and stagnation of the economy.

Introduction

Traditionally, the role of banks whether in a developed or developing economy, consists of financial intermediation, provision of an efficient payments system and serving as conduit for the implementation of monetary policies.

In view of the importance of the banking sector in economic development and the imperfections of the market mechanism to mobilize and allocate financial resources to socially desirable economic activities of our nations, challenges confronting the industry relate to operating environment, inherent weaknesses in the conduct and practices of practitioners bordering on ethics and integrity otherwise referred to as weak corporate governance and inadequate legal provisions. Unethical conduct manifests itself in various ways, including insider abuse, fraudulent dealings, irregularity/inaccuracy in the rendition of statutory returns, window dressing of accounts. According to Akingbola Erastus "The systemic distress of the early 90s in the Nigerian banking industry was induced by insider abuse, widespread malpractices, and mismanagement resulting in the liquidation of various banks and other financial institutions" .The thrust of this study is therefore to look into Insider dealings and how it bothers on Business Ethics in the Nigerian Banking Industry.

Broadly, these issues relate to the industry's operating environment, inherent weaknesses in the conduct and practices of practitioners bordering on ethics and integrity.

The study is with particular reference to the Nigerian Banking Industry. This is to consciously beam a search-light on the sector's activities with a view to ensuring that operators play by the rules of the game and imbibe sound and safe banking practices. Furthermore, such an oversight is intended to assist supervisory authorities in timely identification of deterioration in bank financial conditions before it degenerates to threaten the stability of the banking system or even the economy.

Statement of Research Problem

By adherence to high standard of ethics, the role of Nigerian banks in provision of an efficient and effective economic development can be successfully achieved. Banking thrives on confidence and professionalism demands that there must be single-minded adherence to the highest standards of ethics and respect for the law. Unethical practices of Nigerian banks arguably reflect the general degree of corruption in the country. The most controversial and alleged consequence of unethical practices in the Nigerian banking industry is distress of the sector coupled with operational losses that could bring eventual stagnation to the economy.

These among other statements of research problems identified were addressed in this study and encapsulated into related questions. From the statement of research problems, certain research questions were encapsulated thereby: as insider dealing and problems of business ethics is prevalent in the Nigerian banking sector won't there be operational losses? As insider dealing and the problem of business ethics are prevalent in the Nigerian banking sector won't it bring about a distress of the banking sector? As insider dealing and the problem of business ethics are prevalent in the Nigerian banking sector won't it bring about an eventual stagnation of the economy? These research questions identified and stated will be addressed in the course of the study.

The study tested two hypotheses. That business ethics has no significant effect on the gross domestic product (GDP) of financial institutions. That distress in the banking sector has no significant effect on the gross domestic product (GDP) of financial institutions. The GDP data used were stated at current prices.

Literature Review

Insider Dealings

With the current incidents of bank liquidation globally, it is timely to discuss banks safety in Nigeria hence the basis for this discourse on the need and how to ensure safe and sound banking practices in Nigeria. The crisis in general involved defaults on the part of insiders and their dealings. The Nigerian banking system was seriously undermined by this, and a host of insider workings by the banks management and directors that borders on fraud and abuse. Fortunately, the Failed Banks Act was the only serious regulation that provided a sound enabling environment to stem the erosion of confidence in the banking system. Prior to this, there were laws that existed, but they lacked the teeth to ensure a safe and sound banking environment. The banking industry is still heavily regulated by the government and the CBN is used as an instrument for government monetary policies. These are manifesting in the rising cases of unwholesome practices being recorded. A number of banks engage in some sharp and unorthodox practices to achieve compliance with some regulatory requirements. Many banks returns provide inaccurate/misleading financial report thereby preventing timely detection of emerging problems by the supervisor.

Another dimension of the weak corporate governance issue is the managerial incompetence of the top management. Substantial losses incurred by many banks on their credit portfolio, frauds and forgeries and outright negligence have brought to the fore, the importance of sound internal control system. A similar daunting story was to flood the market recently, following the indication that some banks were being considered as "Market Makers" in view of the meltdown that hit the nation's stock market. But for the vigilance and government's patience this time, a wave of panicky withdrawals would have hit some banks and would have got them derailed. Thus, with the insider information, some banks were able to cut the deals that ensured that they scaled the hurdle. The elastic effect of the consolidation exercise was brought through the determination of the government to adopt the liquidation option rather than the bail out option that has become the fad around the world. The issue of insider dealing is of great magnitude, and cannot be overemphasized in the context of the study. It includes failure to disclose the interest of borrower or customer in his business dealings with the institution; diverting assets and income for insider own use: misuse of position by approving questionable transactions for relatives, friends and business associates: abuse of expense account: acceptance of bribe and gratifications and other questionable dealings related to their position at their institution. indulging in such dealings usually undermines laid down guidelines and regulation resulting in non-performing credit and untimely bank failure which generally has adverse effects on the nations economy as a whole.

The impact of Insider Dealing related to the Nigerian banking industry system, can best be appreciated if we cast or minds back to the late 1980s and early 90s when the NDIC and CBN examiners observed that the bane of most of the banks had their licenses revoked by the CBN for Insider Dealings and Abuses. It became obvious that most of the insider credit was not performing and remedial action was taken by the affected banks to stop this malpractice. It was unfortunate therefore, that the root cause of bank failure in the late 1980s and early 90s was traced to the board and management of the banks rather than to third party causes.

Weak Corporate Governance

Another manifestation of weak corporate governance is the trend in deficiencies in banks earning assets especially loans and advances, arising from instances such as insiders abuse. This is an indication of managerial problems earlier referred to, shows worrisome increases in both the amount of non-performing credits and insiders credits. It is on record that there were widespread violations of insiders lending regulations even when the rules have inadvertently been made generous by amendments occasioned by the introduction of universal banking policy which increased the single obligor limit from 20 to 35 per cent of shareholders fund unimpaired by losses.

Distress in the Nigerian Banking Industry

A bank that is illiquid or insolvent or both is distressed. If many banks in a country are therefore distressed to the extent that it becomes a systemic, the country can be said to be having banking crisis and ditto for a region/continent as witnessed in the South East Asia. It therefore implies that distress can be in a bank, a country or a region. Distress becomes severe when a bank reveals most or all of the following conditions:

- Gross undercapitalization in relation to level and character of business
- High level of non performing loans to total loans
- Illiquidity reflected in the inability to meet customers cash withdrawals
- Low earnings resulting in huge operational losses
- Weak management as reflected by poor Asset quality, Insider abuse, inadequate internal controls, Frauds including Unethical and Unprofessional Conducts.

According to Reinhart (1999), distress is marked, by an event that indicate either bank runs lead to closure, merger or take over of public sector or one or more financial institution. The systemic distress of the early 90s in the Nigerian banking industry was induced by insider abuse, widespread malpractices, and mismanagement resulting in the liquidation of various banks and other financial institutions.

In Nigeria, insider dealings contributed significantly to the failure of banks and is one of the serious economic crimes being perpetrated in our banking industry today. Frauds result in huge financial losses to banks and their customers, the depletion of shareholders funds and banks capital base as well as loss of confidence in the sector. It is therefore of special concern to the regulatory authorities who are saddled with the responsibility of ensuring the safety and soundness of the entire banking system. The incidence of insider dealings in the Nigerian banking system should be of serious concern to all stakeholders.

Furthermore, it was observed that credit granted to major shareholders and directors of the banks, as well as their related interests, accounted for over 80% of the distressed banks non-performing facilities. Most bank directors usually feel entitled to special benefits, especially preferential borrowing privileges and thereby force the banks to grant them unlimited access to their funds either in their personal capacity or to their related companies.

In the Nigerian Banking Industry, years revealed the problem in our banking industry as evident in the banking crisis and Distress that gripped the country which led to the advent of the Failed Banks Decree. The crisis in general involved defaults on the part of insiders and their dealings. The Nigerian banking system was seriously undermined by this, and a host of insider workings by the banks management and directors that borders on fraud and abuse. Fortunately, the Failed banks Act was the only serious regulation that provided a sound enabling environment to stem the erosion of confidence in the banking system. Prior to this, there were laws that existed, but they lacked the teeth to ensure a safe and sound banking environment. The banking industry is still heavily regulated by the government and the CBN is used as an instrument for government monetary policies. The applicable laws include the Companies and Allied Matters Act of 1990, CBN Act No 24 of 1991, the BOFI Act No 25 of 1991 and to some extent the NDIC Act No 22 of 1988. The BOFI Act is the most relevant for ensuring safe and sound banking practices in Nigeria. It is this law that was changed in 1997 to increase the minimum paid up capital that was increased to 500 Million from 50 million naira in the 1997 budget which was raised to 25Billion Minimum Regulatory Capital in the year 2005. It also deals with other issues like disclosure of interest by insiders, and the system of CBN off-site surveillance and the on-site audits of banks. A notable feature of the industry is low ethical standard and transparency. These are manifesting in the rising cases of unwholesome practices being recorded. A number of banks engage in some sharp and unorthodox practices to achieve compliance with some regulatory requirements. Many banks returns provide inaccurate/misleading financial report thereby preventing timely detection of emerging problems by the supervisor. Another dimension of the weak corporate governance issue is the managerial incompetence of the top management. Substantial losses incurred by many banks on their credit portfolio, frauds and forgeries and outright negligence have brought to the fore, the importance of sound internal control system.

Remedial Actions by the CBN

The CBN however continued to intensify surveillance activities to monitor and curb those unhealthy practices. The CBN put in several measures as obtainable in the Bank and Other Financial Institution Act (BOFIA) No 25 of 1991 Section 18(3) which states certain actions about insider abuses some of which among others include the director's declaration of his/her interest in any credit being granted by the bank. Section 20(2) also states that total exposure of bank to a single individual (including directors) should not exceed 20% of its shareholder fund and even with the introduction of universal banking review of required single obligator limit to 35%. Also, a circular was issued by the CBN 13th November 2001and stipulated that where a debtor / creditor is a shareholder, his shareholding will be defrayed of immediately to defray the debt.

Section 18 (1) (a) of BOFIA also requires that bank should ensure that adequate security is obtained prior to the granting of a facility.

Problem of Business Ethics

A banker ideally is more than a regular professional. He is the custodian of individual, group, corporate and national wealth. He manages valuables including the financial savings of the economy and ought therefore to be the first choice for the position of trust. The quintessence of professionalism in banking is the ability and competence to give the customer basis for complete trust as well as faultless service. Banking thrives on confidence. The bank that lacks public confidence is a dead bank. Professionalism demands that there must be single-minded adherence to the highest standards of ethics and respect for the law. It is the underlying basis for a resilient, efficient, safe and sound banking system.

Professionalism in banking is violated when ethical or legal fundamentals are breached or blatantly disregarded. Unethical conduct manifests itself in various ways, including insider abuse, fraudulent dealings, irregularity/inaccuracy in the rendition of statutory returns, window dressing of accounts. The consequences can be disastrous and include loss of confidence and trust in the industry, loss of business for the institutions, shareholders, board/management disputes, operational losses, distress of the sector, and liquidation of institutions, capital flight, and stagnation of the economy. The systemic distress of the early 90s in the Nigerian banking industry was induced by insider abuse, widespread malpractices, and mismanagement resulting in the liquidation of various banks and other financial institutions. In the thick of the distress, the government was compelled to enact the Failed Banks (Recovery of Debts) And Financial Malpractices in Banks Act of 1994 with accompanying tribunals. By 1995, about 60 of the 120 banks in Nigeria were in various stages of severe distress and within three years, 31 banks were closed down. The Failed Banks Decree was set up to recover classified assets of the failed banks and to try identified cases of malpractices.

Revelations of Failed Bank Tribunal

The tribunals made shocking revelations of large scale violation of ethical codes, insider abuse, mismanagement of institutions and self serving tendencies on the part of owners, directors and managers of various financial institutions. The banking industry is probably the most regulated due to its very nature of business of dealing with other peoples' money. I will not bore you with the details of the various regulations but be assured that the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the Securities and Exchange Commission and the Nigerian Stock Exchange are up and running with effective legislations and regulations to keep banks on their toes. Since the Failed Banks Act of 1994, other legal enactments with impact on the Nigerian banking industry include the Advanced Fee Fraud & other Related Offences Act of 1995, Money Laundering Act of 1995, Money Laundering (Prohibition) Act of 2004, and the Economic and Financial Crimes Commission Establishment Act of 2004. These are powerful legislations, designed to deter and punish malpractices and to ensure financial stability. The issue of regulation has become even more of an issue as the Nigerian banking industry becomes one of the fastest growing in the world.

The Role of Ethics and Integrity in Banking

Ethics is a strong code of morality. It is simply, doing the right thing. Ethics has been recognized as the foundation of personal, corporate and national success. In spite of spectacular episodes in which 'bad guys' and companies appear to flourish and despite the notion that 'nice guys' finish last, being ethical has proven unassailable in ensuring sustainable growth and prosperity in the long run. Professional ethics is the standard of competence plus practice of the code of conduct required of those in a given calling or line of business or trade group/association or a specialized occupation. For an occupation such as banking, which plays an important role in the well being of individuals, businesses, national and international economies, the key to being successful goes beyond the provision of excellent financial services to having the absolute confidence of all the bank's stakeholders? For the banker, professional ethics is non debatable.

Running a business ethically is good not only for business but for the larger society because successful, profitable and sustainable businesses are tremendous contributors toward the common good of society. Applying ethics in business makes good sense. A business that behaves ethically induces other business associates to behave ethically as well. So critical and sensitive is the business of banking in influencing economies and politics that it is no surprise that banking is among the most monitored and most regulated industry in most economies. But regulation has its limits because even with the huge amount of regulations and legislations, some bankers have fallen to the lure of the filthy lucre.

Unethical Practices in the Nigerian Banking System

Unethical practices of Nigerian banking system from a historical perspective, traced back to the emergence of indigenous banks in colonial period, with the 1952 Nigerian Banking Ordinance as the foundation of later regulations aiming to improve banking standards. It extended to the regime of Structural Adjustment Programme (SAP) which was set up in 1986 by the military government of President Babangida. This was part of measures that the government was compelled to take in order to achieve balance of payments stability. Also included was the deregulation of the banking system. The SAP measures to a great increase in the number of banks and facilitated arbitrage possibilities which have allowed perhaps the most notorious unethical practice of Nigerian banks, round tripping. Details the types of unethical practice which the banks use and concludes that Nigerian banking remains full of such practices, which arguably reflect the general degree of corruption in the country. Certain conducts are classified unprofessional/unethical some are: Conflicts of Interests, Engaging in extraneous activities which compete/interfere with or constrain a bank's primary responsibility, colluding with third parties to inflate contracts.

Understanding the volume of deposits in order to evade insurance premium, mandatory cash reserve requirements, Imposition of previously undisclosed charges on customer's accounts, Failure to submit report on dismissed/terminated staff to Central Bank of

Nigeria and allowing proven fraudulent staff to resign, Failure to submit report on eligible credit to CBN for the CRMS system.

Misuse of Information, manipulation or non-disclosure of material information on operation supplied to regulatory authorities, in order to derive some benefit or avoid liability, running down competitors through deliberate misinformation. Misuse of various financial derivatives, deliberate rendition of inaccurate returns the Regulatory Authorities with intent to mislead, Misuse of confidential information gained through banking operations. All these among others are forms of unethical practices which pose as problems and sure risk to the banking system if not purposefully addressed.

Methodology

Secondary data were used in this study references were made to several write-ups, journals from relevant organizations such as the Central Bank of Nigeria, Nigeria Deposit Insurance Corporation, to mention but two. The method of data analysis used to test the hypothetical statement was the multiple regression technique. It was used to determine whether or not Insider dealings, the problems of Business Ethics and distress the banking sector have any effect on the Nigerian banking industry and also if it brings stagnation to the economy.

The Hypotheses tested by the study are:

Ho: The problems of business ethics has no significant effect on the gross domestic product of financial institutions.

Ho: Distress in the banking sector is has no significant effect on the gross domestic product of financial institutions.

Model Specification

The model of ordinary least squares method used produced the following model:
The Gross Domestic Product of Financial Institution at Current Prices in (y)
Depends on the Number of Distressed Banks (x_1) and the Number of Bank staff involved in Insider abuse (x_2)

Thereby we can say $Y= f(x_1\ x_2)$

$$\hat{Y}_i = \hat{b}_0 + \hat{b}_1 x_{1i} + \hat{b}_2 x_{2i} + U_t$$

Where, $\hat{b}_0$, $\hat{b}_1$, $\hat{b}_2$ are estimates of the true parameters b_0, b_1, b_2 of the Gross Domestic Product of Financial Institution at Current Price Relationship.

Discussion of Findings

Analysis of data collected through the medium provided by secondary sources with a view of interpreting them so that the understanding of the objectives of the study might be clearer. The main purpose of the study is to look into Insider abuse and the problems of Business Ethics and the impact that it has on the Nigerian Banking Industry.

It is believed that the analysis of the data obtained from the said sources would appraise the problems and prospects of the objective and hence positive recommendation would be proffered to facilitate the objectives of the study.

TABLE 4.1.

YEAR	Number of Distressed Banks	Numbers of Staff involved in Insider Dealings	Gross Domestic Product of Financial Institution at Current Price
1989	7	313	6,393.0
1990	9	417	11,260.0
1991	15	514	12,553.4
1992	16	436	14,635.1
1993	38	516	15,753.7
1994	55	737	12,153.2
1995	60	625	19,755.3
1996	50	552	26,563.0
1997	47	566	29,964.8
1998	15	311	34,605.9
1999	13	596	38,181.5
2000	7	493	42,408.3
2001	9	152	52,678.3
2002	57	85	76,950.4
2003	59	106	78,832.1
2004	-	383	99,872.43
2005	58	378	126,528.38
2006	31	331	288,38.31

Regression Results

Dependent Variable: GDP
Method: Least Squares
Date: 08/21/09 Time: 22:33
Sample(adjusted): 1991 2003
Included observations: 13 after adjusting endpoints
Convergence achieved after 71 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ND	137.5727	75.06768	1.832649	0.1042
NS	-21.50478	9.913789	-2.169179	0.0619
C	1618.501	18427.87	0.087829	0.9322
AR(1)	0.703105	0.395792	1.776449	0.1136
AR(2)	0.483520	0.502769	0.961713	0.3644

R-squared	0.968640	Mean dependent var	35002.69
Adjusted R-squared	0.952960	S.D. dependent var	22727.89
S.E. of regression	4929.379	Akaike info criterion	20.12754
Sum squared resid	1.94E+08	Schwarz criterion	20.34482
Log likelihood	-125.8290	F-statistic	61.77568
Durbin-Watson stat	2.318741	Prob(F-statistic)	0.000005
Inverted AR Roots	1.13	-.43	
	Estimated AR process is nonstationary		

Table 4.1 shows over a period of Eighteen years (i.e. between 1989-2006),the Gross Domestic Product of Financial Institution at current price as culled from the Central Bank of Nigeria Statistical Bulletin, Volume 17,December, 2006, and Number of Staff involved in Insider Dealing as well as the Number of Distressed Banks from the Nigeria Deposit Insurance Corporation Annual Report for the period (i.e. 1989-2006).

From the Table of Coefficients:
The Regression Results may now be presented in the following summarized form.

$$\hat{Y} = \hat{b}_o + \hat{b}_1 x_1 + \hat{b}_2 x_2 + u_t$$

Where Y: GDP
X_1: ND
X_2: NS

$$\hat{Y} = \hat{b}_o + \hat{b}_1 x_1 + \hat{b}_2 x_2 + u_t$$

$$= 1618.50 + 137.57ND - 21.50NS + U_t$$

t	(0.088)	(1.833)	(-2.169)
SE	(18427.87)	(75.068)	(9.914)
R^2	0.9686		
Adj. R^2	0.9530		

$$\frac{dy}{dx_1} > 0 \qquad \frac{dy}{dx_2} < 0$$

Testing the significance, the study found out that the explanatory variables are statistically significant at 1% level of significance, but at 5% level of significance variable x_2 that is the number of staff involved in insider dealing is significant
We therefore we reject the null hypothesis.

The value of R^2 (0.9686) shows that 97% of the variation in the dependent variable is explained by the explanatory variable 3% of the systematic cannot be accounted for, this can be attributed to the error term.

Durbin Watson statistics is estimated at 2.319 after correcting for the presence of autocorrelation using the Cochrane-orcutt interactive method.

The F-test which measures the overall significance of the variable of the model is statistically significant at 5% level of significance.
We therefore reject our null hypothesis

Therefore as distress in the banking sector is prevalent it causes a reduction in the Gross Domestic Product of Financial Institution. Also as Number of staff involved in insider dealing is prevalent it results in reduction of Gross Domestic Product of Financial Institution.

Conclusion

Insider Dealings and the Problems of Business Ethics was examined in this study with reference to its effect on the Nigerian economy. The study looked into Problems of Business ethics with great emphasis on Insider dealings between the periods (1989 – 2006). In Nigeria, insider dealings contributed significantly to the failure of banks and is one of the serious economic crimes being perpetrated in our banking industry today. Frauds result in huge financial losses to banks and their customers, the depletion of shareholders funds and banks capital base as well as loss of confidence in the sector.

Method of data analysis used was the ordinary least squares model. It was used to determine whether or not the variable factors (Number of staff involved in insider dealings and Number of distressed banks) which had impact on the Gross Domestic Product of Financial Institution at Current Price. From the test of the hypothesis, it was derived that our null hypothesis was not true and therefore we rejected the Null.

Therefore: As Insider Dealing and problems of Business Ethics is prevalent in the Nigerian Banking Industry it brings about reduction in Gross Domestic Product of Financial Institutions at current prices.
As Distress is prevalent in the Nigerian Banking Industry it brings about reduction in Gross Domestic Product of Financial Institutions at current prices.

In conclusion this study has brought to the fore the critical role of Business Ethics in economic development by emphasizing the relevance of Integrity and good ethics as the foundation of personal, corporate and national success. For an occupation such as banking, this plays an important role in the well being of individuals, businesses, national and international economies, the key to being successful goes beyond the provision of excellent financial services to having the absolute confidence of all the bank's stakeholders. For the banker, professional ethics is non debatable.
Insider dealings are known to have contributed to the distress of some Banks in the Nigerian Financial system for which the regulatory authorities had expressed concern over the conduct of Directors and Bank staff. The crux of the matter is the connivance or complexity of credit administrators in granting insider credit. Ethics and properly laid down guidelines thereby needs to be adhered to for a credible and performing loan portfolio which transform into a healthy Banking Industry and consequently a viable and growing economy.
The role of banks whether in a developed or developing economy, consists of financial intermediation, provision of an efficient payments system and serving as conduit for the implementation of monetary policies. Looking at the Nigerian Financial system as a case in point, these functions are efficiently carried out; the economy would be able to attain the maximal point development. Financial institutions are necessary condition for economic development. In view of the importance of the banking sector in economic development and the imperfections of the market mechanism to mobilise and allocate financial resources to socially desirable economic activities of any nation, governments the world over, do regulate them more than any sector in an economy. These underscore the need for banking sector regulation. However, in addition, the nature of banking business provides added reason for strict supervision. This is to constantly beam a search-light on the sector's activities with a view to ensuring that operators play by the rules of the game and imbibe sound and safe banking practices. Furthermore, such an oversight is intended to assist supervisory authorities in timely identification of deterioration in bank financial conditions before it degenerates to threaten the stability of the banking system or even the economy.
Finally for all legal enactments, the Failed Banks Act of 1994, Banks and other Financial Institutions Act 1991, Advanced Fee Fraud & other Related Offences Act of 1995 among others, more regulations is not the best way to prevent future incidences of problems of

Business Ethics and Insider Dealings as case in point rather, all these activities that could allegedly occur have already given consideration under existing regulations and laws, therefore better enforcement is what is needed and not more laws.

Recommendation

Since it has been ascertained by the study the effect that the problems of business ethics has had on the Nigerian banking industry, and also with a clear knowledge that distress in the sector can result in stagnation in the economy, with much assurance we know that this problem cannot be undermined.

Since the Failed Banks Decree of 1994, other legal enactments to impact on the Nigerian banking industry have been instituted to reform the sector. Therefore, Court Cases and Tribunals need to address with urgency in the general court reform processes. There is need for the establishment of commercial divisions in every state high court as it has been done in Lagos State. This will, no doubt, facilitate the speedy resolution of business litigations. It is also imperative for banks to assiduously pursue and not deter in the prosecution of loan defaulters and other offenders at the law courts without prejudice or sentiments of any kind.

There is also the need to develop a legal framework to guide the rights and liabilities of parties involved in e-banking transactions given the increasing utilization of electronic means of doing business in Nigeria and globally. It is also important to beef up investigation and prosecution of e-business offences in order to reduce fraud in e-banking transactions. While it is clear that the Nigerian banking system requires a credit bureau and though the process is underway, it needs to be speeded up, so that a credible database and credit history of those who take loans from banks as well as the legal framework can be put in place as soon as possible.

Apart from laws that may be necessary to meet special situations, there are many who argue that there are adequate laws to guide business decisions and that what is lacking is an effective legal implementation and sanctions system. I do not disagree. More regulation is not the best way to prevent future Enron-like meltdowns, according to Kothari, S.P., Professor of accounting at MIT Sloan "the activities that allegedly occurred at Enron are already given consideration under existing accounting rules or security laws," he also added that better enforcement is the answer, not more laws.

However I am of the opinion that while the law provides defined conditions for engaging in business, it is essentially derived from ethics. Professional and personal ethics is the critical support which the law requires to deliver a safe and sound banking system. The law and ethics are like Siamese twins. Hence, the role of the individual ethics of the business leader cannot but be underscored in ensuring long-term business success.

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