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Revolutionary Reforms in the Nigerian Banking Sector: The Effects on Profitability and Cost of Intermediation

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**REVOLUTIONARY REFORMS IN THE NIGERIAN BANKING SECTOR: THE EFFECTS
ON PROFITABILITY AND COST OF INTERMEDIATION**

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In July 2004, the chairperson of the Nigerian Central Bank announced a 1150% increase in the minimum capital requirement for banks operating in Nigeria, from less than N2 billion to more than N25 billion. This paper examines the wave of mergers and acquisitions, initial public offerings and bank liquidations initiated by the regulatory change and its impact of the cost of intermediation and profitability. Finally, we identify some of the differences between the two sub-samples - banks that achieved the stipulations aforementioned ad novo legislation (through M&As or IPOs) and banks that failed as a direct result of the new rule.