FINANCIAL RATIOS AS PREDICTOR OF CORPORATE FAILURE IN THE NIGERIAN BANKING SECTOR

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ABSTRACT
This study was undertaken to predict corporate failure with particular reference to the Nigerian banking industry using CAMEL ratios. The study covered a period of five accounting years from 2011 to 2015. Multiple discriminant model, Altman’s Z-score model was used to predict bank failure and the status of Nigerian banks. It was discovered that 76% of the 10 banks used for the study had their Z-score above 2.68 threshold implying that they are strong and healthy while the other 24% were within the safety region of $1.81 < Z < 2.68$. No one was less than 1.81 implying that no bank in Nigeria today is ill. The study also supports the effectiveness of using the Z-score model in corporate failure prediction. We concluded that bank failure is as a result of poor CAMEL ratios and that these ratios are largely affected by the quality of management and their decisions. Among our recommendations were that banks should institute a process of closely monitoring their ratios and that only value-adding staff should be appointed into management positions.

Keywords: Financial ratios, Predictor, Corporate failure

1.1 Introduction
Every Company is usually incorporated as a going concern. However, not all incorporated companies are able to survive in perpetuity. Some suffer setback and are reorganized or restructured to survival while others face liquidation. This amounts to corporate failure. Beaver (1966) defined corporate failure as the inability of a firm to pay its financial obligations as they mature. Mbat and Eyo (2013) also defined corporate failure as the inability of a corporate organization to conform itself with its strategic path of growth and development to attain its economic and financial
objectives as well as legal obligations. Corporate failure or liquidation is usually injurious to the stakeholders particularly the owners who bear the greatest risk in the circumstance. If stakeholders are able to predict the company that would fail, they would be better informed to take proactive measures to avoid or reduce the consequences of failure. Against this backdrop, one would want to know: the reasons organizations fail, the early signs that failing organizations manifest, the possibility of identifying these signs and the possible courses of actions to take when these signs become evident, to mitigate losses. Corporate failure or distress in the private and public entities has been a frequent occurrence around the world with its social and economic implications on the owners of the entities and other stakeholders such as lenders, employees, suppliers, government agencies and even the general public. The implications of corporate failure include: owners losing their valuable assets pledged for moneys invested in businesses, investors in companies losing their investments, creditors not being paid for products and services which negatively affect their own businesses, employees losing their jobs and consequently, the entire community could be adversely affected in one way or the other. As serious as failure of entities in the other sectors may be, failure in the banking sector poses more challenges. This is because of the systemic role of the banking sector to any economy. Bank failure leads to loss of effective and efficient intermediation role of the banks and loss of public confidence in the banking system. In order to avoid these negative consequences of corporate failure particularly the failure of the banks, concerned parties are interested in improving their success in identifying failing organizations, in order to take steps to prevent the failure or to take remedial actions to reduce the adverse effects arising therefrom. This quest has led to attempts by researchers to develop models or techniques which could enable the concerned parties to identify the organizations that are likely to fail. One of such models or techniques is ratio analysis. This research is therefore concerned with the use of ratios in predicting failure or distress of organizations with particular interest in the banking sector.

1.1 Statement of the Research Problem
Developing a model that would enable stakeholders identify possible failure in any organization has been intriguing to researchers over the years. Most of the models yet developed were done mainly with the motive of assessing the credit worthiness of entities from the perspective of getting credit facilities from financial institutions. According to Altman, on Corporate Financial Distress and Bankruptcy as cited in Rose, Westerfield and Jaffe (1999), distress prediction models have intrigued researchers and practitioners for more than 50 years. Models have evolved from 'univariate' financial statement ratios to multivariate statistical classification models, to contingent claim and market value based approaches and finally to using artificial intelligence techniques. He further explained that most large financial institutions have one or more of the above types of models in place as more sophisticated credit-risk management frameworks are being introduced, sometimes combined with aggressive credit asset portfolio strategies. This imply that Altman's focus was more on organizations who take credit facilities than the financial institutions who avail credit facilities. Financial institutions, are also susceptible to distress. And because
banking business is a specialized business exposed to some specific risks that other organizations are not exposed to, a model that will incorporate banking-related risks is needful for predicting a bank failure. Nigeria has experienced many banking reorganization and recapitalization due to signs of distress in the sector. Some have even failed and were liquidated. Most times when a bank becomes distressed, the banking and investing public usually know about it too late hence, lives have been lost to the shock of bank's failure. Also, assets and confidence have been lost, with its attendant significant consequences. Although ratios have been used over the years by investors and other stakeholders for making various decisions of interest, the approach have been largely univariate. That is, each ratio is considered separately and then judgments are made with regard to the organization's profitability, liquidity, earnings per share ratios etc. Beaver (1966) used individual ratios in his study on forecasting corporate failure. This 'univariate' approach in which each ratio is evaluated in terms of how it alone could be used to predict corporate failure without consideration of the other ratios is considered limited. This limitation observed in Beavers study prompted other researches such as Altman to the study on the application of the Multivariate Linear Discriminant Analysis (MDA). He developed the Altman's Z-score model which arguably have been confirmed good for use by many researchers. Altman (1968, 2000) improved on the use of individual ratio by using a combination of selected ratios (multivariate) but his focus was more on organizations other than the banking entities. Emeni and Okafor (2006) did a similar study directed at the banking industry but core banking related ratios such as the CAMEL ratios that cater for the risks the banks are exposed were not applied in the study. The ratios applied were conventional ratios. These ratios, having mainly the denominator as Total assets did not capture the various critical indices for measuring banking business as expressed in CAMEL model. For banks, there is need to select and combine adequate banking specific ratios to see if bank failure can be adequately predicted and possibly avoided.

Mbat and Eyo, (2013) researched on the causes and remedies of Corporate failure. Qualitative factors such as the relative influence of management, board of directors, employees, external auditors, regulatory bodies, government etc were adduced as the main causes of corporate failure. Egbo (2012) earlier did a study on Universal Basis of Bank failure: the Nigerian case, and identified causes of bank failure to include regulation of banking activities such as forbearance; asymmetric information leading to a moral hazard problem and connected lending. These studies focus only on the theoretical or qualitative factors that cause failure. Though the factors listed are cogent, because of their subjectivity in application, they alone are not also sufficient to predict failure. Particularly as no model has been developed to analyze a combination of these factors for decision making. No firm fails abruptly on its own except by environmental forces which the firm has no control over. Failure occurs often slowly over time. The antidote to it, is ability of the stakeholders to identify the early signs and take corrective action. Identifying these failure signs is better achieved through the analysis of financial ratios because it is more scientific and objective. However, knowing the exact financial ratios critical to predicting corporate failure is another challenge.
Among the literatures reviewed on using ratios in predicting bank failure using the Altman's Z-score model, the variables commonly applied were: Net working capital to total assets (%); Retained earnings to total assets (%); Earnings before interest and tax to total assets (%); Equity to debt ratio (%) and Turnover to total assets (%). Some of such studies are Emeni and Okafor (2006) and Altman (1968, 2000). The ratios concentrated more on total assets as the denominator, almost leaving out ratios from the other vital components of banking special conditions as highlighted in CAMEL model. This again limits the effective utilization of the study to predicting banks failure in contemporary Nigerian banking sector where CAMEL (discussed later in this chapter) has been found to be the most effective analytical ratios for assessing the health of banks. From the foregoing, obviously, predicting the health of Nigerian banks using CAMEL ratio analysis has become imperative. Though the regulatory bodies like CBN, NDIC etc are using the CAMEL ratios in their regulatory functions, they are applied more in 'univariate' approach (in that each ratio is evaluated in terms of how it alone affects the soundness of the bank) than the composite or multivariate application. Thus, there is need for multivariate CAMEL ratio analysis in predicting the health of the banks. Again, the results of the CBN/NDIC CAMEL ratio computations are almost never available to stakeholders other than the top management of the affected banks sometimes, hence other stakeholders hardly benefit from the CAMEL ratio information in their decision-making process.

The essence of this research therefore, is to attempt to combine together, some key ratios peculiar to banks (CAMEL ratios) to produce a single index number that can be used to assess the soundness of Nigerian banks, identify ailing banks and attempt to suggest possible solutions, compare one bank with another or to assess a bank's progress over a number of accounting periods to be able to predict its going-concern potentials.

1.2 Hypotheses

The following are the hypotheses for this study:

H1: Nigerian banks are strong and healthy.
H2: Some Nigerian banks are in serious health condition at the moment.
H3: Bank failure can be predicted using CAMEL ratio analysis.

2 Literature review

2.1 Corporate Failure

Corporate failure has been defined by several authorities. The definitions point to the same fact that a failed entity lacks the ability to fulfill its obligations as they become due. Beaver (1966) stated also that operationally, a firm is said to have failed when any of the following events have occurred: bankruptcy, bond default, an overdrawn bank account or none payment of preferred stock dividend. Mbat and Eyo (2013), see corporate failure as the inability of a corporate organization to conform itself with its strategic path of growth and development to attain its economic and financial objectives as well as legal obligations. According to Altman (1968) cited in Emeni and Okafor (2006), no unique definition of corporate failure exists. Possible definitions range from failure of companies to earn an economic rate of return on invested capital given the risk of the business to companies which file legal bankruptcy followed by liquidation of the firm's assets. Corporate failure is synonymous with corporate distress. According to Ross, Westerfield, and Jaffe, (1999), there are variety of events that befall firms under financial distress. The list of

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the events is almost endless but some examples given were: dividend reduction, plant closings, losses, layoffs, CEO resignations, plummeting stock prices etc. They defined financial distress as a situation where a firm's operating cash flows are not sufficient to satisfy current obligations (such as trade credits or interest expenses) and the firm is forced to take corrective action.

In relation to banking, most empirical studies on banking failures consider a financial institution (bank) to have failed if it either received external support or was directly closed. Here, a financial institution will be considered to have failed if it fits into any of the following categories: (i) the financial institution was recapitalized by either the central bank or an agency specifically created to address the crisis, and/or required a liquidity injection from the monetary authority; (ii) the financial institution’s operations were temporarily suspended (“frozen”) by the government; (iii) the government closed the financial institution; (iv) the financial institution was absorbed or acquired by another financial institution. (Bongini, Claessens, and Ferri 2001; Gonzalez-Hermosillo 1999) cited in Egbo (2012). These categories involve a broader concept of economic failure than the more restrictive concept of \textit{de jure} failure (closure). One potential limitation is that category (iv) could include banks that were merged or absorbed for strategic reasons during the crisis period, and not due to insolvency reasons. As a result, a sensitivity analysis is performed that excludes this category. (Egbo, 2012). The failure of one bank could cause systemic economic problem hence, the several reforms and regulation of the banking industry to avoid failure.

2.2 Bank failure in Nigeria

The year 2008/2009 witnessed a global economic recession that created survival challenge for many organizations all over the world. Many financial institutions, including Nigerian banks were stressed to the point of needing external financial assistance to survive. The major problem with the Nigerian banks was that virtually all had high proportion of their portfolio at risk and slowly, they were becoming insolvent-distressed. This, is believed, prompted the then just appointed CBN governor, Sanusi Lamido Sanusi, to the sacking of five managing directors of Nigerian banks on August 14th 2010, and injected N620 billion into the affected banks to prevent systemic failure in the industry.

According to NDIC press release, (2011), Ten (10) banks were adjudged to be in serious states with deficiencies in capital adequacy. Of these, eight (8) also had significant deficiencies in liquidity, risk management practices and corporate governance policies. The banks affected were Wema Bank Plc, Unity Bank Plc and Union Bank Plc which later, successfully recapitalized, while Intercontinental Bank Plc, Finbank Plc, Oceanic Bank International Plc and Equatorial Trust Bank (ETB) Ltd were taken over by other banks. Afribank Plc, Bank PHB Plc and Spring Bank Plc, which could not show the necessary capacity and ability to recapitalize within the September 30th deadline had their problem resolved through what NDIC/CBN called the Bridge Bank mechanism. This was to save the interest of the depositors and prevent outright liquidation. (NDIC, 2011). The bridge bank mechanism resulted in: Main Street Bank Limited assuming the assets and
liabilities of Afribank Nigeria Plc. **Keystone Bank Limited** assumed the assets and liabilities of Bank PHB Plc while **Enterprise Bank Limited** assumed the assets and liabilities of Spring Bank Plc.

This was not the first time Nigeria was experiencing crisis in the banking sector, having experienced many bank failures previously. For instance, in 1930 the first indigenous bank, commercial and industrial bank failed barely a year after it was established. The reasons adduced to the failure were: under-capitalization, poor management and aggressive competition from the expatriates' banks. Bank failure continued after that. In 2004, CBN under Professor Charles Soludo, in order to avoid yet another bank failure, probatively announced the popular bank consolidation reforms, highlighting factor such as persistent illiquidity, weak corporate governance, poor assets quality, insider abuses, weak capital base, unprofitable operations, and over-dependency on public sector funds, among others, as reasons for the reform (Soludo, 2004). The banks were expected to urgently raise their capital base to a minimum of N25 billion. This forced the existing 89 banks into voluntary mergers and acquisitions which resulted in the 24 banks in Nigeria after 2004.

The period between 1947 and 1952 witnessed the highest number of registered banking companies in Nigeria. Okoh and Unugbro stated that, during this period, a figure as high as 185 banks was quoted from government records and was confirmed by the Financial Secretary as the number actually registered as banking companies during the period. Most of these banks, were however, merely registered without commencing business. (Okoh&Unugbro 2013).

Since 1930 that the first bank failure happened in Nigeria, bank crisis have become a regular phenomenon in the Nigeria banking industry. In order to curtail the regular bank crisis, the colonial government initiated the first banking ordinance of 1952 which took effect in 1954. In spite of the ordinance, and other subsequent reforms that have taken place on account of the identified causes of the failure which have not been substantially different from the ones earlier mentioned (under-capitalization, poor management and aggressive competition resulting in compromise of compliance issues), bank failure has continued unabated.

### 2.3 Theoretical Framework

The theoretical framework of this study is the stakeholder theory by Edward Freeman. Freeman defined a stakeholder as “any group or individual who can affect or be affected by the achievement of the organization's objectives. These stakeholders include: shareholders, employees, management, customers, suppliers and distributors and the society at large. Friedman (2006), as cited in Fontaine, Haarman and Schmid (2006), states that the organization itself should be thought of as grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should manage the corporation for the benefit of its stakeholders in order to ensure their rights are protected and the survival of the firm to safeguard the long term stakes of each group.
liabilities of Afribank Nigeria Plc. **Keystone Bank Limited**, the assets and liabilities
Since a key objective of every firm is to sustain its operations and improve shareholders wealth always, conscious efforts should be geared towards achieving it to avoid failure. And for a firm to achieve this objective, it needs to regularly compute key ratios and use the results of the ratios in charting a new cause of action that would further enhance the firm's performance in order to avoid corporate failure. Among the stakeholders, management is considered the most active as they are the ones that should use these ratios in making decisions aimed at improving the organization. If they do this right and the incidence of corporate failure is rare, other stakeholders would not bother much to know about predicting firms that would or would not fail. However, the alarming rate of corporate failure, particularly in the banking industry over the years has stimulated the interest of all the stakeholders in predicting bank failure. This quest has led to several attempts by researchers to find a way for concerned parties to identify the organizations that are likely to fail. One of such ways is ratio analysis in predicting failure of bank.

3.1 Methodology
The study employed the longitudinal research design using a time series analysis spanning five years, from 2011 to 2015 without any attempt on the part of the researcher to influence the data.

The population of this study consists of all the licensed banks in Nigeria. And they are the ones on whom the conclusion of the study will be generalized. As at the time of this research, there were 22 licensed deposit money banks in Nigeria.

A sample of 10 companies was used for this study using the simple random Sampling technique. In this probability sampling technique, a comprehensive list of all the licensed banks in Nigeria at the time of study was made; Each bank was assigned a number; the numbers were entered separately on equal-size paper and folded to equal size and placed in a basket; the basket was shaken and an independent persons were made to pick the sample, one at a time until the ten banks used as sample was obtained. The 10 companies were used as sample for this study because studying the entire 22 banks is costly in terms of time and money. Besides 10 constitutes a good representative sample of a homogenous population of 22.

The study used secondary data collected from the published financial statements of the sampled banks.

3.2 Model Specification
In order to determine whether Nigerian banks have the potential to continue in business without fail and even identify those already ill, we employed the technique of Multiple discriminate analysis (MDA) using Altman's Z-score model which in theoretical form is stated as:

\[
Z = 0.012X1 + 0.014X2 + 0.033X3 + 0.006X4 + 0.010X5
\]

Where **Z** = discriminate function score of a firm

- \( X1 = \text{Total equity Capital to total risk assets(\%)} \)
- \( X2 = \text{Non-performing loans to total loans(\%)} \)
- \( X3 = \text{Net interest income to total assets employed(\%)} \)
- \( X4 = \text{Operating expenses to net interest income(\%)} \)
- \( X5 = \text{Cash and bank balances to total liabilities(\%)} \)
Dependent variable

Bank failure. This is the variable that is being measured by the independent variables whose measurements have been attempted above.

The MDA model attempts to derive a linear combination of the characteristics (ratios) which "best" divides the selected banks into mutually exclusive categories. That is, it discriminates the strong and healthy banks with high going-concern probability from those having serious health condition and requiring attention. The MDA uses the quantified information extracted from the bank's annual report to determine a set of discriminant coefficients which it applies to the ratios (above) computed for the categorization. The final $Z$-score divides the study group into three: those strong and healthy with high going-concern probability ($2.68 < Z$), those on the border line whose going-concern status is uncertain ($1.81 < Z < 2.68$) and those ailing and needing immediate attention ($Z < 1.81$). Unuafe and Afolabi (2014) opined that the $Z$-score model has shown to correctly predict bankruptcy in 95% of the cases, one year prior to bankruptcy.

4. Data Presentation and Analysis

Table 4.1 Descriptive Analysis.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BANKS ABOVE 2.68</th>
<th>BANKS BELOW 2.68</th>
<th>PER CENT OF STRONG BANKS (%)</th>
<th>PER CENT OF LIKELY TO FAIL BANKS (%)</th>
<th>BANKS BELOW 1.81</th>
<th>PER CENT OF SICK BANKS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6</td>
<td>4</td>
<td>60</td>
<td>40</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>7</td>
<td>3</td>
<td>70</td>
<td>30</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>9</td>
<td>1</td>
<td>90</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
<td>2</td>
<td>80</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>8</td>
<td>2</td>
<td>80</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>38</td>
<td>12</td>
<td>76</td>
<td>24</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author’s Computation, summary of $Z$-score computation (2017)
Altman's established guideline that financially sound entities should have a score above 2.68 while the entities with the score below 2.68 are likely to fail and those with 1.81 and below score in serious condition formed the bases of our interpretation.

The results above shows that in 2015, being the latest published report as at the time of this study, six (6) out of the ten (10) banks had scores above the threshold of 2.68 representing 60% while the remaining four (4) had scores below the threshold representing 40%. The banks above were bank 2, 5, 7, 8, 9 and 10 while the ones below were bank 1, 3, 4 and 6.

In 2014, seven (7) out of the ten (10) banks had scores above the threshold representing 70% while the remaining three (3) had scores below representing 30%. The banks above were bank 2, 4, 5, 6, 7, 8 and 9 while the ones below were bank 1, 3 and 10.

In 2013, nine (9) out of the ten (10) banks had scores above the threshold representing 90% while the remaining one (1) had a score below the threshold, representing 10%. The banks above were bank 1, 2, 3, 4, 5, 6, 7, 8 and 9 while the ones below was bank 10.

In 2012, eight (8) out of the ten (10) banks had scores above the threshold representing 80% while the remaining two (2) had scores below, representing 20%. The banks above were bank 1, 2, 4, 5, 6, 7, 8, 9 and 10 while the ones below were bank 3 and 6.

In 2011, eight (8) out of the ten (10) banks also had scores above the threshold representing 80% while the remaining two (2) had scores below 20%. The banks above were bank 1, 2, 4, 5, 6, 7, 8, and 9 while the ones below were bank 3 and 10.

Generally, there was no bank on a score of 1.81 and below. This is clear from the table.
4.2 Discussion of Results
From the empirical findings, using the Z-score model, it would be observed that the percent of strong and healthy banks in Nigeria averaged 76% over the period of analysis. This has revealed that, in the last six years, the Nigerian banks have been strong and healthy. This is probably the reason there has not been cause for worry in the industry since the last intervention in 2009. The findings of this study is partially consistent with the findings of other similar studies in Nigeria and elsewhere. For instance, it is partially in consonance with the findings of Adeyeye et al. (2012) whose empirical analysis using the regression model indicates that the measures of profitability, liquidity, credit risk and capital adequacy are the key predictive financial ratios. In other words, differences in profitability, liquidity, credit risk (asset quality) and capital adequacy (sustenance) are found to be the major distinguishing characteristics between the non-failed (healthy) and failed banks. However, there are some significant differences which may largely reflect differences in methodology, sample of banks used, period of study and financial ratios used. A study of this exact kind in which CAMEL ratios coupled with Z-score model is used to predict the probability of bank failure using published financial data is yet rare in Nigeria.

Again, the result of this study recorded far more healthy banks when compared to the results of Unuafand Afolabi (2014) analysis of 2006 to 2010 where almost all the banks used for the study had their Z score fall within bankruptcy region. One of the factors that may have improved the CAMEL ratios of the existing banks during this review period of between 2011 and 2015, may have been the sudden intervention of CBN in 2009 that saw the likes of Intercontinental bank, Oceanic bankplc, Fidbank Plc, Equitorial Trust Bank (ETB) Ltd, Afribank Plc, Bank PHB Plc and Spring Bank Plc taken over by other banks. The management of the surviving banks must have been careful not to lose their banks to regulatory intervention. However, a further review of the trend revealed a downward trend of the percent from average of 80% between 2011 and 2013 to 60% in 2015. Though we don't know what the analysis of 2016 would look like, this downward trend in percent calls for concern as it could suggest that the banks are already loosening up on their control over the ratios as years pass by since the last intervention. Moreover, on comparing the results of the fifth ratio, Cash and bank balances to total liability against the industry recommended standard of >30%, we found that the banks are operating below the recommended 30%. In the same vein, we found that some of the banks have higher than the industry recommended standard of <5% on their non-performing loans to total risk assets. This suggests that they have high percent of toxic loans in their books. (See appendixes 2-11).

This study also revealed that Bank failure can be predicted using CAMEL ratio analysis. This findings coincides with Soludo, (2004) that CAMEL is a useful tool to examine the safety and soundness of banks, and help mitigate the potential risks which may lead to bank failures. It also, corroborates the findings of Unuaf and Afolabi (2014) which concluded that bank failure is as a result of poor CAMEL rating as well as excessive risk taking. Again, it confirms the conclusion of the study of Emeni and Okafor (2006) which also found the Z-score model as an effective
means of predicting failure. Moreover, from the international scene, Malehi (2015) also found in her study that "CAMELS" model as a tool is very effective, efficient and accurate to be used as a performance evaluator in banking industries and to anticipate the future and relative risk. This finding suggests that we should accept the alternative hypothesis one, the null hypothesis two and the alternative hypothesis three which respectively states that Nigerian banks are strong and healthy, no Nigerian bank is in serious health condition and that the CAMEL ratios are effective tools of predicting bank failure.

5. Conclusion
From the results of this study, we conclude that the Nigerian banks are strong and healthy and that there is no bank yet in serious health condition to attract regulatory attention.

We also conclude that a couple of CAMEL ratios and Z-score model is an effective technique for predicting bank failure. And that the “M” in the CAMEL standing for management quality is pivotal to the success of the banks.

5.4 Recommendations
This study made the following recommendations:

(i) The management of each bank should monitor the trend of their ratios particularly their CAMEL ratios to ensure that they are within the acceptable range of values. To achieve this, CAMEL ratio analysis should be included among the functions of financial control department to report on, immediately upon issue of annual financial statements.

(ii) Employment or appointment into the management cadre of the banks should be done with all diligence to ensure that only value-adding managers are employed. This is because of the finding that management decisions are what culminates into impressive ratios.

(iii) The regulatory authority should conduct CAMEL ratio analysis of banks at least once in a financial year and advise any bank that shows an unimpressive result on the remedial actions to take immediately to nip bank failure at the bud.

(iv) The management of the banks need to improve on their cash and bank balances to total liability ratio to further improve their health status.

(v) Banks should work on their non-performing loans with a view to reducing it and keeping it under the recommended ratio of <5%.
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