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# Gerschenkron's Structuralist Hypothesis Effect on Corporate Restructuring and Economic Development: Implications for Regulatory Incentives[1]

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## Abstract

This study was conducted to investigate how impact of the Gerschenkron's structuralist hypothesis effect on the contributions of corporate restructuring, in Nigeria's banking sector, to economic development can be used to inform disposing regulatory incentives. The ordinary least squares procedure was applied to analyze and test time series data on the Nigerian banking sector, obtained and tabulated from 1990 to 2013 . The gross domestic product was used as proxy for economic development. Results from the test of data showed that all the variables in the model used for the study were correctly signed, corresponding to the study's a priori expectations and are jointly statistically significant at 5 per cent level ($F_{0.05} = 25.83$). Aggregate credit to the private sector (ACP) and foreign direct investment (FDI) were found to be the most reliable variables that significantly influence economic development in Nigeria, while profits and staff levels were not. The Durbin Watson statistic, of 1.63, shows that the model is good for policy analysis. Accordingly, the study recommends that the Central Bank of Nigeria (CBN) should pursue a regime of incentives which encourage banks to invest their, usually substantial, post-restructuring capital and subsequent profits in the real sector to boost the productive capacity of Nigeria's economy. Further, the regulatory authorities should set strict standards of accountability and corporate governance, including measured sanctions, to check the diversion of post-merger capital of banks by corrupt boards and top managements of banks, to remove the Gerschenkron's structuralist hypothesis effect.

**Keywords:** Corporate Restructuring, Economic development, Foreign direct investment, Gross domestic product, Pareto improvement, Gerschenkron's Structuralist Hypothesis Effect

## Introduction

Corporate restructuring in Nigeria, comes in waves and mainly regulator-induced. Mergers and acquisitions are the major form of corporate restructuring used in Nigerian, while the aim is usually to enhance stability, safety and sound performance as well as halting and reversing 'going concern' fears. The overarching pursuit of corporate managers is to increase the company value (i.e. increase the market price of the company), and hence to increase profitability by increasing market power and decreasing costs. According to Erdogan and Erdogan (2014), business growth is one of the practices for achieving this goal and companies choose the path of mergers and acquisitions to deliver growth. Nigerian banks have, over the years, tried to adapt to competition, systemic weaknesses and macroeconomic instability, by engaging in quite a lot of survival measures such as re-organization/restructuring, retrenchments, diversification, mergers and acquisitions, etc (Odukoya, 2000). In the Nigerian banking sector, the urge to merge, combine or acquire another business entity came into focus with the failures of several financial institutions due to the parlous state of the economy, necessitating the enactment of certain government policies/strategies to keep existing companies afloat and enhance growth and development.

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Economic forces, either external (regulatory inducement) or internal (market inducement) are the theoretical basis and/or driving forces of corporate restructuring activities, particularly mergers (Perisstiani, 1993). The motives for corporate restructuring are many and they include access to source of supply, economies of scale, better management, diversification, market signaling, empire – building, strong asset base and so on (Rose, Westerfield and Jaffe, 1996; ICAN, 2006). Based on this, banks which could not competitively stand on their own embraced the corporate restructuring option of mergers and acquisitions as a survival strategy to diversify risks and ensure facilitation of momentous growth. The Central Bank of Nigeria (CBN), according to Soludo (2004), recognized that all over the world and, given the internationalization of finance, size has become an important ingredient for success in the globalized world. Flowing from this, the CBN stipulated that the only legal modes of corporate restructuring allowed are mergers and outright acquisitions/takeovers and a number of incentives were promoted for this (Okagbue and Aliko, 2004). The CBN directive for banks to capitalize from N2 billion to N25 billion as the minimum share capital was another factor for the corporate restructuring. This increase of minimum share capital from N2 billion to N25 billion drove most Nigerian banks to the Capital market to raise the required fund or to restructure, in lieu.

The disproportionately large size of the Nigerian banking industry, standing at 60% of the capital market (Demaki, 2013), creates a veritable nexus between its feasance and the performance of the Nigerian economy as a whole. This work, therefore, explores how corporate restructuring in the banking sector enables economic development in Nigeria, through inducing sector stability and survival. It further sought to investigate how the impact of the Gerschenkron's Structuralist Hypothesis Effect on the contribution of corporate restructuring, in Nigeria's banking sector, to economic development can be used to inform regulatory incentive regimes. The study base is the merger wave of 2004-2005 in Nigeria. Accordingly, the period 1990-2003 is regarded as the pre-restructuring era, while 2006-2013 is the post- restructuring period. The work is organized and presented in five sections. Section one is the introduction, while section two presents the review of related literature. Section three discusses the research methodology, while section four covers data presentation, analysis and findings, and Section five presents the conclusion and policy implications/recommendations. The paper uses corporate restructuring and mergers and acquisitions interchangeably.

### 1.2 Research Hypotheses

$H_0$: Corporate restructuring of banks does not have any significant impact on economic development in Nigeria.
$H_1$: Corporate restructuring of banks do have significant impact on economic development in Nigeria.

## 2.0 Literature Review

### 2.1 Conceptual and Theoretical Framework

Before delving into how corporate restructuring impacts economic development and how this impact is curtailed by *the Gerschenkron's structuralist hypothesis effect,* it is important to have an understanding of what these concepts mean. Economic development, according to Deardoff (2008) is a measure of the welfare of humans in a society; the increase in the standard of living of a nation's population with sustained growth from a simple, low-income economy to a modern, high-income economy.

The paper admits the position of Myint and Krueger (2009) that economic development implies a change in the way goods and services are produced and not merely an increase in production achieved using the old methods of production on a wider scale. The increased provision of financial services with a wider choice of options tends towards the development of all levels of society (Nzotta and Okereke, 2009). Norley, Swanson and Marshall (2009) describe Corporate restructuring as the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable or better organized for its present needs. To the Central Bank of Nigeria (CBN, 2004), a bank merger is a reorganization process involving the coming together of two or more banks whereby a new bank with a new legal status (the successor bank) is created and the merger banks are simultaneously liquidated. All the rights and obligations of the merged banks pass to the successor bank. According to Patrick (1966), corporate restructuring would help to develop the financial system, strengthen the balance sheets of banks and promote supply driven economic growth by curtailing financial market imperfections and frictions. Generally, merging two organizations involves decisions about the integration of strategic capabilities: operating resources, functional skills and general management skills (Thompson, 2004).

Therefore, the basic problem for this study is establishing how and to what extent banking sector restructuring, using mergers and acquisitions, could contribute significantly to the development of the country through the achievement of banking sector stability and soundness.

Without doubt, the incidence of high level of unemployment, high cost of goods and services, non-availability of funds to the real sector of the economy and systemic bank weaknesses are critical issues in Nigeria, which corporate restructuring measures are capable of solving. Corporate restructuring could influence growth in the real sector and hence make significant contributions to the process and magnitude of economic growth through improving the efficiency of resource mobilization, inducing (banking) firms to operate more efficiently, enhancing capacity building, helping to achieve a relatively high value added operation and enhancing entrepreneurship status of the citizenry (Adenuga and Adams, 2007). Mergers and acquisitions continue to evolve as a financial development strategy and are mainly regulator-induced. This study draws inspiration from the McKinnon andShaw financial repression hypothesis, which holds that financial development correlates with economic development and growth and that banks have great influence on growth and development in a developing economy (Nzotta and Okereke, 2009). Informed by the McKinnon-Shaw banking intermediation paradigm, the Central Bank of Nigeria believes that the efficient functioning of a nation's economy depends on the strength of its financial system (CBN, 2009). Another theoretical base considered is the managerialism theory of Mueller (1969), which holds that managers are motivated to increase the size of their firms in the belief that management compensation is a function of the size of the firm, and that the merger activity is a manifestation of the agency problems of inefficient, external investment by managers of free cash flow; that is, cash flow in excess of the amounts required for funding all projects that have positive net present values when discounted at the applicable cost of capital. Iyiegbuniwe (1995) ascribed to the *"unused debt capacity"* motive for corporate restructuring and Myers (1976) posits that "the potential of unused debt capacity creates an opportunity for mergers to achieve substantial benefits by opening the way to better financial and operating management" (p.636). The major thrust of corporate restructuring in the world is to make post-merger firms become stronger players in a manner that will ensure higher absorptive capacity and achieve productive levels that produce higher returns to shareholders over time and greater impacts on their domestic economies.

According to Adenuga and Adams (2007), sustainable economic growth and development is accompanied by economic empowerment and mass participation in the economic and social life of the nation; enhancing capacity building and utilization; providing employment opportunities and providing income for the people involved in the enterprises concerned; helping to achieve a relatively high value added operation and enhancing entrepreneurship status of the citizenry. In the view of Agu (1988), the Gerschenkron's structuralist hypothesis effect is that, where there is scarcity of capital, insufficient funds to finance large scale industrialization, low standards of honesty and general public distrust then capital inflow will be low, long term credit policies would be unsuccessful and fraudulent bankruptcy/distress and indulgences become elevated to a general business practice. The study used GDP as an indicator of standard of living due to the advantage that it is measured frequently, widely, and consistently. The further argument for using GDP as a standard-of-living proxy is not that it is a good indicator of the absolute level of standard of living, but that living standards tend to move with GDP, so that *changes* in living standards are readily detected through changes in GDP (Watkins, 2009). On the other hand, the choice of these explanatory variables was largely dictated by data availability and the reasoning that these variables, expected to result from successfully consummated mergers and acquisitions of banks (Igbinosa, 2005), attribute to banking sector stability and, ultimately, to economic development.

### 2.2 Taxonomy of Corporate Restructuring Benefits and Costs

According to Mbat (2001), for any merger to take place at all, the shareholders of both firms to be merged must be better off, post merger, in terms of benefits derived there from. This is because mergers and acquisitions are expected to provide synergistic effects to the combined companies operations (Collan and Jani, 2011). Synergy is achieved when the whole offers benefits greater than the sum of the individual segments. Perhaps, without contesting with Segall (1968) that "no valid generalizations can be made regarding effects of mergers on public interest"(p.19), it is pertinent to say that mergers and acquisitions should be supported where the effect is to increase earnings per share subject to expansion of production, weighing in the 'bootstrapping' mirage. The 'bootstrapping' mirage occurs when investors mistake short-run increase in EPS for real growth when, in fact, there is no benefit and no increase in total earnings. A proposed scheme that is perceived to enable the enlarged company to expand the existing operations, establish new activities, create employment and accelerate economic growth, bears greater prospects that it would receive official regulatory blessing.

Generally, in line with Tanure, Cancado, Gonzalez and Fernandes (2009), gains from mergers could include economies of scale, economies of vertical integration, improved efficiency, competitive advantage, fuller use of tax shields, the combination of complementary resources or redeployment of surplus funds, installation of a more efficient management team, reduction of the cost of borrowing and diversification of risks. Post-restructuring performance is measured by synergy realization, relative performance (i.e. compared to competition), and absolute performance. Several possible social benefits exist from bank restructuring, which need re-emphasizing here: the public benefits if it is spared the disruptive effects from a bank failure or the inefficiency of a floundering bank, if a management succession problem (as in the case of most target banks) could result in the loss of banking services to a community and where mergers result in an expansion in the range and quality of banking services in a community. Finally, mergers are needed to build bigger banks to provide larger lines of credit to the society, particularly the large businesses, and only through mergers can our banking giants attain the envisaged size. Aside the *a priori* regulator expectation of better funding of the economy, restructuring through mergers and acquisitions will check the phenomenon of distress in the banking industry, promote depositors/investors' confidence in the system (hence, inducing FDI), increase the capital base of banks and improve capacity for cross-border businesses (Mailafia, 2005; Deloitte, 2004). Overall, for a benefit to crystalize, the post-merger present value should be greater than the present values of the individual firms. Here, benefit represents the difference between the total present value of the merged firms and the sum of their pre-merger values separately. That is,

$$\text{Benefit} = \Delta P = P_{ij} - (P_i + P_j) = P_{ij} - P_i - P_j$$

where, $\Delta$ is the change in variable, P is the present value, $P_{ij}$ is the present value of the merged firm, $P_i$ is the pre-merger present value of firm i and $P_j$ is the pre-merger present value of firm j. On the flip side of the benefits of corporate restructuring schemes are the costs because, though they seem to generate some economic gains, they are also costly (Agba and Enofe, 2007). Cost is defined as the difference between the amount (consideration plus determinable expenses) paid for the acquired firm and the amount it is worth as a separate entity, i.e. its P, and depends on how the merger is financed. So,

Cost = Excess payment over market value of j *plus* difference between market value of j and what it is worth separately ($P_j$), before the merger.

$$= (\text{Consideration} - MV_j) + (MV_j - P_j) = \text{Consideration (Cash paid)} - P_j$$

Where, $MV_j$ is the observed market value of firm j.

When mergers are financed by an exchange of shares, this equation changes to:

$$\text{Cost} = (\lambda P_{ij} - MV_j) + (MV_j - P_j) = \lambda P_{ij} - P_j$$

Where $\lambda$ = the proportion of the merged firm that j's shareholders own, post-merger.

The prime element of costs is legal expenses which include issuing houses, stock brokers, reporting accountants, SEC fees as well as consultants' fees. In the 2004/2005 merger wave in the Nigerian Banking system the CBN pledged to underwrite all these expenses and provide a team of technical experts in this regard (Ibrahim, 2004). Such costs also include, but not limited to, transaction costs of arranging the merger, the management time spent searching for an acceptable merger client, negotiation, etc, professional fees, administrative costs and integration costs. Integration costs refer to the costs of integrating the customs, standard operating and accounting procedures of the merging organizations. In this quantification model, the costs of mergers need to be considered wholly and carefully so as not to understate them. On balance, therefore, corporate restructuring that would induce sustainable economic development should produce Pareto improvements, overall.

## 3.0 Research Methodology

The study used secondary annual data that covers the period from 1990 to 2013 obtained from the Central Bank of Nigeria (CBN) statistical bulletins and banking supervision reports for various years, economic and financial journals, economics, banking and finance textbooks, reports of conference proceedings, seminar papers, newspapers and magazines using the desk survey method. To check for and control probable sources of errors and spuriousness of results as well as maintain stochastic stability, data are compared from at least three different sources before acceptance and subsequently tested for stationarity.

For this study, the ex-post facto design was employed to seek reality through fact because the data and the situations for the study are already in existence. The data collected were analyzed using the ordinary least square (OLS) regression technique because of its properties of efficiency, consistency and unbiased-ness.

The augmented Dickey-Fuller unit root test, along with the Philips-Peron test, was used as a comprehensive pre-testing procedure to investigate the characteristic of the time series variables.

### 3.1 Model Specification

The study model of the relationship, between corporate restructuring and economic growth and development determinants, was established on the basis of the equation (Ibor, 2012):

$GDP = f(P, ACP, ST, FDI)$ - - - - - - - - - - - - - - - - - - - - - - - - - - (1)

So,

$GDP_t = a_0 + a_1P_t + a_2ACP_t + a_3ST_t + a_4FDI_t + U_t$ - - - - - - - - - - - - - - - -(2)

On a priori, $a_1, a_2, a_1, a_4 > 0$, where,

$a_0$ = the intercept point, giving the value of GDP when P, FDI, ST, and ACP are zero;
$a_1$ = the marginal effect of changes in accounting profits on GDP, when all theother variables are held constant;
$a_2$ = the marginal effect of changes in aggregate credit to the private sector onGDP, when all the other variables are held constant;
$a_3$ = the marginal effect of changes in staff levels on GDP, when all the othervariables are held constant;
$a_4$ = the marginal effect of changes in foreign direct investment on GDP, when all the other variables are held constant;
$GDP_t$ = Gross Domestic Product at time, t, which for the purpose of our study is the proxy for economic growth and development;
$P_t$ = Aggregate Accounting profit at time, t.
$ACP_t$ = Banking sector's Aggregate credit to the private sector at time, t.
$ST_t$ = Total number of employees (of all cadres) in the banking sector, at time, t.
$FDI_t$ = Net inflow of foreign direct investment at time, t.
$U_t$ = Error term

### 3.5 Estimation techniques and validation

The coefficients of the estimated parameters were based on the theoretical a priori criterion that their signs and magnitudes were judged by what economic theory says they should be, while the first order statistical criteria include the correlation coefficient or the adjusted $R^2$, standard error, standard deviation of the estimates, students' t-test and the F-statistic. The second order test econometric criterion was employed in the study to ensure non-spurious results likely from uncertainty, parameter fluctuations and contamination in the research design; and to enhance the validity of conclusions and guarantee existence and uniqueness of solutions (Samad and Khammash, 2000). Further, to test the validity of the assumption of non-auto correlated disturbances, the Durbin Watson (D.W.) statistic was used.

### 3.6 Treatment of Data

The study used the Augmented Dickey Fuller (ADF) unit root test of the general form:

$\Delta X_t = \beta X_{t-1} + e_t$ - - - - - - - - - - - - - - - (3)

Where: $X_t$ is any of the variables in our model at time t
$\Delta$ is the rate of change in a variable
$\beta$ is the term of the expression $X_{t-1}$
$e_t$ is the stochastic error term

Given that the sample size for this study is less than thirty five, which is the conventional sample size for co-integration test, it is not necessary to carry out a dynamic analysis of the model in the context of the error correction model (ECM). Finally, a second order tests for correlation among the variables, was done and exhibited in a correlation matrix. This was strengthened by a reinforcing test using the Philips-Peron criterion.

**4.0 Data Presentation, Analysis and Findings**

4.1Data Presentation

The annual data points for the gross domestic product, aggregate banking sector credit to the private sector, banking sector staff levels, the inflow of FDI and banking sector profits, covering the twenty (24) year period: 1990 to 2013, are presented in Appendix 1.

4.2 Analysis of Data

Using the augmented Dickey-Fuller (ADF) and the Philips-Peron (PP) tests, the results as presented in Table 1 show that the variable ACP is integrated of order zero – I(0) in both ADF and PP, while FDI is stationary at level for PP and atfirst difference with ADF. The variables, ST and GDP are all integrated of order one – I(1) for both Philip Peron and Augmented Dickey Fuller, while P is stationary at level under both ADF and PP.

**Table 1: Results of ADF and PP Unit Root Test**

| Variable | ADF | Decision | Philip Perron | Decision |
|---|---|---|---|---|
| GDP | -3.5487** | 1(1) | -5.2381* | 1(1) |
| ACP | -3.6351** | 1(0) | -3.3584** | 1(0) |
| FDI | -6.3913* | 1(1) | -2.4673*** | 1(0) |
| P | 4.4643* | 1(0) | 6.9186* | 1(0) |
| ST | -5.0877* | 1(1) | -5.5769* | 1(1) |

Source: Researcher's computation.

Note: (i) D represents the first difference operator (ii) critical values, ADF test: 1 percent = -3.6067, 5 percent = -2.9378 and 10 percent = -2.6069. Philips-Peron: 1 percent = -3.6019, 5 percent = -2.9358 and 10 percent = -2.6059. *significant at 1 percent; **significant at 5 percent; ***significant at 10 percent

Further, a second order test, which is a test of serial correlation between the variables, was carried out as shown on Table 2.

**Table 2: Correlation Matrix of the Study Variables Used**

| | GDP | ACP | FDI | P | ST |
|---|---|---|---|---|---|
| GDP | 1 | 0.738 | 0.453 | 0.261 | 0.467 |
| ACP | 0.738 | 1 | 0.6711 | 0.299 | 0.304 |
| FDI | 0.453 | 0.6711 | 1 | 0.374 | 0.615 |
| P | 0.261 | 0.299 | 0.374 | 1 | 0.834 |
| ST | 0.467 | 0.304 | 0.615 | 0.834 | 1 |

Source: Appendix 1

The table shows a correlation matrix which reveals that positive correlation exists among all the variables. There is a positive correlation between economic development (GDP) and aggregate credit to the private sector (ACP, 74 per cent), foreign direct investment (FDI, 45 per cent) while the correlation between economic development and banking profit is relatively low (26 per cent). Also, the relationship of the proxy for economic growth and development (i.e. the GDP) and employee levels shows there is a 47 per cent serial correlation between them.

The regression results are as shown on Table 3, below.

**Table 3: Multiple Regression Result**

| Dependent Variable: LOG(GDP)) | | | | |
|---|---|---|---|---|
| Variable | Coefficient | Std. Error | T-Stat. | Prob. |
| LOG(ACP) | 2.12 | 0.05 | 42.40 | 0.000 |
| D(LOG(FDI)) | 0.132 | 0.58 | 2.268 | 0.24 |
| D(LOG(P)) | 1.23 | 0.82 | 1.50 | 0.103 |
| D(LOG(ST)) | 4.23 | 0.82 | 5.16 | 0.000 |
| C | 18.863 | 2.972 | 6.346 | 0.000 |
| R | = 0.814 | | | |
| R-squared | = 0.761 | | | |
| Adjusted $R^2$ | = 0.632 | | | |
| F-statistic | = 25.82 | | | |
| Durbin-Watson stat | = 1.632 | | | |

Source: Author's computation from Table 1

From Table 3, the coefficient of banks profit though correctly signed, is not statistically significant at 5 per cent level. That means this variable is not reliable in influencing economic activities vis-à-vis the determinants of economic development in Nigeria. In the same table, the value of number of employees (ST) is contemporaneously positive and statistically insignificant at 5 per cent level. This means that the level of employment in the banking sector over the years would definitely lead to economic growth but the extent of economic growth or development is not reliable given that this variable is insignificant. The $R^2$ value of 0.761 (adjusted $R^2$ =0.632) shows that about 76 per cent of the total variation in economic development, represented by the proxy GDP, is determined by changes in the explanatory variables, making it a good fit. So, model is good for both policy and prediction. The F-statistic value of 25.83 indicates that there exists a significant relationship between the dependent variable of GDP and FDI, P, and ST. The Durbin Watson statistic of over 1.63 is within the acceptable bounds; affirming that the model is good for policy analysis.

4.3 Test of Hypotheses

Ho: Mergers and acquisitions of banks do not have any significant impact on economic growth and development in Nigeria.

H1: Mergers and acquisitions of banks have significant impact on economic growth and development in Nigeria.

Decision Rule: if the calculated t-statistic of the various variables which serve as a proxy for measuring mergers/acquisition is significant at 5 per cent level using thumbs rule, reject the null hypothesis and accept the alternative hypothesis. On the basis of the decision rule the null hypothesis is therefore rejected and the alternative hypothesis accepted. This implies that banking sector restructuring has positive impact on economic growth and development.

4.4 Discussion of Findings

In the analysis, it was found that corporate restructuring in the Nigerian banking sector come in waves and that the 2004-2005 merger wave significantly impacted banking sector profitability, credit to the real sector, employment and foreign investment inflow. The finding that banks profit and economic development are independent of each other, could be due to the linkages arising under the Gerschenkron's (1962) structuralist hypothesis effect because most banks profits are diverted away from the real productive sectors of the economy in the aftermath of huge post-merger capital accumulations, supporting the findings of Dong &Torgler, (2010). However, cognizance must be taken of the position of Ekpo and Umoh (2010) that causality results, in the case of a developing economy (like Nigeria), have to be interpreted with caution because there are a lot of distortions and imperfections in such systems. The multiple regression analysis results from this study supports the theory of Barth, Caprio and Levine (2006) that a more developed banking system is measured by the amount of credit extended to private firms as a proportion of GDP.

Also, the value of foreign direct investment into Nigeria has a positive sign that is in line with economic theoretical expectation, from which we say that a rise in FDI will lead to an increase in the economic development in Nigeria, all things being equal. This result further supports the study by Milbourn, Boot and Thakor (1999), which concluded that FDI was very important for economic growth and development. Further, it agrees with the position of Ahuja (2009) that FDI is an important way for a country to accelerate its economic growth because FDI come along with the complementary factors of technical know-how, technological improvements and managerial ability. In the same vein, the finding on number of employees (ST) being positive and statistically insignificant at 5 per cent level, could mean that the level of employment in the banking sector over the years would lead to economic growth and development, but the extent of contribution is not reliable. The regression model used in this study validates the general agreement that a well-functioning banking sector stimulates economic growth (Levine, 1997) through capital accumulation and technological innovations (Hicks, 1969). Clearly, the analysis shows that bank corporate restructuring affect the economy positively through their influence on the welfare of shareholders, FDI inflow, employment and credit allocation (financial intermediation) to the real sector. This agrees with McKinnon and Shaw intermediation paradigm which holds that financial development correlates with economic growth and development in a developing country.

### 5.0 Conclusion and Regulatory Policy Implications

The study concludes that aggregate credit to the private sector and foreign direct investment, arising from mergers and acquisitions in the banking sector are veritable influencers of economic development in Nigeria; while, the level of profit and the level of employment in the banking sector do not significantly determine economic development in Nigeria. Based on the estimated results, promotion of mergers and acquisition in Nigeria's banking sector which achieve increased credit to the private sector and facilitation of foreign direct investment into the economy, will have the most impact on economic growth and development in Nigeria. The public policy implication of the forgoing is that the present acknowledgement of corporate restructuring through mergers and acquisitions as a strategy for financial sector development in Nigeria is viable and should be sustained with regulatory codes and guidelines for its process implementation, monitoring and evaluation, to help the banking sector in Nigeria stabilize and contribute meaningfully to economic development. Accordingly, the policy further implication is this: to ensure future corporate restructuring schemes impart positively on economic development variables in Nigeria, the Central Bank of Nigeria (CBN) should deliberately institute regulatory incentives for corporate restructuring to encourage banks to invest, their usually huge post-restructuring capital and profits in the real sector of the economy (rather than corruptly diverting them), to boost the productive capacity of Nigeria's economy; bolster public confidence in the sector, stimulate inflow of foreign direct investments and also expand opportunities for productive employment.

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**Appendix 1: Values of study variables 1990 -2013**

| YEAR | GDP | ACP | ST | FDI | P |
|---|---|---|---|---|---|
| 1990 | 267550 | 38199.3 | 35339 | 10.44 | 0 |
| 1991 | 312139.7 | 32912.4 | 36675 | 12.24 | 0 |
| 1992 | 532613.8 | 41810 | 40162 | 20.51 | 0 |
| 1993 | 683869.8 | 48056 | 34830 | 66.79 | 0 |
| 1994 | 899863.2 | 92624 | 35330 | 70.71 | 0 |
| 1995 | 1933211.6 | 141146 | 41890 | 119.39 | 0 |
| 1996 | 2702719.1 | 169242 | 42980 | 122.6 | 5.5 |
| 1997 | 2801972.6 | 240782 | 52170 | 128.33 | 7.3 |
| 1998 | 2708430.9 | 272895.5 | 52213 | 152.41 | 21.1 |
| 1999 | 3194015 | 353081.1 | 52330 | 154.19 | 24.52 |
| 2000 | 4582127.3 | 508302.2 | 51275 | 157.51 | 44 |
| 2001 | 4725086 | 796164.8 | 45962 | 161.44 | 23 |
| 2002 | 6912381.3 | 954628.8 | 57451 | 166.63 | 19 |
| 2003 | 8487031.6 | 1210033.1 | 60227 | 178.48 | 57.9 |
| 2004 | 11411066.9 | 1519242.7 | 59227 | 249.22 | 66.79 |
| 2005 | 14572239.1 | 1847822.58 | 50111 | 324.66 | 74.57 |
| 2006 | 18564594.7 | 2385643.33 | 52288 | 624.5 | 99.73 |
| 2007 | 20657317.7 | 3821282.2 | 64028 | 759.4 | 168.47 |
| 2008 | 23842170.7 | 6871302.7 | 77519 | 460.2 | 0 |
| 2009 | 24712700 | 9096724.6 | 78019 | 572.5 | 0 |
| 2010 | 339847754 | 9830344 | 61635 | 572.5 | 145.94 |
| 2011 | 37409861 | 14183592 | 51773 | 566.92 | 177.99 |
| 2012 | 40544100 | 15151762 | 54020 | 1207.01 | 266.88 |
| 2013* | 43179467 | 16509472 | 54020 | 1501.52 | 387.6 |

**N/B:** G/R=Growth Rate; GDP=Gross domestic product; ACP=Aggregate credit to private sector; ST=Number of staff; FDI=Foreign direct investment inflow; and
P= Annual pre-tax profit of all banks.
**Source:**CBN Statistical Bulletin (Various issues); Bangudu (2014)
*Figures are projected