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AN ANALYSIS OF THE DEPOSITS AND LENDING BEHAVIOURS OF BANKS IN NIGERIA

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ABSTRACT
The study examines the extent to which banks in Nigeria have performed their intermediation functions of deposit mobilization and granting of loans and advances and the effects on their performance. The study employs secondary data obtained from the annual reports and accounts from 2006 to 2011 of seven purposively selected banks out of the 24 existing banks. The study uses descriptive statistics of trend analysis, percentage growth and averages. The banks perform impressively in deposit mobilisation, as well as in granting loans and advances, despite various socio-cultural and institutional problems inhibiting financial sector development in Nigeria. The results of the study reaffirm that banks with high deposits and loans perform better in terms of profitability than banks with low deposits and loans. Thus, the policy of the government must make savings attractive in order to positively influence the liquidity position of the banks and hence their lending behaviour. The stake-holders in the banking sector must avoid issues like attitudinal culture of willful default by the people, inadequate attention to lending rules and ineffective legal system that may negatively affect the lending activities of the banks. JEL: G21, G34

KEYWORDS: Deposits, Loans and Advances, Financial Intermediation, Profitability.

INTRODUCTION

Banks, the world over, thrive on their ability to generate income through their lending activities. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Since commercial banks depend on depositor's money as a source of funds, it means that there are some relationships between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. Thus, the main function of financial institutions of mobilizing funds from the surplus economic agents to the deficit economic agents is put to test in order to generate economic growth. However, the efficiency of performing this function depends on the level of development of the financial system. The finance literature provides support for the argument that countries with better/efficient financial systems grow faster, while inefficient financial systems bear the risk of bank failure (Kasekende, 2008). As Northcoth (2004) stated, when a banking system does not work well, there is potential for financial instability. The efficiency of a financial system is gauged by how speedily and cheaply the financial system is able to channel funds from the surplus economic agents to the deficit agents for productive investments, while ensuring reasonable returns for the financial intermediaries. Shaw (1973) argues that the financial sector of an economy does matter in economic development, and that it can assist in the break away from plodding repetition of repressed economic performance to accelerate growth. But the financial systems of most developing countries lack the sophistication required for economic growth (Obamuyi 2012). The financial systems in these countries are highly fragmented and inefficient, protected from competition or are highly segmented and regulated with little Deepening (Mohamed, 2006). Therefore, in those developing countries where there are mal- adaptations of the financial system (Ojo, 2010), the behaviours of deposit and lending may not display a pattern concomitant to economic growth. Then, the basic questions are as follows:

1. What are the trends in the growth of deposit and loans and advances by banks in Nigeria?
2. By comparative analysis, is there any relationship among deposits, loans and profitability of banks in Nigeria?

Therefore, the main objective of the study is to examine the extent to which banks in Nigeria have performed their intermediation functions to enhance economic growth in the country. The specific objectives are to:

1 examine the trends of the deposits mobilization and loans activities of banks in Nigeria;
2 Compare the deposits and loans activities of the selected banks in Nigeria and the implication for profitability.

This research is relevant in view of the on- going reform exercise in Nigeria in order to ensure the efficiency and sophistication of the financial system in the country. Therefore, the contributions of this study can be observed from at least four important ways: First, it uses more recent data to analyse the trends in deposits and loans in Nigeria and the relative performances of each of the banks; Second, the comparative analysis of the trends enables the public to assess the financial performance of the banks at a glance for informed decision making; Third, the positive association among deposit, lending and profitability was also confirmed; and Fourth, based on the results of the study, policy makers will be able to formulate guidelines that will direct or encourage the banks to follow the development goals of the country, where a lack is discovered. The paper is divided into six sections. Section two discusses the banking situation in Nigeria. The third section presents the literature related to the work, while the fourth section discuses the methodology of the study. The fifth section deals with the analysis of the data and discussions of the results. Finally, section six contains the conclusion and implications of the study.

BANKING SITUATION IN NIGERIA

The financial system in Nigeria is dominated by commercial banks. Commercial Banking activities in the country started in 1892 with the establishment of the African Banking Corporation (ABC) in Lagos. The Bank of British West Africa (now First Bank PLC) was set up in 1894, and took over ABC. Several banks both foreign and indigenous were set up later.

Late 40s and early 50s, many of the banks set up collapsed with the same alacrity with which they were set up due to lack of regulations and sharp practices. The Central Bank of Nigeria (CBN) was set up in 1959. With CBN, sanity was brought to the banking system. In 1986, the financial liberalisation policies of the Structural Adjustment Programme (SAP), where the conditions for licensing of banks and other financial institutions were relaxed, led to proliferation of banks. Thus, by 1993, about 120 banks have been registered. This scenario, however, brought distress into the financial system. Between 1994 and 2000, a total of 33 banks were liquidated - 2 in 1994, 2 in 1995, 26 in 1998 and 3 in 2000 (CBN, 2001). Most of the banks were liquidated as a result of fraud, mismanagement, undercapitalisation and the country economic crises.

The policy of consolidation, announced on July 6, 2004, directed that the minimum paid up capital of banks be increased from ₦2 billion to ₦25 billion, with effect from January 1, 2006. At the end of the consolidation exercise, out of the 89 existing commercial banks, 24 groups of banks emerged, while 14 banks that could not merge were set for liquidation. The Central Bank of Nigeria, in attempt to further strengthen and stabilise the financial system, set up the Audit Committee to examine the health status of the banks in Nigeria. The audit test by the Central Bank of Nigeria of the 24 banks in August, 2009, revealed that only 14 banks were found to have adequate capital and liquidity to support the level of their current operations and future growth, while a bank was asked to re-capitalise before 30 June, 2010, and 9 banks were adjudged to be in a grave situation. The Central Bank of Nigeria, citing the provisions of the Banks and Other Financial Institutions Act 2004 sacked the Executive Management of 8 out of the 9 banks. The criteria employed for the special examination in all the banks were: Liquidity, capital adequacy, and corporate governance. On August 5, 2011, the CBN established 3 Bridge Banks - Enterprise Bank Limited, Keystone Bank Limited, and Mainstreet Bank Limited – to assume all the deposit liabilities and certain other liabilities and the assets of Spring Bank Plc, Bank PHB Plc, and Afribank Nigeria, respectively.

However, one wonders how the country got to the crisis situation, when there are institutions saddled with the responsibility of supervising and regulating the financial system (Obamuyi, 2011). Thus, the failure of the authorities to effectively supervise the banking system could be attributed to the problems in the banking system. This was confirmed by the pronouncement of the Governor of the Bank:

The Supervision Department within the CBN was not structured to supervise effectively and to enforce regulation. No one was held accountable for addressing the key industry issues such as risk management, corporate governance, fraud, money laundering, cross-regulatory co-ordination, enforcement, legal prosecution or for ensuring examination policies and procedures were well adapted to the prevailing environment… Critical processes, like enforcement, pre-examination planning and people development were not delivering the results required to effectively supervise and engage banks to enforce good conduct (Sanusi, 2010, p.9).

The above statement also confirms the position of Schwartz(1985) that financial crises are caused by the failure of the authorities to respond correctly to financial distress and are aggravated by private sectors uncertainties about the correct policy responses. The monetary authorities in Nigeria seem to be confused about their roles or they are incompetent to formulate and implement enduring and sustainable financial and economic policies. This is because there are warning signals before a bank becomes distressed. The Early Warning Model and the CAMEL (Capital adequacy, Asset quality, Management profile, Earnings quality and Liquidity) model should have shown the true position of the banks long ago for corrective measures to be taken (Obamuyi, 2011). Meanwhile, some of the criteria usually employed to measure the performance of the banks have been compromised by the Central Bank of Nigeria. The implication of all the statements above is that banking habits have been seriously threatened, thereby discouraging savings culture and hence reduce the amount of funds that can be mobilized by banks. By extension, liquidity and profitability positions of the banks are affected.

LITERATURE REVIEW

The global financial crisis has posed serious challenge for deposit mobilization by banks, apart from the greater financial deepening which has created several alternative investment outlets for investors. This development has serious consequences for banks deposits and lending activities. As Suresh (2012) opined, due to reforms and developments in the capital market, particularly the developments of non – banking financial companies, there is much more awareness among the investors, and deposit mobilization has become competitive and challenging for the banking industry. According to him, the present investors are ready to face the situation by investing their money in the high-risk and high returns investment, which also facilitates other avenues like tax exemptions and concessions.

The process of financial liberalization has intensified competition between financial institutions, thus forcing commercial banks to compete for deposits in various forms (Haron and Azmi, 2006). According to Bologna

(2011), deposits play a pivotal role in bank funding, as a major portion of a commercial bank's assets is usually financed through customer deposits. To enhance deposit mobilization from the public, banks have used various strategies and most increasingly adopt a marketing approach for deposits mobilization, which focuses on the identification of customer needs and offering of products accordingly (Suresh, 2012). As cited by Khalily, Meyer and Hushak (1987), five major factors are found in the literature of deposit determination functions: income, interest rates, access to banking facilities, transaction costs and yields on alternate investments. However, Khalily, Meyer and Hushak (1987) identified other factors such as the quality of services provided to depositors, the awareness of banking services by the public and perceptions of the safety of depositors as affecting deposit mobilization by banks. Dadzie, Winston and Afriyie (2003), cited in Haron and Azmi (2006) provided empirical support of factors affecting deposit to be the level of income, customers satisfaction, service quality and demographic factors such as number of dependants and location. The deposit and lending activities of banks determine to a large extent, the profitability of banks. This is because banks generate their income from the interest differentials from what they pay for deposit and what they charge for their loans and advances.

On the other hand, and as Vohra and Sehgal (2012) argued, lending is one of the two principal functions of banks, not only because of their social obligation to cater to the credit needs of different sections of the community, but also because lending is the most profitable, for the interest rates realized on loans have always been well above those realized on investments. Haron and Azmi (2006) asserted that, most business organizations, especially in developing countries are highly dependent on bank loans as a source of capital and the ability of banks in giving loans depends much on their ability to attract deposits. Freixas and Rochet (2008), as cited in Fouopi-Djiogap and Ngomsi (2012), noted that bank loans are one of the most important long-term financing sources in many countries. However, Fouopi-Djiogap and Ngomsi (2012) found that the ability of banks to extend long-term business loans in the Central African Economic and Monetary Community (CEMAC) depends on its size, capitalization, gross domestic product growth and the availability of long term liabilities.

From the foregoing, it is realized that the deposit and lending activities of the banks are affected by a myriad of factors, with ultimate effects on banks' liquidity and profitability. The effect of an increase in the trends of deposits and loans will be that the performance of the banks would be impressive. This is because an increasing trends in deposit mobilization implies more liquidity for the banks and more funds will be available for lending, thereby increasing the ability of the banks to make more profits.

MATERIALS AND METHODS

The study employed secondary data obtained from the annual reports and accounts of the selected banks, publications of the Central Bank of Nigeria like the Statistical Bulletin and Annual Reports and Accounts, Nigeria Deposit Insurance Corporation publications and other related publications.

Consequently, seven banks, out of the 24 banks in existence as at 2011, were selected for the study. The names of the banks in alphabetical order are: Access Bank, Diamond Bank, First City Monument Bank (FCMB), Skye Bank, United Bank for Africa (UBA), Unity Bank and Zenith Bank. The banks were purposively selected based on data availability from 2006 to 2011, and the consistency of their identities between the periods. The study covers a period of six (6) years from 2006-2011. The period was chosen because it coincides with the end of the Soludo's reform of 2005 and the commencement of Lamido's reform of 2011. Thus, all the selected banks maintained their identities after the reform of 2005 and up to the implementation of the reform of 2011.

The study made use of descriptive statistics of trend analysis, percentage growth and averages to examine the deposits and loans performance of the banks.

RESULTS AND DISCUSSIONS

Analysis of Deposits

Table 1 presents the deposit performance of the selected seven banks from 2006 to 2011. The amount of total deposits for the selected seven banks at the end of 2006 was N1,681,172.3 million. But at the end of 2011, the deposit mobilized by the banks increased to N5,179,418.34 million. This shows that the banks have performed stupendously well in terms of deposit mobilisation. The combined average deposit for the seven banks was N512,067.14 million.

Table 1: Deposits of the Selected Banks (2006 -2011)(N' Million)

Banks	2006	2007	2008	2009	2010	2011	Average
Access	110879.33	205234.73	351789.28	405657.06	440542.12	522599.67	339450.365
Diamond	144569.68	211634.82	403710.12	44902.26	378733.01	544282.59	287972.08
FCMB	70296.8	187990.7	251580.1	272624.02	334897.85	410578.65	254661.353
Skye	125472	269316	501596	452918	471011	642639	410492
UBA	757407	897651	1258036	1151086	1119063	1216464	1066617.83
Unity	79683.49	145798.52	320139.53	214820.71	222145.56	266877.43	208244.207
Zenith	392864	568012	1164460	1111328	1289552	1575977	1017032.17
TOTAL	1681172.3	2485637.77	4251311.03	3653336.05	4255944.54	5179418.34	3584470.01
AVERAGE							512067.14

Source: Complied from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

Meanwhile, an examination of the results in Table 2 shows that the amount of deposits mobilized by all the selected banks increased by 208.08% between 2006 and 2011. This shows that the growth in deposits mobilized by the banks in Nigeria is satisfactory, despite various socio-cultural and institutional barriers to the financial sector development. The growth in deposits could be attributed to increases in interest bearing deposits during the period. This confirms the work of Khalily, Meyer and Hushak(1987), that there is a positive response of depositors to interest rates. Consequently, the analysis of the performance of each bank's deposits as a percentage of the total deposits of the selected banks shows upward increase over the period (see Table 2 and Figure 1).

Table 2: Comparative Analysis of Deposits Performance of the Selected Banks (2006 -2011)

Banks	2006(N' Million)	% of Total	2011(N' Million)	% of Total
Access	110879.33	6.5953579	522599.67	10.0899297
Diamond	144569.68	8.5993375	544282.59	10.50856591
FCMB	70296.8	4.1814156	410578.65	7.9271189
Skye	125472	7.4633635	642639	12.4075515
UBA	757407	45.052313	1216464	23.4864983
Unity	79683.49	4.7397575	266877.43	5.15265253
Zenith	392864	23.368455	1575977	30.4276831
TOTAL	1681172.3		5179418.34	
AVERAGE	240167.471		739916.906	

Percentage increase deposits between 2006 and 2012 = 208.08%

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

Fig 1: Deposits Performance of the Selected Banks(2006-2011)

For Access Bank, the deposit mobilized at the end of 2006 was N110, 879.33 million, which was 6.60% of the total deposits of the selected banks. By the end of 2011, the amount of deposit had increased to N522, 599.67 million, making 10.09% of the total deposits of the selected banks. Between 2006 and 2011, there was an increase of 371% in deposit mobilized by Access Bank (see Table 3).

Table 3: A Comparative Analysis of the Percentage Increase in Deposit Mobilization, Loans and Advances and Profitability of the Selected Banks between 2006 and 2011

Banks	% Increase in Deposits	% increase in Loans and Advances	% increase in Profits
Access	371.3229	755.88979	1753.1439
Diamond	276.48461	282.21187	-676.3767
FCMB	484.0645	1552.274	307.11696
Skye	412.17722	584.40698	169.15282
UBA	60.609025	456.4276	42.875828
Unity	234.92186	206.92846	77.672219
Zenith	301.15078	279.94167	223.27444

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

In the case of Diamond Bank, the amount of deposit mobilized in 2006 was N144, 569.68 million. This was 8.60% of the total deposits mobilized by the selected banks in 2006. By the end of 2011, the deposit mobilized by the bank increased to N544.282.59 million, which was 10.51% of the total deposits mobilized by the selected bank in the year. Thus, the bank recorded an increase of 276% in deposit mobilization within the period under study. For FCMB**,** the deposit performance at the end of 2006 was N70, 296.80 million. This amount was 4.18% of the total deposits of the selected banks in 2006. However, at the end of 2011, the amount of deposit had increased to N410, 578.65 million, indicating an increase of 7.93% of the total deposits of the selected banks for the year. By comparative analysis, there was an increase of 484.06% in deposit mobilized between 2006 and 2011.

The deposit mobilized by Skye bank for 2006 was N125, 472 million, which was 7.46% of the total deposits for the selected banks. For 2011, the amount increased to N642, 639 million, indicating 12.41% of the deposits by the selected banks for the period. In all, there was an increase of 412.17% of the deposits mobilized by the bank between 2006 and 2011.

In case of United Bank for Africa (UBA), the amount of deposit for 2006 was N757, 407 million. This represents 45.05% of the total deposit by the selected banks in 2006. At the end of 2011, the amount of deposit increased to N1, 216,464 million, which was 23.48% of the total deposit for the year. Thus, there was an increase of 60.61% in the total deposits by the bank between 2006 and 2011.

For Unity bank, the deposit at the end of 2006 was N79, 683.49 million, amounting to 4.74% of the total deposits of the selected banks for the year. However, the deposit at the end of 2011 was N266, 877.43 million, indicating 5.15% of the total deposits for the selected banks. Therefore, there was an increase of 234.92% of the deposit mobilized by the bank between 2006 and 2011.

Finally, Zenith Bank had a deposit of N392,864 million at the end of 2006, representing 23.37% of the total deposit of the selected banks for the year. However, the bank had a deposit of N1, 575,977 million at the end of 2011, amounting to 30.92% of the total deposits by the selected banks for the year. Therefore, there was an increase of 301.15% of the total deposits by the bank between 2006 and 2011.

However, a comparative analysis of the performance of each of the banks in terms of the percentage increases in deposit mobilization, loans and advances and profitability, reveals the scenario depicted in Table 3. Meanwhile, the analysis of the performance of the banks in terms of the average deposit mobilised depicted in Table 2 above reveals that, out of the seven banks, UBA mobilized the highest average deposit, followed by Zenith bank, Skye bank, Access bank, Diamond bank, FCMB bank, and Unity bank in that order. The analysis shows that all the banks had increased share of total deposits mobilized at the end of 2011 compared with the end of 2006, while UBA had a decreased share from 45.05% in 2006 down to 23.08% of total deposits in 2011 despite the increase in absolute amount of deposits. The significant of this change in share of total deposits is that the liquidity positions of the banks improved and hence impacted positively on lending, investment and economic growth. However, it is noted that all the increase in other banks' shares is compensated for by the decrease in UBA deposits alone. In spite of the fact that UBA had the highest average deposit mobilized, yet it has the only and very large decreased share of total deposits; large enough to compensate for all other banks' increases. The decreased share of total deposits of UBA in 2011 could be attributed to the fact that the other banks were more aggressive in deposit mobilization from the public.

ANALYSIS OF LOANS AND ADVANCES

Table 4 shows the performance of loans and advances of the selected seven banks during 2006 to 2011.

Table 4: Loans and Advances of the Selected Banks (2006 – 2011)(N' Million)

Banks	2006	2007	2008	2009	2010	2011	Average
Access	54111.17	107750.6	244595.62	391688.69	403178.96	463131.98	277409.5
Diamond	77929.99	96384.95	231445.16	296537.79	294920.91	297857.67	215846.078
FCMB	19070.77	83577.13	186565.21	236844.5	323531.06	315101.38	194115.008
Skye	71718	108450	244511	317764	385435	490843	269786.833
UBA	107194	320229	405540	543289	571127	596457	423972.667
Unity	37023.36	36590	51882.21	87817.5	113934.12	113635.23	73480.4033
Zenith	201971	223007	422874	669261	667860	767372	492057.5
TOTAL	569018.29	975988.66	1787413.2	2543202.48	2759987.05	3044398.26	1946667.99
AVERAGE							278095.427

Percentage increase in loans and advances between 2006 and 2011 = 435.03%

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

The amount of the total loans and advances for the selected seven banks at the end of 2006 was N569,018.29 million. But at the end of 2011, the loans and advances granted by the banks increased to N3,044,398.26 million, revealing an increase of 435.03% in 6 years. With combined average of loans and advances of N278,095.43 million, it shows great achievement for the banks. As Zhao and Moser (n.d) opined, loan growth is an important measure of intermediaries' activities, because the accessibility of credit depends on banks' role as financial intermediaries.

Table 5: Comparative Analysis of Loans and Advances of the Selected Banks (2006 -2011)

Banks	2006(N' Million)	% of Total	2011(N' Million)	% of Total
Access	54111.17	9.509566	463131.98	15.212595
Diamond	77929.99	13.695516	297857.67	9.78379452
FCMB	19070.77	3.3515214	315101.38	10.350202
Skye	71718	12.603813	490843	16.122825
UBA	107194	18.83841	596457	19.59195
Unity	37023.36	6.5065325	113635.23	3.7326007
Zenith	201971	35.494641	767372	25.206032
TOTAL	569018.29		3044398.26	
AVERAGE	81288.3271		434914.037	

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

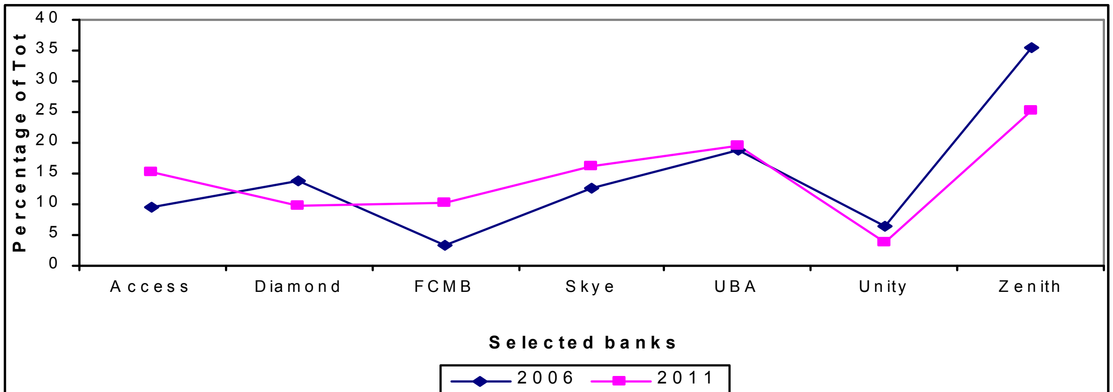

Fig 2: Loans Performance of the Selected Banks (2006-2011)

The analysis of the performance of each bank's loans and advances in 2006 and 2011 is demonstrated in Table 5. For Access bank, the loans and advances at the end of 2006 was N54, 111.17 million, which were 9.51% of the total loans and advances of the selected banks. By the end of 2011, the amount of loans and advances of the bank had increased to N463, 131.98 million, making 15.21% of the total loans and advances of the selected banks. Between 2006 and 2011, there was an increase of 755.88% in loans and advances by Access Bank.

In the case of Diamond Bank, the loans and advances at the end of 2006 was N77, 929.99 million, which represents 13.70% of the total loans and advances of the selected seven banks. By the end of 2011, the amount of the loans and advances of the bank had increased to N297, 857.67 million, which was of 9.78% of the total loans and advances of the selected banks in that year. This gives an increase of 282.21% in the loans and advances between 2006 and 2011.

For FCMB**,** the performance of the loans and advances at the end of 2006 was N19, 070.77 million, representing 3.35% of the total loans and advances of the selected banks in the year. However, at the end of 2011, the amount of loans and advances had increased to N315, 101.38 million, indicating 10.35% of the total loans and advances of the selected banks in the year. By comparative analysis, there was an increase of 1,552.27% in loans and advances by the bank between 2006 and 2011.

The loans and advances by Skye bank for 2006 was N71, 718 million, which was 19.52% of the total loans and advances of the selected banks. For 2011, the amount increased to N490, 843 million, indicating 16.12% of the loans and advances by the selected banks for the period. In all, there was an increase of 584.40% of the loans and advances by the bank between the period of study of 2006 and 2011.

The United Bank for Africa (UBA) had loans and advances of N107, 194 million at the end of 2006. This amounts to 18.84% of the total loans and advances by the selected banks for the year. At the end of 2011, the amount of loans and advances increased to N596, 457 million, which was 19.51% of the total loans and advances for the year. Thus, indicating an increase of 456.42% in the total loans and advances by the bank between 2006 and 2011.

For Unity bank, the loans and advances at the end of 2006 was N37, 023.36 million, indicating an increase of 6.51% of the loans and advances of the selected banks for the year. However, the loans and advances at the end of 2011 was N113, 635.23 million, amounting to 3.73% of the total loans and advances of the selected banks. Therefore, there was an increase of 206.92% of the loans and advances by the bank between 2006 and 2011.

Lastly, Zenith Bank had loans and advances of N201,971 million at the end of 2006, representing 35.49% of the total loans and advances of the selected banks. However, the bank had loans and advances of N767,372 million at the end of 2011, amounting to 25.1% of the total loans and advances by the selected banks. Therefore, there was an increase of 279.94% of the total loans and advances by the bank between 2006 and 2011.

A comparative analysis of the performance of the banks in terms of the average loans and advances granted indicates that, out of the seven banks, Zenith Bank granted the highest average loans and advances, followed by UBA, Access Bank, Skye bank, Diamond bank, FCMB bank, and Unity bank in that order. A deep look at Table 5 shows that despite the fact that the percentage of loans and advances of Zenith bank of the total loans of all the selected banks reduced from 35.49% in 2006 to 25.21% in 2011, the bank has highest level of loans in 2011. The reduced share of the bank's loans and advances in 2011 could have been caused by the increases in the shares in loans and advances of Access bank from 9.51% in 2006 to 15.21% in 2011 and FCMB from and 3.35% in 2006 to 10.35% in 2011.

Analysis of Profits

Table 6 shows Profit performance of the selected seven banks during 2006 to 2011.The amount of the total profits for the selected seven banks at the end of 2006 was N34,222.56 million. But at the end of 2011, the profits by the banks increased to N65,641.32 million, revealing an increase of 91.81% in 6 years.

Table 6: Profits Performance of the Selected banks, 2006 to 2011(N' Million)

Banks	2006	2007	2008	2009	2010	2011	Average
Access	737.15	6,083.44	16,056.46	22,885.79	12,931.44	13,660.45	12,059.12
Diamond	3,849.54	6,930.75	12,821.07	-4,883.45	6,522.46	-22,187.90	508.75
FCMB	2,841.38	5,805.86	13,720.47	3,465.81	7,322.32	11,567.74	7,453.93
Skye	2,467.00	5,517.00	15,126.00	1,130.00	9308.00	6,640.00	6,698.00
UBA	11,468.00	19,831.00	40,002.00	12,889.00	2167.00	16,385.00	17,123.67
Unity	1,370.49	720.84	-13,242.14	-15,855.90	12,415.47	2,434.98	-2,026.04
Zenith	11,489.00	17,509.00	46,524.00	18,365.00	33,335.00	37,141.00	27,393.83
TOTAL	34,222.56	62,397.89	131,007.86	37,996.29	84,001.69	65,641.32	69,211.27
AVERAGE							9,887.32
Percentage increase in profits between 2006 and 2011 = 91.81%							

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

The analysis of the performance of each bank's profits in 2006 and 2011 is demonstrated in Table 7 below. For Access bank, the profit at the end of 2006 was N737.15 million, which was 2.15% of the total profit of the selected banks. However by the end of 2011, the amount of profit had reached N13, 660.45 million, indicating 20.81% of the total profits of the selected banks. Between 2006 and 2011, there was an increase of 1,753.14% in profit by Access Bank.

Table 7: Comparative Analysis of Profits Performance of the Selected Banks (2006 -2011)

Banks	2006(N' Million)	% of Total	2011(N' Million)	% of Total
Access	737.15	2.15398848	13660.45	20.8107485
Diamond	3849.54	11.2485448	-22187.85	-33.80165116
FCMB	2841.38	8.30265182	11567.74	17.6226499
Skye	2467	7.20869508	6640	10.1155796
UBA	11468	33.5100589	16385	24.9614115
Unity	1370.49	4.00463905	2434.98	3.70952321
Zenith	11489	33.5714219	37141	56.5817385
TOTAL	34222.56		65641.32	
AVERAGE	4888.9371		9377.33143	

Source: Compiled from Annual Reports & Statements of Accounts of the Selected Banks (2006-2011)

In the case of Diamond Bank, the profit at the end of 2006 was N3, 849.54 million, which represents 11.25% of the total profits of the selected seven banks. By the end of 2011, the bank recorded a loss of N22, 187.85 million, decreasing the total profits of the selected banks by 33.80%. Thus, there was a decrease of 676.37% in the profits of the bank between 2006 and 2011(Fig. 3).

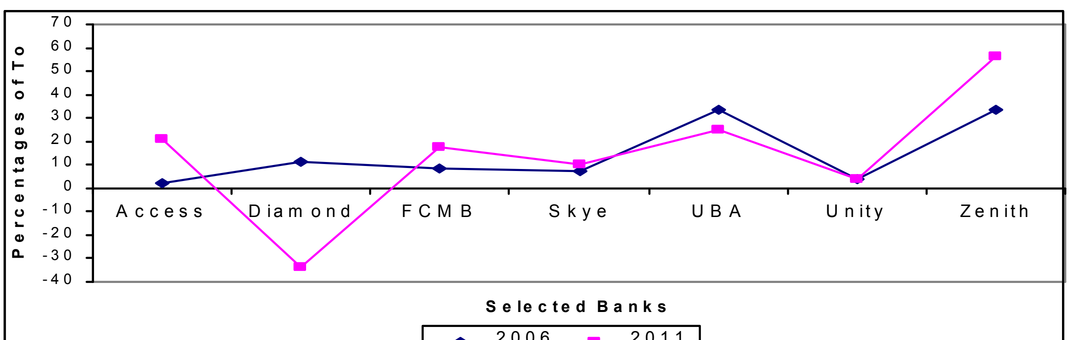

Fig 3: Profit Performance of the Selected Banks(2006 and 2011)

For FCMB**,** the profit performance at the end of 2006 was N2, 841.38 million, representing 8.30% of the total profits of the selected banks. However, at the end of 2011, the amount of profits was N11, 567,744 million, amounting to 17.62% of the total profits of the selected banks. By comparative analysis, there was an increase of 307.11% in profit generated by the bank between 2006 and 2011.

The profit by Skye bank for 2006 was N2, 467 million, which was 7.21% of the total profits for the selected banks. For 2011, the amount was N6,640 million, indicating 10.12% of the profits by the selected banks for the period. In all, there was an increase of 169.15% of the profits by the bank between the periods of 2006 and 2011.

In case of United Bank for Africa (UBA), the performance of the profit at the end of 2006, was N11, 468 million. This amounts to 33.51% of the total profits of the selected banks. At the end of 2011, the amount of profit for the bank was N16, 385 million, which was 24.96% of the total profits of the selected banks for the year. This indicates an increase of 42.88% in the total profit of the bank between 2006 and 2011.

For Unity bank, the profit at the end of 2006 was N1,370.49 million, indicating 4% of the total profits of the selected banks for the year. However, the profit at the end of 2011 was N2, 434.98 million, amounting to 3.71% of the total profit for the selected banks. Therefore, there was an increase of 77.67% of the profit of the bank between 2006 and 2011.

Finally, Zenith Bank had a profit of N11, 489 million at the end of 2006, representing 33.57% of the total profits of the selected banks. The bank had a profit of N37, 141 million at the end of 2011, amounting to 56.81% of the total profit of the selected banks. Thus, between 2006 and 2011, the total profits for the bank had increased by 223.27%.

A comparative analysis of the performance of the banks in terms of the average profits generated shows that, out of the seven banks, Zenith Bank had the highest profit, followed by UBA, Access Bank, FCMB bank, Skye bank, Diamond bank, and Unity bank in that order. Surprisingly, despite the fact that UBA had one third of total profit in 2006 and 2011, yet its share of relative profits dropped from 33.51% in 2006 to 24.96% in 2011. Meanwhile, Zenith Bank which had the same share of one-third as UBA in 2006 now has its share of total profit risen to a half of total profits, while the share of UBA dropped to one-quarter. Unfortunately, in 2011, Diamond bank, which had a share of the total profits of 11.25% in 2006, recorded a loss of N22,187.85 million, thereby decreasing the total profits of the selected banks by 33.80% during the year.

CONCLUSION AND RECOMMENDATIONS

The banks were found to have performed creditably well in deposit mobilisation, as well as in granting loan and advances, despite various socio-cultural and institutional problems inhibiting financial sector development in Nigeria. The banks that mobilized huge amount of deposits and granted more loans and advances were found to have higher profits than the others. This shows the positive relationship between deposit mobilization and bank lending. As Jayaratne and Morgan (1997) posit, lending and deposits move together because faster deposit growth signals growing demand for loans. This confirms that banks generate their incomes through the lending and investment activities.

Thus, the policy of the government must make savings attractive in order to positively influence the liquidity position of the banks and hence their lending behaviour. This is in line with Alper, Hulagu and Keles'(2012) argument, that any monetary policy which alter liquidity is potentially effective on credit supply. Finally, all the stake-holders in the banking sector must avoid issues that may negatively affect the lending activities of the banks. Such issues as loan defaults arising from the attitudinal culture of willful default by the people, inadequate attention to lending rules and ineffective legal system must be crystally examined and resolved.

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