TOXIC ASSETS DILEMMA AND THE HEALTH OF DEPOSIT MONEY BANKS: ASSESSING THE PERFORMANCE OF THE ASSET MANAGEMENT COMPANY OF NIGERIA.

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Abstract
This study is aimed at assessing the performance of the Assets Management Company of Nigeria (AMCOM) which was set up as a multipurpose resolution vehicle to buy up toxic assets of troubled banks by infusing fresh funds , thus mitigating the effects of the post-consolidation banking crises. Adopting the longitudinal survey research design, composite data covering all deposit money banks in Nigeria, were sourced from the Nigeria Deposit Insurance Corporation annual reports and accounts from 1993 to 2015, covering the period before and after the establishment of AMCON, using toxic assets as a proxy for the performance of AMCON, data were analyzed by running a multiple regression, using the Ordinary Least square (OLS) technique to test the formulated hypothesis, the results indicates that Shareholders Fund and Average Liquidity Ratio were statistically significant, while capital adequacy ratio was not statistically significant in relation to the performance of AMCON. Conclusively, though AMCON is discharging its responsibility effectively, there is need for caution, especially on the part of the Apex regulator in stemming the budding re-emergence of a gradual build up of toxic assets in the industry.

Keywords: Toxic Assets, Capital Adequacy Ratio, Liquidity Ratio, Deposit Money Banks,

Introduction

The significance of deposit money banks to the economic survival of any nation cannot be overemphasized. Simply put, the banking sector is the central hub on which economic activities revolve. Suffice it to note that the   banking industry in any country plays a fundamental role in promoting the level of economic activity. Consequently the economies of all free-market nations is hinged on optimal interrelationships between money and credit. Deposit money banks are a nation's most important financial institutions in the sense that, their performance and service delivery are unique and distinct from other forms of financial institutions or intermediaries due to the under listed characteristics:

(a)   Deposit money banks hold the nations' money supply

(b)   They are the only financial intermediaries whose demand deposit circulate as money

(c)   Commercial banks lending can create additional bank deposits through redeposit of the money by the borrower, unless the public decides to hold more currency;

(d)   They have the sole power to create money through the monetization of debt or through a promise to pay, i.o.u, and also power to destroy money.

In addition to these, deposit money banks act as financial intermediaries by channeling funds from surplus units to deficit units thus equilibrating the supply of credits in the economy. According to Agbada and Osuji (2013), the ability or inability of banks to successfully fulfill their role as intermediaries has been a central issue in instances of financial crisis that has been witnessed so far. It can be observed from the banker / customer relationship and the duties each party renders for the other that certain risks are inherent in banking. The nature of banking is therefore generally that of risk taking and risk management, Ogunleye, (2010) highlights such risks as:

(i)   The risk of deposit taking and paying high interest rates on such deposits and managing adequate liquidity to repay customers on demand.

(ii) The risk of lending at low interest rates to borrowers who want cheap loans.

(iii) The risk of not satisfying the owners (shareholders) who want maximum return on their investment by way of dividend.

(iv) The risk of earning sanctions from the Monetary Authorities who regulate banking activities to make sure banks comply with laid down rules with a view to safeguarding depositors funds

(v)   Banking occurs within the community and it is expected that the bank will operate as a responsible corporate entity. It is duty bound to the community by ensuring that its operations do not endanger the community and the environment.

Financial health as it relates to deposit money banks is dependent on performance benchmarks comprising: asset quality, earnings, capital adequacy and liquidity which are deeply entrenched in shareholders expectations, According to Muktar,(2010) the Nigerian banking industry have been bedeviled by Inadequate financial resources, Poor and/or deteriorating asset quality, Absence of a long term sustainable business strategy, Poor management and weak risk management and internal control policies, procedures, and practices. These weaknesses hinders management's ability to discharge its developmental roles to the economy, equally the policies of government such as macroeconomic stability, provision of employment, price stability, and increased output is equally affected.

Objectives of the Study
The ability of deposit money banks to perform their role of financial intermediation in Nigeria is increasingly threatened due to the gradual buildup of toxic assets and margin loans which resulted in the post consolidation banking crises in Nigeria. The negative consequence has been the depletion in the quality of risk assets and a rise in the level of non-performing loans and advances (NPLs) with the attendant increase in the required loan loss provision. These portends negative signals for the profitability of banks. The increasing ratio of non-performing loans to total credits has been a source of major concern to both regulatory authorities and operators alike hence in a bid to halt the systemic collapse of the banking industry by safeguarding depositors fund and preventing a crises of confidence in the industry, it became

imperative to resuscitate the banking system, by the establishment of an Asset Management Company of Nigeria (AMCON),

In the light of the forgoing, this paper is aimed at ascertaining the relationship between toxic assets and the health of Deposit Money Banks in Nigeria while simultaneously appraising the extent to which   the Asset Management Company of Nigeria (AMCON) is performing the role for which it was established, the rest of the paper is structured as follow,   Section 2 discusses the conceptual literature, Section 3 provides the methodology and conceptual model, Empirical results are presented in Section 4, Section 5, discuses the findings, while section 6 summarizes and concludes the paper.

Literature Review

Toxic asset is a euphemism for certain financial assets whose value has fallen significantly and for which there is no longer a functioning market, so that such assets cannot be sold at a price satisfactory to the holder. Because assets are offset against liabilities and frequently leveraged, this decline in price may be quite dangerous to the holder. The term became popular during the late-2009 financial crisis in which they played a major role. When the market for toxic assets ceases to function, it is described as "frozen". Markets for some toxic assets froze in 2007, and the problem grew much worse in the second half of 2008. Several factors are attributable to the freezing of toxic asset markets. The value of the assets were very sensitive to economic conditions, and increased uncertainty in these conditions made it difficult to estimate the value of the assets. Banks and other major financial institutions were unwilling to sell the assets at significantly lower prices, since lower prices would force them to reduce significantly their stated assets, making them, at least on paper, insolvent (Wikipedia).

The 2014 NDIC Annual Report and Statement of Accounts indicates that the volume of Non-performing loans in Nigerian deposit money banks increased by ? 38.05 billion or 13.30% from ? 286.09 billion in December 2012 to ? 324.14 billion in December 2013.and further increased by 10.26% to ? 354.84 billion in 2014.however asset quality as reflected by the ratio of non-performing loan to total loans improved from 3.51% in 2012 to   3.23% in 2013 and further improved to 2.81% in 2014. Suffice it to note that an increasing portfolio of non -performing loans are trigger off points for systemic crises for the concerned money deposit bank in particular and the banking industry in general a case in point is the recent dissolution of the Board and removal of the CEO of Skye Bank limited by the Central Bank of Nigeria due to mounting non performing loans portfolio.

The Post- Consolidation Banking Crises.

In 2005, the then Nigerian Central Bank Governor, whittled down the then 89 Nigerian banks to a manageable 25 by pegging their minimum capital base at ? 25 billion. Following this exercise, the new re-capitalized banks were bigger, broader in scope and had much more credit to lend, however, poor supervisory oversight on how these credit will be offered ignited the onset of the   crises. Initially the consolidation was a huge success as it re-enforced the capital structure of the new banks, boosted investors confidence in the economy leading to increased inflow of foreign direct investments. Equally, the soaring oil revenues into the national economy occasioned by rising benchmark price for crude oil in the international market. Ibrahim (2009) asserts that between 2007/2008 Nigerian banks were given the license to manage over $7 billion from the $60 billion excess crude account, thus putting huge capital at the disposal of the banks,   monies were dispensed to these financial institutions for governmental interventionist programmees cutting across agricultural loans, contributory pension schemes and the monetization policy. But while the government paid these banks for their services, the same government trough the CBN

will borrow the same monies by issuing short –term bonds and treasury bills at exorbitant interest rates of up to 15% twice the level charged by the CBN (monetary policy rate) on loans to commercial banks.

To benefit from the blossoming market, major banks extended juicy unsecured loans to local stock brokers, thus worsening the problem, only after the fourth quarter of 2008 that hints emerged of how poorly the banks managed these margin loans-holding unto shares longer than banks had agreed was advisable, or simply providing too much money to small investors, while their companies accrued unsustainable debts, Main while the Economic and Financial Crimes Commission (EFCC) observed that top management extended loans to friends and fictitious companies without ever thinking of how they will be recovered, hence a criminal mechanism was created through which banks could quietly loan money from government to borrowers presenting less and less collateral each time, eventually, the banks accrued more debts than either they or the CBN could hide.

This scenario was further worsened by the global recession in 2007-2009, sparked off by the sub-prime mortgage crises in the US in august 2007, this crises led to the collapse of many world renowned financial institutions across the globe (Ebiaghan, 2009; and Sampson, 2008;). In Nigeria the economy faltered and the banking sector plummeted into a crises in 2009, the stock market shed over 70% of its capitalization, and many Nigerian banks needed to be rescued. Lamido (2010); identified 8 main interdependent factors which led to the creation of an entirely fragile financial system in Nigeria:

(a) Macro-economic instability caused by large and sudden capital inflows.
(b) Major failure in corporate governance in banks.
(c) Lack of investor and consumer sophistication
(d) Inadequate disclosure and transparency about financial position of banks.
(e) Critical gaps in regulatory framework and regulations.
(f) Uneven supervision and enforcement.
(g) Unstructured governance and management processes at the CBN.
(h) Weakness in the business environment.

Also the CBN noted that, these banks were heavily exposed to two sectors that were in difficulties (the capital market sector and middle market in the oil and gas sector) aside the issue bordering on insider lending, based on the CBN's audit, the combined effect of liquidity challenges and poor asset quality of these banks put them under serious threat of insolvency. The CBN however noted that, based on the number of banks affected and their relevance, rescuing them is less costly to the financial system and the entire economy than watch them fail. The CBN therefore intervened by dissolving the boards of these banks and setting up new ones to manage them until they are returned to sound financial health. The CBN injected ? 620 billion (about US$4.1 billion) of liquidity into the banking sector in the form of unsecured and subordinated debt and provided a guarantee of all interbank lending transactions (expired end-December 2011), foreign credit lines, and pension deposits. To instill public confidence, the authorities made a public commitment to protect depositors and creditors against losses and that no bank would be allowed to fail. These quick measures stabilized the banking system and allowed the authorities time to design a strategy to resolve the intervened banks.

Table 1: Timeline of Nigerian Banking Crisis

August 14, 2009	CBN releases audit reports on 10 banks. Intercontinental Bank Plc, Oceanic Bank Plc, Afribank Plc, Union Bank of Nigeria Plc and Finbank Plc (31 percent of banking system) fail the stress tests —the largest, Union had negative capital and the other four had weak capitalization and high levels of NPLs. CBN replaces senior management and injects ₦ 420 billion into five banks.
August 18, 2009	Enforcement Financial Crimes Commission arrests three ex -CEOs and nine others.
August 19, 2009	CBN publishes list of bank debtors
August 31, 2009	Enforcement Financial Crimes Commission arraigns sacked bank CEOs
October 2, 2009	CBN fires ETB, Spring Bank Plc and Bank PHB Plc CEOs and executive directors. Gives these three banks a ₦200 billion lifeline. Wema and Unity Banks get June 30, 2010 deadline to recapitalize.
October 14, 2009	CBN releases fresh debtors' list
January 25, 2010	CBN limits bank CEOs' tenures
February 15, 2010	CBN performs fresh audit of banks.
June 30, 2010	CBN extends recapitalization deadline for Wema and Unity Banks
July 19, 2010	President signs the Asset Management Corporation of Nigeria Bill.
August 16, 2010	CBN unfolds plan to sell the eight rescued banks.
January 1, 2011	AMCON takes over ₦2 trillion of nonperforming loans from the rescued banks and other banks.
May 12, 2011 .	Shareholders lose bid to stop CBN from selling the eight rescued banks.
June 2, 2011	CBN gives rescued banks till September 30 to recapitalize or face liquidation.
July 2011 .	Finbank, Intercontinental and Union Banks sign binding Transaction Implementation Agreements with First City Monument Bank Plc, Access Bank Plc and African Capital Alliance for recapitalization.

Loans Purchased from Various Eligible Financial Institutions' (Efis)

The corporation has acquired Eligible Bank Assets (EBAs) or Non-performing Loans (NPLs) of various Eligible Financial Institutions (EFIs) in three different phases/ tranches. The top 5 EFIs represent 58.18% of all purchased EBAs. The table below summarizes the corporation's position by institution:

Table2: Loan acquisition from EFIs

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Eligible Financial Institutions.	Percentage of AMCON Portfolio
Access	1.63%
DIAMOND	2.13%
ECOBANK	2.07%
ENTERPRISE	3.59%
ETB	0.59%
FBN	5.21%
FCMB	2.94%
FIDELITY	1.75%
FINBANK	4.04%
GTB	2.25%
INTERCONTINENTAL	14.62%
MAINSTREET	11.40%
OCEANIC	11.58%
SKYE	2.62%
STANBIC IBTC	0.13%
STERLING	1.22%
UBA	5.80%
UNION	11.43%
UNITY	2.28%
WEMA	1.13%
ZENITH	2.42%
GRAND TOTAL	100.00%

Source: AMCON WEBSITE

Research Methods

The study adopts the longitudinal survey research design, the population of interest comprised all 24 deposit money banks in Nigeria, secondary data were sourced from the Nigeria Deposit Insurance Corporation NDIC annual reports and accounts for period between 1993 to 2015, covering the period before and after the establishment of AMCON. The method of data analysis employed is statistical, through descriptive analysis of sourced data. The data collected for the study were analyzed by running a multiple regression using the ordinary least square (OLS) technique to test the formulated hypothesis, in addition other tools like t-test, f-test, Durbin Watson, R-squared among others were employed to provide a good estimate of the observed decision variables.

Research Hypothesis

In order to achieve the objectives of this study the following hypotheses are formulated

(i) Ho: there is no significant relationship between toxic assets and capital adequacy ratio of deposit money banks.

(ii) Ho; there is no significant relationship between toxic assets and the average liquidity ratio of deposit money banks.

(iii) Ho: there is no significant relationship between toxic assets and shareholders fund of deposit money banks.

Model Specification and Operationalization of Variables:

The dependent variable for the study is Toxic assets which shall be proxied by non-performing loans, while the independent variables comprising capital adequacy ratio, average liquidity ratio and shareholders fund will be analyzed as proxies for the health of , deposit money banks. The performance of AMCON will be analyzed on the basis of the strength of the adjusted R^2 a strong relationship indicates low performance while a weak relationship suggest satisfactory performance. The empirical model is specified below: $NPL_t = \alpha_0 + \alpha_1 CAR_t + \alpha_2 ALR_t + \alpha_3 SHF_t + \mu$

where,

NPL_t = Non Performing Loan of DMB in year t
CAR_t = Capital Adequacy Ratio of DMB in year t
ALR_t = Average Liquidity Ratio of DMB in year t
SHF_t = Share Holders Fund of DMB in year t
μ = The Error term

Results and Findings
Descriptive Statistics

Table 3. below Presents the descriptive statistics for the data set.

Table 3: Descriptive Statistics of the variables

	NPL	CAR	ALR	SHF
Mean	16.517	11.533	30.745	1340.762
Median	20.143	10.7000	22.754	1590.740
Maximum	37.253	18.070	69.2900	2682.110
Minimum	2.959	1.490	5.568	210.466
Std. Dev	9.064	4.653	18.632	909.025
Skewness	-0.0415	-0.3311	0.6583	-0.0349
Kurtosis	2.3977	2.3905	2.3269	1.3637
Jarque-Bera	0.3542	0.7762	2.0954	2.5703
Probability	0.9376	0.6783	0.3507	0.2766
Sum	379.896	265.265	707.152	30837.53
Sum Sq.Dev	1807.674	476.456	7637.587	18179187
Observations	23	23	23	23

Source: Authors Computation based on regression output

From the descriptive analysis above, the Skewness, Kurtosis, Jarque-Bera and probability are analyzed. The skewness measures the asymmetry of the distribution of the series around the mean.. From the analysis above, average liquidity ratio (ALR) with value (0.658) is positively skewed to the right, while non performing loans (NPL), capital adequacy ratio (CAR) and shareholder's fund with values (-0.0415), (-0.3311) and (-0.0349) respectively are negatively skewed to the left.

The Kurtosis measures the peakedness or flatness of the distribution of the series. For Kurtosis, the normal distribution is 3, but if it exceeds this value, the distribution is assumed to peaked (Leptokurtic) relative to the normal, but if it is less than 3; the distribution is flat (Platykurtic) relative to the normal. From the analysis above, all the variables (NPL, CAR, ALR and SHF) are less than 3, implying that they are platykutric. The Jarque-Bera is the test for normal distribution. The null hypothesis for this test is that the series is normally distributed. But for normal distribution to occur, the probability values must be less than the Jarque Bera value. Therefore, from the analysis above, capital adequacy ratio (CAR), average liquidity ratio (ALR) and shareholder's fund (SHF) are normally distributed. This is because, their probability values are less than their respective Jarque-bera values, while non-performing loans (NPL) is not normally

distributed. This is because probability value is greater than its Jarque-bera value.

Multicollinearity
The study tested for the presence of multicollinerity which could affect the regression results. table 4 shows the correlation between variables ,presented in a matrix.
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	NPL	CAR	ALR	SHF
NPL	1.000000	-0.4405	-0.6121	-0.8044
CAR	-0.4405	1.000000	0.4603	0.3297
ALR	-0.6121	0.4603	1.000000	0.4006
SHF	-0.8044	0.3297	0.4006	1.000000

Source: Aurthur's Computation distilled from regression output

The correlation coefficient measures the strength or degree of linear association between two variables. From the correlation matrix, capital adequacy ratio shows a negative and fairly strong correlation to non-performing loans (AMCON's operation and effectiveness) with correlation coefficient (-0.4405). This implies that as deposit money banks incur huge losses (in the form of bad debts, also known as toxic assets), the capital adequacy declines overtime leading to loss of confidence in these financial institution. At this point, deposit money banks still incur huge toxic assets even after recent reforms in the banking sector. Also, average liquidity ratio shows a negative and strong correlation with non-performing loans

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(AMCON's operation and effectiveness) with correlation coefficient (-0.612). This invariably goes to show that when non-performing loans are always on the increase, its liquidity ratio falls, and based on the coefficient value; its impact is more evident as losses will be incurred overtime. This also corroborates with its impact on shareholder's fund, the more toxic assets incurred by deposit money banks, percentage allocation as dividend to shareholders falls as well leaving them will little or no profit at the end of the fiscal year. Conclusively, the greater the proportion of non-performing loans, the negative impact will it have on the determinants of deposit money bank profitability.

Capital adequacy ratio shows a positive correlation to its average liquidity ratio with correlation coefficient (0.4603). This entails with constant reforms in increasing the minimum asset base of deposit money banks (when provision for non-performing loans are taken care of), this would invariably lead to increase in the liquidity ratio of the bank overtime (attracting more deposits from investors and granting non-toxic loans to investors) This relationship is depicted also between capital adequacy ratio and the shareholder's fund. It exhibits a positive correlation to shareholder's fund with correlation coefficient (0.3297). The average liquidity ratio shows a positive correlation to shareholder's fund with correlation coefficient (0.40006). The more deposit money banks meet maturing obligations without incurring unacceptable losses, it increases the confidence of investor over the years thereby attracting more funds from businesses, firm, corporations and in turn lead to increased profitability of the bank of which dividends are realized at the end of the day.

In conclusion, based on the correlation matrix analysis, AMCON's performance is below average as huge non-performing loans are still being recorded and this is having a significant impact on the profitability and soundness. of deposit money banks.

Hypothesis Testing
The hypothesis earlier formulated will now be tested using t-values, p-values and the adjusted R^2. Table 5. Presents the results of the regression analysis carried out on the specified variables.

Table 5.Ordinary Least Square Estimates

Dependent Variable: NPL				
Method: Least Squares				
Sample Adjusted: 1993–2015				
Variable	Coefficient	Std.Error	t-Statistic	Prob.
CAR	-0.158	0.254	-0.621	0.5419
ALR	-0.152	0.065	-2.327	0.0311
SHF	-0.006	0.001	-5.148	0.0001
C	31.749	2.877	11.031	0.0000
R^2=0.752				
Adjusted R^2=0.713				
Prob(F-statistics) 0.000000				
F-Statistics = 19.233				
D.W Statistics: 1.715				

Source: Author's Computation extracted from regression output.

Test of Hypothesis One (Ho)
Ho: there is no significant relationship between Toxic assets and Capital Adequacy Ratio of Deposit Money Banks.
Decision: From the Ordinary Least Square estimates in table 5, the result reveals that capital adequacy ratio is not statistically significant in explaining its relationship with AMCON'S performance as proxied by non performing loans. The reason being that the probability value (0.5419) is greater than 5% significant level. In terms of its T-statistics, the

computed t value (-0.621) is less than the t-table value (which is approximately 2) according to the rule of thumb, hence the null hypothesis is accepted at 5% significant level. This implies that capital adequacy ratio is not statistically significant in explaining its relationship with AMCON'S performance. This result corroborate the correlation coefficient and is in consonance with the works of Agbada and Osuji (2013) using securitization as a proxy for measuring AMCON'S performance.

Test of Hypothesis Two (Ho)
Ho; there is no significant relationship between Toxic assets and the Average Liquidity Ratio of Deposit Money Banks.

Decision:
From table 5, the result indicates that average liquidity ratio is statistically significant in explaining its relationship to AMCON'S performance as proxied by non performing loans. The reason being that the probability value (0.0311) is less than 5% significant level implying the rejection of the null hypotheses. in terms of the t-statistics, the t-computed value (-2.327) is greater than the t-table value (which is approximately 2), according to the rule of thumb. Hence the null hypothesis is rejected implying that average liquidity ratio is statistically significant in explaining its relationship with AMCON'S performance.

Test of Hypothesis Three (Ho)
Ho: there is no significant relationship between toxic assets and shareholders fund of deposit money banks.

Decision:
From table 5, the result shows that shareholders fund is statistically significant in explaining its relationship with AMCON'S performance. The reason being that the probability value, (0.0001) is less than 5% significant level. This implies the rejection of the null hypotheses. In terms of the t-statistics, the computed t-value,(-

5.148) is greater than the t-table value (which is approximately 2), according to the rule of thumb, and as such the null hypotheses of no significance is rejected, implying that shareholders fund is statistically significant in explaining its relationship to AMCON'S performance.

In term of the overall significance, the model is statistically significant. This implies that all the variables collectively are statistically significant and are relevant determinants and indicators in analyzing the performance of AMCON. This is because the F-statistics (19.233) is large enough and greater than the table value at 5% significant level. The model is a good fit. In terms of the coefficient of determination (R^2), it is inferred that 75% of variation in the model are captured by the variables used which include the capital adequacy ratio, average liquidity ratio and shareholder's fund, leaving about 25% constituting the unexplained variation which is captured in the error term. This is corroborated by the adjusted coefficient of determination such that 71% constitutes the explained variation leaving about 29% to the unexplained variation.

In terms of the serial correlation problem, the Durbin-Watson Statistics showed that with D.W statistics of (1.715) which is approximately 2, there is absence of first order serial correlation in the model. Other diagnostic test conducted includes the Bresusch Godfrey Serial Correlation LM test and the Breush Godfrey Pagan Heteroscedasticity tests.

The results of the diagnostic checks are shown in table 6, below:
Table 6: Diagnostic Checks results

	F-Statistics	Probability
Breusch-Godfrey Serial Correlation LM Test	0.1759	0.8401
Breusch-Pagan-Godfrey Heteroscedasticity Test	0.9241	0.4482

Source: Regression output

The result of the Breusch-Godfrey serial correlation LM test indicates that the residuals are not serially correlated with the probability value (0.8401) greater than 5% significant level. This confirms to the Durbin Watson test conducted.

Cointegration Test
The Johansen methodology which has the advantage over the cointegration techniques will be used to test for the long-run relationship among the variables. A key advantage is that it allows for more than one cointegrating equation. The result of the Johansen cointegration test is shown in the tables below

Table 7:   Johansen Co-integration test
Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigen-value	Trace Statistics	0.05 Critical value	Prob. (**)
None*	0.8815	83.2993	47.8561	0.0000
At most 1*	0.6974	40.6276	29.7970	0.0020
At most 2*	0.5522	16.7176	15.4947	0.0326
At most 3	0.0318	0.6468	3.8414	0.4213
Unrestricted Cointegration Rank Test (Maximum Eigen Value)				
Hypothesized No. of CE(s)	Eigen-value	Trace Statistics	0.05 Critical value	Prob. (**)
None*	0.8815	42.6717	27.5843	0.0003
At most 1*	0.6974	23.9099	21.1316	0.0198
At most 2*	0.5522	16.0709	14.2646	0.0256
At most 3	0.0318	0.6468	3.8414	0.4213

Source: Regression output

From the table above, given that the lag length selection criterion chosen is 2, from the trace statistics, a long-run relationship exist between the variables. This is because the prob. (value) for the cointegrating equations is less than 0.05. The same holds using the maximum-Eigen value, which implies that there exist three cointegrating equation and there exist a long-run relationship between the variables being specified.
The result from both the trace statistics and Max-Eigen statistics indicates three cointegrating equations. This result suggests a long run relationship among the variables. This implies that the activities of AMCON both in the long-run is very vital to the improvement of deposit money bank performance and profitability overtime.

Chow-Breakpoint Test
Table 8: Chow-Breakpoint test results

Chow Breakpoint Test: 2004			
F-Statistics	13.2065	Prob. F(11,8)	0.0006
Log Likelihood ratio	67.9138	Prob. Chi-Square(11)	0.0000

From the chow break point test, the structural breaks (2004) are divided into two periods; pre-consolidation (before 2004) and post consolidation era (2005-2015). It is seen that there was a significant policy shift between these periods. This is because the probability value (0.0000) is less that 5% significant level. This further tells us that there was a significant policy shift after liberalization period (consolidation era). This significant shift arose as a result of the policy reform of bank consolidation in 2005, which strengthened the financial institution and the financial system of the Nigerian economy.

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Discussion of findings

From the analysis, capital adequacy ratio is not statistically significant as it shows a negative and fairly strong correlation to non-performing loans (AMCON's performance) This implies that as deposit money banks incur huge losses (in the form of bad debts, also known as toxic assets), the capital adequacy declines overtime leading to loss of confidence in these financial institution. Suffice it to note that despite reforms on the industry there is still a gradual build up of toxic assets..Equally, It is evident also that there exist a negative relationship between toxic assets proxied by non-performing loans and it average liquidity ratio. But it is quite clear that liquidity plays very crucial roles in the successful functioning of all business firms and financial institutions and that is why the average liquidity ratio is statistically significant at 5% level. This is because the probability value is less that 5% significant level. This goes to show that if AMCON's plays its role in minimizing the negative impact of non-performing loans in the sector and its sub-sector side by side it increasing capital base, it is significant enough to cause dramatic changes to the banking sector via its balance sheet. This would help deposit money banks perform effectively and reduce unacceptable losses making room for improvement in deposit which are part of what banks used in trading for profit making. Furthermore, in terms of AMCON's performance in relation to its shareholder's fund, there exist a negative (inverse) relationship between AMCON's performance and shareholder's fund. This implies that as AMCON's performance (non-performing loans) increases, it reduces the profit of banks over time as captured in the balance sheet, leaving little or no amount to share as dividend to its shareholders. But the fact remains that without investor's (shareholders), banks generally cannot perform effectively. This is because they rely on the deposits of investors for their effective performance and as such if attention is not given adequately by AMCON in targeting the issue of non-performing loans, it will be detrimental to the success and profitability of deposit money banks. This is precluded on the fact that shareholder's fund is statistically significant at 5% level with probability value (0.0001) which is less than 5% significant level.

Conclusion and Recommendations

Summarily, it can be concluded from the study that although the recent reforms in the industry, which nessicitated the creation of AMCON, has been significant in resuscitating the almost distressed deposit money banks thus preventing systemic collapse, it is not yet eldorado as a lot still need to be done to stem the tide of gradual build up of toxic assets, thus it is recommended that the apex regulator which in this case the Central Bank of Nigeria should adopt pro-active approach in its regulatory oversight by ensuring that prudential guidelines and monetary policy directives/circulars to deposit money banks are strictly adhered to, while imposing stringent measures for non-compliance on erring deposit money banks. The recent removal of the CEO and dissolution of the board of Skye bank Plc, is a step in the right direction.

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