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## **BUSINESS PROCESS REENGINEERING AND NIGERIAN BANKING SYSTEM EFFICIENCY**

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### **ABSTRACT**

*Prior to 2000, and before banks in Nigeria embraced BPR the NBS was inefficient, characterized by frauds, long queues, nonperforming loans, illiquidity and distress. As one way of overcoming these challenges banks started to focus on BPR as a veritable tool to drive efficiency, customer satisfaction and improved shareholder value. With the advent of BPR and process improvement, efficiency gradually strolled back into the NBS. Against the prereengineering era when the liquidity ratio of the NBS was minus 15.92 percent in 1996, with 41 banks falling below the 30 percent minimum prudential requirement, the NBS had a positive average liquidity ratio of 65.69 in 2011, with all the banks meeting the 30 percent minimum liquidity ratio. The banks that introduced BPR early in the 2000s have remained without distress, liquid, efficient and with high growths in gross earnings, total assets profitability and equity. The exploratory research design was deployed for the study, and it was found that BPR has positive effect on NBS efficiency.*

**Keywords:** *Efficiency, Capital adequacy, Asset quality, Management, Earnings capacity, Liquidity.*



## 1. INTRODUCTION

From business and management perspectives, efficiency connotes the ability of managers and organizations to achieve better organizational performance at a reduced or minimum cost to the organization. According to Jones and George (2003) organizational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organizational goals.

They suggest that organizational performance increases in direct proportion to increases in efficiency and effectiveness. Accordingly, efficiency is a measure of how well or how productively resources are used to achieve organizational goals. Put in another way, organizations are said to be efficient when managers minimize the amount of resources or the amount of time needed to produce goods or to provide services for customers' and shareholders' satisfaction.

Before the turn of this century, the Nigerian Banking System (NBS) was generally poor in service delivery characterized by long queues, delays, frauds, forgeries, accounts falsification, rendition of inaccurate returns and reports to the regulatory authorities, among other infractions that led to inefficiencies. Such inefficiencies contributed in great measure to the NBS distress and crisis of the late 1980s and early 1990s, through 2009, that eventually boomeranged to bank failures in Nigeria.

Against this background, banks sought for ways of providing more efficient services to satisfy the changing needs of their customers and better channels of responding to the statutory requirements of the regulatory authorities in standard and acceptable modalities. To improve the reporting framework in the NBS, the Central Bank of Nigeria (CBN) introduced the automation of the process for rendition of returns by banks and other financial institutions through the electronic Financial Analysis and Surveillance System (e-FASS) (Okorie and Uwaleke, 2010).

The race for efficiency led to major change processes, including Business Process Reengineering (BPR) in the NBS. According to Hammer (1990) reengineering is a fundamental rethinking and radical redesigning of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed. He asserts that the idea of

BPR is to achieve efficiency, otherwise the process of achieving quality and excellence at reasonable costs to the organization.

Government intervention in the NBS between 1986 and 1996 made it imperative for banks to engage in BPR in order to meet internal challenges and global competition. Factors like the Structural Adjustment Programme (SAP), export promotion, public sector efficiency, deregulation and liberalization, privatization – and commerlization, were among the major push factors for of BPR in the NBS. Other factors were legal measures, such as the Banks and Other Financial Institutions Decree (BOFID) Prudential Guidelines, establishment of Nigeria Deposit Insurance Corporation (NDIC), capital adequacy ratios, Failed Banks and Money Laundering Decree, among other government requirements.

For example, according to Muo (1999) liberalization of bank licensing led to almost 300 percent increase in the number of banks within five years, establishments of many fringe banking institutions like the community banks, peoples bank, mortgage banks, explosion in the number of finance houses, stock brokerage firms, and others, that were providing fund intermediation services. He posits that all the processes resulted in an intense competitive environment and banks reacted in different ways.

They became market conscious, adopting the market concept and manipulating the “5ps”: product, price, place, promotion and packaging, in a do or die effort to gain competitive advantage. In the process, there were new products, new delivery channels, new branch locations that added to the work-load in the NBS. As a result, the NBS became more cost and efficiency conscious, hired more high quality people, embraced full automation of processes based on the superior principles of strategic management.

Although competition should lead to efficiency, insider abuse in the NBS gave way to leakages, dwindling liquidity, poor asset quality profitability. By the end of 1996, the average liquidity ratio in the NBS was minus 15.92 percent, against the minimum 30 percent ratio prescribed by the CBN, and by then the NBS recorded about the highest number of failed banks in sub-Saharan Africa (SSA), against the figures of 1993.

For example, according to Caprio and Klingebiel (2002) in 1993, insolvent banks in Nigeria accounted for 20 percent of banking system assets and 22 percent of deposits. In 1993 Nigeria made history when 25 banks were liquidated by the CBN as a result of mismanagement and efficiency. And in 1995, almost half the banks in Nigeria reported being in financial distress. The problems of efficiency and inefficiency in the NBS were directly related to the unprecedented increase in the number and types of banking institutions, regulatory inadequacies and laxity, fiscal problems, among others.

These caused the disappearance of profits, and shareholders' funds, and distress took the centre stage, which exacerbated NBS problems. Consequently, many banks were taken over by the CBN between 2000 and 2009 because of inefficiency (SANUSI, 2012; DAVENPORT; SHORT, 1990; MOGHALU, 2011; HAMMER, 1996; ROHLEDER; SILVER, 1997; UGOANI, 1998).

### **1.1. Statement of the Problem**

The NBS witnessed large scale distress in the 1980s and 1990s through 2011 due largely to mismanagement and inefficiency. According to Ibrahim (2012) the NBS crisis saw the CBN using \$4billion of public funds to bail out some inefficient and mismanaged banks. According to Sanusi (2012) shareholders of the eight banks taken over by the CBN automatically lost their investments in the banks.

The banks: Union Bank, of Nigeria Plc, Intercontinental Bank, Plc, Afribank Plc, FinBank Plc, Bank PHB Plc, Spring Bank Plc, and Equatorial Trust Bank Ltd. were found to be in bad condition after the CBN's special audit of the 24 banks in the country then, prompting the injection of about N620billion in bail out exercise.

Among other problems, the result of the CBN examination showed that the nonperforming loans (NPLs) of the banks exceeded their share capital that resulted in a situation where their balance sheets had negative networth. Within this context, their shareholders funds were eroded due to inefficiency, leading to complete loss of investments in the banks.

Sanusi (2012) thought that those who mismanaged their banks should go to jail or even be killed. This scenario underscores the problem and gravity of inefficiency in the NBS. In the wake of the global financial crisis, the CBN rose to

ensure a sound financial system through the provision of clearing facilities for banks, development of payment systems, banking regulation and supervision.

In the quest of financial stability the CBN created special units with a responsibility to monitor, on a regular basis, the stability of the banks to avoid the mistakes that hitherto led to financial crisis. To this extent, the CBN did not just bailout banks considered to have been at great risk, it equally pursued other measures with the aim of unlocking the credit potentials of the Deposit Money Banks (DMBs) and ensuring the flow of credit to productive sectors of the real economy.

Section 31 of the CBN Act (2007) provides that the CBN can make financial interventions for the purpose of promoting economic development (Moghalu, 2011, Editorial, 2011, Okorie, 2012, Daniel, 2016, Ugoani, 2015a, Ugoani, 2015b). In the late 1990s some bank boards were crisis – ridden which largely distracted management from underlying business issues, and some even operated under different boards that contributed to huge NPLs (IKEDIASHI, 1998; DAVIES, 1998; UGOANI, 1998), Bank efficiency is a major factor for survival.

According to Okoh, et al (2016) bank failures in Nigeria have been closely associated with inefficiency. Abiola (2003) posits that profitability and efficiency are among the principal variables for the assessment of banking system productivity. NDIC (1991) reports that in assessing the financial condition of a bank, it is customary to evaluate the capital adequacy, asset quality, quality of management and staff, level of earnings as wells as liquidity.

According to Okorie and Uwaleke (2010) prior to 2004, the NBS comprised of 89 banks, many of which were characterized by low or eroded capital bases, large number of small banks with relatively few branches, weak corporate governance, insolvency, as shown by negative capital adequacy ratios and capital that had been significantly eroded by losses, arising from huge nonperforming loans (NPLs) as a result of lack of efficiency.

Since the 1990s, till 2009, the problem of inefficiency in the NBS has been persistent largely due to mismanagement and inefficiency. Abiola (2003) addressed the problems of IT and NBS effectiveness, competitiveness and profitability, but did not explore the areas of BPR and efficiency. This is the gap the present study sought

to bridge (OLUWASANYA, 2014; OKOH, et al. 2016; GREUINING; BRATAMOVIC, 2003; MCNAUGHTON, 1997; BARLTROP; MCNAUGHTON, 1997; IDAM, 2002).

### **1.2. Objective of the study**

The study was designed to evaluate the effect of BPR on NBS efficiency.

### **1.3. Significance of the study**

The study will enable students, researchers, consultants, academics, bank promoters, governments, and others interested in bank management to appreciate the relevance of BPR on NBS efficiency.

### **1.4. Hypotheses**

Two hypotheses were formulated and tested based on the objective of the study.

H1: BPR has no effect on NBS efficiency.

H2: BPR has positive effect on NBS efficiency.

## **2. LITERATURE REVIEW**

Hammer (1990) posits that BPR is a major tool for driving organizational efficiency. According to him BPR emphasizes teamwork, worker participation and empowerment, cross-functionality, process analysis and measurement, supplier involvement and benchmarking, all of which are related to the concept of Total Quality Management (TQM).

He states that the two concepts of BPR and TQM are compatible and actually complement one another, because both concepts are customer-oriented. TQM has also influenced enterprise culture and value by exposing organizations to the need for change. He posits that the basic difference between the two is that TQM emphasizes continuous and incremental improvement of process whereas BPR is about radical, discontinuous change through process innovation.

It is therefore expected that a particular business process is enhanced and supported by TQM until it is practically reengineered (CHASE, et al, 2001). Organizations adopt different approaches for improving efficiency which may be seen as long-term and permanent changes in the philosophy of the organization and the way that it is managed.



Many of these approaches overlap like the similarities between BPR and TQM and between TQM and Continuous Improvement (CI) as well as the market concept. BPR can be seen as a direct response to organizational inefficiency, and a way to overcoming sluggishness, excessive organizational bureaucracy and control, or frustrating the personal initiatives of organizational members to actually reach their full potentials (TORRINGTON, et al, 2005) BPR includes technologies that seek for new ways of doing things rather than simply trying to run old processes faster and more efficiently.

Information Communication Technology (ICT) is an essential ingredient for successful implementation of BPR as it allows for efficient measuring of times and outputs and makes process records available to all participants. Many executives have recognized that their task is to create a work environment that stimulates employees and encourages them to be more motivated, creative, and entrepreneurial than competitors (BARTLETT; GOSHAL, 1995; MCLEOD, 1997).

## **2.1. BPR and TQM**

According to Chase, et al (2001) TQM involves managing the entire organization so that it excels on all dimensions of products and services that are important to the customer. Based on this definition, the philosophical elements of TQM stress the operation of the business using quality as the integrating element to ensure CI.

They insist that CI is a management philosophy that approaches the challenge of product and process improvement as an enabling process of achieving customer satisfaction, and an integral part of a TQM arrangement.

The CI concept seeks steady improvement of machines, materials, labour utilization, and production methods through application of ideas, suggestions, and implementation of recommendations of team members. The CI philosophy of business and management is frequently in contrast with the traditional management approach of entirely relying on major technological or theoretical innovations to achieve organizational efficiency, or customer and stakeholder value.

TQM and BPR emphasize the concept of zero defects throughout the process, product design and delivery. TQM concept focuses toward improvement of product and services with the aim of becoming competitive, and to stay in business





and create more jobs within the population. It is a concept that emphasizes that everybody in the business must work to achieve the needed organizational goal either through BPR or any other means because to achieve meaningful transformation involves everybody in the organization (HAMMER; STATON, 1990).

## **2.2. NBS and Market Concept**

The deregulation and liberalization of the NBS in the middle 1980s through the 1990s led to the application of the market concept or philosophy by banks as a strategy to survive and also remain competitive.

According to Akanwa and Agu (2005) the market concept is a management philosophy geared toward providing value and satisfaction for the customer as a basis for the existence of an enterprise. According to them, this orientation holds that the key task of an organization is to determine the needs of the customer and to adapt the company's products and services to satisfy them more effectively and efficiently.

This concept was at the minds of banks in Nigeria at the time of liberalization in attempts to outperform each other in an increasing competitive environment. The market concept is often a reflection of management to testify that customer is always right and the king. It is all about methods of having the customer and his needs satisfied as the focal point of business.

Getting the customer and his needs satisfied in the NBS requires radical redesigning of processes, which means going to the roots of the ways of providing products and services. BPR and CI involve dropping any old and poor ways of doing business and finding new and better methods of satisfying the customers as well as enhancing shareholder value.

The twin process does not suggest obliteration or completely removing established good standards, but supports the invention of better and new methods of accomplishing work more efficiently. The BPR and the market concept can be explained by the fact that BPR fundamentally embraces the major redesign of how work must be done, and based on the assumption that there is a close positive correlation between improved work efficiency and work design, upon careful ICT architecture that ensures a clear work process.

In this context, a process can be described as a group of related tasks and activities undertaken to create shareholder value and customer satisfaction, because good work processes are often very central to organizational efficiency. BPR incorporates business and management strategies that have high implications on the philosophy, foundation, elements and organizational culture. The effects of BPR are frequently not only evaluated on the basis of the potential gains in terms of performance and improved efficiency, but also on the basis of challenges in terms of related costs and risks of business failure (HAMMER; CHAMPY, 1993).

### **3. METHODOLOGY**

#### **3.1. Research design**

The exploratory research design was used for the study. The nature of the exploratory research design requires the use of a flexible research process. It is evolutionary and historical in nature and it rarely involves the employment of large samples or use of structured questionnaire. (Asika, 2004)

#### **3.2. Sources of Data**

Data were collected through primary and secondary sources such as personal interviews, observations, books, newspapers, journals, government reports, Central Bank of Nigeria Reports, Nigeria Deposit Insurance Corporation Reports, Annual Reports of banks, etc.

#### **3.3. Population and Sample**

The population and sample of study comprised all the 20 banks in Nigeria as at December, 2011.

#### **3.4. Data Analysis**

Data were analyzed using descriptive and regression statistical methods. The (SPSS) software was used for the regression analysis, and the results were presented in tables.

##### **3.4.1. Presentation of results**

Table 1 showed the liquidity position of banks in 1996.

Table 1: Liquidity Position of Insured Banks as at December 1996.



Banks	Number of bank		Average liquidity ratio		Ratio of net loans and advances to total deposits		Number of bank with average liquidity ratio of less than 30%	
	1995	1996	1995	1996	1995	1996	1995	1996
Merchant	51	51	29.02	12.32	44.7	80.96	18	15
Commercial	64	64	(22.25)	(38.42)	57.6	57.4	32	26
Industry	115	115	0.49	(15.92)	58.4	60.0	50	41

Source: NDIC (1996) Annual Report &amp; Statement of Accounts.

Table 2 showed that adjusted shareholders' funds for the NBS increased by about 91 percent from negative N8,791.1 in 1995 to negative N791.2m in 1996, which explains the massive bank failure in 1996. The capitalization requirement in the NBS decreased from N38,835m in 1995 to N24,662m in 1996, partly due to the implementation of the Failed Banks' Decree which enabled distressed banks to recover a reasonable proportion of their outstanding debts.

Table 2: Insured Banks' Capital Shortfall as at December 1996

Banks	Number of Banks		Adjusted shareholders' funds (N. M)		Capital requirement (N. M)	
	1995	1996	1995	1996	1995	1996
Merchant	51	51	(4,869.1)	(1,961.8)	11,672.7	5,803.1
Commercial	64	64	(3,922.0)	1,171.0	27,162.3	18,859.6
Industry	115	115	(8,791.1)	(791.2)	38,830.0	24,662.7

Source: NDIC (1996)

Due to inefficiency, table 3, showed the level of fraud cases in the NBS as at 1998.

Table 3: Ten Banks with Highest Fraud Cases (N. M) in 1998

Group	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total for 10 Banks	782.69	381.44	346.77	134.4	2303.5	630.49	1052.6	3649.1	3104.3
Total for all Banks	804.19	388.51	411.75	1419.0	3399.4	1011.4	1600.7	3777.9	3196.5
%	97.3	98.1	84.4	94.5	67.8	62.3	65.8	96.6	97.1

Source: Asein (2004)

Table 4 showed that total NPLs in the NBS rose from N21.27b in 2002 through N260.19b in 2003 to N350.82b in 2004. NPLs as a percentage of total loans or credits declined from 59.28 in 2002 to 21.59 in 2003, and marginally rose to 23.08 in 2004. However, the percentage of NPLs as a percentage of shareholders' funds rose from 89.17 percent in 2002, through 91.99 percent in 2003 to 107.82 percent in 2004. This showed that all shareholders' funds in the NBS which ordinarily should provide a cushion for the depositors' funds were completely wiped away by huge NPLs.

Table 4: Indicators of Insured Banks Assets Quality for the Last Quarters of 2002, 2003, and 2004

Asset – quality indicators (%)	2002	2003	2004
Total non-performing credits (Nb)	21.27	260.19	350.82
Ratio of non-performing credit to total credits	59.38	21.59	23.08
Ratio of non-performing credits to shareholders' funds.	89.17	91.99	107.82

Source: Nnamdi and Nwakanma (2011)

Table 5 showed the inefficient banks taken over by government for sound management.

Table 5: List of Mismanaged Banks Taken Over by Government in 2009

S/N	Name of Bank
1	Union Bank of Nigeria Plc
2	Oceanic Bank Plc
3	Intercontinental Bank Plc
4	AfriBank Plc
5	FinBank Plc
6	Bank PHB Plc
7	Spring Bank Plc
8	Equatorial Trust Bank Ltd

Source: Adapted from Sanusi (2012)

Table 6 showed the liquidity position of banks as at 2011 in Nigeria.

Table 6: Liquidity Ratio of Insured Banks as at December, 2010/2011

Items	Year	
	2010	2011
Average liquidity ratio	51.77	65.69
Loans and advances to deposit ratio	59.23	55.95
No of Banks with less than the 30% minimum liquidity ratio	1	Nil

Source: Nigeria Deposit Insurance Corporation (2011) Annual Report and Statement of Accounts

Table 7 showed that the adjusted shareholders' funds as at 2011 was N1.93bn against the figures of N791.2m in 1996, when banks were not reengineered in Nigeria.

Table 7: Insured Banks Capital Adequacy as at 2011

Capital Indicators	Year	
	2010	2011
Total Qualifying Capital (N' billion)	424.46	1,400.31
Adjusted Shareholders' Funds	312.36	1,934.93
Capital To Total Risk Weighted Asset Ratio (%)	4.06	17.71

Number of Banks	24	20
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Source: Field Work 2016 Adapted from NDIC (2011)

As in table 8, the ratio of nonperforming loans to total shareholders' funds as at 2011 was 17.13% against about 108% in 2004 when many banks were undermanaged in Nigeria.

**Table 8: Asset Quality of Insured Banks as at 2011**

Item	Year	
	2010	2011
Total loans (N' billion)	7,166.76	7,312.72
Nonperforming Loans (N' billion)	1,077.66	425.96
Ratio of nonperforming loans total loans (%)	15.04	5.82
Ratio of Nonperforming Loans To Total Shareholders' Funds (%)	250.85	17.13

Source: Fieldwork 2016 Adapted from NDIC (2011)

Table 9 proved that BPR in the NBS brought about efficiency with the reduction of the share of 10 banks with highest fraud cases declining from 97% in 1998 to 87% in 2011.

**Table 9: 10 Banks with the Highest Fraud Cases in 2011**

Group	2010		2011	
	Amount involved (N = M)	% share	Amount involved (N = M)	% share
Total for 10 banks	10,874,680	51.08	24,730,044	87.1
Total for all banks	21,291,417	100	28,400.855	100

Source: Fieldwork 2016 Adapted from NDIC (2011).

## 4. MODEL SPECIFICATION

### 4.1. Regression – Model Specification

The present study estimate one regression model and the model seeks to investigate the effect of BPR on efficiency; comprised of such factors as: capital adequacy, asset quality, management effectiveness, earnings capacity, liquidity and security (CAMELS) in the NBS.

The specification of this model is given below:

$$FDP = f(FA)$$

$$FDP = BO + B1FA + U_i$$

Where:

The a priori expectation is  $B1, B2 > 0$

FDP = Efficiency

FA = BPR

U – Disturbance Term

B = Intercept

B1 = Coefficient of the independent variable.

Table 10 showed the summary of statistics of the analysis of BPR on efficiency. The coefficient of correlation ( $R$ ) = 0.785; the coefficient of determination ( $R^2$ ) = 0.617; and the standard error estimate of 0.42192, indicating that BPR contribute 61.7% to efficiency in the NBS.

Table 10: Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin Watson
1	.785 <sup>a</sup>	.617		.610	.42192	.638

a. Predictors: (Constant), BPR

b. Dependent Variable: Efficiency

Table 11 revealed that the independent variable ( $F(1,61) = 98.074$ ;  $P < .01$ ) contributed significantly on the regression plane.

Table 11: ANOVA

Model	Sum of squares	df	Mean square	F	Sig.
Regression	17.459	1	17.459	98.074	.000 <sup>b</sup>
1 Residual	10.859	61	.178		
Total	28.317	62			

a. Predictors: (Constant), BPR

b. Dependent Variable: efficiency

Table 12 showed that BPR ( $B = 0.747$ ;  $t = 9.903$ ;  $P < .01$ ) has positive and significant effect on NBS efficiency. This implies that BPR is an antidote to NBS in efficiency. This result agrees with the assertion of Hammer (1990) that BPR is a tool to drive organizational efficiency.

Table 12: Coefficient

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	1.135	.329		3.451	.001
1 BPR	.747	.075	.785	9.903	.000

a. Dependant Variable: NBS efficiency

#### **4.2. Discussion**

Prior to compliance with CBN e-FASS reporting platform and full reengineering of the NBS in the 1990s and early 2000s, banks were riddled with inefficiency characterized by frauds, forgeries, corporate governance breaches, huge NPLs, illiquidity, low capital base, among other factors that resulted to distress and bank failures in Nigeria.

The NBS liquidity position deteriorated from 0.49 percent in 1995 to minus 15-92 percent in 1996, against the minimum prudential requirement of 30 percent liquidity ratio for banks. Frauds in 10 banks rose to N3,104m in 1998 largely due to inefficiency. NPLs increased sharply between 2002 and 2004, rising from N21.27billion in 2002, through N260.19billion, in 2003, to N350.82 billion in 2004.

More worrisome, in the same period, the ratio of NPLs to shareholders' funds rose from 89.17 percent in 2002, through 91.99 percent in 2003, to 107.82 percent in 2004, indicating that all shareholders' funds in the NBS were washed away. After a special audit of banks in Nigeria in 2009 the CBN discovered that some of them were being undermanaged, grossly inefficient and in critical state of distress.

The sad situation was attributed to corporate governance breaches, insider abuses, that necessitated the CBN putting \$4b or about N620bn in an unprecedented bailout arrangement to help the illiquid and poorly managed banks. As a further NBS survival strategy, the CBN summarily dismissed the boards of the weak banks and took them over for more efficient management.

The CBN strategies largely succeeded, as liquidity, profitability, sanity and efficiency started to gradually return to the NBS. For example, the average liquidity ratio in the NBS was 51.77 as at 2010 and 65.69 in 2011, against the minus 15.92 percent in 1996. Also, in 2010, the loans and advances to deposit ratio was 59.23, and 55.95 in 2011, with all the banks meeting the 30 percent minimum prudential requirement as at 2011, against the prereengineering era when most banks in Nigeria could not meet the minimum liquidity requirement and had huge NPLs.

All the 20 banks in Nigeria that were fully reengineered and ICTs compliant have positive shareholders' funds in 2011, contrary to 2004, when all the shareholders' funds were totally wiped away due to inefficiency. The banks like the



First Bank of Nigeria Plc that was reengineered early enough in 2000s has remained without distress, efficient, liquid, and profitable.

The FBN Holdings Plc is today the leading diversified financial services supermarket in sub-Saharan Africa with offices in London, Paris, Beijing and Abu Dhabi. FBN Holdings gross earnings as at 2015 grew to reach N505.2billion, with total assets of N4.2trillion, and N578.8 billion in total equity. The FBN experience is an eloquent testimony of the effect of BPR on NBS efficiency.

This gives credence to the strong views of Hammer (1990) that BPR is about achieving significant customer satisfaction and shareholder value, and that BPR is an important tool to drive business efficiency. With the coefficient of determination as in table 10, it was found that BPR has positive effect on NBS efficiency.

#### **4.3. Recommendations**

- i. The regulatory authorities should ensure that banks must fully comply with e-FASS reporting system to reduce inaccuracies in rendering returns.
- ii. BPR is not once in a life time affair. It should be regularly reviewed in the light of global changes in business.
- iii. Even with BPR frauds still occur. Management needs to pay close attention to HRM practices to ensure that the right people are brought into the NBS.
- iv. There should be maintenance measures over ICTs equipment to prevent and reduce the activities of hackers into confidential details.
- v. High value of NPLs in the NBS in the 1990s and beyond was a direct result of poor credit risk management and fraud by both bank promoters and managers. Such a situation can always be reduced by the appointment of professional managers with integrity and banking dexterity and not necessarily the self-styled “banking gurus”.

#### **4.4. Scope further study**

Further study should examine the need for BPR in the public sector of Nigeria. This may help to improve public financial management (PFM), service delivery and reduce the level of inefficiency in the public sector management.

## 5. CONCLUSION

BPR brought efficiency in the NBS as reflected in the rise of average liquidity ratio that was 65.99 in 2011 against minus 15.92 percent in 1996. Another credible evidence of efficiency is the positive shareholders frauds of N1,935billion in 2011 against the negative position in 2004. The banks like the First Bank that engaged in BPR in the early 2000s has remained without distress, efficient, and continued to grow in terms of liquidity, shareholders' funds', total assets, total equity, gross earnings and profitability. Through statistical analysis this study found that BPR has a positive effect on NBS efficiency. This result is very plausible as it contributes to support Hammer (1990) that BPR is an important management tool to drive business efficiency. This is the objective of the study.

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