

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Commercial Banks are legal entity with perpetual succession formed as a corporate body under law, by an association of person, Basil (2001: 1) according to companies and Allied matters Act 1990 section 29, companies are classified into three types

A private company limited by shares shall end with the word “limited”. (Ltd).

Public company limited by shares ends with the words “public limited” (plc)

Company limited by guarantees shall end with the words “ limited by Guarantee)” in brackets (ltd Gtc)

It is based on these that we shall call to mind on the issues concerning financial organizations. A financial institution is a business organization and establishment, which deals with money and financial assets such as shares, bills of exchange, treasury bills etc. Augustine (2003:38).

Financial institution are regarded as banks, which is comprised of central banks, commercial banks (known as joint stock banks) and others. Financial institutions do not focus on banks as long but those institutions which pool or mobilize savings and excess liquidity from individuals, firms, corporate bodies etc.It is obvious for one to know that a country or an economy cannot stand without a proper banking system. Banks originated from man’s question for store-keeping or safe keeping of wealth.

BACKGROUND OF THE CASE STUDY (ECOBANK)

Company’s profile of Ecobank

Ecobank Nigeria Plc, commonly referred to as Ecobank Nigeria, is a commercial bank in Nigeria. It is one of the commercial banks licensed by the central Bank of Nigeria the national banking regulator. The bank was established in 1985 and began operations in 1986. It operates as a universal bank providing wholesale, retail, corporate, investment and transaction banking services to its customers in the Nigerian market. The bank divides its operations into three major divisions: (a) Retail

Banking (b) wholesale banking and (c) Treasury and financial institutions. The bank also offers capital markets and investment banking services during the forth quarter of 2011. Ecobank Nigeria acquired 100%of the shareholding in Ecobank, creating the expanded Ecobank Nigeria Plc

STATEMENT OF THE PROBLEM

The statement of the problem serves as the corner stone upon which the gross research plan is based, Baridam (1993: 22). It is quite convincing that a “sound banking system is a healthy economy”. As we have previously discussed, there was an up ward trend in the failure of banks in the recent decades. A tendency, which though is not peculiar to Nigerians can impede the economy and affect the public adversely. This takes into consideration, the problems that are responsible for the banks which are as follows:

Fraud

Unqualified management staffing

Excessive overdraft facilities to customers

Lack of motivation to workers (incentives).

Excess liquidity i.e total operational failures

While the failures has effect on the economy at large, these are listed as follows;

Divestment: After a banks failure, instability comes which throws investors off balance and for this reason, the investors will retreat or withhold their investments

Demand deposit: Commercial banks collect this from customers with this agreement to pay interest to the individuals and there by making or creating their own interest or profit by lending to borrowers fails to redeem the loans as when even though the banks had collected some collaterals from them (borrowers).

OBJECTIVE OF THE STUDY

The main purpose or objective of this research is

To conduct investigation on the causes of bank failures

To know the effect of bank failures on companies i.e (investors) in the economy

To explore and reveal the various failures of banks

To proffer solution and recommendations on the possible ways to solve the problems of bank failures in all sectors of the Nigeria economy

RESEARCH QUESTIONS

It is clear that a bank cannot fail without any sign that means, that these are some other things that must have contributed in the failure of such organizations which we expect from the respondents to highlights us on them in this project: they are

What factors are responsible for bank failure in Nigeria?

Does banks failure have any effect on the Nigeria economy?

What corrective measure could be taken to the effect of bank failures on Nigerian economy?

What are the likely effects of bank failure to the other sectors of the economy?

What are the reactions of the individuals and stake holder/investors towards bank failure in Nigeria?

How has bank distress affected the banking habit of the people in Nigeria?

STATEMENT OF RESEARCH HYPOTHESES

A hypothesis is a proposition that is stated in testable form and prediction of particular relationship between two or more variables.

Hypothesis

Ho: There is no relationship between bank fraud and economic development

Hi There is a strong relationship between bank fraud and economic development

Ho: there is no strong relationship between poor bank financial management and distress in the banking sector.

Hi: Poor bank management leads to frauds and distress in the banking sector

CAUSES OF BANK FAILURE AND ITS EFFECT ON THE NIGERIAN ECONOMIC DEVELOPMENT

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