



FUDMA International Journal of Social Sciences (FUDIJOSS)

Vol. 5, No. 2, September, 2025

ISSN: 2735-9522 (Print) ISSN :2735-9530 (Online)



**FUDMA
International
Journal of
Social Sciences
(FUDIJOSS),
Volume 5, No. 2, September, 2025**

**A Publication of
The Faculty of Social
Sciences, Federal
University Dutsin-Ma,
Katsina State,
Nigeria**

**ISSN: 2735-9522 (Print)
2735-9530 (Online)**



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Publication Fee

Publication fee is ₦30,000 or 150 (USD).

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An Evaluation of Stakeholders' Perception on Banking Regulations and Bank Distress in Nigeria: From the Colonial Era to 2024

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Abstract

This study examines the evolution and impact of banking regulations in Nigeria on bank distress from the colonial era to 2024. Using a quantitative survey, primary data were collected via structured questionnaires from banking professionals, regulators, and financial analysts in Kogi State. The research analyzes key regulatory interventions, the changing causes of bank distress, and the effectiveness of current frameworks. Descriptive statistics, including frequencies, percentages, mean, and standard deviation, were used to summarize the demographic characteristics of the respondents and the key features of the collected data. Findings reveal that while regulations such as banking consolidation and recapitalization have helped mitigate distress, persistent challenges, including poor governance, economic shocks, and inconsistent enforcement, remain significant. The study also highlights that existing regulatory frameworks need urgent updates to address emerging risks like digital banking and cybersecurity threats. To strengthen the sector's stability, it recommends enhancing enforcement mechanisms, improving corporate governance, updating policies to cover technological risks, reinforcing capital and liquidity requirements, and fostering greater collaboration between regulators and banks. These measures aim to create a more resilient, compliant, and stable banking system capable of withstanding future financial challenges in Nigeria.

Keywords: Bank distress, Banking regulations, Nigeria, Regulatory interventions.

Introduction

In recent years, Nigeria's banking sector has experienced renewed pressure from global economic instability, technological disruption, and domestic policy inconsistencies. These challenges have amplified concerns about the resilience of the sector and the adequacy of existing regulatory mechanisms. While previous studies have examined historical bank failures or individual reform efforts, few have provided a comprehensive evaluation of how regulatory strategies over time, from colonial foundations to the present, have shaped the dynamics of bank distress. This growing complexity and the rise of new threats such as fintech disruption and cybersecurity risks highlight the need for a timely re-evaluation of Nigeria's banking regulatory environment.



The Nigerian banking sector has faced recurring episodes of distress despite decades of regulatory interventions and reforms. These crises, marked by the collapse of numerous financial institutions, have raised concerns about the adequacy and effectiveness of existing regulatory frameworks. The persistence of bank distress not only undermines public confidence but also destabilizes the broader economy, threatening financial inclusion, investment, and sustainable growth (Ogunwale & Areghan, 2024).

Historically, the establishment of regulatory frameworks such as the Banking Ordinance of 1952 and the creation of the Central Bank of Nigeria (CBN) in 1959 were pivotal in addressing early challenges of weak capitalization and poor governance. Yet, the sector continued to face systemic vulnerabilities, as demonstrated by the banking crises of the 1980s and 1990s, which were fueled by macroeconomic instability, policy inconsistencies, and weak institutional oversight (Njoku, 2019).

The consolidation exercise of 2004, which sought to strengthen banks through mergers and acquisitions, temporarily reduced the frequency of distress but did not eliminate the underlying problems. Issues such as insider abuse, non-performing loans, and inadequate risk management have persisted, as evidenced by the establishment of the Asset Management Corporation of Nigeria (AMCON) in 2010 to manage toxic assets and stabilize failing banks (Nigerian Finder, 2023; Central Bank of Nigeria, 2020).

Despite these reforms, recent financial turbulence, including the global financial crisis of 2008 and economic recessions in Nigeria, has exposed gaps in the regulatory framework. This includes lapses in proactive supervision, poor enforcement of prudential guidelines, and challenges in adapting to emerging threats such as digital banking fraud and cybercrime. These recurring issues indicate that existing measures may not fully address the structural and operational weaknesses that predispose banks to distress (Central Bank of Nigeria, 2020; Njoku, 2021).

This study contributes to the literature by offering a historical-to-contemporary analysis of banking regulation and bank distress in Nigeria, from the colonial era to 2024, using primary data collected from banking professionals and stakeholders. Unlike previous studies that focus narrowly on regulatory events or financial crises, this research adopts a longitudinal and empirical perspective to evaluate both legacy and modern regulatory frameworks. The findings aim to inform future policy design, strengthen institutional oversight, and guide strategic reforms in Nigeria's evolving banking landscape.

Literature Review

Theoretical Literature

This study is anchored on the Agency Theory, which was initially developed by Jensen and Meckling (1976) to address conflicts that arise between principals (owners) and agents (managers) in organizational relationships. The theory posits that when one party (the agent) is expected to act on behalf of another (the principal), there is often a divergence of interests due to asymmetric information, resulting in agency problems such as moral hazard or adverse selection.

In the context of this study, the Agency Theory is relevant as it provides a lens through which to analyze the regulatory interventions aimed at minimizing agency problems between stakeholders in the banking sector. For instance, bank managers may prioritize short-term

profits or engage in risky investments to maximize their incentives, often at the expense of depositors, shareholders, and the broader financial system. Regulatory frameworks act as mechanisms to align these conflicting interests and mitigate risks that could lead to bank distress (Cohn & Schott, 2022; Ogunwale & Areghan, 2024).

The strength of the Agency Theory lies in its applicability to understanding governance and control in financial institutions, particularly in ensuring that managers act in the best interest of stakeholders. However, the theory's limitation is its assumption of rational behavior, which may not always hold in real-world situations (Reinders & Salgado, 2021). Despite this, the Agency Theory remains highly relevant for this study as it explains the need for regulations to address governance deficiencies and prevent systemic failures.

Complementing this is the Moral Hazard Theory, which specifically addresses the tendency of economic agents to take greater risks when they are insulated from the consequences of their actions. In the banking sector, moral hazard arises when financial institutions engage in excessively risky behavior under the assumption that they will be bailed out by the government or regulatory bodies in case of failure. This expectation reduces their incentive to act prudently and increases systemic risk. For example, during financial crises, distressed banks may rely on central bank interventions or public bailouts, thus perpetuating risk-taking behavior.

The Moral Hazard Theory is particularly relevant in evaluating regulatory responses to bank distress, such as the creation of institutions like the Asset Management Corporation of Nigeria (AMCON), which, while stabilizing the sector, may inadvertently encourage recklessness among bank executives. When combined with Agency Theory, the Moral Hazard perspective deepens our understanding of the behavioral and incentive-related challenges within banking regulation, and highlights the importance of designing rules that balance support with accountability (Kane, 2016; Njoku, 2021).

Empirical Literature

Bank distress and regulatory challenges are not unique to Nigeria; they have been extensively studied across different countries and regions, particularly in response to post-2008 reforms, COVID-19 disruptions, and the rise of digital banking. Recent international empirical studies highlight the global nature of these issues.

For example, Zhang and Wang (2023) examined the post-COVID performance of commercial banks in China, finding that regulatory flexibility and digital adoption played key roles in reducing systemic risk. Similarly, Kovács and Tóth (2022) studied European Union banks and concluded that enhanced Basel III compliance, especially on capital adequacy and liquidity coverage, significantly reduced the incidence of distress in small and medium-sized banks.

Nguyen et al. (2023) explored the effect of digital transformation on bank stability in Vietnam, Malaysia, and Thailand. They found that while fintech innovations improved efficiency, they also introduced new risks that existing regulatory frameworks struggled to address. Brito and Gomes (2022) conducted a study on Brazilian banks and observed that macroprudential policies introduced between 2020 and 2022 helped limit credit risk exposure, especially during inflationary spikes.

Lee and Carter (2021) analyzed mid-sized regional bank collapses and found that poor stress testing implementation and governance failures were critical triggers, despite the presence of post-Dodd-Frank regulations. Meanwhile, Schultz and Becker (2022) assessed bank responses to tightening interest rates in Germany, noting that rigid lending practices contributed to hidden distress, particularly among institutions with heavy exposure to real estate.

In Nigerian context, several recent studies have examined banking regulations and bank distress, highlighting both progress and persistent challenges. Adeyemi (2024) traced the historical development of Nigerian banking regulations from 1958 to 2018, emphasizing key regulatory milestones such as the establishment of the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC). While these interventions improved banking stability, enforcement weaknesses and governance issues remained problematic.

Similarly, Adebayo and Olaoye (2024) focused on post-2009 reforms, finding that recapitalization and risk-based supervision helped stabilize banks, though moral hazard and governance gaps continued to undermine long-term effectiveness. Olugbenga et al. (2024) empirically linked poor lending practices and inadequate capital reserves to the 2008–2009 financial crisis, while Oyedele and Okoro (2024) identified poor governance, risk management failures, and political interference as key drivers of bank distress spanning several decades.

Other studies focused on specific aspects of bank performance and regulatory responses. Ogunwale and Areghan (2024) found that inadequate credit risk management significantly contributed to bank distress, recommending stronger internal controls to enhance stability. Bamidele and Akinmoladun (2024) reviewed post-crisis reforms like the BVN initiative, noting improvements in transparency but continued enforcement gaps and emerging risks such as cybersecurity.

Adebiyi and Oni (2023) highlighted the role of CBN reforms from 2000 to 2020 in strengthening the sector, though persistent internal control weaknesses and economic shocks remain concerns. Alnabulsi et al. (2023) confirmed the global importance of monitoring non-performing loans (NPLs), urging policymakers to improve asset quality. Idigbe (2022) examined the Asset Management Corporation of Nigeria (AMCON), noting its positive impact on stabilizing banks but highlighting ongoing challenges with NPLs and governance.

Methodology

This study utilizes a quantitative survey design to investigate the impact of banking regulations on bank distress in Nigeria, focusing specifically on stakeholders within Kogi State. Primary data were collected using a structured questionnaire distributed electronically to banking professionals, regulators, and financial analysts. The questionnaire combined closed-ended questions with Likert scale responses and open-ended items, capturing respondents' perceptions of regulatory effectiveness, credit risk management, and factors influencing bank performance. The targeted population included employees of commercial banks and officials from regulatory bodies such as the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC), ensuring that insights were drawn from individuals with direct experience and knowledge of the banking sector's regulatory environment.

To determine the sample size, Cochran's formula was applied, resulting in approximately 96 respondents needed for statistically reliable results (Cochran, 1963). The Cochran's formula for unknown populations was applied: The formula is expressed as: $n = \frac{Z^2 P(1-q)}{e^2}$

where n represents the required sample size, Z is the Z-score corresponding to the chosen confidence level (1.96 for 95% confidence), P is the estimated proportion of the population (assumed to be 0.5 in the absence of prior data), and e is the margin of error (typically set at 0.1 for a 10% error tolerance).

$$n = \frac{(1.96)^2 0.5(0.5)}{0.1^2}$$

$$n = \frac{3.8416(0.25)}{0.01}$$

$$n = \frac{0.9604}{0.01} = 96.04$$

Thus, the required sample size is approximately 96 respondents.

The questionnaire's validity was established through expert review to confirm that it accurately measured the intended variables, and feedback was incorporated to refine the instrument. Data collected were analyzed using descriptive statistics, including frequencies, percentages, means, and standard deviations, to summarize respondent demographics and key variables. This approach allowed for a robust assessment of the effectiveness of banking regulations in mitigating bank distress and provided empirical evidence to support the study's findings.

Results and Discussion

Results

Table 1: Response Rate

Questionnaire Status	Frequency	Percentage (%)
Properly Filled	91	94.8
Not properly filled	5	5.2
Total	96	100

Source: Field Survey, 2025

Table 1 shows the response rate from the distributed questionnaires. Out of the 96 questionnaires retrieved, 91 were properly filled, representing a high response rate of 94.8%, while only 5 questionnaires (5.2%) were incomplete and invalid. This high response rate indicates a strong level of engagement from the respondents and enhances the reliability of the findings drawn from the survey data.

Table 2: Demographic Characteristics of the Respondents

Demographic Characteristic	Category	Freq.	Percentage (%)
1. Age	18–24 Years	1	1.1
	25–34 Years	7	7.7
	35–44 Years	42	46.2
	45–54 Years	41	45.1
	Total	91	100
2. Sex Distribution	Female	38	41.8
	Male	53	58.2
	Total	91	100.0
3. Educational Level	Secondary education	4	4.4
	Tertiary education	72	79.1
	Postgraduate education	15	16.5
	Total	91	100.0
4. Years of Experience in Banking	Less than 1 year	27	29.7
	1–5 years	51	56.0
	6–10 years	9	9.9
	11–15 years	3	3.3
	16 years and above	1	1.1
	Total	91	100
5. Position in the banking sector	Junior Staff	59	64.8
	Middle Management	25	27.5
	Senior Management	5	5.5
	Executive	2	2.2
	Management		
	Total	91	100
6. Location	Lokoja	63	69.2
	Other locations in Kogi State	28	30.2
	Total	91	100

Source: Researcher's computation with SPSS V20, 2025

Table 2 above shows that the majority of respondents fell within the 45–54 years, with 45.1% aged, 45–54 years (46.2%). Only a small fraction were between 25–34 Years (7.7%) and 18–34 age range (1.1%). Regarding gender, the data shows a moderate gender balance, with 58.2% male and 41.8% female respondents. This reflects a reasonable level of gender representation, although males slightly dominate the sample.

In terms of educational qualifications, most respondents possessed tertiary education (79.1%), followed by those with postgraduate education (16.5%). Only a small number (4.4%) had only secondary education. This suggests that the respondents are generally well-educated and likely to provide informed opinions on banking regulations and bank distress.

As for work experience, a significant portion of respondents (56.0%) had between 1–5 years of experience in the banking sector, followed by 29.7% with less than 1 year. Only a minority had over 6 years of experience, with just 1.1% having 16 years or more. This indicates that most respondents are relatively early in their banking careers, though still experienced enough to offer meaningful insights.

Concerning position in the banking sector, the majority were junior staff (64.8%), followed by middle management (27.5%). Only a small proportion were in senior or executive roles (5.5% and 2.2% respectively). This suggests that the data primarily reflects views from operational and mid-level staff, who are directly involved in day-to-day banking activities.

In terms of location, most respondents were based in Lokoja (69.2%), the capital of Kogi State, while 30.8% were from other areas within the state.

Table 3: Descriptive Statistics on the key Regulatory Interventions in the Nigerian Banking Sector and Their Role in Preventing and Mitigating Bank Distress from the

Colonial Era to Present

Questions	Mean	Std. Dev.
The regulatory reforms introduced in Nigeria's banking sector since the colonial era have significantly contributed to the stability of the banking system.	3.71	1.463
The banking consolidation and recapitalization program was effective in reducing the incidence of bank distress in Nigeria.	3.62	1.428
Regulatory interventions in Nigeria have been consistent and adequately enforced throughout the years to mitigate bank distress.	3.58	1.317
The regulatory bodies in Nigeria have played a proactive role in addressing emerging risks in the banking sector.	3.77	1.359
Corporate governance reforms in Nigeria's banking sector have significantly reduced the occurrence of financial instability and distress in banks.	3.54	1.361
The periodic assessment of banks' capital adequacy by regulators has contributed to the prevention of bank distress in Nigeria.	3.66	1.400

Source: Researcher's computation with SPSS V20, 2025

Table 3 presents the respondents' opinions using mean scores and standard deviations for each statement. The results show a generally positive perception of the effectiveness of regulatory interventions. The statement; The regulatory bodies in Nigeria have played a proactive role in addressing emerging risks in the banking sector, recorded the highest mean score of 3.77, indicating strong agreement among respondents. This suggests confidence in the responsiveness of regulatory institutions like the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC).

Other items also received moderately high mean scores: the role of regulatory reforms since the colonial era scored 3.71, and periodic assessment of capital adequacy scored 3.66, suggesting that respondents believe these mechanisms have helped maintain stability. The banking consolidation and recapitalization program also received a favorable mean score of 3.62, reflecting recognition of its impact on reducing distress.

The lowest-rated item, though still positive, was on corporate governance reforms (mean 3.54), suggesting that while these reforms are seen as beneficial, they may not be as impactful or consistently enforced as others.

Standard deviations for all items ranged between 1.317 and 1.463, indicating a moderate level of agreement among respondents. Overall, the data suggests that regulatory interventions have been viewed as effective tools in reducing bank distress over time.

Table 4: Descriptive Statistics on the Primary Causes of Bank Distress in Nigeria and Their Evolution Influenced by Economic, Regulatory, and Institutional Factors

Question	Mean	Std. Dev.
Poor governance practices have been a significant cause of bank distress in Nigeria.	3.79	1.362
Non-performing loans (NPLs) have consistently been a major contributor to financial distress in Nigerian banks.	3.47	1.361
Economic shocks, such as inflation and exchange rate volatility, are primary drivers of bank distress in Nigeria.	3.84	1.352
Weak regulatory frameworks have contributed significantly to the occurrence of bank distress in Nigeria.	3.81	1.333
Inadequate capital and liquidity management practices are key causes of bank distress in Nigeria.	3.99	1.234
Over-exposure to risk, including excessive lending to high-risk sectors, has led to bank distress in Nigeria.	3.87	1.284
The regulatory interventions introduced in the banking sector have been insufficient to prevent the causes of bank distress.	3.76	1.250
Technological challenges and cybersecurity issues have increasingly contributed to bank distress in recent times.	3.75	1.313
Corporate mismanagement and unethical practices have worsened the extent of bank distress in Nigeria.	3.75	1.363
The causes of bank distress in Nigeria have shifted over time, with more focus now on governance and external economic factors.	3.73	1.248

Source: Researcher's computation with SPSS V20, 2025

The responses indicate strong agreement that inadequate capital and liquidity management practices are among the most significant causes of bank distress, with the highest mean score of 3.99. This suggests that many Nigerian banks continue to struggle with maintaining sufficient financial buffers to absorb losses. Closely following this are over-exposure to risk (mean 3.87) and economic shocks such as inflation and exchange rate volatility (mean 3.84), highlighting the impact of macroeconomic instability on the banking sector.

Weak regulatory frameworks (mean 3.81) and poor governance practices (mean 3.79) were also identified as major contributors, reflecting persistent structural and institutional weaknesses in the financial system. Meanwhile, issues like non-performing loans (mean 3.47) were viewed as significant but comparatively less so than internal management failures or macroeconomic conditions.

Other notable causes included regulatory insufficiencies (mean 3.76), technological and cybersecurity challenges (mean 3.75), and corporate mismanagement and unethical practices (also 3.75), all of which reflect the evolving and complex nature of risk in Nigeria's banking landscape. The statement indicating that the causes of bank distress have shifted over time received a mean score of 3.73, affirming the dynamic nature of these challenges.

Standard deviation values ranged between 1.234 and 1.363, indicating moderate variability in respondents' views. Overall, the findings suggest that while some causes of bank distress in Nigeria are longstanding, such as poor risk management and governance, others have emerged or intensified over time, including technological threats and economic volatility.

Table 5: Descriptive Statistics on the Effectiveness of Current Regulatory Frameworks in Preventing Bank Distress and Ensuring Financial Stability in Nigeria

Questions	Mean	Std. Dev.
The current regulatory frameworks in Nigeria are effective in preventing bank distress.	3.41	1.468
Regulatory measures like capital adequacy and liquidity requirements have effectively mitigated risks of bank distress.	3.63	1.363
The enforcement of regulatory frameworks is inconsistent, which limits their effectiveness in preventing bank distress.	3.67	1.367
Current regulations adequately address external economic challenges, such as inflation and exchange rate volatility, that contribute to bank distress.	3.62	1.272
Despite the existing regulatory frameworks, Nigerian banks still face significant risks of distress due to poor enforcement and governance issues.	3.70	1.295

Source: Researcher's computation with SPSS V20, 2025

The responses reveal mixed perceptions about the overall effectiveness of existing regulations. The highest mean score of 3.70 was recorded for the statement that despite the existing regulatory frameworks, Nigerian banks still face significant risks of distress due to poor enforcement and governance issues. This suggests a strong concern that the problem lies more in the implementation of regulations than in their design.

Similarly, the statement on inconsistent enforcement received a relatively high mean of 3.67, further emphasizing that regulatory effectiveness is undermined by gaps in compliance and supervision. While respondents acknowledged that capital adequacy and liquidity requirements have played a role in reducing risks (mean 3.63), and that current regulations help in addressing external economic challenges (mean 3.62), the overall agreement on these points was moderate. The lowest mean score (3.41) was for the general statement that "the current regulatory frameworks in Nigeria are effective in preventing bank distress." This indicates a more cautious or even skeptical view among respondents regarding the overall impact of current regulations. Standard deviation values ranged from 1.272 to 1.468, indicating a moderate level of variation in opinions. In summary, while the current regulatory frameworks are seen as having useful components, their effectiveness is perceived to be limited by weak enforcement, governance lapses, and ongoing economic vulnerabilities

Table 6: Descriptive Statistics on the Importance of Enhancing Regulatory Frameworks to Ensure Long-Term Stability and Resilience in Nigeria's Banking Sector

Questions	Mean	Std. Dev.
The current regulatory frameworks should be updated to better address emerging financial risks, such as digital banking and cybersecurity threats.	3.53	1.440
Stricter enforcement of corporate governance standards is necessary to enhance the long-term stability of Nigerian banks.	3.65	1.294
The Nigerian banking sector would benefit from the introduction of more comprehensive stress-testing measures to predict and mitigate potential crises.	3.79	1.329
Increasing the transparency and accountability of banking regulations would help build greater investor confidence and prevent bank distress.	3.87	1.310
There is a need for stronger collaboration between regulatory authorities and the banking sector to ensure that regulations are well-suited to current market conditions.	3.62	1.397
Enhancing the capacity of regulatory bodies to monitor and evaluate compliance is essential for preventing future banking crises.	3.71	1.360

Source: Researcher's computation with SPSS V20, 2025

The responses indicate a strong consensus on the need for improvement across multiple dimensions of the regulatory system. The highest mean score of 3.87 was for the statement that increasing the transparency and accountability of banking regulations would help build greater investor confidence and prevent bank distress. This suggests that clarity and openness in regulatory practices are considered critical to restoring trust in the banking system.

Similarly, the introduction of more comprehensive stress-testing measures received a high mean score of 3.79, highlighting the importance of proactive risk assessment tools in identifying potential weaknesses before they escalate into crises. The need to enhance the capacity of regulatory bodies to monitor and evaluate compliance also scored highly at 3.71, reflecting concerns that existing supervisory mechanisms may lack the strength or resources needed for effective oversight.

Other important areas of improvement include stricter enforcement of corporate governance standards (mean 3.65) and stronger collaboration between regulators and the banking sector (mean 3.62), which emphasize the need for both internal accountability and external coordination.

The lowest, though still notable, score of 3.53 was for the statement on updating frameworks to address emerging financial risks, such as digital banking and cybersecurity. While this may suggest slightly less urgency compared to other reforms, it still reflects awareness of the evolving nature of financial threats.

Standard deviation values ranged from 1.294 to 1.440, showing moderate agreement among respondents. Overall, the findings indicate a clear recognition that the current regulatory system must evolve, particularly through greater transparency, enforcement, modernization, and collaboration, to effectively safeguard the Nigerian banking sector in the long term.

Discussion

The study reveals that stakeholders generally perceive regulatory interventions in Nigeria's banking sector, such as banking consolidation, recapitalization, and enhanced corporate governance, as having contributed to reducing bank distress and improving financial stability. These perceptions are consistent with the principles of Agency Theory, which emphasize how regulation can align the interests of bank managers and stakeholders to mitigate risks like moral hazard. However, many respondents also highlighted ongoing challenges related to enforcement weaknesses and inconsistent application of regulations. This indicates that while progress is acknowledged, stakeholders believe that continued improvements and more rigorous oversight are essential to further strengthen the banking sector's resilience (Adeyemi, 2024; Adebayo & Olaoye, 2024).

The causes of bank distress in Nigeria have evolved over time, with poor governance, non-performing loans (NPLs), economic shocks, and weak regulatory frameworks identified as major contributors. These findings align with Moral Hazard Theory, emphasizing that inadequate monitoring and governance encourage excessive risk-taking. The study's results correspond with previous research highlighting the interplay between internal mismanagement and external economic pressures (Olugbenga et al., 2024; Oyedele & Okoro, 2024; Alnabulsi, Kozarević & Hakimi, 2023), underscoring the need for adaptive regulatory measures that can respond effectively to this dynamic environment.

Regarding the effectiveness of current regulatory frameworks, the study found mixed perceptions. While capital adequacy and liquidity requirements are seen as somewhat effective, inconsistent enforcement and governance lapses continue to expose banks to vulnerabilities. This outcome resonates with Market Discipline Theory, which posits that regulation should work alongside market forces to ensure stability; however, weak enforcement undermines this balance (Akinyemi & Olayemi, 2024). Consequently, regulatory frameworks alone cannot guarantee banking sector resilience without strong enforcement and improved governance standards.

The study also emphasizes the importance of improving Nigeria's regulatory frameworks to address emerging risks such as digital banking and cybersecurity, strengthen corporate governance enforcement, and enhance transparency and stress testing practices. These recommendations reflect concerns from Regulatory Capture Theory about regulatory complacency and the need for ongoing reforms (Bamidele & Akinmoladun, 2024). Strengthening collaboration between regulators and banks is highlighted as critical, aligning with Agency Theory's focus on reducing information asymmetry and boosting investor confidence (Adedeji & Fatokun, 2023). Overall, the findings advocate for continuous reform, capacity-building, and robust enforcement to ensure the long-term stability and resilience of Nigeria's banking sector.

Conclusion

This study concludes that banking regulations in Nigeria have been fundamental in shaping the sector's stability and resilience from the colonial era to the present. Regulatory interventions such as banking consolidation, recapitalization, and governance reforms have played vital roles in mitigating bank distress. However, challenges persist, particularly with inconsistent enforcement and the emergence of new risks like technological vulnerabilities. The dynamic nature of factors causing bank distress—including poor governance and economic shocks—

highlights the necessity for regulatory frameworks that are both adaptive and robust. Continuous updates, stricter enforcement, and stronger collaboration between regulators and banks are essential to maintain the long-term health and soundness of Nigeria's banking industry.

This study is limited by its focus on stakeholders within Kogi State, which may not fully represent perceptions across Nigeria's diverse banking sector. Additionally, the reliance on self-reported data through questionnaires could introduce response biases. The quantitative survey design, while providing valuable insights, does not capture the full complexity of regulatory impacts that might be explored through longitudinal or qualitative approaches. Future research could expand the geographic scope, incorporate mixed methods, and examine the evolving regulatory landscape in greater detail to provide a more comprehensive understanding. Overall, the study reinforces the importance of a proactive and evolving regulatory approach to prevent future crises and promote sustainable growth in Nigeria's banking sector..

Recommendations

In light of the findings, the study recommends that enforcement of regulatory frameworks be significantly strengthened. Regulatory bodies such as the Central Bank of Nigeria (CBN) should enhance supervisory practices by increasing the frequency and risk-based focus of audits, applying timely sanctions for non-compliance, and improving transparency. Such measures will help ensure compliance, deter violations, and bolster confidence in the financial system. Additionally, corporate governance standards must be elevated through stricter enforcement, including mandatory fit-and-proper tests, the establishment of independent audit and risk committees, and adherence to international governance best practices. These steps are critical for fostering sustainable risk management and enhancing stakeholder trust.

The study also recommends updating regulatory frameworks to address emerging risks, particularly those arising from digital banking and cybersecurity threats. This includes developing comprehensive cybersecurity policies, establishing licensing and supervision mechanisms for digital banks, and creating regulatory sandboxes to test innovative technologies safely. Improving capital adequacy and liquidity requirements is another key recommendation, with calls for regular reviews to ensure banks can withstand economic shocks. Banks should also conduct internal stress testing and share results with regulators to guarantee sufficient financial buffers. These measures are fundamental to enhancing banks' resilience during financial turbulence.

Finally, promoting greater collaboration between regulators and banking institutions is crucial for improving the effectiveness of regulatory interventions. The study recommends establishing formal platforms for continuous dialogue, such as quarterly forums and roundtables, along with improved information-sharing protocols. Joint development of regulatory tools tailored to industry realities can foster policy responsiveness, mutual trust, and a more adaptive regulatory environment. Together, these recommendations aim to strengthen Nigeria's banking sector, ensuring it remains stable, resilient, and capable of supporting sustainable economic growth.



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