



Effects of Global Decline in Oil Price on the Financial Performance of Selected Deposit Money Banks in Nigeria

Godswill Osagie Osuma*, **Abiola Ayopo Babajide**, **Ochei Ailemen Ikpefan**, **Emeka Bennett Nwuba**, **Pelumi Wuraola Jegede**

Department of Banking and Finance, Covenant University, Nigeria. *Email: godswill.osuma@covenantuniversity.edu.ng

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ABSTRACT

The global decline in oil price has had a significant effect on the Nigerian economy especially the banking sector and this has led to some banks; revenue shortfalls, increase in their non-performing loans, layoff of staff, decrease in the bank deposit base, deterioration of the bank's asset quality, and reduction in the volume of transactions etc. Therefore, the main objective of this research is to examine the effects of the global decline in oil price on the Nigerian banking sector. Descriptive statistics and Simple linear regression was used as a tool for data analysis which was run with a pool ordinary least square and the findings revealed that there exists a positive and significant relationship between oil prices and the financial performance (three key performance indices were used to measure performance such as; profit after tax, current ratio, and net interest margin) of the banks especially in the period characterized by the decline in oil price. This paper, therefore, recommends that the government should take proactive steps to revamp the Agricultural sector by empowering our local farmers while commercial farming should be encouraged. Banks should endeavor to imbibe diversification of their investments and engage in financial innovation in order to improve their performance so as to enable them to be competitive globally.

Keywords: Oil Price, Syndicated Loans, Oil and Gas Sector, Profitability, Deposit Money Banks

JEL Classifications: Q40, Q43, G21

1. INTRODUCTION

The petroleum (oil) sector is very important in the Nigerian economy and has affected the economy both positively and negatively. Nigeria being a mono-economy has been adversely affected by reason of the decline in global oil price which also resulted in a drastic reduction of our oil exportation Obi et al. (2016). The Niger Delta Militants' who named themselves the "Avengers" also contributed to the current economic situation of Nigeria through their acts of vandalism making Nigeria lose an estimate of 1.3 billion daily in 2016 (Eziukwu, 2016). There was a continuous fall in oil price since 2014 and it has affected the Nigerian economy adversely and contributed to the negative gross domestic products (GDP) in the four quarters of 2016 which made Nigeria be declared a recessionary state after the first two quarters of 2016 which was characterized with a negative GDP.

The Nigerian banking industry could be adversely affected by the fall in oil price due to the lump sum of money invested in the oil and gas sector by some banks which may result in non-performing loans. In other words, the dwindling oil prices could cost the Nigerian banks un-estimated trillions of Naira. Some banks that were heavily exposed to the oil and gas sectors would now be in a state of dilemma on measures to restructure and recover the loans. The financial sector is a crucial part of our economy which provides various services and convenience for citizens. Therefore, this paper will discuss the Nigerian financial sector (In relation to banks). While the effects of oil prices have continued to create a long-lasting impact on the Nigerian economy. Akpan (2009) and Olomola and Adejumo (2006) have argued that it has created economic growth and also has the potential of creating further economic growth. Crude oil is usually refined into three different products which are highly marketable namely: firstly P.M.S known as premium motor spirit which is popularly called petrol and/or

fuel in Nigeria and Gasoline in U.S.A, secondly A.G.O known as Automotive gas oil popularly called Diesel in Nigeria, and lastly D.P.K known as dual purpose kerosene popularly known as Kerosene in Nigeria. It waste can also be used for other purposes. (Adetiloye et al., 2015).

This paper is structured into five segments; the introduction makes up section one, section two dwells on literature review which includes conceptual, theoretical and review of prior studies, section three explains the methodological analysis of the study and includes the model for the empirical analysis, section four contains discussion of findings, while section five contains the recommendations and conclusion.

2. LITERATURE REVIEW

In spite of the increase in oil production and exploration, the Nigerian oil sector still faces serious challenges (Adamu, 2015). The discovery of oil played a major role in exploitation and production in the eastern and mid-western regions of the Niger Delta in the Nigerian economy. This was an indication that immediately after independence, the development of oil will be at its peak. From 1967 to 1970, Nigeria experienced the civil war and not until the end of the war was when the oil industry began to play a prominent role in the economic life of the country (Odularu, 2008). This study tends to bridge the gap by providing a basis of good judgment in analyzing the effect of the global decline in Oil price in the Nigerian banking sector.

Several articles on the effect of the global decline in oil price in the banking sector and the Nigerian economy have been critically analyzed. Kilishi and Alkassan (2016) examined analysis of oil prices of macroeconomic volatility in Nigeria and it was suggested that the Nigerian economy should be diversified by boosting activities in the agricultural sector so as to reduce the effect or impact of oil prices on the macroeconomic volatility. Odularu (2008) examined crude oil and the Nigerian Economic performance by using the ordinary least square (OLS) regression and it was found that crude oil consumption and export have contributed to the improvement of the Nigerian economy and it was concluded that the government should implement and encourage the private sector to participate fully in the oil sector.

Umanhonlen and lawani, (2015) examined the effect of global financial meltdown on the Nigerian banking industry and economy. He concluded that there should be economic policies that would boost or restore the economy in other for it to be stable so as to protect the economy against further financial crisis. Adelman (2000) stated that oil prices have always become very volatile compared to other commodities although he was also of the view that the changes occur as a result of seasonal changes in demand. Ayadi (2005) added that whenever petroleum exporting countries meeting draws nearer, volatility of oil prices shifts upwards resulting in a quota adjustment in recent years. Richard and Donald, (1980) laid more emphasis on the Nigerian budget on oil revenue stating that the reduction in oil prices has affected the budget figures, allocation to states, agencies, and

parastatals. Damilola (1982) in a related study argued that during the time when there was an increase in savings in public and private investment during the year 1970, the Nigerian economy was expected to improve in terms of economic growth but it did not. Olaokun (2000) was able to pinpoint that in spite of oil production and expectation between the year 1878 and 1882, there was a global recession during the year 1930 and economic growth declined drastically as a result of the volatility in the international crude oil price.

Works of literature on global decline in the price of oil and how it affects the Economy as a whole is quite enormous but this paper tends to streamline on the banking industry. Ogochukwu (2016) explored oil price decline and its significant impact in the Nigerian economy and he came to an inference from his study that oil price fall is currently affecting the Nigerian economy, leading to inflation, economic instability, fall in the value of naira and increase in unemployment. Anar (2016) also investigated the Impact of devaluation and oil price on the Banking Sector of Azerbaijan and he observed that prequel to the oil price decline bank profit and the exchange rate volatility increased but in 2015, because of lower oil price and the dependency of oil income of the country, the banking sector went through dramatic crisis. Aliyu (2009) recommended a large divergence of our economy by investing in the prolific sectors in other to minimize the harmful effects of the decline oil price as cited in (Ogochukwu, 2016).

The history of the Nigerian economy as early as the 1970 s is still in a vacuum and needs to be filled without recounting the volatilities experienced in oil prices. The large revenue we have gained from the oil and gas sector and a concurrent dearth of investment in infrastructural amenities and sustainable development projects remain a challenge to Nigeria. Presently, capital expenditure projects are basically debt financed and the entire income from the Federal Government is used for recurrent items.

Figure 1 above is a graphical illustration of the oil price trend over the years from 1999 to 2014. It is observed from the year 2014 there was a sporadic decline in oil price.

The United Nations report on the global economic and financial crisis stated that “all regions in the world have suffered a decline in growth” but it all depends on the measures adopted by each country to get back on track. Nigeria under the government of General Yakubu Gowon in the early 70s had enough money to spend and invest during the oil boom but surplus money was not channeled to the right use and we are currently suffering from the consequences of our lack of investment from the past during our booming days.

Arinze (2011) examined the economic impact of price instability and also identified causes of the increase in prices of oil products. He concluded that the constant increase in the price of petroleum is a key factor for inflation in Nigeria. That is an increase in oil price will lead to an increase in inflation rate. The author also observed that the instability of

Figure 1: Graphical illustration of the oil price swings over the years

Source: Central bank of Nigeria

oil prices is due to poor maintenance of refinery, the problem of rehabilitation, low capacity utilization and the smuggling of petroleum products. In a publication by Asu (2017) in the punch newspaper he stated that “according to analyst, most of the country’s deposit money banks are exposed to the oil and gas sector through large syndicated loans, many of which are not hedged while some are poorly collateralized and as a result many Nigerian banks are no longer keen to release of funds to the oil and gas sector.”

2.1. Effects of Global Decline in Oil Price on some Deposit Money Banks in Nigeria

Some implications of the Global decline in oil price is the currency devaluation which has commensurate to the hike in prices of goods and services thereby making much money to pursue fewer goods, in other words, it would lead to an inflationary economy. The oil and gas sector is equally important as the banking sector seeing that without banks trading activities and financial transactions would be halted. The same goes with the transportation sector which is a major channel that helps to drive commercial activities in a country by linking buyers and sellers of goods both locally and internationally. Oriakhi, D. E., & Iyoha (2013) further posited that oil price volatility has a direct effect on the exchange rate of the Nigerian currency (Naira) than probably any other economic variable. They further stated that crude oil export earnings accounts for a large chunk of Nigeria’s foreign exchange. Therefore, the cost of imported goods would be expensive due to inflation, making the prices of imported goods costly, locally produced goods would also be expensive due to the high cost of transportation and the salaries of workers aren’t even increased due to the high cost of running various companies. The International Monetary Fund president, had during her working visit to Nigeria, gave a pass mark to Nigerian banks and described it as strong and reliable, but however advised the banking sector to take cognizance of the effect of the high cost of goods occasioned by the oil price fall to improve their compliance regime and enhance collection efficiency (Ogochukwu, 2016).

Presently, the Nigerian banking sector is now contending with the negative effect of global oil prices and challenges in the macro environment. This has taken a significant toll in the banking system and some operators have begun to issue profit warnings just as the demised Diamond bank that was a key player in the loan syndicated to the oil and gas sector the end result led to the untimely failure of the former buoyant deposit money bank some report says that access bank acquired diamond bank while others claimed it to be a merger. Apart from the negative effect on the oil market, the foreign currency especially the US dollars has made the federal government through Central Bank of Nigeria (CBN) to discourage importation of goods and other items that could be produced locally (Aderinokun, 2016).

2.2. Theoretical Underpinning

The Hubbert peak theory (1956) is the theory upon which this work is anchored. The Hubbert peak theory posits that for any given geographical area, from an individual oil-producing region to the planet as a whole, the rate of petroleum production tends to follow a bell-shaped curve. The explanation is taken further below.

2.3. How does the Hubbert Peak Theory Apply in Nigeria?

Taking Nigeria as a case study the Hubbert peak theory posits that oil production follows a bell-shaped curve. The bell shape curve connotes the introductory/discovery stage of the oil in the particular region, followed by growth/boom stage of oil in the country before the declining/depleting stage of oil in the area or region. Oil was discovered in 1956 at Oloibiri oilfield on the January 15th, 1956. The oil boom in Nigeria was around the early 1970 s, currently, the oil production in Nigeria has depleted due to the effects of the Niger Delta Avengers and other oil bunkering activities. Therefore, applying the Hubbert peak theory, Nigeria is in the last stage of the theory which is the declining/depleting phase in the curve.

3. METHODOLOGY

3.1. Sample Population

The sample population consists of both old and new generation banks in Nigeria that was involved in the loans syndicated to the oil and gas sector. Banks that commenced operation before the year 1988 are called old generation banks while banks that commenced from 1989 are new generation banks. First Bank of Nigeria and The United Bank for Africa (UBA) belongs to the old generation banks while Zenith bank is a new generation bank. According to a publication by the Naira metrics dated January 30, 2015 on the title ‘Nigerian banks with exposure to the oil and gas sector’ the report stated that a total of ten (10) Banks (deposit money banks) were involved in the loan syndicated to the oil and gas sector and the following deposit money banks with their percentage involvement includes; first bank (40%), guarantee trust bank (28%), fidelity bank (28%), skye bank (27%), access bank (25%), diamond bank (25%), zenith bank (18%), eco bank (18%), UBA (16%) and FCMB (14%).

3.2. Sample Size

Simple random sampling technique was adopted to choose the Banks for the analysis. Therefore, three banks out of the ten banks were used for the purpose of the analysis and the banks include; zenith bank, Skye bank (now Polaris bank), and First Bank.

3.3. Source of Data Collection

To ensure the validity and reliability of this study secondary data was adopted in this research and the data’s were sources from Central Bank archives, macro trend crude price. Academic journals, National dailies, and Bank annual reports.

3.4. Justification of Variables

The *current ratio (CR)* measures the ability of a bank to pay off its current liabilities with its current assets.

It is calculated by dividing the current asset by the current liabilities. It also measures a company’s ability to pay short-term and long-term obligations.

$$\text{Current ratio (CR)} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

Profit after tax (PAT) is the net amount earned by a bank or business after all taxable expenses have been deducted. The *PAT* is an assessment of what a business is really earning. It is calculated by deducting income tax expense from profit before income tax.

$$PAT = (\text{Profit before income tax} - \text{Income tax expense})$$

Net interest margin (NIM) is the difference between the interest income generated by banks and the amount paid out to their lenders as interest. A positive *NIM* connotes the bank made an optimal decision in its investment and financing activities denoting an excess of interest generated above.

Average annual crude oil price (AACOP) captures the various prices of crude oil which is derived by summing up the total crude oil price for the year divided by twelve (number of months in a year).

3.5. Model Specification

The Independent variable (*X*) and dependent variables (*Y*) are fitted into a regression equation in which the data would express the relationship between the variables. This simple linear regression model was used to analyze the hypotheses. The model is expressed thus:

$$Y = a + b(X) + \mu$$

Where:

a=Intercept, *b*=Coefficient (slope), μ =Error term, *Y*=Profit after tax. The independent variables (*X*) includes; *AACOP*, *CR* and *NIM*.

$$PAT = f(AACOP, CR, NIM, \dots, U_t)$$

The model in its implicit form is $PAT = f(AACOP, CR, NIM, \dots, U_t)$

$$PAT = AACOP_t^{\beta_1}, CR_t^{\beta_2}, NIM_t^{\beta_3}, \dots, \mu_t$$

To linearize it logarithm should be introduced thus;

$\beta_1, \beta_2, \beta_3$, are parameters to be estimated; *t*=2011-2016; =Stochastic term is *u*, otherwise known as the error term.

$$\log PAT_{it} = \beta_{0it} + \beta_1 \log AACOP_{it} + \beta_2 \log CR_{it} + \beta_3 \log NIM_{it}$$

Hypothesis 1

H_0 : There is no significant effect of the changes in global crude oil price on the *PAT* of banks involved in loan syndication to the oil and gas sector.

Hypothesis 2

H_0 : There is no positive relationship between global oil decline and the liquidity of banks involved in the loan syndicated to the oil and gas sector.

4. DATA ANALYSIS AND DISCUSSION OF RESULTS

This involves the analysis of data, the presentation of the descriptive, and interpretation of the results and the discussions of findings. The hypotheses were also tested, the method of data analysis includes; A pooled OLS which involves the data’s collated from the three banks which constitutes the OLS results and descriptive statistics was also run to aid understanding and depict a quick bird eye view of the analysis.

The Table 1 represents the summary statistics or descriptive statistics of the variables used in the model. The descriptive statistics depicts a comprehensive evidence about the variables (Osuma et al., 2018). The summary statistics encompasses the mean, median, maximum, minimum, and standard deviation succinctly. The mean of the *PAT* is 3.05 and it arrays from -4 to 2.45, the mean of *AACOP* is 91.3 and it arrays from 44.5 to 113.5, the mean of *CR* is 1.33 and it arrays from 1.08 to 2.8, the mean of *NIM* is 1.47 and it arrays from 1.40 to 2.40 respectively. The medium and standard deviation flows in the same order with the mean as depicted in Table 1.

In respect of the individual significance in Table 2, the *NIM* positively affects the *PAT*. A percentage increase in *NIM*, holding other variables constant, would lead on the average, to about 0.16 percentage increase in *PAT*. However, as shown by the t-Statistic (and probability), at 5% level of significance, the impact of *NIM* on *PAT* is insignificant. In other words, although *NIM* positively contributes to *PAT*, it does not significantly impact *PAT* because the t-statistic is lower than 2 and the probability is above 5% (0.05).

The *AACOP* also affects *PAT* positively. A percentage increase in *AACOP*, holding other variables constant, leads on the average, to about 372635.6 percentages increase in *PAT*. But *AACOP* does not significantly impact *PAT* as shown by the t-statistic and probability. The *CR* positively affects *PAT*. In other words, the higher the *CR*, the higher will be the *PAT*. On the average, holding other variables constant, a percentage increase in *CR* would lead to about 74978303 percentages increase in *PAT*. Going by the t-Statistic which is above 2 and the probability which is below 0.05, it can be concluded that *CR* affects *PAT* significantly.

Turning to the overall significance of the model, starting with R-squared which explains the degree of variation in the dependent variables being explained by the independent variables, about 49.8% of the variation in the dependent variable is explained by the independent variables. In other words, the independent variables in the model explain about half of the variation in the dependent variable. The adjusted R-squared is interpreted almost the same way as the R-squared, but the former considers the degree of freedom. The adjusted R-squared shows that about 38.3% of the variation in the dependent variable is explained by the independent variables. The F-statistic is an indication of the overall significance of the model. Its probability of 4.30 shows that the model is significant at the 5% level of significance. The Durbin-Watson stat is a test for serial/auto correlation, and accepting the hypothesis of serial/auto correlation is a pointer to the possibility of a spurious regression. Going by the rule of thumb, this statistic should be close to 2 if there is no serial correlation. The Durbin-Watson statistic of 1.96 shows that there is no serial/auto correlation in the model, hence, the model is fit to be used for policy purposes.

Just as Ikpefan et al. (2018) posited that the heteroscedasticity test is done to know if the error term has a constant variance. From Table 3 the probability values of 0.4991 and 0.4240 are not statistically significant, it connotes that the variables are correctly specified and we reject the null hypothesis by accepting the alternate which signifies the error term has a constant variance.

From the correlation matrix in Table 4 all the variables had a positive relationship except *NIM* and *AACOP* which showed a -0.223242 making a negative relationship of 22% the variables used for this study showed no incidence of multicollinearity as the coefficients were all lower than 0.8.

Figures 2-6. Further explains the effects of Global decline in oil price on the financial performance of deposit money banks in Nigeria.

Figure 2 shows the *PAT* position of Skye bank and the trend line movement is downward sloping which shows reduced performance. It is observed that the after-tax profit of the bank increased from 2011 to mid-2014 (see appendix 1) which was as a result of the decline in oil price that caused Skye banks to lose about forty-three billion and eventually placed Skye bank to be under CBN interim management. However, during the fourth quarter of 2016 Skye bank nearly experienced a bank run but was nip in the bud by the intervention of the CBN. However, the inability of the bank owners and/or shareholders to shore-up the capital of the bank led to the revocation of the banks operating license on 21st of September 2018 and introduction of a bridge bank known as Polaris bank to assume both the bank's assets and liabilities which would be capitalized by the Asset management company of Nigeria (AMCON). Making Syke bank a defunct bank.

Table 1: Descriptive statistics for the model

Measurement	<i>PAT</i>	<i>AACOP</i>	<i>CR</i>	<i>NIM</i>
Mean	3.0530122	91.29529	1.334706	1.47E+08
Median	8.629000	110.8227	1.17	1.78E+08
Minimum	-4.2E+07	44.45182	1.08	1.407100
Maximum	2.45E+08	113.5055	2.8	2.40E+08
Standard deviation	62787810	28.51491	0.484512	70913350
Observations	17	17	17	17

Source: Author's computation 2018

Table 2: Pooled ordinary least square regression

Dependent Variable: <i>PAT</i>				
Method: Least Squares				
Date: 12/25/18 Time: 11:04				
Sample: 1 18				
Included observations: 17				
Variable	Coefficient	Standard error	t-statistic	Prob.
<i>NIM</i>	0.159010	0.194402	0.817944	0.4281
<i>AACOP</i>	372635.6	474784.3	0.784852	0.4466
<i>CR</i>	74978303	28709317	2.611637	0.0215
C	-1.27E+08	55515167	-2.286960	0.0396
R-squared	0.498358	Mean dependent var	30530122	
Adjusted R-squared	0.382595	S.D. dependent var	62787810	
S.E. of regression	49335597	Akaike info criterion	38.46851	
Sum squared resid	3.16E+16	Schwarz criterion	38.66456	
Log likelihood	-322.9824	Hannan-Quinn criter	38.48800	
F-statistic	4.304973	Durbin-Watson stat	1.956694	
Prob. (F-statistic)	0.025756			

Source: E-views output 2018

Table 3: Test for robustness

Measurement	P-value
Breusch-Pagan test for heteroscedasticity	0.4991
Ramsey RESET test for omitted variable	0.4240

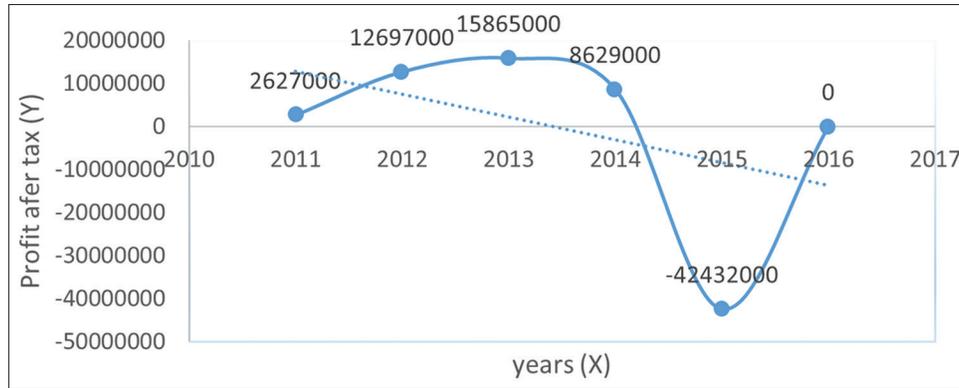
Source: Author's computation 2018

Table 4: Correlation matrix

	<i>PAT</i>	<i>AACOP</i>	<i>CR</i>	<i>NIM</i>
<i>PAT</i>	1.0000			
<i>AACOP</i>	0.278611	1.0000		
<i>CR</i>	0.679069	0.258340	1.0000	
<i>NIM</i>	0.324700	-0.223242	0.316102	1.0000

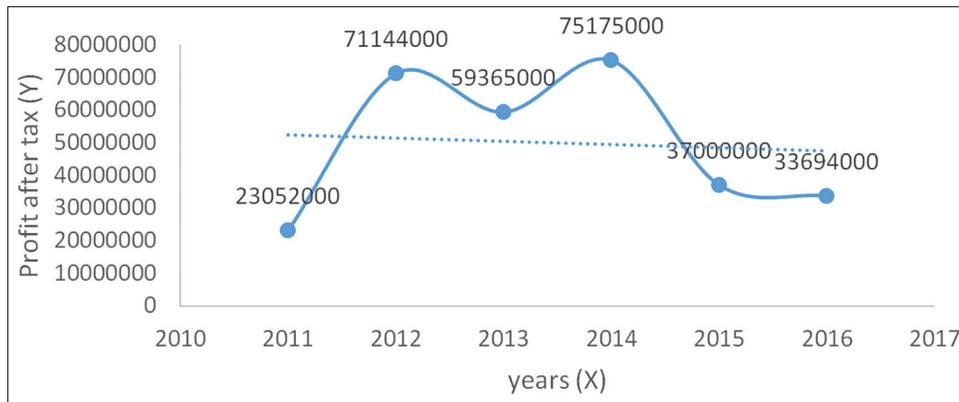
Source: Author's computation 2018

Figure 2: Skye bank profit after tax



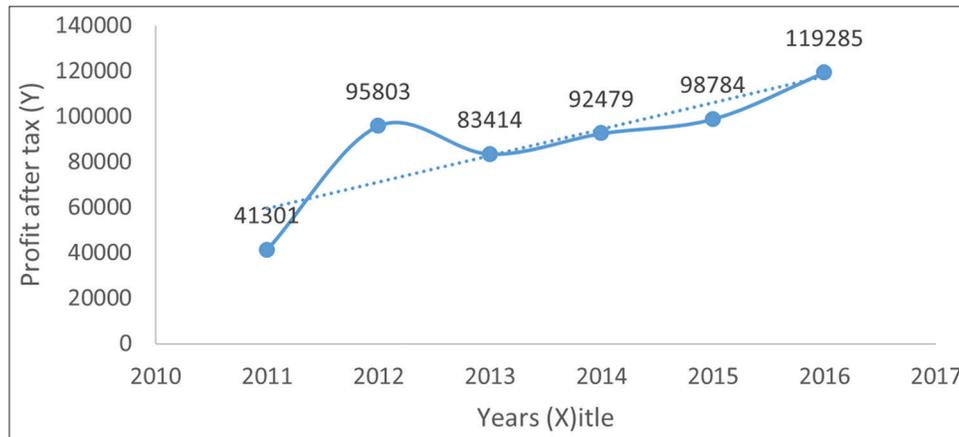
Source: Central bank of Nigeria

Figure 3: First bank profit after tax



Source: The banks annual report

Figure 4: Zenith bank profit after tax



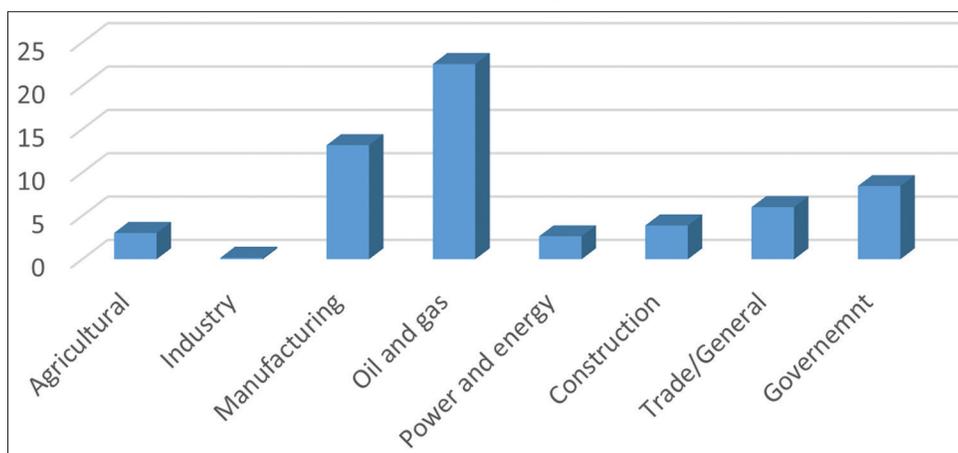
Source: The banks annual report

Figure 3 shows the PAT position of the Bank and the trend lines downward movement indicating that the decline in oil price has a significant effect on the PAT of the bank. The PAT of the bank further decreased from N75, 175,000 in 2014 to N37, 000,000 in 2015 and it further declined to N 33,694,000.

Out of the three banks used in the analysis, it is only zenith bank that depicts an upward movement in its PAT but the figures cannot be compared with First Bank in terms of its PAT flux.

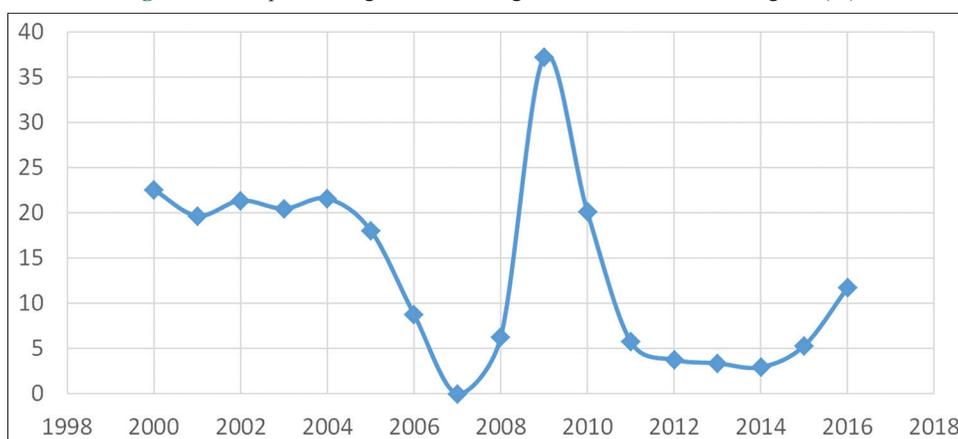
From Table 5 and Figure 5, it is seen that deposit money banks were more exposed to crediting the oil and gas sector with 22.53% of its resources. Therefore, the sudden fall in oil price has led to an increase in the level of non-performing loans. Iii (2017) posited that the Basel III was developed as a result of the deficiencies in Basel II in tackling the challenges of the global financial crisis in 2007-2009. Basel III was agreed upon by members of the Basel committee in 2010 to strengthen the supervisory, regulatory and risk management system of the banking sector, but the Nigerian

Figure 5: 2016 Sectoral distribution of deposit money banks loans (%)



Source: Nigerian bureau of statistics

Figure 6: Non-performing loans to total gross loans of DMBs in Nigeria (%)



Source: World Development Indicators

Table 5: Q3 (2016) Sectoral distribution of deposit money banks loans (%)

Sector	Agriculture	Industry	Manufacturing	Oil and gas	Power	Construction	Trade	Government
%	3.04	0.17	13.16	22.53	2.65	3.9	6.01	8.44

Source: Nigerian bureau of statistics

Table 6: Non-performing loans to total gross loans of DMBs in Nigeria

X	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Y	23	20	21	20.5	21	18	9	0	6	38	20	6	4	3.9	3.8	5	11

Source: World Development Indicators

deposit money banks still had its negative fair share from the global decline in oil price in 2016. Does this mean that Basel III made no significant change in strengthening the banking sector? Therefore, Basel IV agreed in 2016 and 2017 made a significant change to increase the capital of deposit money banks which would lead to the increase in its working capital position and operating efficiencies. The effects of the global decline in oil price, global financial crisis and bunkering activities of the so-called Niger Delta Avengers has adversely affected the deposit money banks in Nigeria.

From Figure 6 we can see that before corporate restructuring era in Nigeria (i.e., pre mergers and acquisition) non-performing loans in deposit money banks was very high not until the year 2005 when

deposit money banks were asked to beef-up their capital base from N2billion to N25billion naira and after the exercise it can be seen that there was a downward trend in the non-performing loans portfolio which reduced drastically to the barest minimum.

Non-performing loans of the Nigerian deposit money banks increased to an all-time highest in 2009 which was as a result of the global financial crises that started from the United States of America which also had adverse effects on the world economy. These adverse effects were accompanied by fall in the share price, increase in non-performing loans e.tc. As also depicted in Figure 6 and Table 6 the non-performing loans index in the country is on the increase as the country was officially declared in a recessionary

state in the year 2016 as a result of the fall in the oil price and a massive reduction in our oil output production due to the menace caused by the so-called Niger Delta Avengers and as such it has contributed to working capital deficiencies of some affected deposit money banks especially for the banks that were involved in the loans syndicated to the oil and gas sector.

5. CONCLUSION AND RECOMMENDATIONS

The findings from the study reveal that the current decline in the price of oil has an adverse effect on the financial performance of the banks involved in the loan syndicated to the oil and gas sector. From the data presented the *PAT* of two of the banks declined and an inference from the literature review posited that there was an increase in the number of nonperforming loans due to the inability of the companies that benefited from the loans advanced to the oil and gas sector to repay the principal and let alone interest of the loans. Some authors posited that poor loan monitoring, bad management, errors in documentation, fraudulent practices are some of the causes of banks poor financial performance which some attributed to as a result of the effects of non-performing loans.

6. CONCLUSION

Conclusively, the effects of oil price fall have greatly affected the economic and financial performances in Nigeria birthing menaces such as; inflation, loss of jobs, unfavorable investment environment for expatriate's etc., and such menaces can lead to the increase of economic and financial crimes in the country. Therefore, our economy should be diversified because there is definitely a substitute for crude oil consumption and the Nigerian government should channel a high percentage of her resources to the agricultural sector. This is because there can never be a substitute to hunger as the only solution to hunger is food. Agriculture was man's first occupation divinely ordained by God as found in the Holy Bible (Genesis 2 vs. 15) "And God took the man, and put him in the Garden of Eden to dress it and keep it" (paraphrased). Therefore, the importance of agricultural products can never be overemphasized and a greater percentage of the GDP should be invested in the agricultural sector in order to revamp the Nigerian economy.

7. RECOMMENDATIONS

Firstly, the Nigerian government needs to be on their toes to revamp and encourage our farmers and prospective farmers by setting up new agricultural farmers schemes, provision of fertilizers at subsidized rate, subsidizing the feeds for the animal husbandry, giving of grants, issuance of interest free loans to our local farmers, granting scholarships to the youths that are interested in the study and practice of agriculture. In a nutshell, the Nigerian economy should be diversified.

Secondly, the change we want to see must start with all Nigerians. Let us all go back to our root which is farming and farm. There are so many fertile lands wasting away because of lack of cultivation.

Let us all rise to this clarion call for agricultural revolution and Nigeria would feed the world and food items would be very cheap for us.

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