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Mafia Leadership and Its Implications on Bank Distress in Nigeria – 1930-2020

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Abstract

Leadership is primarily concerned with influence and to get people carry out certain functions to achieve institutional goals. But desired institutional goals may not be achieved within the context of bad leadership which is often characterized by selfish interest. For many years the banking industry in Nigeria witnessed deteriorating performance as the result of micro leadership, bad management, and manipulation in the form and character of the corporate Machiavelli, and creating room for insider-trading, resulting to huge unsecured and NPLs. For example, in 1996 alone, 178 directors of distressed banks were sacked, while 75 shareholders and ex-employees of distressed banks were successfully prosecuted for fraud and unethical practices and barred from holding any responsibility in financial institutions. Some commercial banks were suspended from the interbank clearing house, while some merchant banks were placed on holding action, and barred from taking deposits. The distressed banks and their directors were found guilty of monumental malpractices with the active connivance of auditors in fraud-sheltering. In professional conduct, the allegiance of the external auditors' should not go to the directors' but to the shareholders who appointed them to protect their interests. The fundamental role of the external auditors is to act as a counter- balancing force to those directors' or majority shareholders who often have enormous sweeping powers in their organizations to the detriment of the minority and the enterprise as a whole. Mafia leadership connotes a bad situation whereby organizational structures often with a federal arrangement of interconnected groups sharing common goals for a range of products and services become under the control of an individual in the sense of ownership, creativity, and for personal interest which such manipulations engender. The exploratory research design was adopted for this study and the result showed positive relationship between mafia leadership and bank distress. The study was not exhaustive, and further research is required to examine the relationship between auditors' role and huge insider NPLs in Nigerian banks. To minimize the incidence of distress in the Nigerian banking system banks should constantly train and retain their managers on the principles of good lending.

Keywords

Insider-borrower, Ownership, Unethical Practices, External Auditors, Debt counselling, Poor Management, Lending Banker, Managerial Myopia

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1. Introduction

The term leadership connotes a situation of influence and helping individuals, groups, organizations or institutions in achieving desirable goals. On the contrary therefore, mafia leadership relates to leadership bankruptcy, bereft of central leadership qualities such as integrity, vision, communication, empathy, resilience, self-awareness, among other positive attributes. Mafia leaders in the corporate world manifest in the form of corporate Machiavelli, mostly through microleadership, misleadership,

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micromanagement, mismanagement, misdirection, and manipulation. These mischievous actions and inactions lead to obvious weak management which is often a denominator of bank distress in Nigeria. Since the 1980s through 2021 the matter of bank distress or bank failure continues to dominate discussions on banking system survival and sustainability. Nobody can be blamed for this in view of the importance of the banking enterprise in economic and political sustainability of any nation. Bank distress is frequently a function of managerial myopia and then resulting to a situation where banks have liabilities far in excess of the current market value of their assets. Distress also manifests as soon as a bank starts carrying huge nonperforming loans (NPLs) sometimes in excess of gross loans (GLs). The common feature of weak management in Nigerian banks is traceable to attitudinal issues because those elected or appointed by shareholders to lead the banks through the paths of profitability and sustainability by providing strategic leadership instead embark on mafia leadership. Like the corporate Machiavelli, these people are intelligent, ambitious, lucky, and ruthless. They also believe that to succeed in the complex world of business, you must think and act solely for your own benefits, to reach the top. Mafia leadership typically represents the pattern or philosophy of a type of leadership that thrives on management for personal interest. However, banks in Nigeria do not need *angels* to bring them out of the train of distress, but need only managers or leaders who are adept in the art of managing or leading others, people whose self-confidence comes from self-awareness, capacity and strength [1]. Literature on bank distress or failure in Nigeria is awash with evidence that many of promoters, executives, business leaders and managers collude with employees, government officials, customers, suppliers and raw criminals to run down many banks for their self-benefits. The late 1980s and 1990s experienced substantial distress whereby many banks were liquidated and numerous financial enterprises and primary mortgage institutions (PMIs) and other financial houses disappeared from the market space and there was need to control the situation. Established by the Federal Republic of Nigeria by Decree No. 22 [2], the Nigeria Deposit Insurance Corporation (NDIC) which commenced business in February 1989 had the difficult task of being the *undertaker* of the terminally distressed financial institutions. For example, as at the end of December 1996, the number of banks in the system was 115, down from 120 in 1993, and comprised of 64 commercial banks and 51 merchant banks, with a total of 52 distressed banks and a total branch network of 2,549. As at the end of 1996, there were 52 distressed banks with 25 under the supervision of the regulatory authorities while each of the 17 banks taken over by the Central Bank of Nigeria (CBN) in 1995 was under an Interim Management Board (IMB) and 8 were supervised by the Transition Supervision Board (TSB). In 1996 alone, 178 directors of distressed banks were sacked, while 75 shareholders and ex-employees of distressed banks were successfully prosecuted and barred from holding any responsibility in financial institutions. Some merchant banks were placed on *holding action*, and barred from taking deposits [3-4].

1.1. Research Problem

Since 1929 when Industrial &Commercial Bank was established and when it failed in 1930, the problem of bank distress and failure remains unabated in Nigeria. Based on the historical perspectives of the failure of National Bank of Nigeria (NBN) and African Continental Bank (ACB) it is strongly assumed that the regional financial supermarkets become technically distressed and failed largely due to factors associated with mafia leadership style. In addition to inept management, the banks were highly micromanaged, misdirected and manipulated by the owner regional governments and much latter state governments. For example, the Foster-Sutton Tribunal (1962) found that the manner in which the agreement to inject funds into ACB came into being was shrouded in mystery while the Coker Commission (1962) found that the finances of NBN did not present a very happy picture because of the huge loans outstanding in the names of the erstwhile directors of the bank and/or persons, or companies in which they were interested, and also the loans to the Action Group which were operated in various names and which werenot secured in any form or shape. The distress syndrome continued until 1993 when the CBN liquidated 25 technically distressed banks in one day, citing high NPLs, and weak management or performance. According to Toby [5] the poor-performing banks, including most state-government-owned (SGO) banks had lending practices that generally ignored credit decision process. Additional questionable practices were rapid loan growth without adequately trained manpower and documentation, concentration in one or in few industries, no verification of collaterals, self-serving loans, or insider abuse, and ignoring the consequences of what interest rate risk would do to bank borrowers. Based on audit reports, it was concluded that the primary causes of weak financial performance of the banks were related to weak management. To address the problems of both actual and potential threat to the banking system, measures such as the Banks and Other Financial Institutions Act (BOFIA) [6] and NDIC Decree were promulgated. Despite the efforts of the regulatory authorities in controlling the distress problem in the banking sector, it continued to be on the rise. For example, as at 31st December, 1996 the number of distressed banks in Nigeria rose from 5 to 42. Consequently, the quality of risk assets of distressed banks continued to deteriorate in 1996 with about seventy five percent of the total loans, advances and discounts (LADs) classified as non-performing as against sixty nine percent in the previous period. According to Alkaleri [7] the main reason for the increase was further deterioration in the hitherto performing loans of the distressed banks. Weak management never ceased in the banking enterprise, consequently, distress in the sector quickly crossed over into the present century, and still rolling. This fragile situation was exacerbated by the banking crisis in 2007 that soon assumed a global dimension and degenerating into economic crisis with huge NPLs which subsequently reduced the networth of many banking institutions with most of them running to the bank of *last resort for accommodation.* The crisis negatively affected the exchange and securities market and there were cases of losses in asset value of most reputable equity enterprises with a huge deterioration of investors' wealth or shareholders' equity. Thus, the situation became very precarious as bank borrowers could not service their obligations, and to minimize collateral damage resulting from fraudulent lending practices in banks, the CBN injected about N700 billion of public funds into the dying banks to cushion the effect of NPLs of about N1trillion fraudulently perpetrated by bank promoters, directors and sundry executives [8]. As the Nigerian banking problem continued, the Asset Management Corporation of Nigeria (AMCON) was given the important task of facilitating an improvement in the banking sector liquidity, protection of the earnings of banks from further erosion and reduction of the debt overload on the capital market and market participants. In addition to gross corporate governance breaches many of the defunct banks' chief executive officers and other directors were pursuing policies in over investment which facilitated opportunities for empire-building and diversion of enterprise assets into private pockets [9-14].

1.2. Research Objective

This study was designed to explore the correlation between mafia leadership and bank distress.

1.3. Research Significance

The result of this study will enable students, researchers, policymakers and the general public to understand the workings of mafia leadership in bank distress.

1.4. Research Questions

i. Is it true that misleadership is a pattern of mafia leadership?

ii. Can mismanagement result to bank distress?

iii. Can microleadership lead to weak management?

iv. Is manipulation a quality of good leadership?

v. Can misdirection lead to bad lending?

vi. Can micromanagement lead to poor credit risk management?

vii. Can mafia leadership lead to bank distress in Nigeria?

1.5. Conceptual Framework

In this study we were persuaded to identify key elements necessary for an understanding of the idea of mafia leadership. It is a bad type of leadership often shrouded by lying, cheating, bulling, harming, quarrelling, undermanaging and/or deceiving others for personal gains. This idea may be represented as a conceptual framework. A conceptual framework shows the structure of the study and its relationship with the major variables and the problem of the study. It is often expressed as a schematic model and also used to clarify ideas that might otherwise be buried in an excess of words. The conceptual framework for this study is shown in figure 1.

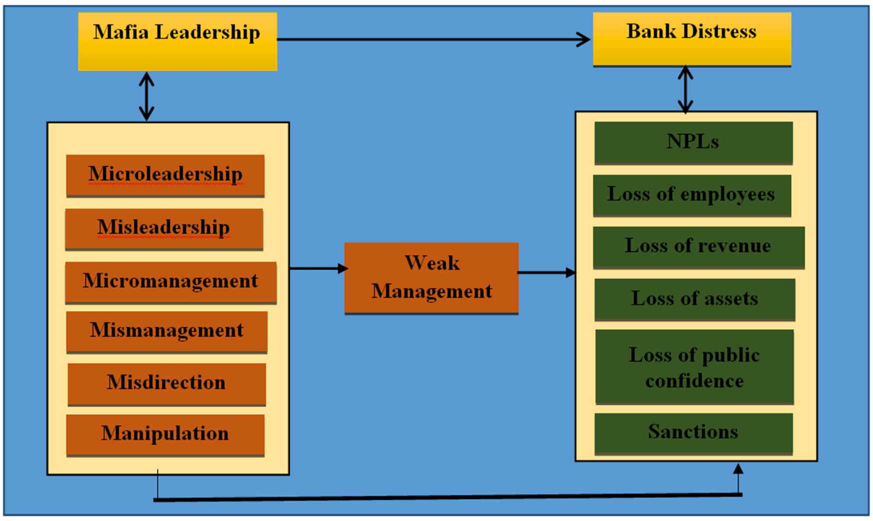

Figure 1. Mafia Leadership and Bank Distress Model.

As shown in the conceptual model, mafia leadership has various dimensions, including microleadership and manipulation. These elements of unethical business practice practically involves telling lies, cheating people, bulling people, deceiving people, and harming people to obtain personal advantage. Such activities instill fear in people, demotivate people, demoralize people, resulting too weak management and ultimately bank distress. Lying undermines ethical business principles of integrity and honesty; it involves the intent to deceive and a deliberate act to gain undue advantage. This is not very different from cheating people by not abiding by the terms of contract or promise such as failing to repay bank loans, and bending the rules for personal benefits at the detriment of individuals or corporations. The corporate Machiavelli who is usually in a powerful corporate position such as chairman or president takes the liberty of bullying, humiliating, intimidating or abusing people to force them to do the wrong thing against the overall interest of the whole corporation. In the banking context, this could mean abusing the credit risk management process, approving huge insider loans without adequate security and in most cases without any form of security at all. Insider loans without proper security are one aspect of the credit risk management process that is most harmful to the banking enterprise and leads to distress. In the process also, people are harmed, because contemporary experience in bank distress and failure indicates that innocent employees suffer most when the corporate Machiavelli and other crooks of this complex business world, have moved the common wealth of the corporation to their private businesses. Worried by the issues of unethical business practices, Lashley [15] advocates that the important consideration in these forms of rule bending is who benefits? If the rule bending is for personal or organizational gain at the expense of another, then the action is likely to be judged wrong. He insists that the key thrust of industry is to address the image created by cheating and deceitful practices. Mafia leadership style can destroy the image of bankers, if no remedy is found. To this extent, Asein [16] opines that trust and confidence are crucial virtues in the banking business of financial intermediation. He explains that confidence can only be sustained if the bankers exhibit, in all dealings, utmost good faith which the banking public expects. Therefore, it is to promote stability and confidence in the banking system that the regulatory authorities of the financial system are required to properly manage the exchange process with all firmness and expertise. This immediately brings to focus the First Bank quagmire with regard to growing NPLs, poor management or leadership, and dwindling profitability. Dwindling profitability is usually attributed to poor or weak management performance, and for the old First Bank now involved in board and management squabbles, its profit dropped by a whopping N10billion in the first quarter of 2021 when compared with the previous period amidst a heavy loss of N13.2billion to bad loans alone [17]. This huge NPLs, might be as a result of insider abuse and to shelter such unethical banking practice, the board unilaterally removed its managing director/chief executive officer contrary to the provisions of the corporate governance code. In the heat of the leadership mess, the CBN ordered First Bank to recover loans from Honeywell Flour Mills collaterized by irregular security cover arrangements. The CBN in attempts to purge the bank of bad leadership immediately dissolved the boards of both the bank and its holding company and reconstituted them accordingly [18]. NPLs continue to grow in the Nigerian banking system as a result of the negative activities of *insider borrowers* usually shrouded in high network unethical practices and breach of current corporate governance code which is the overriding pillar for business sustainability. Akinsola [19] explains that corporate governance is the way and manner in which the affairs of companies are conducted by those charged with the responsibility, and has positive link to the growth and development of any economy. Acting in the absence of compliance with corporate governance code is therefore, a reflection or manifestation of leadership decadence in organizations. According to him, the recent case of First Bank is a breach of code of corporate governance for Development Finance Institutions by its board of directors to make a proper consultation with the CBN for the removal and appointment of its directors and chief executive officers as provided for in the code of corporate governance for Development Finance Institutions in Nigeria. Consequently, the First Bank board of directors erred in law by failing to comply with the enabling law. [20] Complying with the code of corporate governance involves creating a more ethical business environment and to minimize a variety of bulling and cheating scenarios and enhancing ethical orientations and dispositions toward achieving common standards of ethical behavior [21-22]. The double-digit declines in key performance indicators (KPIs) of a bank are frequently a function of the high heap of NPLs which therefore, clearly supports the mafia leadership hypothesis. Weak management and NPLs are positively correlated providing justification of the mafia leadership question. It becomes important to stress that an effective and efficient banking system remains the backbone for the socio-economic development and sustainability of any nation that can only be attained where banks asset quality in terms of loans and advances is maintained and the level of NPLs are well managed. This is not utopian, but can be achieved if the factors leading to NPLs are drastically reduced in the banking system [23]. According to Sanusi [24] a financial institution is said to be in distress where evaluation by regulatory agencies shows the institution as deficit in major performance criteria including: gross under capitalization in relation to the level of operation, huge level of NPLs, illiquidity, low earnings, and weak management reflected in poor credit quality, inadequate internal control, high rate of frauds and forgeries [25]. Fraud is now a common feature of bank distress. It is frequent to find stories relating to fraud or financial manipulation involving insurance companies, securities, banking and credit frauds. According to

Enofe, et al [26] these frauds or unethical practices involve but are not limited to inflated turnover or profits, overstating expenses, overtime abuse, employee or management misappropriations, as well as currency and security manipulation. These bad practices promote distress and make banks to rely heavily on the CBN for rescue through the Standing Lending Facility (SLF). Constant visits to the SLF window by banks are an indication that there is trouble in the banking system [27]. Because of rising levels of unethical practices in the banking sector, the Economic and Financial Crime Commission (EFCC) is demanding for asset declaration forms from banks' managing directors, deputy managing directors, executive directors, and sundry others, premised on the recent history of the banking sector where a couple of former managing directors have been caught in the web of frauds, charged and jailed [28]. Frauds and forgeries remain unabated in the banking system in Nigeria largely due to disobedience of rules of ethical conduct based on trust and joint values to promote ethical or moral standards. Promoting ethical behaviours and values is necessary for the survival of any human enterprise, and inventing good leadership which is the basis for success and sustainability. According to Akinnuwesi [29] distress in the Nigerian banking system in the 1980s and 1990s was a manifestation of complex unethical practices including insider-trading, inadequate capital formation and poor management, among others. He posits that poor management often results in excessive risk-taking, high operating expenses, inadequate administration of loan portfolio, an overly aggressive growth policy, and there were frequent board quarrels, and contravention of statutory guidelines, which escalated the instability rate of the tenure of managing directors, executive directors, nonexecutive directors, and key management employees of banks in Nigeria [30-38].

2. Literature Review

Business and management literature in recent history indicates that bank collapses around the world were related to insider borrowing scandals, microleadership and micromanagement which harmed the reputations of many financial institutions. The failures were also related to unethical business practices by bank promoters, and especially those in leadership positions like chairmen and directors. Most of them practically engaged in corporate governance breaches leading to high levels of NPLs and a corresponding effect of abysmal profitability. For example, during the Nigerian banking crisis in the 1990s through 2000s, the failure of corporate governance culture resulted to the dissolution of the boards of many weak banks by the CBN due to poor management and an overload of NPLs. Cases of unethical practices and gross insider abuse and manipulation were rampant in the banking industry, particularly in the credit risk management process, which gave birth to huge nonperforming insider-related loans and advances. The magnitude of nonperforming risk assets was such that it had eroded the shareholders' equity of many of the poorly managed banks. For example, according to Ayininuola [39], based on the 2004 NDIC Annual Report, the ratio of NPLs to shareholders' funds deteriorated from 90 percent in 2003 to 105 percent in 2004. This therefore, meant that shareholders' funds had been completely wiped out industry-wide, by the height of the NPLs [40-41]. According to Tabassum and Pande [42] the fundamental indicator which is generally used to evaluate the soundness and financial health of the banking system is the level of nonperforming assets (NPAs). A nonperforming asset (NPA) is a loan or an advance where interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. They posit that an asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. However, it is noted that NPA is inevitable in the banking enterprise and cannot be abolished completely. This is so because as the banks increase credit extension to customers resulting to credit expansion, there is the probability that the magnitude of NPAs will also increase [43-49].

2.1. Unsecured Loans

A major problem of banks in Nigeria is insider credit without proper or in some cases without security. Even though security for lending does not make a good lending, but it nevertheless provides a level of comfort for the lending banker in the event of default in repayment. But cases abound where insider-borrower provides irregular or unrealizable forms of security and some powerful insider borrowers use their influence to obtain board and management approval for huge loans without security. Such loans are hardly repaid, thereby easily turning into NPAs that do not yield any income. Deterioration in the loan portfolio is among the principal causes of poor bank profitability because profitability is adversely affected by high NPAs in the form of loss of interest income on loans and provisioning for NPLs [50-53]. Weak or dubious collateral arrangements, bad credit decisions, significant and nonperforming insider loans and poor corporate governance practices are key indicators of bad board leadership capable of exposing a banking enterprise to the risks of distress and possible collapse. Lending is a very important aspect of banking and the need to ensure that the bank is adequately protected in carrying out this function is the genesis of security and loan documentation for bank borrowing. According to Idigbe [54] credit policies are usually fashioned out by different banks, which must be adhered to in order to ensure that credit facilities granted in the absence of unforeseen circumstances would be repaid as required. Therefore, honesty, ethics and professionalism on the part of both the credit managers, legal managers, as well as board and management should not be in doubt so as to ensure that credit evaluation and securities offered and accepted for bank borrowing are adequate in the circumstance. Also during the currency of the lending the banker must ensure that security accepted is worth more than the amount of facility granted as loan to the borrower. It is also of utmost importance that a valuation of the security object must be made independent of the valuation made by the borrower who often over values the same. Security valuation is crucial for good credit risk management and anything to the contrary could provide opportunities for insider abuse, including improper granting of loans to directors, insiders and political interest groups. According to the Chartered Institute of Bankers of Nigeria CIBN [55], granting of unsecured credit facilities to directors is in contravention of the law. It is also unethical for granting of interest waivers on nonperforming insider credits without CBN's prior approval as required by Law. In banking practice, security provides a bed of comfort for any lending banker in case of any unforeseen circumstance that may impede loan repayment or cause bad performance of the account which would subsequently turn the account into bad and force the bank to look up to its security. In the circumstance therefore, it becomes imperative that whatever security a banker holds must be fully *perfected* so that it is realizable without difficulty where the need arises. Taking and perfecting a security is a major factor in reducing bank losses. Also, in view of the growing levels of insider professional misconduct the allegiance of external auditors should not go to the directors but to the shareholders who appointed them to protect their interests. It is important to stress that a fundamental duty of the external auditors is to act as a counter-balancing force to those directors or majority shareholders who often have *sweeping powers* in their respective organizations [56-58].

2.2. Unethical Practices

Among the unethical practices especially driven by mafia leadership in the Nigerian banking system ranges from the accounting manipulation of the books of the banks to show figures that do not exist to give the false impression that the banks are healthy to misdirection. According to Nwaze [59] the situation was common in the 1980s/1990s when many years of accumulated losses which were dressed-up as profits, coupled with NPLs were presented as performing as well as recurrent expenses were treated as assets. There were cases of mind-bending scenarios like deceptive advertisements put together to encourage customers to deposit money in technically insolvent banks which was immediately used to clear the arrears of huge staff salaries, or pay other depositors who were waiting patiently for a long time. In the 2000s, the capital market through initial public offers (IPOs) was used to swindle the unsuspecting public of huge amounts of good money. Shareholders or bank promoters who were heavily indebted and technically bankrupt ran to the capital market with the dubious idea that they needed funds for upgrading information and communication technology (ICT) capability, carry out branch expansion programmes and to provide necessary working capital. To get regulatory approval they engaged in providing *attractive* Prospectuses with the names and particulars of industry high-flyers as *banking gurus,* even when some of them were rogues. Issues like lack of appropriate disclosures in dealings with other players and customers in the market place, understating the volume of deposits in order to evade insurance premium as well as mandatory cash reserve requirements continue to erode public confidence in the system. Others breaches include imposition of previously undisclosed charges on customers' accounts, failure to submit report on dismissed employees and other reports to the CBN against the ethics of commercial banking. In this age of global competition, misuse, manipulation or non-disclosure of material information on operations submitted to the regulatory authorities in order to derive some benefit or to avoid liability is unethical in the eyes of the CIBN. The CIBN emphasizes that running down competitors through deliberate misinformation, misuse of various financial derivatives, deliberate rendition of inaccurate returns to the appropriate regulatory authorities with intent to mislead, as well as misuse of confidential information gained through banking operations amount to unethical practices; among others. Evidence of unethical or illegal practices in banks and other financial institutions emerged in 2008 with the news of a $5billio fraud by the investment company of Mr. Bernie Madoff in the USA. However, moving away from unethical a practice to ethical practices does not suggest that accountability and sound economic principles are being abandoned. Rather, wider accountability involves a wider range of ethical dimensions, fundamental to being able to manage enterprise reputation in a way that minimizes the risk of damage. Promoting business ethics in banks helps in eliminating such factors that put pressure on managers, directors, shareholders and others to perform unethically in the interest of the bank. It is a measure of good organizational leadership which also promotes good corporate governance and the sense of corporate social responsibility and this would mean that the bank acts consistently in reaching management decisions. Adherence to business ethics recognizes the need for integrity culture and honesty in dealings with others and avoiding all actions designed to manipulate others by giving a false impression. In tandem with the golden rules, the idea of good corporate governance or business ethics provides the best starting point in enforcing basic rules and regulations to strengthen the transparency, economy, effectiveness and efficiency of management in the interest of all stakeholders [60-70].

3. Research Methodology

The qualitative technique of the exploratory research design was used for the study. In applied research, this method is most appropriate because the aim is always to arrive at a solution for a particular problem. The population composed of all the deposit money banks in Nigeria. The sample was selected through the judgmental method while the sample size was determined by the sample ratio concept. In this study, 125 respondents drawn from the banking system were used as the unit of study. Data for the study were generated through primary and secondary sources such as personal interviews, journal articles, books, government bulletins, annual reports of banks, competent websites, newspapers, periodicals, among other sources. Data were filtered, coded and organized before analysis. Data were analyzed through the descriptive statistical technique and result presented in figures and tables [71]. The cut-off point for rejecting or accepting the interviewees' responses to the research questions for this study was set at 3.00 [72].

Table 1. Selected Banks Liquidated in Nigeria in the 2000s.

S/N	Bank	Status	Remarks
1	Bank PHB Plc	Distressed / failed	Manipulation, corporate governance breaches, etc.
2	AfribankPlc	Distressed / failed	Manipulation, corporate governance breaches, etc.
3	FinbankPlc	Distressed / failed	Manipulation, corporate governance breaches, etc.
4	Oceanic Bank Plc	Distressed / failed	Manipulation, corporate governance breaches, etc.
5	Gulf Bank Plc	Distressed / failed	Manipulation, corporate governance breaches, etc.
6	Intercontinental Bank Plc	Distressed / failed	manipulation, corporate governance breaches, etc.

Table 2. First Bank's Ltd 2021/2020 QIKPIs.

S/N	Description	2021₦	2020₦	% Change
1	Provision for NPLs	13.18b	9.71b	55% +
2	Gross Earnings	136.58b	159.66b	16% -
3	Profit Before Tax (PBT)	18.91b	28.68b	34.1% -
4	Profit After Tax (PAT	15.6b	25.70b	33% -
5	Interest Income	78.4b	104.9b	25.3% -
6	Earning per share (EPS)	43k	68k	37% -
7	Dividend Income	26m	4.0b	ns
8	Interest Expenses	25.6m	45m	42.75% -
9	Operating Expenses	67m	69m	3% +

Table 3. Zenith Bank Plc 2021/2020 QIKPIs.

S/N	Description	2021₦	2020₦	% Change
1	Profit After Tax (PAT)	53.1b	50.5b	5% +
2	Profit Before Tax (PBT)	61.0b	58.8b	4% +
3	Interest Expense	18.01b	32.8b	45% -
4	Non-interest income	51.2b	46.7b	10% +
5	Cost of funds	1.1%	2.6%	Ns
6	Cost of risk	0.5%	0.6%	ns
7	Gross loans	2.98b	2.92b	ns

Table 4. Analysis of Responses to Research Statements (n=125).

S/N	Restatement of Research Questions	Scores					Row scores	Size	Mean	Decision @ 3 points	Grand mean
		SA	A	N	D	SD					
		5	4	3	2	1					
i	Misleadership is a pattern of mafia leadership	50	48	1	2	24	473	125	3.78	True	
ii	Mismanagement results to bank distress.	55	45	2	1	22	485	125	3.88	True	
iii	Microleadership does not lead to weak management	10	20	5	20	70	215	125	1.72	False	
iv	Manipulation is not a quality of good leadership	60	45	1	4	15	506	125	4.05	True	3.41
v	Misdirection can lead to bad bank lending	65	35	2	3	20	497	125	3.98	True	
vi	Micromanagement cannot lead to poor credit risk management	15	25	2	10	73	274	125	2.19	False	
vii	Mafia leadership can lead to bank distress in Nigeria	70	40	1	4	10	531	125	4.25	True	

4. Presentation of Result

4.1. Discussion

In banking practice, the banker earns huge revenue from interest on loans, advances, and discounts (LADs) and thus must hold good and adequate security to prevent losses arising from NPLs. Reducing NPLs and by implication bank distress hinges to a large extent on holding good and realizable security by the lending banker. This is imperative because literature on bank distress and failure implicates the problems associated with bad leadership, insider manipulation, bad lending or lending over weak security arrangement and the resultant effect of NPLs. Again, the distress in the banking industry in Nigeria brought out the fact that auditors involved in examining banks failed in carrying out the important functions of debt counselling and encouraging a system of financial reporting necessary for sound bank management as professionals [73]. Major bank enterprise failures around the world in recent business history point to a network of interrelated problems of bad leadership that can be equated with mafia leadership, in terms of unethical business practices. The *manipulation* phenomenon through the corporate Machiavelli, often by definition and description *outmaneuver* the power and control of management and render it impotent. This means that organizational structures, with a federal arrangement of interconnected groups, sharing common goals for a range of products and services become under the control of a powerful individual, in the sense of ownership, creativity and for personal interest which such manipulations engender. This can manifest or build on the assumption or assertion based on the philosophy of competitive success and strives on the way an organization is set to manage itself. As shown in figure 1, mafia leadership is characterized by manipulation and mismanagement which often lead to weak management and ultimately result to bank distress. This was a common feature during the banking crisis in Nigeria, and history continues to repeat itself, and it is not expected that the same fate will befall First Bank despite its present issues with regard to insider huge NPLs. For example, the bank made a provision of N13.18billion for NPLs, in the first quarter of 2021 against the sum of N9.21billion in the corresponding period in 2020. Its gross earnings crashed from about N160billion in 2020 to about N137billion in 2021. With interest income diminishing from about N105billion in 2020 to about N78 billion in 2021, PAT collapsed from N26billion in 2020 to only N16billion in 2021. With EPS deteriorating from 68k in 2020 to 43k in 2021, the CBN was perfect in raising the alarm that the old bank is probably being undermanaged. This situation contrasts sharply with Zenith Bank Plc as in table 2where the PAT rose from N59billion in 2020 to N61billion in 2021, as interest expense came down from 33billion in 2020 to N18billion in 2021. As a well-managed bank, cost of funds reduced from 2.6 percent in 2020 to about 1.1 percent in 2021, while cost of risk also decreased from about 0.6 percent in 2020 to about 0.5 percent in 2021. With the growth of gross loans from N292 billion in 2020 to N2.98 billion in 2021, it is safe to think that the bank is sound and stronger when compared with a bank with dwindling profitability [74]. The analysis of responses to the research statement was done in table 3, and with a grand mean of 3.41 over the cut-off means of 3.00, it was found that mafia leadership leads to bank distress. The potency of this result cannot be overemphasized because the recent merger with or acquisition of the defunct Diamond Bank Plc by Access Bank Plc, the stories of other distressed banks that changed their names in bold attempts at reputation management, as well as other leadership problems in the Nigerian banking system support the mafia leadership hypothesis. This is the goal of the study.

4.2. Scope for Further Study

Because of the incidence of huge NPLs in Nigerian banks, further study should examine the auditors role in bank failures in Nigeria as one measure of restoring sanity to the banking industry.

4.3. Recommendations

i. Banks should constantly train their managers on the principles of good lending to reduce bad loans.

ii. Auditors who shelter unethical practices in banks should be prosecuted and where found guilty jailed and their licenses withdrawn.

iii. The CBN should critically examine the emerging scenario in Nigeria where the nomenclature of *holding company*, may be a ploy for unethical management.

iv. Code of corporate governance for banks and other publicly-held companies should be reexamined with regard to the prerogative of a majority shareholder through proxies, to select the managing director of a public company, which leads to a situation where the managing director/chief executive officer is expected to be a servant of the person who *anointed* him or her.

v. Directors should not be rotated between and among companies, their subsidiaries or the holding company. This arrangement often promotes fraud sheltering.

5. Conclusion

Even though leadership is primarily concerned with influence, it does not include directive or manipulative influence. A major problem relating to bank distress in Nigeria is unethical practice, involving dishing out good money to insider borrowers without taking good security. When a bank has nothing to fall back upon when a lending goes bad, the next thing is to make more provision for NPLs at the determent of its profitability and sustainability. The NPLs syndrome is highly correlated with the actions and inactions of mafia leadership that drives hitherto profitable banks to illiquidity and distress. The exploratory research design was adopted for the study and the result showed positive association between mafia leadership and bank distress.

Conflict of Interest

The authors declare no conflict of interest in respect of the authorship and/or the publication of this paper.

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Author Contributions

John Nkeobuna Nnah Ugoani and Uju Assumpta Ogu, collected, analyzed and interpreted data in respect of this paper. The paper is the intellectual property of the authors who are therefore, responsible for any omissions or liabilities arising there from.

Originality

Banks have been lapsing into distress since the 1930s to date without attention devoted to the effects of microleadership. This is one of the original studies on the effect of mafia leadership on bank distress in Nigeria and it is expected that other researchers will explore more in these areas.

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