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## Challenges of Commercial Banks Regulation in Nigeria

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### **Abstract:**

*The history of the banking system in Nigeria has been occasioned by many problems that resulted in distress. The consolidation and recapitalization exercise in the sector in 2005 was done in a bid to resolve this dilemma. This study examined the challenges of regulating commercial banks in Nigeria. To achieve this objective, the survey research approach was adopted. Specifically, the researcher relied mainly on secondary data for the bulk of the research materials used. Three hypotheses were formulated, analyzed, and tested using statistical mean and the chi-square. The result of the findings shows that challenges in the commercial banking system, which include: weak corporate governance, insider dealings and abuses, lingering boardroom squabbles, massive money laundering, etc., if not properly checked by the regulators, can mar the commercial banks' adherence to the provisions of CBN Acts and that regulatory and supervisory functions of the CBN and the NDIC have effectively curtailed distress in the Nigerian commercial banking system. The study concluded that there was a huge success in ensuring sanity, safety, and confidence in the system due to CBN's robust regulatory network. The study, amongst other recommendations, maintained that CBN should be proactive by ensuring that commercial banks adhere to prudential guidelines.*

**Keywords:** Prudential guidelines, distress, money laundering, stability

### **1. Introduction**

The commercial banking sector in an economy serves as a Catalyst for growth and development. Banks can perform this role through their crucial functions of financial intermediation, provision of an efficient payment system, and facilitating the implementation of government policies. It is not surprising, therefore, that governments all over the world attempt to evolve an efficient banking system, not only for the promotion of efficient intermediation but also for the protection of depositors, encouragement of efficiency, competition, maintenance of public confidence in the system and protection against systemic risk and collapse.

Commercial banking business is highly regulated. This is because of the pivotal position the financial industry occupies in most economies. An efficient system is widely accepted and is a sine-qua-non for the efficient functioning of the nation's economy. Thus, for the industry to be efficient, it must be regulated and supervised in view of the failure of the market system to recognize social rationality and the tendency for market participants to take undue risks, which could impair the stability and solvency of their institutions.

Regulation of commercial banks remains an integral part of the mechanism for ensuring safe and sound banking practices. At the apex of the regulatory framework for commercial banking in Nigeria is the Central Bank of Nigeria (CBN). However, the Nigerian Deposit insurance corporation (NDIC) exercises shared responsibility with the Central Bank of Nigeria for regulating commercial banks in Nigeria. This is exemplified in the coordinated formulation of supervisory strategies and surveillance on the activities of commercial banks, elimination of supervisory overlap, and establishment of a credible data management and information sharing system.

In the main, bank regulation entails an on-site examination of the institutions and an off-site analysis of periodically rendered prudential returns, a process called off-site surveillance. The two activities are mutually reinforcing and designed to timely identify and diagnose emerging problems in individual banks to prescribe the most efficient resolution option. It is worth noting that what is currently happening in Nigeria does not differ widely from what is happening in other nations. Over the years and specifically, since 1952, when the first banking ordinance was promulgated, several other statutes have also been put in place to serve as a legal backbone for the actions of the authorities in regulating the commercial banking industry.

The commercial banking system in Nigeria was characterized by high banking failures, necessitated by 'hydra-headed' problems that resulted in the actual declaration of some banks as 'distressed.' The reasons given by the regulatory agencies for declaring the banks as distressed and ripe for liquidation include:

- Serious deterioration in the financial conditions of the banks,
- Culminating in the total erosion of their capital base and the dissipation of depositors' funds,

- Resulting in the inability of the banks to meet their obligation to depositors and creditors, and
- Weak corporate governance

Commercial banking regulation was, therefore, to combat the menace of bank failure and the challenges in the commercial banking system.

In line with the problem, various banking legislation/acts have been promulgated, as well as the introduction of different strategies, all aimed at increasing the efficiency of banking regulatory supervision. Among them are: on-site and off-site banking examinations, routine examinations, special examinations called at the instance of the regulators, and other methods of surveillance. These measures are mutually reinforcing and are designed to timely identify and diagnose emerging problems in individual banks to present the most efficient resolution directed towards ensuring continued public confidence in the commercial banking system.

### 1.1. Objectives of the Study

Specifically, the objectives include the following:

- To determine the factors that hinder commercial banks in Nigeria from adhering to the provisions of the regulation.
- To ascertain the effectiveness of what regulatory authorities have done to limit the challenges in Nigeria's commercial banking system.
- To assess the efficiency of prudential guidelines towards commercial banks' stability.

### 1.2. Hypotheses

- H0<sub>1</sub>: The challenge factors in the Nigerian commercial banks have no significant effect on their adherence to the provisions of CBN regulations.
- H0<sub>2</sub>: The regulatory functions of the CBN and NDIC have not significantly stemmed the distress syndrome in the commercial banking industry.
- H0<sub>3</sub>: The prudential guideline has no significant effect on the operation of commercial banks in Nigeria.

## 2. Review of Related Literature

Prior to the 17<sup>th</sup> century, rudimentary banking activities have become widespread in several parts of the world. Banking activities in Nigeria evolved to serve the interest of the colonial government, especially in the distribution of sterling coins. However, with the influence of European trading activities and the presence of colonial government, Africa's bartering gradually gave way to the use of currency to facilitate exchange (Odozi, 2000).

Commercial banking activities commenced in Nigeria in 1892 when the Africa Banking Corporation (ABC) started business in Lagos. In 1894, the Bank of British West Africa, which later changed to the standard bank and is now known as First Bank of Nigeria plc, replaced the African banking corporation and monopolized the banking scene. The Barclays Bank (DCO) opened a branch in 1917. Before then, the Bank of Nigeria (formerly known as Anglo Africa Bank), which was established in 1905, had been sold out to the Bank of British West Africa (BBWA), while the British and French bank, now United Bank of Africa (UBA) became the third expatriate bank to commence the business of banking in Nigeria in 1949.

### 2.1. Central Bank of Nigeria Traditional Instruments for Controlling Banks in Nigeria

The instruments of monetary policy are those devices used by monetary authorities to influence the supply, allocation, and cost of credit to the economy. These instruments are used to influence the behavior of commercial banks to induce particular patterns of behavior which will generate the desired results concerning policy objectives. The traditional instruments are as follows:

#### 2.1.1. Open Market Operation

This involves buying and selling securities from and to commercial banks to increase and reduce the volume of money in circulation. If the central bank determines that the money in circulation in the country is too small and wants to increase it, it will buy securities from commercial banks. Buying securities will increase the volume of money in the possession of commercial banks and increase their ability to give more loans to members of the public, which will help to add more money to circulation. On the other hand, if the central bank feels that the amount of money in circulation is too much and wants to curtail it, it will sell securities to commercial banks. This will attract more money from commercial banks and simultaneously reduce their lending powers, thereby decreasing the amount of money in circulation in the country.

#### 2.1.2. Special Deposit

This is an instruction from the Central Bank asking the commercial banks to keep with them special deposits over and above their statutory requirements. This is a mechanism used by the Central Bank to curtail the credit facilities of commercial banks. By obeying this instruction, the amount of money with the commercial banks will be drastically reduced, and their lending abilities will also be reduced to the barest minimum. The Central Bank uses this method to restructure the economy when it is in bad shape.

#### 2.1.3. Bank Rate

This is also called the discount rate. It is the rate of interest the Central Bank charges commercial banks and other financial institutions for discounting their bills. If the Central Bank feels like curtailing the lending powers of commercial banks and other financial institutions, it will raise its discount rate, which will force other rates to rise. If the rate of interest charged by commercial banks and other financial institutions is high because that of the Central Bank is also high, it will make borrowing very exorbitant and will scare people away, and the rate of lending will reduce. This will make borrowing cheaper, and people will be attracted to it.

#### 2.1.4. Special Directives

These are special instructions that the central bank gives to commercial banks and other financial institutions as to which directions their lending policies should follow. The central bank will tell them the sector of the economy they should direct their lending policies. In this case, if, for instance, the nation is pursuing agricultural and industrialization policies, the central bank will direct them to give more loans to farmers and industrialists.

#### 2.1.5. Cash Reserve/Liquidity Reserve Ratio

This specifies the required ratio of certain selected assets and securities to the deposit liabilities of commercial banks. The assets which are usually used are short-term government securities, e.g., treasury bills and treasury certificates. Commercial banks are required by law to keep a certain percentage of their total cash or liquid assets in the form of cash either in their vaults or with the central bank. In Nigeria, for example, the liquidity ratio is 25%, and commercial banks can give out the remaining 75% in the form of loans, thereby creating deposits or money. The Central Bank uses this cash ratio which it fixes to increase or decrease the volume of money in circulation in the country. If the central bank wants to increase the amount of money supplied to the public, especially in a period of deflation, and thereby expand credits, it will lower the cash ratio of the commercial banks. On the other hand, if it (the Central Bank) wants to decrease the amount of money supplied, especially in a period of inflation, and thereby contract credit, it will raise the cash ratio of the commercial banks. Therefore, the higher the cash ratio, the lesser the power of commercial banks to grant credit, hence; limiting wealth creation and vice-versa.

#### 2.1.6. Moral Suasion

This is persuasion based on moral grounds, not with the use of the force of law by the central bank. It takes the form of a gentle appeal by the central bank to commercial banks regarding the kind of lending policy they should adopt regarding the expansion or contraction of the money supply. Non-adherence to this appeal by commercial banks can then force the central banks to apply the force of law.

#### 2.1.7. Credit Guidelines of Selection Credit Control

This is an essential instrument of monetary policy in Nigeria. In fact, it is the instrument of monetary policy used specifically to direct credit to the so-called favored or preferred sectors. It is used as the monetary policy part of the overall development strategy and the distribution of credit according to the guidelines. It is usually an indication of what the Government considers to be the necessary direction.

### *2.2. Prudential Guideline as a Major Instrument for Commercial Banks Regulation*

According to Nwankwo (1991), prudential guideline is a body of specific rules or agreed behavior either imposed by explicit or implicit agreement within the industry that constrain the activities and business operations of the institutions.

On November 7, 1990, the Central Bank of Nigeria issued for the first time a circular entitled 'Prudential guideline' for licensed commercial banks. It stipulated minimum requirements for asset classification and disclosure provisioning, interest accruals, and off-balance sheet engagements. The guideline also emphasized the time recognition of deterioration in the quality of assets and the classification of credit facilities into 'performing' and 'non-performing' accounts. A credit facility is deemed to be performing if payments of both principal and interest are up to date in accordance with the agreed terms, while a credit facility should be deemed as non-performing when any of the following conditions exists:

- If the interest or principal due is unpaid for ninety (90) days or more, and
- If the interest payment equal to 90 days is re-scheduled or rolled over into a new loan, the borrowers must effect cash payment such that outstanding unpaid interest does not exceed 90 days.

As part of the initiative to enhance the quality of the banks, the CBN took a review of the prudential guidelines. In this regard, the revised prudential guideline issued on May 1, 2010, addressed various aspects of banks' operations, such as:

- Risk management.
- Corporate governance
- Know Your Customer (KYC)
- Anti-money laundering/counter-financing of terrorism
- Loan loss provisioning

According to Moghal (2010), cited by Fodeke (2010), the CBN regulation abolishing the universal banking that was created in 2001 will return Nigerian banks to the intention of the Banks and Other Financial Institution Act (BOFIA) 1991 as amended in 2007, which envisaged a clear separation of commercial banking from merchant banking. Akin to the Volcker rule in the United States of America (USA), repealing universal banking is intended to ring-fence depositors' funds

by limiting commercial banks to the core banking business and preventing them from engaging in proprietary trading with depositors' funds (Fodeke, 2010).

### 3. Methodology

#### 3.1. Sources of Data Collection

In this research work, the researcher used both primary and secondary data. However, much emphasis was placed on secondary data.

##### 3.1.1. Primary Sources

The primary sources of data collection were observation, personal interviews, and questionnaires administered to the participants, which includes: Academics, Bankers, and CBN/NDIC staff.

##### 3.1.2. Secondary Sources

These constituted the bulk of research materials used. A large percentage of such data was sourced or derived from the publication of the Central Bank of Nigeria (CBN). Extensive research information was sourced from the internet, and others include: Academic journals, magazines, bankers' journals, and appropriate textbooks.

#### 3.2. Population of the Study

The population parameter of this study consists of the following:

40 Academics in Nnamdi Azikiwe University, Awka, and Chukwuemeka Odumegwu Ojukwu University (Igbariam Campus) from Economics and Banking/finance department, 150 staff of CBN (Awka and Enugu branch), 7 staff of NDIC (Enugu branch), branch managers, account officers, operation managers, credit managers, and account officers of the twelve (12) banks located in Awka, Anambra state, Nigeria, namely: Access Bank plc,

- Enterprise Bank,
- Diamond Bank plc.,
- Ecobank Nigeria plc.,
- Fidelity Bank plc.,
- First Bank of Nigeria plc,
- First city monument Bank plc.,
- Guaranty Trust Bank plc.,
- United Bank for Africa plc,
- Zenith Bank plc,
- Keystone Bank, and
- Union Bank of Nigeria plc.

Participants	Distribution
Branch managers	12
Operation managers	12
Credit managers	12
Account officers	12
Academic	40
CBN staff	150
NDIC staff	7
Total	245

Table 1: Production of the Population of the Study

#### 3.3. Sample Size Determination and Sampling Techniques

For the purpose of this project work, the judgmental sampling approach was used. The researcher chose 48 bankers, 40 Academics, 150 CBN staff, and 7 NDIC staff. The sampling size is determined using the Yaro Yamme formula, which is stated thus:

$$n = \frac{N}{1 + N(e)^2}$$

$$= \frac{245}{1 + 245(0.05)^2}$$

$$= \frac{245}{1 + 245(0.0025)}$$

$$= \frac{245}{1.6125}$$

$$= 152$$

n = 152

Where:  
n = sample size

N = population size

e = Margin of error, 5% is assumed to be the margin of error.

The sample size distribution showing the producing sample size is shown in table 2.

Participants	Distribution
Bankers	48
Academic	40
CBN staff	150
NDIN staff	7
Total	245

Table 2: Data Producing Sample Size

### 3.4. Description of Research Instrument

The major research instrument for the purpose of this study is the questionnaire administered to bankers, Academics, and CBN/NDIC staff, forming the population sample. The questionnaire was designed to elicit information relating to the study topic to provide answers to the research hypotheses.

The researcher applied the open and closed-ended patterns of questioning in the questionnaire. The questionnaire contained two parts: A and B. Part A contained questions on the personal data of the participants, while part B contained questions to source answers to the research questions.

The statistical tool used for the test of the hypotheses of the study was chi-square. The formula for chi-square is:

$$X^2 = \frac{\sum(F_o - F_e)^2}{F_e}$$

Where:

$X^2$  = Chi-square

$F_o$  = Observed frequency

$F_e$  = Expected frequency

The calculated chi-square is compared against a critical value to determine whether it is significant.

The decision rule for the chi-square is that if calculated  $X^2$  is greater than the critical value of  $X^2$ , then we accept the alternative hypothesis. If not, we reject the alternative hypothesis.

## 4. Data Presentation and Analysis

Questionnaire	Frequency	Percentage
Amount distributed	152	100%
Amount recovered	150	99%
Amount not recovered	2	1%

Table 3: Questionnaire Distribution and Participation Rate

Source: Field Survey Report (March, 2023)

The analysis of participants distribution in table 3 indicates that the researcher distributed 152 questionnaires but recovered 150, which is the amount used for the research work.

Participants	Frequency	Percentage
Bankers	90	60%
Academics	35	24%
NDIC staff	5	3%
CBN staff	20	13%
Total	150	100%

Table 4: Categories of Participants

Source: Field Survey Report (March, 2023)

Table 4 shows that bankers have the greater percentage of participants, which is 60%; whereas academics have 24% participants, CBN staff have 13% participants, and NDIC staff have just 3% participants.

Bankers formed the major participants used for this project research. The participants were grouped into A and B. Bankers formed group A, while the others were in group B.

Factor	Category	5 SA	4 A	3 DA	2 SD	1 UN	Total Score	Mean Score	Remark
Inexperienced, incompetent, and corrupt management	A	32	18	15	14	11	316	3.5	Accept
	B	20	12	11	9	8	207	3.4	Accept
Raising capital using depositors' fund	A	35	20	12	13	10	327	3.6	Accept
	B	22	11	12	7	8	212	3.5	Accept
Massive money laundering in commercial banks, leading to huge loss	A	2714	3819	1810	513	2	353	3.9	Accept
	B					4	204	3.4	Accept
Inability to meet their obligation to their customers	A	33	25	15	10	7	337	3.7	Accept
	B	18	28	5	4	5	230	3.8	Accept
Possibility of bank failure as a result of deteriorating asset quality	A	28	32	20	4	6	342	3.8	Accept
	B	20	15	11	8	6	215	3.6	Accept
Insider dealings and abuse	A	35	28	23	3	1	363	4.0	Accept
	B	20	17	13	2	8	219	3.7	Accept
Lingering boardroom squabbles in the commercial banking system	A	2412	3215	1823	101	6	328	3.6	Accept
	B					9	200	3.3	Accept
Weak corporate governance can cause financial instability in the system	A	22	34	22	8	4	332	3.7	Accept
	B	9	20	14	10	7	194	3.2	Accept

Table 5: The Factors That Hinder Commercial Banks in Nigeria from Adhering to the Provisions of Regulation  
Source: Field Survey Report (March, 2023)

Table 5 shows that all the factors enumerated above will definitely effect its adherence to the provisions of the regulation.

The researcher found out that a supervisor's approach is needed for the day-to-day monitoring of the activities of the commercial banks in other to build public confidence in the system.

Activities/Factors	5 SA	4 A	3 DA	2 SD	1 UN	Total Score	Mean Score	Remark
The introduction of CAMEL rating system for assessing the performance of banks	50	32	25	23	20	519	3.4	Accept
The mandatory participation of banks in the deposit insurance scheme	52	28	30	35	5	537	3.5	Accept
The introduction of the prudential guideline	47	43	24	6	30	521	3.4	Accept
The restructuring of certain banking activities through (BOFIA) by CBN	48	32	28	18	24	512	3.4	Accept
The regulatory functions (supervision) of CBN/NDIC have stemmed the distress syndrome in the system	55	24	15	16	40	488	3.3	Accept
Disclosure of bank's annual financial statement or audit reports.	60	25	15	12	38	507	3.3	Accept
The on-site and off-sight supervision of CBN/NDIC has boosted depositors' confidence	42	58	25	20	5	562	3.7	Accept
Prompt settlement of insured depositors in the case of liquidation	49	30	24	16	25	524	3.5	Accept
The disclosure of financial statements to depositors, investors, and the public	55	30	24	16	25	524	3.5	Accept

Table 6: Response Distribution on the Effectiveness of What the Regulatory Authorities Have Done to Limit the Challenges in the Nigerian Commercial Banks  
Source: Field Survey Report (March, 2023)

Table 6 shows that the regulatory foundations and activities of the CBN and the NDIC have been able to limit the challenges of commercial banks regulation to the barest minimum.

#### 4.1. Test of Hypotheses

##### 4.1.1. Hypothesis Testing (1)

- Ho: The challenge factors in the Nigerian commercial banks have no significant effect on their adherence to the provisions of CBN regulation.

Response Type	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
Strongly Agree	41	30	11	121	4
Agreed	57	30	27	729	24.3
Disagree	28	30	-2	4	0.1
Strongly disagree	18	30	-12	144	4.8
Undecided	6	30	-24	576	19.2
Total	150	150			52.4

Table 7: Chi-square Computation for Hypothesis (1)  
Source: Field Report Survey (March, 2023)

Chi-square formula:

$$X^2 = \frac{\sum \frac{\varepsilon(o-e)^2}{e}}$$

Where:

O= Observed Frequency

E = Expected Frequency

DF= Degree of Freedom

R

= Row

C= Column

Critical value = 9.49

Decision rule = 4

For testing purposes, the calculated chi-square ( $\chi^2$ ) value is compared with the critical value of 9.49 as obtained from the chi-square table as a given level of significance and a determined degree of freedom  $(R - 1)(C - 1) = dF(5 - 1)(2 - 1) = 4 \times 1 = 4$

DF	Chi-square X <sup>2</sup>	Critical Value	Decision
4	52.4	9.49	Reject Ho

Table 8: Chi-Square Computed Decision for Hypothesis (1)  
Source: Extracted from Table 7

##### 4.1.1.1. Decision Rule

Since the computation of the X<sup>2</sup> chi-square of the hypothesis, one (52.4) is greater than the critical value of 9.49. Therefore, the null hypothesis was rejected.

Thus, they are the challenging factors that hinder commercial banks from adhering to the provisions of the regulation.

##### 4.1.2. Testing of Hypothesis (2)

- Ho: The regulatory activities of the CBN and the NDIC have not significantly stemmed the distress syndrome in the commercial banking industry.

Response Type	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
Strongly Agree	55	30	25	625	20.8
Agreed	24	30	-6	36	1.2
Disagree	15	30	-15	225	7.5
Strongly disagree	16	30	-14	196	6.5
Undecided	40	30	10	100	3.3
Total	150				39.3

Table 9: Chi-Square Computation for Hypothesis (2)  
Source: Field Survey Report (Extracted from Table 6)

DF	Chi-square X <sup>2</sup>	Critical Value	Decision
4	39.3	9.49	Reject Ho

Table 10: Chi-Square Computed Decision of the Participants  
Source: Extracted from Table 9

##### 4.1.2.1. Decision Rule



Since the computation of ( $X^2$ ) chi-square of the participants (39.3) is greater than the critical value of 9.49, therefore the null hypothesis was rejected.

Thus, the regulatory activities of the CBN and the NDIC have significantly stemmed the discreet syndrome in the commercial banking industry.

#### 4.1.3. Testing of Hypothesis (3)

- Ho: The prudential guideline has no significant effect on the operation of commercial banks in Nigeria.

Response Type	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
Very high	48	30	18	324	10.8
High	38	30	8	64	2.1
Low	24	30	-6	36	1.2
Very low	20	30	-10	100	3.3
Undecided	20	30	-10	100	3.3
Total	150				20.7

Table 11: Chi-Square Computation for Hypothesis (3)

Source: Field Survey Report

DF	Chi-square $X^2$	Critical Value	Decision
4	20.7	9.49	Reject Ho

Table 12: Chi-Square Computed Decision of Participants

Source: Field Survey Report (Extracted From Table 11) Decision Rule

Since the computation of ( $X^2$ ) chi-square of the participants (20.7) is greater than the critical value of 9.49, the null hypothesis was rejected. Thus, since its first introduction on November 7, 1990, the prudential guideline has contributed immensely to the operations of commercial banks in Nigeria.

## 5. Discussion of Findings

From the results of the hypotheses testing, we can state our research findings to include the challenges in the commercial banking system, which include:

- Weak corporate governance,
- Insider dealings and abuses,
- Lingering boardroom squabbles,
- Massive money laundering, etc.,

If they are not properly checked by the regulators, they can mar the commercial banks' adherence to the provisions of the regulation.

The regulatory and supervisory functions of the CBN and the NDIC have effectively curtailed distress in the Nigerian commercial banking system.

The prudential guideline has contributed immensely to the operations of commercial banks in Nigeria.

Effective regulation and supervision by the CBN and the NDIC would boost the volume, the value of transactions, and public confidence in the Nigerian commercial banking system.

## 6. Conclusion

Having seen the nature of challenges facing commercial banks in Nigeria, the effect of these challenges lies in the stability of the system and the techniques adopted by the regulators towards tackling these issues. However, a lot more needs to be done through policy-making, supervision, and legislation towards enhancing management capacity, good corporate governance, and other performance indices that will bring about operational efficiency in commercial banks to ensure a sustainable, efficient, and stable system.

From the investigation carried out by the researcher, a conclusion can be made that the regulatory functions of the CBN and the NDIC have reasonably effected the operations of commercial banks and, with improved policy and regulatory framework, will reduce the challenges facing commercial banks to the barest minimum—all these aims at controlling the challenges and sanitizing the system.

## 7. Recommendations

Based on the findings of this study, the banking supervisory structure currently being pursued by the regulatory authorities should stay with some slight modification and improvement.

- The modification which I propose is the establishment of a committee of banking supervisory authorities (CBSA), which will include a designate of the licensed commercial banks in Nigeria. Banking laws, rules, and regulations should be harmonized by the CBSA for adoption and execution by all licensed commercial banks.
- The CBN should be prompt in its regulatory activities and ensure adherence to the prudential guideline by the commercial banks to perform accordingly.
- To avoid the issue of capital inadequacy, the regulators must ensure that banks maintain a reasonable and acceptable shareholders fund unimpaired by losses at all times and avoid capital erosion.

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