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THE INFORMATION CONTENT OF SUDDEN OUSTER OF CORPORATE CHIEF EXECUTIVES - EVIDENCE FROM THE NIGERIAN BANKING SECTOR

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Abstract

This study examines the information content of sudden removal of banks' chief executive officers (CEOs) in the Nigerian emerging stock market context. Mainly secondly data collected from the Nigerian Stock Exchange daily official list and those extracted from financial standard Newspapers were used. Event study methodology was employed in determining the impact of the unexpected removal of these bank executives on the prices of their stocks. Regression analysis with the E-views 7.0 econometric package was used to analyze the data. The results show that the ouster of the bank CEOs did not significantly impact on the share prices of Afribank Nigeria Plc, FinBank Plc, Oceanic Bank Plc, Intercontinental Bank Plc and Union Bank Nigeria Plc. The non-insignificance but positive information effect of the ouster could be as a result of the prompt intervention by the CBN via the injection of ₦420 billion intervention fund into the banking sector on one hand, and on the other hand, perhaps because trading on the stocks of the affected banks stopped with the ouster of the CEOs for close to a period of two weeks. The positivity of the average abnormal returns tend to suggest that investors in the Nigerian stock market saw the development as "a good riddance of old rubbish". The study therefore recommends that the CBN should maintain a closer surveillance on the banking sector so as to be able to detect in good time any rot in the system before it blossoms into a "financial epidemic".

Keywords: Information content, ouster, event study methodology, stock market

1.0 INTRODUCTION

The global economic meltdown that trickled into Nigeria during the third quarter of 2008 gained root in 2009 with serious effects on the formal and informal sectors of the Nigerian economy. The effect in the capital market defiled all measures put in place by regulators to boost the market during the year.

There were significant occurrences in the banking sector in 2009. One of such important developments was the replacement of Professor Charles Soludo by Mallam Sanusi Lamido Sanusi, former Managing Director of First Bank of Nigeria Plc as the governor of the Central Bank of Nigeria (CBN) at the end of Soludo's tenure in May, 2009.

However, the most striking occurrence in the banking sector during the year 2009, was the drastic reformation of the banking sector carried out by Sanusi which resulted in the *sudden removal* of the Managing Directors of eight Nigerian commercial banks. In the first exercise, five bank chief executives were sacked on Friday, the 14th of August 2009. They are Mrs. Cecilia Ibru (Oceanic Bank International Plc), Mr. Sabastine Adigwe (Afribank Plc), Mr. Erastus Akingbola (Intercontinental Bank Plc), Mr. Bartholomew Ebong (Union Bank Plc) and Mr. Emeka Nwosu (FinBahk Plc).CBN replaced the Chief Executive officers (CEOs) and their management teams with interim management committees to supervise the affected banks pending the successful transfer of ownership to new investors. Those appointed to lead the new management teams were Mr. Nebolisa Arah for Afribank Plc and Mrs. Suzanne Iroche for Intercontinental Bank Plc. Others were Mr. John Aboh, for Oceanic Bank Plc and Mrs. Funke Osibodu who took charge at Union Bank Plc.

It is pertinent to note that Sanusi's action resulted from reports of audits carried out on the banks by the apex bank. According to the CBN, the affected banks were in grave financial situation because of unsecured loans that were not repaid. A greater percentage of the loans turned out to be margin loans given to even people who did not apply for them. While addressing a press conference in Lagos on Friday, 14lh August 2009, to announce the apex's bank decision, Sanusi said that CBN had to respond swiftly to tackle the glaring weakness in risk management and corporate governance in some of the banks and to stem possible systemic crisis and restore public confidence in the Nigerian banking sector. According to the CBN boss, "Whereas the system in general is likely to absorb and survive the effects of crisis, the effects vary from bank to bank". A few Nigerian banks, mainly due to huge concentrations in their exposure to certain sectors (capital market and oil and gas being the prominent ones) and also due to general weakness in risk management and corporate governance, have continued to display signs of failure. He further hinged the decision to remove the affected Managing Directors to excessively high level of non-performing loans, which he attributed to poor corporate governance practices, lax credit administration process and the banks' credit risk management.

The major criteria used for determining the status of the banks include the number of times the banks approached the Central Bank of Nigeria Expanded Discount Window (EDW) and the inter-bank market to shore up liquidity, the percentage of non-performing loans to total loan portfolio and relative share of non-performing loans to the entire industry.

The Central Bank of Nigeria gave the following statistics to back up its actions.

I. Total loan portfolio	-	N2.8 trillion
2. Total margin Loans	-	N456 billion
3. Exposure to Oil and Gas	-	N487 billion
4. Total non-performing Loan	-	N1.143 trillion (rep. 40.18%)
5. Outstanding balance at EDW	-	N127.85 billion (rep. 89.81%)
6. Net guaranteed Interbank takings	-	N253.30 billion
7. Liquidity Ratio	-	N17.65%-24% i.e., (below 25% minimum)
8. Capital Adequacy Ratio	-	Below 10% minimum (one has 1.01%)
9. Market share - Total Assets	-	31.47%
10. Market Share - Deposits	-	29.99%
11. Market Share – Loans	-	39.93%
12. Minimum Capital Required	-	N204.94 billion

However; as a bailout measure, the CBN injected N420 billion into the five banks.

According to the Central Bank of Nigeria, in exercise of its powers under section 33 and 35 of the Bank and other Financial Institutions Act 1991, as amended; the apex bank sacked the former CEOs. However, the CBN's action was greeted with mixed feelings and reactions. While most financial analysts said it was a right move to strengthen the banking industry, critics argued that he was hasty to take such a sensitive action which could boomerang on the economy and therefore condemned it as unjust. However you may want to look at it, this was a significant development in the Nigerian banking sector.

Board changes are expected to convey information to the securities market. A new appointment could signal that the new appointee can bring innovation, extensive wealth of experience and knowledge to the operations of the firm. The removal of an ineffective executive board member may send a signal to the securities market that the firm is initiating a process that will increase efficiency and firm performance. The resignation of a board member (forced or voluntary resignation) may have a positive impact if the market considers that the change will result in a new or better performance of the firm. If the market considers that the resignation is not good enough for the company, however, the impact on shareholders' wealth may be negative (Fox and Opong, 1999; Bonnier and Bruner, 1989).

The sudden or unexpected removal of a CEO conveys a signal to the stock market. In response to such changes, the stock market reacts. The reaction is measured via abnormal returns experienced at the announcement of such sacks. The abnormal return at the announcement of a change in board or management is the information effect and a real effect. The information effect is expected to be positive if the change suggests that the firm's performance was better than the market realized. The real effect is expected to be positive if the change is in shareholders' interest (Fox and Opong, 1999; Bonnier and Bruner, 1989).

There is no study known to the researcher to date that has investigated the information content of sudden dismissal of corporate chief executive officers in general and the five top bank chief executive officers, in particular in Nigeria. This study provides some evidence of the information effect of the unexpected ouster of an incumbent chief executive officer of a bank. The study also extends the investigation to the exploration of triangulation in research using a different setting so as to provide a basis for comparison with similar studies from the developed countries and hence, promote further interest in the Nigerian capital market.

2.0 THEORETICAL FRAMEWORK

Numerous studies have documented that the announcement of an unexpected change in corporate governance is associated with a change in a firm's stock price. Specifically, it is said that the stock market reacts positively to unexpected changes that are deemed to enhance shareholders' wealth, and negatively to such changes that are believed to have negative consequences on the wealth of shareholders. Understanding the relationship between unexpected news in the stock market and stock price changes consequent upon release of such news has been a key concern in stock market research.

Both efficient market theory and an agency perspective are used in this study to analyse the issues and principles underlying corporate governance and securities markets response to top management changes. This study uses share price performance around the announcement of sudden removal of CEOs as a measure of the information conveyed by the change.

2.1 Efficient Market Hypothesis and the Nigerian Capital Market

In theory, for a market to be efficient, security prices must fully reflect all available information. A precondition for this version of the efficient market hypothesis (EMH) is that information costs are always zero and that there are no transaction costs. A weaker and more economical version of the EMH states that prices reflect information to the point that the marginal benefit of acting on the information does not exceed the marginal cost. According to Fama (1991), there are three forms of market efficiency. The first category covers tests of return predictability, the second covers event studies of adjustment of prices to public announcements, and the third category covers tests for private information.

In developed markets of industrialized countries, the EMH has been the subject of considerable research by financial analysts and economists. There is a strong measure of consensus among these researchers on the validity of return predictability and event studies for the major developed countries (Fama, 1991). Some EMH debate has also been carried into the emerging markets with mixed conclusions on the validity of return predictability (Gandhi et al., 1980; Cooper, 1982, Parkinson, 1987; Ayadi, 1984; Dickinson and Muragu, 1994; Omole, 1997; Matome, 1998; Osei, 1998; Adelegan, 2004), but strong consensus of efficiency from event studies of adjustment of prices to public announcements (Olowe, 1998; Oludoyi, 1999; Adelegan, 2003).

Studies of market efficiency in the Nigerian capital market are scanty and many of these are tests of return predictability and event studies. In summary, most results support the return predictability of forecasting power of past returns. Evidence from Nigeria shows that share prices adjust to public announcements of stock splits, earnings and dividend announcements (Olowe, 1998; Oludoyi, 1999; Adelegan, 2003, 2006a and b). Similarly, information effects are associated with the announcements of stock splits, earnings and dividends in Nigeria. The present study focuses on the information effects of board changes; specially, the unexpected removal from office of the five bank chief executive officers.

2.2 Review of Methods for the Evaluation of Information Content of Sudden Changes in the Stock Market

Unexpected changes in corporate top managements are often associated with reactions in stock price. To measure the information effect of unexpected removal of the CEO of a big and important organisation, a number of studies have used the

A major measurement approach that has been used in literature by several authors and writers is the ***abnormal returns method*.** The abnormal return is the difference between the realized returns, R_{it} and the expected returns given the level of systematic risk. This approach to event study was used by Ryan et al (2000), Travlos et al (2001), Amihud and Li (2002), De Medeiros and Matsumoto (2004), Stark and Yoon (2005), among others.

The abnormal return can be calculated over a period of time before and after the ouster announcement, using the capital asset pricing model (CAPM) or market model. Kane et al (1984) used the CAPM in their study and found that a 1.0% surprise change in earnings and

dividend payout led to a 7.0% increase in stock prices. Both Pettit (1972) and Aharony and Swary(1980) used the market model in their studies to measure abnormal return performance. Pettit stated that the market model posits a linear relationship between the return on individual securities and return on the market. The results found in these studies suggested that abnormal returns do not differ significantly from zero.

Lundstrum (2005) however, observed that tests of a variety of signals have focused on whether market reaction to a change signal is positive and significantly different from zero. Most of these tests have been conducted using "residual analysis" by first estimating the parameters of a two – factor market model for each firm and then examining cross-sectional average residual returns net of the market model around the signal date.

He further noted that Event studies, using residual analysis have reported a positive, monotonic market reaction to dividend signals. Literature on conditional moment estimation argue that while the empirical results often reported in the literature support the hypothesis that a dividend increase announcement constitutes a credible signal, the price changes was partially foreseeable because it represented a voluntary event chosen by rational managers who want to increase their own or their shareholder's wealth. Investors infer, that the manager believes the event will benefit himself or the firm so the investor's inference truncates the residual term that measure the value of the manager's information, this truncation results in bias. The conditional moments estimation literature argues that if cross-sectional analysis is used without treating the effects of the truncation bias, the coefficient estimates used to test the hypothesis will be inconsistent.

Campbell, Lo and Mackinlay (1995) suggested that when executing an event study the investigator should examine descriptive statistics to identify any sample bias that could make the increase partially foreseeable. They did not however suggest a remedy or any analytical framework to adopt where there is evidence of bias.

Acharya (1988) introduced a limited dependent variable technique designed to avoid mis-specifying the test of the game-theoretic "signal". The Acharya method was designed to overcome the econometric problems that result from the voluntary nature of a dividend increase. Using Acharya's methodology, we separate the econometric importance of signal from the partially foreseeable nature of voluntary dividend increase decision made by a rational manager.

The first step in the Acharya method is to estimate the prior probability of a firm increasing dividends using a probit model. The second step uses the estimated probability for the firm from the first stage of the analysis to examine the association between the "surprise" in the firm's dividend increase announcement and the abnormal return.

Guo and Mech (2000) modified Acharya's method to test for information asymmetry, though not testing the signaling hypothesis directly.

Fama and French (1992) suggested a multifactor model as a means of overcoming the shortfalls of the single factor models (i.e the CAPM and the market models). They argued

that the constant term in the market model would be biased since the macroeconomic environment during the estimation period could be very different from the post-event period. Thus, the estimates of normal returns in event studies tend to be biased. Consequently, they proposed a three-factor model in which the beta, size and book-to-market ratio are controlled. They ranked the size and put all the stocks into two groups: small and big, then they also broke the stocks into three book-to-market equity groups; low (bottom 30%), medium (middle 40%) and high (top 30%). After the entire ranking, six portfolios were constructed. The excess return of the ith security over the risk-free rate is a linear function of the market risk premium, the difference between the returns on a portfolio of high and low book-to-market ratio.

According to Wang (2005), the three-factor model did a good job in describing the average returns; however, it failed to capture the continuation of short-term returns. Wang noted that the three-factor model is similar to the traditional matching, which directly constructs the counterfactual ('normal return') by assuming that the untreated outcome is unrelated to the treatment (announcement) status conditional on some set of observed variable, X. Thus, with a similar characteristics set, X, the ex-post return of a non-dividend announcement firm can be an unbiased estimate of the normal return of firms with a dividend announcement. Unfortunately, it is difficult to match on multiple dimensions, especially when X consists of continuous variables. This is the so-called "curse of dimensionality".

Rosenbaum and Rubin (1983) proposed a propensity-score matching approach to overcome this dimensionality problem. They matched the treatment and comparison units with a function of all characteristics variable, which is nothing but a balancing score given that the distribution of characteristic variables are the same for the treatment and comparison groups. Briefly, this method summarizes all the characteristics into a single index making multi-dimensional matching possible. In addition, the flexibility of the logit (or probit) specification allows for a reduction in the bias generated by unobservable confounding factors. According to Wang (2005), theoretically, the propensity score matching is a more unbiased and efficient way of estimating the counterfactual. A couple of financial economists have applied the propensity-score matching method to measure the impact of financial events. For example, Cheng (2003), Li and Zhao (2003) and Wang (2005) have employed propensity-score matching approach to investigate some financial events.

Lee and Yan (2000) argued that the weak relationship between unexpected changes and stock prices in previous studies might well be due to the methodologies adopted in such studies, which did not distinguish between signaling events and non-signaling events. According to them, some change decisions are backward-looking (i.e., non-information or non-signaling events) in that they simply reflect current and past earnings/effects while some others are forward-looking (i.e., information or signaling events) because they reveal managers' or regulators superior information about future earnings/effects. Their model makes a distinction between the two types of dividend changes and predicts that the market will respond strongly to forward-looking changes.

3.0 RESEARCH METHODOLOGY

The research method adopted for any research work is of utmost importance. This is because the accuracy, reliability and acceptability or otherwise of a study depends to a large extent on the methodology adopted. Methodology adopted provides the background against which a reader evaluates the findings and conclusions drawn from the study.

3.1 Types and Sources of Data

The study utilized mainly secondary data collected from the Nigerian Stock Exchange (NSE) over a period of 12 days which covers both the estimation and event window (Note that after the event day – 14th August 2009, the stocks of these banks disappeared from the market until 1st, September 2009). So, the data stream for the study consisted of the Nigeria Stock Exchange Daily Official list on the five affected banks. Other relevant pieces of information were extracted from the Nigeria Stock Exchange Fact Book and some national dailies.

3.2 Analytical Framework

The analytical method employed in this study is the standard event study methodology. As observed by Wirjanto (2005), the objective of an event study is to measure the effect of an economic event on the value of firms. Using financial market data, an event study measures the impact of a specific event on the value of a firm. The basis, and usefulness of such a study stems from the belief that, given rationality in the market place, the effects of an event will be reflected instantaneously in security prices, Osuala (2005). So, a measure of the events economic impact can be constructed using security prices observed over a relatively short time period.

The basic steps in event study entail:

- Clear definition of the event of interest and the period over which the security prices of the firms involved in the event would be examined.
- Definition of the selection criteria
- Definition of the event window and the estimation window
- Calculation of the abnormal, actual and expected returns
- Aggregation of the abnormal returns to obtain the cumulative abnormal returns
- Designing a testing framework for the cumulative abnormal returns.

Calculating the Abnormal Returns

According to Osuala (2005) the abnormal return is the actual ex-post return of the security over the event window minus the normal (expected) rate of return of the firm over the event window. Normal return is defined as the return that would be expected if the event did not take places. This implies that for each firm *i* and event date *t*, we have:

$$e_{it} = R_{it} - E(R_{it} / X_t) \ldots\ldots\ldots\ldots (1)$$

Where:
e_{it} = the abnormal returns for the period, t
R_{it} = actual return
$E(R_{it})$ = normal (or Expected) returns for the period *t*

X_t = the conditional information for normal performance model.

For this research work the abnormal returns are calculated using the single factor market model which assumes that the return on each security is linearly related to the market portfolio return or its market proxy and it is given as:

$$R_{it} = \alpha_i + \beta_i R_{mt} + e_{it}$$

where
R_{it} is realized rate of the i-th security during period t
R_{mt} is rate of return on the equally weight di market index at period t
e_{it} is a random variable that is expected to have a value of zero
α_i *and* β_i are the intercept and slope parameters for the firm *i*, respectively.

This implies that the abnormal return (AR) for the i^{th} common stock on day *t*, is given by

$$AR_{it} = R_{it} - [\hat{\alpha}_i + \hat{\beta}_i R_{mt}]$$

where $[\alpha_i + B_i R_{mt}]$, is the expected rate of return, E(R);

the coefficients $\hat{\alpha}$ *and* $\hat{\beta}$ are ordinary least squares estimates of α *and* β estimated from a regression of daily security returns on daily market returns from t = -7 to t= - 3 (where t = 0 is the event date, and t = -7 to t = -3 is the estimation window).

At this juncture, the individual securities abnormal returns, AR_{it} is aggregated and averaged across all the observations using the formula below

$$\overline{AR} = \frac{\sum AR}{N}$$

Where N = is the number of events in the sample or in other words number of companies in the sample.

Next, the average abnormal returns are aggregated over the event window to give the cumulative average abnormal returns (CAR), for any interval in the event window.

$$CAR_i(t_1, t_2) = \sum_{t1}^{t2} \overline{AR}_{it}$$

where $CAR_i(t_1, t_2)$ is the sample cumulative abnormal returns from t_1 day to t_2 day of the event window (i.e., -2 to +4).

CAR_t and AR_t need to be tested for their statistical significance using the t-test.

The formula for t –test used in event – study is different from the commonly used t – test. In event study, once abnormal returns have been generated, we must then determine whether those abnormal returns are significantly different from zero (i.e., if the return experienced by the security in the event period significantly different from the security's expected return). Kusnadi and Sohrabian (1999). Furthermore, if the abnormal returns are significant, it can then be said that the information caused by the event has had an impact on the share price of those securities experiencing the event (in this case the share prices of the five affected Banks).

However, before the statistical significance of the abnormal return is established according to Osuala (2005) the standard Deviation of the abnormal return in the estimation window (period) must first be calculated following the steps and formulas below.

(a). Calculate the average abnormal return of the Estimation period as below

$$\overline{AR_t} = \frac{\sum_{i=1}^{N} AR_{it}}{N} \qquad \text{(horizontal Average)}$$

Where AR_t is the average abnormal return
AR_{it} is individual abnormal return for each security
N is the number of company in the sample

(b). Calculate the average abnormal return over all companies for the whole estimation period as below

$$\overline{\overline{AR}} = \frac{\sum_{i=t-n}^{t-m-1} \overline{AR_{it}}}{n-m} \qquad \text{(Vertical Average)}$$

Where $\overline{\overline{AR_t}}$ is the average abnormal return over all companies in the estimation period and $\overline{AR_t}$ is the average abnormal return over all securities.
(n-m) is assumed to be the total number to days in the estimation period.

(c). Given our estimates of $\overline{AR_t}$ and $\overline{\overline{AR}}$ we are then in position to calculate the abnormal return standard deviation for the estimation period using the formula below.

$$\sigma(AR_t) = \sqrt{\frac{\sum_{i=t-n}^{t-m-1} (\overline{AR}_t - \overline{\overline{AR}})^2}{n-m-1}}$$

Where $\sigma(AR_t)$ is the Abnormal return standard Deviation.

Other variables are as earlier defined.

(d). Calculate average abnormal return over all securities in each period in the event window (period)

$$\overline{AR}_t^{EP} = \frac{\sum_{i=1}^{N} AR_{it}^{EP}}{N}$$

where $\overline{AR}_t^{EP}$ is the event period average abnormal returns over all securities.

(e). The final step according to Osuala (2005) is to test each average abnormal return in the event period for significance. This is simply done by dividing each average abnormal return in the event period by the standard deviation estimates calculated.

According to Kusnadi and Sohrabian (1999) since we have averaged the abnormal returns, data problems such as cross sectional correlation have been taken into account.

Therefore, $$t = \frac{\overline{AR}^{EP}}{\sigma(AR_{it})}$$

4.0 DATA PRESENTATION, ANALYSIS OF DATA AND DISCUSSION OF THE RESEARCH FINDINGS.

4.1 Data Presentation and Analysis

Following the sample selection criteria as discussed earlier in section three, we here present data on the estimated abnormal returns for the five banks as extracted and derived from the Nigeria Stock Exchange (NSE) Daily Official list.

Table 4.1: Calculated Abnormal Return for the Event Period for the five Banks

AfriBank (AR)	First-In Land (AR)	Intercontinental (Bank (AR)	Oceanic (AR)	UBN (AR)	Date
0.033	-0.001	0.031	0.017	0.013	12/8/09
0.036	0.008	0.010	0.003	0.083	13/8/09
0.061	0.008	0.014	0.037	0.089	14/8/09
-0.010	0.019	0.010	0.057	0.085	1/9/09
0.071	0.019	0.007	0.067	0.125	2/9/09
0.091	0.003	0.027	0.077	0.154	3/9/09
-0.010	0.019	0.037	0.087	0.175	4/9/09

From the table above it is observed that the abnormal return of AfriBank Nig Plc within the event window varies within the range of -0.010 to 0.091; First Inland Bank Plc from – 0.001 to 0.019; Intercontinental Bank Plc from 0.010 to 0.037; Oceanic Bank Nig Plc from 0.003 to 0.087 while UBA abnormal return within the period varies between 0.013 to 0.175.

At this juncture, we aggregated and averaged all the individual securities abnormal returns across all the observations. The averaged abnormal returns are as presented below together with the cumulative of the averaged abnormal return (CAR_{it1-t2}).

Table 4.2: Averaged Abnormal Return and Cumulative Abnormal Return for the Event Period

Date	$\overline{AR_t}^{EP} = \frac{\sum_{i=1}^{N} AR_{it}^{EP}}{N}$	$CAR_i(t_1,t_2) = \sum_{t_1}^{t_2} \overline{AR_{it}}$
12/8	0.0186	0.0186
13/8	0.0280	0.0466
14/8	0.0362	0.0828
1/9	0.0322	0.1150
2/9	0.0578	0.1728
3/9	0.0706	0.2434
4/9	0.0616	0.3050

The data presentation will be incomplete without presentation of the data used for the estimation period. This will also aid in the calculation of standard deviation needed for the test of statistical significance. The estimation period abnormal return is presented in the table below.

Table 4.3: Abnormal Return for the Estimation Period

Date	Afribnak (AR)	First Inland (AR)	Intercontinental (AR)	Oceanic (AR)	UBN (AR)
5/8/09	0.047	0.003	-0.005	0.017	-0.046
6/8/09	0.001	0.002	0.084	0.567	0.029
7/8/09	0.031	-0.001	0.152	0.023	-0.003
10/8/09	0.036	0.000	0.017	-0.007	-0.017
11/8/09	-0.012	-0.001	0.009	-0.019	0.025

The abnormal returns over all securities are now averaged for all the estimation period; the result is as presented in the table 4.4 below.

Table 4.4: Average Abnormal Returns for the Estimation Period.

Date	$\overline{AR_t} = \frac{\sum_{i=1}^{N} AR_{it}}{N}$
5/8/09	-0.0156
6/8/09	0.1206
7/8/09	0.0404
10/8/09	0.0058
11/8/09	-0.0032
$\sum_{i=t-n}^{t-m-1} \overline{AR_t}$	=0.148

Then, the average abnormal return over all companies for the whole estimation period as stated in section three is the average of the average abnormal return in the estimation period. Therefore

$$\overline{\overline{AR}} = \frac{\sum_{i=t-n}^{t-m-1} \overline{AR_t}}{n-m} = \frac{0.148}{5} = 0.0296$$

The standard deviation from normal returns in the estimation period is obtained as follows:

$$\sigma(AR_t) = \sqrt{\frac{\sum_{i=t-n}^{t-m-1} (\overline{AR_t} - \overline{\overline{AR}})^2}{n-m-1}}$$

Table 4.5: Calculation of standard Deviation

AR_t	$\overline{\overline{AR}}$	$(\overline{AR}_t - \overline{\overline{AR}})$	$(\overline{AR}_t - \overline{\overline{AR}})^2$
-0.0156	0.0296	-0.0452	0.0020
0.1206	0.0296	0.0910	0.0083
0.0404	0.0296	0.0108	0.0001
0.0056	0.0296	-0.0238	0.0238
-0.0032	0.0296	-0.0328	0.001

$$\sum_{i=t-n}^{t-m-1} (\overline{AR}_t - \overline{\overline{AR}})^2 \qquad 0.0343$$

$$\sigma(AR_t) = \sqrt{\frac{0.0343}{5-1}} = 0.0927$$

Lastly, we test each average abnormal return in the event period for significance. This is simply done by dividing each average abnormal return in the event period by the standard deviation estimate calculated; using the formula

$t = \dfrac{\overline{AR}_t^{EP}}{\sigma(AR_{it})}$. The result of this is presented in table 4.6

Table 4.6: Calculation of t-test

$\overline{AR}_t^{EP}$	$\sigma(AR_{it})$	Calculated *t*	*Tabular t*- Value
0.0186	0.0927	0.2006	(2.36)
0.0280	0.0927	0.3020	(2.36)
0.0362	0.0927	0.3905	(2.36)
0.0322	0.0927	0.3474	(2.36)
0.0578	0.0927	0.6235	(2.36)
0.0706	0.0927	0.7616	(2.36)
0.0616	0.0927	0.6645	(2.36)

4.2 Discussion of the Research Findings

As stated in section three, according to Kusnadi and Sohrabian (1999) the formula for t-test used in event-study is different from the commonly used t-test. In event studies, once abnormal returns have been generated, we must then determine whether those abnormal returns are significantly different from zero (that implies, if the return experienced by the security in the event period significantly differ from the security's expected return). If the abnormal returns are significant, it can then be said that the information caused by the event has had an impact on the share price of these securities experiencing the event (Osuala, 2005).

From the t-test as shown in table 4.6, the t values ranging from 0.2006 to 0.7616 are not statistically significant at 5% level. The abnormal returns are therefore not significantly different from zero. It can therefore be concluded that the sudden removal of the bank chief executive directors did not significantly impact on the share prices of Afribank Nigeria plc, FinBank Plc, Oceanic Bank Plc, Intercontinental Bank Plc and Union Bank Nigeria Plc.

The non-insignificance of the information effect of the ouster could be as a result of instant intervention by the CBN via the injection of ₦420 billion intervention fund into the banking sector on one hand, and on the other hand, perhaps because trading on the stocks of the affected banks stopped with the ouster of the chief bank executives for close to a period of two weeks.

It is important to note however that since there was positive abnormal average returns, which though were insignificant, it implies that investors in the Nigerian stock market saw the development as "a good riddance of old rubbish".

5.0 SUMMARY OF FINDINGS, RECOMMENDATION & CONCLUSION

It will be recalled that the central Bank of Nigeria on August 14 sacked "with immediate effect" the managing Directors / Chief Executives and Executive Directors of five banks namely Afribank Plc, Finbank Plc, Intercontinental Bank Plc, Oceanic Bank Plc and Union Bank Plc. The affected chief Executives were Mr. Sebastine Aduigwe, Afribank; Mr. Okey Nwosu, Finbank; Erastius Akingbola, Intercontinental Bank; Dr. (Mrs) Cecilia Ibru, Oceanic Bank; and Dr. Barth F-bong, Union Bank.

The study was undertaken to find out if the removal of these bank executives had any significant effect on the NSE with respect to the prices of the affected stock.

5.1 Summary of Findings:

This study examines the information content of sudden removal of banks' chief executive officers in the Nigerian emerging stock market context. Mainly secondly data collected from the Nigerian stock Exchange daily official list and those extracted from financial standard Newspapers were used. Event study methodology was employed in determining the impact of unexpected removal of these executives on stock price. Regression analysis with the E-views econometric package was used to analyze the data from the estimation period so as to obtain estimate α and β used in calculating abnormal returns in the event window.

The results show that the sudden removal of the bank chief executive directors did not significantly impact on the share prices of Afribank Nigeria plc, FinBank Plc, Oceanic Bank Plc, Intercontinental Bank Plc and Union Bank Nigeria Plc.

The non-significance of the information effect of the ouster could be as a result of instant intervention by the CBN via the injection of ₦420 billion intervention fund into the banking sector on one hand, and on the other hand, perhaps because trading on the stocks of the

affected banks stopped with the ouster of the chief bank executives for close to a period of two weeks.

5.2 Recommendations

Following the findings of this research which reveals that the sudden removal of chief executive directors of the five banks had non-significant but positive impact on the market share prices of the affected stocks, which as observed earlier is sequel to the prompt intervention of the CBN through the injection of N420 billion into the banking industry, the study recommends that the CBN should maintain a closer surveillance on the banking sector so as to be able to detect in good time any rot in the system before it blossoms into a "financial epidemic".

Secondly, considering the importance of adequate and affordable data stream in empirical research works, it is highly recommended that the federal Government of Nigeria should as a matter of urgency set up a body that would (or through the agency of already established organizations) ensure that a good data bank is in place, similar to what obtains in developed markets of the world, to encourage research efforts. What obtains presently at the Nigeria stock Exchange, which amounts to passing through the eyes of the needle to collect necessary data is all but cheering.

5.3 Conclusion

In this study, we examine the information content of the sudden removal of the chief executive directors of five Nigerian banks. Following the research findings, we conclude that:

- The information contents of the sudden removal had no significant impact on share market price.
- The CBN lead by its governor Lamido Sanusi cushioned the would-have-been effect of the ouster through the injection of N420 billion which was later increase to N620 billion into the bank sector.
- Again, since there was positive abnormal average returns, which though was insignificant, it implies that investors in the Nigerian stock market saw the development as a good riddance.

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