Impact of Financial Sector Development on the Nigerian Economic Growth

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An efficient financial system is essential for building a sustained economic growth and an open vibrant economic system. Countries with well developed financial institutions tend to grow faster; especially the size of the banking system and the liquidity of the stock markets tend to have strong positive impact on economic growth. This study examines the impact of financial sector development and economic growth in Nigeria. It seeks to know the impacts of the sector in the Nigerian economy and whether the sector has been able to achieve its main objective of intermediation as a result of the inability of the sector to assist the real sector despite the huge profits declared yearly & also the short term lending of the banks instead of long term investment that can boost the economy. The OLS method of the regression analysis was employed; the financial development was proxied by ratio of liquidity liabilities to GDP (M2GDP), real interest rate (INTR), ratio of credit to private sector to GDP (CPGDP) while the economic growth was measured by the real GDP (RGDP). The study finds that only the real interest rate is negatively related. All the explanatory variables are statistically insignificant. Though the overall statistic shows that the independent variables were able to explain 74 percent variation in the dependent but contrary to a priori expectation, it is statistically insignificant. The link between the financial and real sector still remains weak and could not propel the needed growth towards the vision 202020. There is therefore the need for consistent, transparent, fair policy, and also a resilient& strong institutional development of the sector.

Key Words: Financial sector, economic growth, financial intermediation, gross domestic

Introduction

The financial sector of any economy in the world plays a vital role in the development and growth of the economy. The development of this sector determines how it will be able to effectively and efficiently discharge its major role of mobilizing fund from the surplus sector to the deficit sector of the economy. This sector has helped in facilitating the business transactions and economic development (Aderibigbe 2004). A well developed financial system performs several critical functions to enhance the efficiency of intermediation by reducing information, transaction and monitoring costs. If a financial system is well developed, it will enhance investment by identifying and funding good business opportunities, mobilizes savings, enables the trading, hedging and diversification of risk and facilitates the exchange of goods and services. All these result in a more efficient allocation of resources, rapid accumulation of physical and human capital, and faster technological progress, which in turn results in economic growth.

Development in the real sector, as noted by Ajayi (1995), influences the speed of growth of the financial sector directly, while the growth of the finance, money and financial institutions influence the real economy.

The economic growth is a gradual and steady change in the long-run which comes about by a general increase in the rate of savings and population (Jhingan 2005). It has also been described as a positive change in the level of production of goods and services by a country over a certain period of time. Economic growth is measured by the increase in the amount of goods and services produced in a country. An economy is said to be growing when it increases its productive capacity which later yield more in production of more goods and services (Jhingan 2003). Economic growth is usually brought about by technological innovation and positive external forces. It is the yardstick for raising the standard of living of the people. It also implies reduction of inequalities of income distribution. Oluyemi (1995) regards the financial sector of any economy as an engine of growth that could greatly assist in the promotion of rapid economic
transformation. It can be concluded that no economy can ever develop without an appreciable growth in the financial sector. An efficient financial system is essential for building a sustained economic growth and an open vibrant economic system. Countries with well developed financial institutions tend to grow faster; especially the size of the banking system and the liquidity of the stock markets tend to have strong positive impact on economic growth (Beck and Levine, 2002 in Nnanna, 2004).

Statement of Problem

The Nigerian financial sector, like those of many other less developed countries, was highly regulated leading to financial disintermediation which retarded the growth of the economy. The link between the financial sector and the growth of the economy has been weak. The real sector of the economy, most especially the high priority sectors which are also said to be economic growth drivers are not effectively and efficiently serviced by the financial sector. The banks are declaring billions of profit but yet the real sector continues to weak thereby reducing the productivity level of the economy. Most of the operators in the productive sector are folding up due to the inability to get loan from the financial institutions or the cost of borrowing was too outrageous. The Nigerian banks have concentrated on short term lending as against the long term investment which should have formed the bedrock of a virile economic transformation.

Since the adoption of the Structural Adjustment Programme (SAP) in 1986, in an attempt to quicken the recovery of the economy from its deteriorating conditions, a great deal of interest has been shown in the activities and development in the financial sector. This is so because the restructuring of this sector was a central component of the SAP reform.

Objectives of the Study

The broad objective of this study is to empirically investigate the impacts of the Nigerian financial sector on the growth of the economy. The specific objectives are to (1) determine the relationship that exists between economic growth and the Nigerian financial sector (2) examine the impact of the financial sector on the Nigerian economic growth (3) proffer recommendation to enhance the performance of the financial sector.

The hypothesis of this study is; Financial sector development does not have any impact on Nigerian economic growth.

The role of finance in economic development is widely acknowledged in the literature. In particular, Schumpeter (1911) put the role of financial intermediation at the center of economic development. He argued that financial intermediation through the banking system played a pivotal role in economic development by affecting the allocation of savings, thereby improving productivity, technical change and the rate of economic growth. The adoption of the Structural Adjustment Programme (SAP) in 1986 has made many economies of the world to focus on the financial sector being the lubricant engine of growth that drives the economy. Due to this, the study thus tends to address the following questions; what are the contributions of the financial sector in the Nigerian economy? has the financial sector been able to achieve its main objective of intermediation? Will the achievements of the financial sector continue to increase the development of the economy? Does the financial sector positively affect the economic growth in Nigeria? Why has the Nigerian financial sector not been able to achieve the expected results for the development of the economy?

Many past studies on Mckinnon and Shaw have suggested that a well functioning financial system will eventually lead to increase economic growth. This is why financial system has been described as the heart of any vital economy. As a result of these, there is the need for the reform of this sector to be embarked upon, most especially when the sector is unable to perform its functions. The aim of taking financial sector reforms in Nigeria could be traced to the Mckinnon-Shaw hypothesis of financial repression which suggests that a low or negative real rate of interest discourages savings and thereby reduces the funds available to the deficit sectors, which invariably affect investment and at end, retards the growth rate of the economy.

This study is divided into four sections, with section one dealing with the introduction, statement of problem, objectives and research hypothesis. Section II deals with the literature review while section III deals with the methodology, analysis and discussion of result. Section IV deals with the conclusion and recommendations

Conceptual Framework and Literature Review

There have been both theoretical and empirical evidence that suggest that a strong financial sector promotes economic growth. Schumpeter (1934) in Oluymemi (1995) stressed the impact of banks as the key agent in the process of development. The financial sector increases the productivity of investment, reduces transaction costs and affects...
savings; therefore the financial sector will enhance economic growth. The financial system of any economy plays a determining role by ensuring that savings are invested in an efficient and optimal way. Economic growth has been described as sustained increase in per capita national output or net national product over a long period of time. It also implies that the rate of increase in total output must be greater than the rate of population growth (Dwivedi 2006).

Economic growth occurs when a nation’s production possibility frontier (PPF) shifts outward. Economic growth, being the growth in output per capita, is an important objective of government since it is associated with rising average real incomes and living standard.

The Robert Solow neo-classical growth model posits that growth depends on capital accumulation – increasing the stock of capital goods to expand productive capacity, and the need for sufficient saving to finance increased allocation of resources towards investment.

Bencivenga and Smith (1991) asserted that economic growth will increase if more savings are channeled into the activity with high productivity while reducing the risk associated with liquidity needs. This will show that banks provide the benefits of eliminating unnecessary liquidations. Studies have shown that countries with well developed financial institutions tend to grow faster, particularly the size of the banking system and the liquidity of the stock market tend to have strong positive impact on economic growth. The financial services provided by these institutions are essential drivers for innovation and economic growth.

Nnanna (2004) stated that the rate of output growth is determined by the accumulation of capital, the efficiency of resource utilization and the ability to acquire and adopt modern technology. He concluded that the degree of financial system development is crucial for attracting and sustaining capital flows, savings mobilization and utilization.

The roles of foreign direct investment in the development of a nation have been considered to be important for countries to attract since the domestic savings falls short of the needed capital for sustained economic growth. The reliance on foreign direct investment flows may be misplaced because of the inability of most African countries to attract, sustain or adopt foreign capital/technologies on long-term basis. According to Calderon and Liu (2003), an enhanced financial system may attract capital and raise national savings, thus, increasing both capital formation and growth, and also allocate savings more efficiently.

Patrick (1966) in his work postulates a bi-directional relationship (known as the supply leading hypothesis and the demand following hypothesis) between financial development and economic growth. In the supply leading hypothesis, the creation of financial institutions and the continuous supply of innovative financial products generate additional demand in the real sector, leading to economic growth. The demand following hypothesis emphasizes the role of the real sector in promoting the financial development. The growth in the real sector increases the demand for financial services which stipulates a response from the financial sector in the form of increased supply and financial innovation.

Carbo Valverde et al (2003) in their study investigated the issue of causality between financial development and regional economic growth in Spain. They found that increased competition in the banking sector (which leads to higher deposit and lower loan rates) has not caused economic growth in Spain. Their conclusion is that the positive link between financial development and economic growth in cross-country may be due to an unobserved third factor. McKinnon Shaw hypothesis, according to many authors implies that a monetized economy reflects a highly developed capital market; hence a high degree of monetization should be positively related to growth performance. Fuma (1980) asserted that financial markets channel funds from agents willing to save to those requiring funds and provide liquidity services.

Most literatures stated that McKinnon (1973) and Shaw (1973) argue that policies that lead to financial repression reduce the incentives to save. The McKinnon-Shaw thesis suggests that a low or negative real interest rate discourages savings and hence reduces the availability of loanable funds, constrains investment, and in turn lowers the rate of economic growth. They posited that an increase in the real interest rate may induce the savers to save more which will enable investment to take place. Díaz-Alejandro (1985) in his study show that financial deepening in Latin America is unlikely to increase savings, therefore, the main contribution of financial deepening to growth should be thought of as increasing the marginal productivity of capital rather than the volume of savings and investment.

Dornbusch (1990) finds that financial savings are not related to the level of real interest rates, and that the positive effect of real interest rates on growth does not come through its effect on the volume of investment. Khan and Villanueva (1991) suggest that positive real interest rate is a good proxy for the efficiency of capital accumulation. De Gregorio and Guidotti (1995) asserted that credit granted by banks appears to the most appropriate indicator of the degree of financial intermediation that occurs through the banking system. He stated further that it may be a weaker indicator of financial development broadly...
defined, to the extent that a significant portion of financial development occurs outside the banking system. He stated that it is a better proxy for financial development in developing countries since most of financial development occurred within the banking system.

Greenwood and Jovanovic (1990), in their model, show that financial intermediation promotes growth by ensuring a high rate of returns to the capital invested and that growth realized makes it possible, in its turn, to reduce the costs of the financings thanks to the drop in risk premiums due to the drop in the asymmetry of information. Bencivenga and Smith (1991) also underlined the positive effects that financial intermediaries have on the economy by encouraging the re-allocation of savings from liquid investments to longer-term productive investments. It is a matter of moving from speculative financial investments to investments in production and development projects.

Overview of the Nigerian Financial System

A financial system consists of different institutions, markets, instruments, and operators that interact within an economy to provide financial services such as resource mobilization and allocation, financial intermediation and facilitation of foreign exchange transactions.

The Nigerian financial sector can be categorized into two namely;

1. The informal sector which comprises of the local money lenders, the thrifts and savings associations, etc. It is poorly developed, limited in reach, and not integrated into the formal financial system, but plays a major role in the Nigerian financial system.
2. The formal financial system comprises of the capital and money market institutions and these comprise of the banks and non-banks financial institutions.

According to the CBN Annual Report and Statement of Account (2008), the Nigerian financial system consists of the Central Bank of Nigeria (CBN), the Nigerian Deposit insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (NPC), deposit money banks, microfinance banks, finance companies, bureaux-de-change, stock exchange, 1 commodity exchange, primary mortgage institutions, development finance institutions, discount houses and insurance companies and registered insurance brokers.

The deposit money banks emerged as a result of the adoption of the universal banking system in 2001 and the removal of the division between the commercial and merchant banks. These banks accept deposits, provide loans and advances to customers, operate the payment and settlement mechanism and also create money while providing loans and advances. There has been special attention of the regulatory bodies (that is CBN and NDIC) on the activities of these banks since they have a great impact on the soundness and stability of the financial system. There has been rapid growth in terms of service delivery and number of institution, which later decline from 89 in 2004 to 25 in 2006 and further reduction due to the consolidation of banks.

Community banks are self-sustaining financial institutions owned and managed by communities. They obtain their licenses from the CBN after operating for two years. They were licensed to operate both in the rural and urban areas to complement the activities and programmes of People’s Bank of Nigeria (Aderibigbe 2001). Community banks have now been converted to microfinance banks since 31, 2007. Microfinance refers to the provision of financial services to poor or low-income clients, including consumers and the self-employed. It is a system of banking where many poor and near-poor households have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, transfers. Those who promote microfinance generally believe that such access will help poor people out of poverty.

Development finance institution or specialized financial institutions are established to contribute to the development of specific sectors of the economy, most especially the manufacturing and agricultural sectors. They include the Bank of Industry (BOI), Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB), Urban Development Bank of Nigeria Plc, the Federal Mortgage Bank of Nigeria and the Nigerian Export-Import Bank (NEXIM).

Financial Sector Development and Economic Growth: Evidence from Other Countries

It will be necessary to focus on what have been the relationship and also the impact of financial sector development on the economic growth of other countries. This section will focus on the evidence of financial sector development in other countries.

Bakhouche(2007) tests for a unidirectional link between financial sector development and economic growth in Algeria using the real per capita GDP as the economic growth indicator, and the ratios of M2 to GDP, total domestic credit and government expenditure to GDP. The result shows that there is no evidence of any short term relationship between the
financial sector development and the Algerian economic growth and possibility of any long-run relationship. This, he assumed, may be as a result of persistent effects on economic performance of the country’s former central planning system where all economic decisions were as predetermined by government. He finally concluded that Algeria will need more time to realize the full benefits of financial sector reform and liberalization and competition between financial services providers.

Alaoui Monstain (2004) in Bakhouce (2007) also tests the relationships between financial sector development and economic growth in Morocco using the real GDP to measure growth, and the ratios of liquid liabilities M3 to GDP, domestic credit issued by the banking sector to GDP and the domestic credit issued to the private sector to GDP are used as the financial development indicators. Causality relationships are identified from economic growth to the liquid liabilities and domestic credit indicators and from credit to the private sector to economic growth. There is evidence of a stable long-run relationship between economic growth and the financial indicators.

He asserted that the financial reforms implemented in Morocco in the 1990s do not appear to have resulted in the generation of a level of savings sufficient to boost productive investment, and thus long-term growth. He then concluded that institutional and legal reform may necessary to achieve the objective of this fund mobilization.

Richard Sylla (2005) in one of his hypothesis supported that financial sector development spurs economic development as the countries with the most developed financial systems became later the richest countries. He noted that since 1913, the United States of America has the most advanced financial sector and is thus leading in per capita income. Japan had a financial revolution in the late nineteen century and its economic development became at par with the western industrialised countries a century later. The recent upward movements towards the world average of China and India is partly the result of their improved financial systems.

Damar et al. (2006) studied the link between financial development and economic growth using a province-level data set for 1996–2001 on Turkey. Using both traditional OLS and dynamic panel GMM techniques, it was shown that financial deepening (i.e., an increase in the total deposits to GDP ratio) has a direct and robust impact on the growth rate of real GDP per capita. However, unlike most of the cross-country studies in their literature, the findings suggested that financial development has a negative relationship to economic growth. Their conclusion does fit rather well with the state of the Turkish economy and banking sector during the late 1990s. Unlike the traditional theories of financial intermediation, the Turkish banking sector during this period was not mobilizing and pooling domestic savings in order to invest in productive capital. Instead, the sector was engaged in channeling domestic resources to the government, which used the funds to cover its budget deficit.

Ardic and Damar (2006) confirm the very important link between financial development and growth, but also sounds a note of caution that not all types of financial deepening is beneficial for the economy. In the case of Turkey, financial deepening meant that savings left the provinces, depriving the real industry of credit needed for investment projects. As such, it may not be hard to imagine that if the banking sector was functioning efficiently during this period, then financial deepening may have contributed to economic growth in the provinces, as opposed to taking them into a serious crisis.

They concluded that it is important to note that financial deepening measured in terms of the ownership of banks may distort incentives leading to an underdevelopment of growth of both the public and the private banks. Therefore, financial sector deepening in terms of the public and private banks could be analyzed separately before making firm conclusions about the negative relationship between financial growth and economic growth.

**Performance of the Financial Sector**

The financial sector is the hub of productive activity of an economy as it performs the vital role of intermediation, provider of payment services and the fulcrum of monetary policy implementation. Financial systems have long been identified as a sector that has an important role to play in the development of any economy. The financial sector has been described to be a catalyst of economic growth if it is developed and healthy (Adeoye, 2007). The reforms in the financial sector has enhanced the capacity of the market to provide windows of opportunities where large scale investors can raise funds to finance long-term projects and it has also lead to increase in employment opportunities as a result of increase in number of branches of banks.

Through financial intermediation functions of the financial institutions, savers are linked up. The financial sector as a prime mover of economic development, mobilizes savings from surplus to deficit economic units. This has helped in the productivity of any economy. The efficiency and effectiveness of financial intermediation is a subject of the level of the financial systems development. The financial system is dominated by banks which
concentrated on short term lending as against the long-term investment.

Financial sectors reduce information and transaction costs in the economy. This facilitates more exchange of goods and services thereby allowing greater specification and productivity in the economy. The financial intermediaries can reduce information costs by acquiring and comparing information about many competing investment opportunities on behalf of all their savers, thereby ensuring that capital is efficiently allocated. Financial sectors provide risk management services and reduce risks involved in financial transactions. When financial institutions combine savings, they also ensure that each individual get his money back whenever needed. By investing in projects, they facilitate risk diversification, which increases returns and encourages more savings.

The insurance sub-sector has been able to provide a safety net for entrepreneurs desirous of taking insurable risks and also help to reinforce and facilitate investment and mercantilism at both national and international levels (Uche, 2008). The development of the financial sector can also reduce poverty. The provision of bank accounts can enable the poor to accumulate funds in a secure place over time so as to finance a large, anticipated future expenditure. The bank account can also improve access to financial services like remittances or insurance. The mobilization of savings from the poor will also create funds available for tending. The availability of credit will strengthen in new and better tools, equipment, or fertilizers. The availability of credit has assisted in the expansion of small business which increases returns and encourages more savings.

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The table in (Appendix) shows that the broad money supply, M2, has been increasing since 1992. The factor responsible for the growth in the M2 was the expansion in net domestic credit complemented by the increase in foreign and other asset (net) of the banking system. The growth could also be driven by expansion in both narrow and quasi money Credit to private sector also increase on yearly basis, at times with some decelerated growth most especially when the 2007 with a growth of 90.8 percent is compared with that of 2008 where there is a growth rate of 59.4 percent.

Methodology

The macroeconomic variables to be employed are; real Gross Domestic Product (RGDP) which will be used to measure the economic growth, which is also dependent variable while the ratio of liquidity liabilities to GDP (M2GDP), real interest rate (INTR), ratio of credit to private to GDP (CpGDP) the financial sector development indicators are the exogenous variables.

The model was tested using the multiple regression analysis of the ordinary least square method to determine the relationship and impact of the financial sector on the growth of the Nigerian economy.

Adeoye (2006) and Nnanna (2004) developed a model showing the relationship between financial sector development and economic growth in Nigeria. The chosen economic growth indicator is the real Gross Domestic Product (RGDP) is specified to depend on the financial sector indicators which are the ratio of M2 to GDP (M2GDP), the ratio of Credit to Private to GDP (CpGDP) and real interest rate (INTR) changes. Calderon and Liu (2003) noted that a higher M2GDP ratio implies a larger financial sector and greater financial intermediary development while a CpGDP indicates more financial services and also a greater financial intermediary development. Real interest rate is included to capture the effects of liberalized interest rate on economic growth. According to Pill (1997) a move from negative to positive real interest rates indicates progress in financial sector reform. The form of the model is specified thus

\[ RGDP = f(M2GDP, INTR, CpGDP, \mu) \]

And the structural form is expressed as

\[ RGDP = a_0 + a_1M2GDP + a_2INTR + a_3CpGDP + \mu \]

Where \( RGDP = \) real GDP \( M2GDP = \) ratio of liquidity liabilities to GDP \( INTR = \) real interest rate \( CpGDP = \) ratio of credit to private sector to GDP \( \mu = \) stochastic variable or error term incorporating other factors that are not considered in the model. \( a_0 = \) constant term \( a_1, a_2, a_3 = \) parameters to be estimated

A Priori Expectation

This explains the theoretical linkage on the signs and magnitudes of parameter of the specified functions. A priori expectations are determined by the principles of economic theory guiding the economic relationship among the variables being studied. Nnanna (2004) asserted that many literatures has given credence to the positive impact of all these financial development indicators on the economic growth. Hence \( \partial RGDP / \partial CpGDP, \partial RGDP / \partial M2GDP, \partial RGDP / \partial INTR > 0 \).
Data Presentation, Analysis and Interpretation of Result

Table 1 shows that only the real interest rate is negatively related. All the explanatory variables are statistically significant. This shows that the increase or decrease in these variables will cause significant change in the growth of the economy. The depth of the financial system, measured by the ratio of M2 to GDP, indicates a significant improvement. The sector also show greater capacity to provide liquidity for the exchange of goods and services as indicated by the ratio CP to GDP.

Table 1: Result of the Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>60805.560</td>
<td>59700.968</td>
</tr>
<tr>
<td>M2GDP</td>
<td>919.486</td>
<td>5011.806</td>
</tr>
<tr>
<td>CPGDP</td>
<td>7280.917</td>
<td>5399.068</td>
</tr>
<tr>
<td>INTR</td>
<td>-916.191</td>
<td>3707.099</td>
</tr>
</tbody>
</table>

R 0.86; R squared 0.74; Adjusted R squared 0.68; F-statistics 12.16; DW statistics 0.66

The overall model has shown that 74 percent of the total variations in the RGDP are explained by the exogenous variables. The F-statistic which measures the strength of the regression shows that the overall statistic is significant which therefore proves the goodness of fit of the variables and also a joint significance of the explanatory variables. The Durbin-Watson statistic shows that there is positive autocorrelation of the first order.

According to Khan and Villanueva (1991) and Nnanna (2004), there exist a significantly strong positive relationship between real interest rate and economic growth. The negative relationship could be due to the high level of interest rate which might have denied investors access to credit and consequently making them to be caught in a development trap. This shows that the insignificant effect of the interest rate will also make the investment of banks to be insignificant to the economic growth.

Conclusion

It is incontestable that an efficient and effective financial system is essential for building a sustained economic growth. The success from the financial system can only be achieved through the safety, soundness and stability of the sector coupled with the effective and efficient management of the sector. It has also proved that the development of the financial sector will help in facilitating the real sector which will result into having a virile economic growth. The Nigerian financial sector has not been virile enough to enhance the real growth that will push the Nigerian economy into realizing her goal of being among the best twenty (20) economies in the world by the year 2020.

The intermediation role and investment of the financial sector are not targeted on a long-term basis which is making the real sector of the economy to continue to weak and therefore reducing the productivity level of the economy. Although, all the banks in Nigeria agreed to set aside 10 percent of their profit before tax for equity investments in small scale industries, which was aimed in order to stimulate economic growth and generate employment opportunities for country’s growing population, but the banks are reluctant to release the fund due to the inability of the local entrepreneur to provide collateral and good feasibility study.

With these, the growth of the financial sector cannot complement the expected growth in producing sector of the economy. The expansion of the real sector can significantly influence the development of the financial sector if Nigeria is to have growth with a corresponding development.

The major challenge to the Nigerian financial sector development is how to engender healthy competition in addition to enhancing investments so as to achieve a desired economic growth and maintain its position as one of the emerging economies.

Recommendation

In order to ensure an accelerated economic growth the following recommendations are suggested:

That there is the need for consistent, transparent and fair policy to all the players in the sector, the need to develop viable and responsive financial services for the poor in Nigeria, government should pay off all creditor contractors so they can pay banks and borrow new loans and also restore some of them to good financial health, there is the need for a resilient and strong institutional development of the sector, a strong emphasis on fund mobilization in order to bring help to the low income people to increase and stabilize their income and assets, the need to evolve...
an investment friendly interest rate regime supportive of the growth objective of the government. The lower costs of borrowing would induced the desired for credit expansion thereby encouraging investment activities in the country. Also the implementation of tax incentives policies should be maintained. A vigorous sustainable human centered development strategy capable of achieving a structural transformation of the economy, the need for fiscal adjustment as well as the development of more flexible financing option for the government, there s the continuous need for political stability in the country. Also the security of lives and properties should be seriously attended to, government should continue to intensify its efforts at promoting confidence of the public on this sector through adequate and effective regulation and supervision, the reforms in the financial sector should be sustained so as to be able to channel more resources for investment and productive purposes

References


APPENDIX

Regression

<table>
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<tr>
<th>Variables Entered/Removed&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
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<td>1</td>
<td></td>
<td>INTR, M2GDP, CPGDP&lt;sup&gt;a&lt;/sup&gt;</td>
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<sup>a</sup> All requested variables entered.
<sup>b</sup> Dependent Variable: RGDP

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<td>.737</td>
<td>12.158</td>
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</table>

<sup>a</sup> Predictors: (Constant), INTR, M2GDP, CPGDP
<sup>b</sup> Dependent Variable: RGDP

<table>
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<th>ANOVA&lt;sup&gt;b&lt;/sup&gt;</th>
<th></th>
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<th>F</th>
<th>Sig.</th>
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<td>12.158</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
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<td>1.585E9</td>
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<sup>a</sup> Predictors: (Constant), INTR, M2GDP, CPGDP
<sup>b</sup> Dependent Variable: RGDP

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<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
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<sup>a</sup> Dependent Variable: RGDP

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<sup>a</sup> Dependent Variable: RGDP
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