

# The Effect of Financial Sector Reforms on Nigeria's Economic Growth

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## ABSTRACT

*This study examines the effect of financial sector reforms on the Nigerian economic growth. 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, since the sector was highly regulated leading to financial disintermediation which retarded the growth of the economy. Time series data from 1991 to 2012 were used and were gathered from the CBN publications. Augmented Dickey Fuller (ADF) test, Philip Perron Unit root Test, Ordinary least Square Regression have been used. Unit root confirms the stationary of all variables at first difference. Regressions results indicate that Credit to private sector, investments and Prime lending rate have significant positive impact on economic growth of Nigeria. It is recommended among other things that reform policy thrust be geared toward proper reserves management; efficient stock market operation to enable banks put their capital and asset base to full utilization. This way, the financial sector reforms will be effective and capable of moving the economy forward in a more desired direction.*

**Keywords:** *Financial Sector, Economic Growth, Gross Domestic Product, Commercial Bank, Augmented Dickey Fuller*

## INTRODUCTION

Generally, the financial system is more than just institutions that facilitates payments and extend credit. It encompasses all functions that direct real resources to their ultimate user. It is the central nervous system of a market economy and contains a number of separate, yet co-dependent components all of which are essential to its effective and efficient functioning. 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 has helped in facilitating the business transactions and economic development (Aderibigbe, 2004). The success of the financial system all over the world in providing its development roles has been predicted on the initiation of financial sector reforms such as the introduction of market based procedures for monetary control, the promotion of competition in the financial sector, and the relaxation of restrictions on capital flows. The aim of initiating these reforms is to create a more efficient and stable system, which will facilitate optimum performance in the economy. This means providing a foundation for implementing effective stabilization policies and successfully mobilizing capital and putting it to effective use, which leads to achieving higher rates of economic growth (Johnston and SundararJan, 1999). The economic

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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 (Jhinqhan, 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 (Adelakun 2010). 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 increase its productive capacity which later yield more in production of more goods and services (Jhinqhan, 2005). 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.

Financial sector reforms are an integral part of the economic reform package. The reform involved packaging the liberalization of interest rates, promotion of market-bases system of credit allocation, enhancing competition, and efficiency of the regulatory and supervisory framework (Adekunle, Salami and Adedipe, 2013). Financial sector reforms in Nigeria were motivated by the need to productively put the Nigerian banking industry and the economy at large on the path of global competitiveness. It can be concluded that no economy can ever develop without an appreciable growth in the financial sector.

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. Most third world countries (including Nigeria) had in the past used governmental interventions as a tool for allocation of resources. These interventions have been described as not only repressive but a major factor retarding the growth process of the economy in addition to being harmful to the banking sector whose interest the liberalization is aimed at protecting. Indeed, the Nigeria growth performance has become worrisome over the last two decades. During this period, growth was sluggish and dismal to the extent that the efficacy of the various dosages of different reform policies remains an open-ended question. Prior to the introduction of the Structural Adjustment Programme (SAP) in Nigeria in 1986, the Nigerian financial sector was characterized by fixed and relatively low interest rates, which lead to financial disintermediation due to the activities of the banking system since it is the most crucial role of banks. In addition, the mandatory sectoral allocation of bank credit and the ceiling on bank credit to the private sector leads to distortion in credit allocation. Following financial liberalization, market determination should result in modestly positive real interest rates. These, in turn, will increase the resources available to the financial system, since bank deposits offering competitive return will attract saving that were previously held outside the formal financial sector. Moreover, positive real interest rate will provide an incentive for borrowers to invest in more productive activities, thereby improving the productivity of the whole economy. Consequently, financial liberalization should lead to an increase in both the quantity and the quality of financial intermediation by the financial system. Financial sector therefore stimulate economic development through a variety of channels since the financial system performs the vital function of raising funds, and channeling funds to productive investment, successful financial liberalization is usually an important

component of a country's strategy for economic growth. Ajayi (2005) states that reforms are predicated upon the need for reorientation reposition of existing status quo in order to attain an effective and efficient state. Compos and Esfahani (1996) stress that policy reforms means "a renegotiation of contracts that entails direct government involvement in production towards more efficient market oriented ones". Okeke (2007) on his part posits that reforms are deliberate actions by the government to fast track, jump start and consolidate specified sector of the economy to achieve desired objectives. Financial reforms as defined by Ebong (2006) are deliberate policy response to correct perceived or impending financial crises and subsequent failure. Reforms in the financial industry are aimed at addressing issues such as governance, risk management and operational inefficiencies. The vortex of most financial reforms is around firming up capitalization.

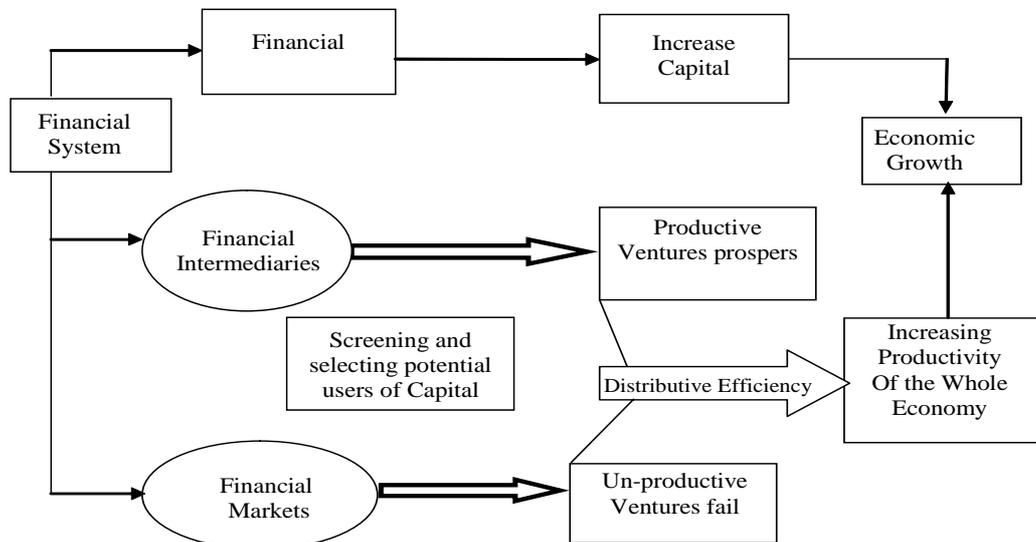
In the opinion of Deccan (2004), financial reforms are primarily driven by the need to achieve the objective of consolidation, competition and convergence in the financial architecture. Financial reforms are normally carried out through financial sector deregulation. Deregulation of the financial sector requires a set of indicators that can be used for effective policy formulation, implementation and evaluation (Iganiga, 2010). As such, there is no precise definition in the literature of "financial sector development" however, Fry (1978) observed that the key to financial sector development is the reduction and ultimate unification of fragmented financial markets. This involves a complete set of indicators mainly covering credit intermediation, liquidity management and risk management characteristics of the financial system. Onwioduokit (2006) posits that it is hard to find an indicator that can directly measure the development of the financial sector.

However, from the recent literature, measures of financial development include the ratio of broad money (M2) to Gross Domestic Product (GDP), currency outside bank as a ratio of broad money (M2), interest rate spread, real interest rate and gross savings as a ratio of GDP. From the literature, it has been observed that well-spaced and implemented financial reforms have the ability to boost these financial development indicators. Peculiar features of the reforms programmes in Nigeria are the associated inconsistencies in policy implementation (Nnanna, 2005). However, some studies have shown that the Nigerian financial system has benefited largely from these reforms, but all the same, the system is still yearning for improvement (Adam and Agba, 2006).

### **Financial Development and Economic Growth**

The main function of the financial system is to facilitate the transformation of savings from surplus sectors to deficit sectors. Very often, the surplus sectors are the households, who save money, and the deficit sectors are the entrepreneur and government, who borrow money for investment purposes. However, the financial market finance only part of a country's total investment, because firms and households finance much of their investment directly out of their own savings. It is only when investment exceeds savings that it is necessary to borrow, just as when saving exceeds investment it is necessary to lend. The explicit task of the financial sector is to move excess savings from economic units in surplus to those in deficit. Figure 1 shows how financial system affect economic growth through different channels.

**Figure 1:** Theoretical Linkages between Financial System and Economic Growth



**Source:** Adapted from Abdul Waheed (2009). Financial Sector Reforms and Economic Growth: A Time Series Data Analysis.

A well functioning financial sector promote economic growth through two important channels; quantity effect (increase in savings and investment) and through quality effect (increase in the productivity). Historically, the quality of investment has been at least as important for growth as the quantity. Empirical studies generally find that less than half of the growth in output is attributable to increase in labour and capital. Higher productivity explains the rest (World Bank 1996). Higher growth, increases investment and greater financial deepening all come partly from higher savings. However, greater financial depth contributes to growth by improving the productivity of investment. World Bank (1996) shows that investment productivity as measured by the ratio of the change in GDP to investment (the inverse of the incremental capital output ratio-ICOR), is significantly higher in the faster-growing countries, which also had deeper financial system. This suggests the link between financial sector and real sector of the economy. Efficient intermediation will ensure that the better investments are financed and will thereby increase the average productivity of investment.

Similarly, Greenwood and Jovanoivc (1990) develop a model in which both the extent of financial intermediation and the rate of growth are endogenously determined and conclude that financial intermediation promote growth! Because investment could be more efficiently undertaken in a developed financial market. Furthermore, Bencivenga and Smith (1991) show that the development of financial intermediation will increase real economic growth by channeling savings to the activity with high productivity. In this line of research, Neusser and Kugler (1998) investigate the relationship between financial sector development and economic growth from a time series perspective and find that financial sector is conitegrated for many OECD countries not so much with manufacturing output but mostly with manufacturing total factor productivity. Similarly, Benhabib and Spiegel

(2000) argue that a positive relationship is expected to exist between financial development and total factor productivity growth and investment. Xu (2000) uses a multivariate vector autoregressive (VAR) approach to examine the effects of permanent financial development on domestic investment and output in 41 countries between 1960 and 1993. The results show that financial development is important to GDP growth and that domestic investment is an important channel through which financial development affects the economy. In general, the above mechanism suggests that financial development should have a significant positive effect on economic growth as it fosters capital accumulation and leads to productivity gains.

### **Nigerian Financial Sector Reforms**

The reform of the financial sector occupies a central position since the efficiency of this sector is a necessary condition for the efficient functioning of a nation's economy. According to Calderon and Liu (2003), for a country to gain a sustainable economic growth, it will be imperative for such an economy to undertake financial reform. Several financial restructuring programs have been put in place since early 1990s up to this period of democracy such as recapitalization, merger and acquisition, capital control and deflationary policy, all with the aim of improving the financial system. The on-going reforms in the Nigerian financial sector were as a result of the weaknesses and the inability of the sector to complement the developmental efforts of the country (Uche, 2008). The banking sector reform is expected "to build and foster a competitive and healthy financial system to support development and to avoid systematic distress" (Soludo, 2007). There were reforms in monetary policy which were designed mainly to stabilize the economy in the short run and to induce the emergence of a market-oriented sector. These reforms include:

***Rationalization of credit controls:*** Although credit ceilings on banks were not completely removed, the sector specific credit distributions target were compressed from 18 in 1985 to 2 in 1987- priority (agriculture and manufacturing) and non-priority (others). Other credit measures enacted were the elimination of exceptions within the ceiling on bank credit expansion, giving similar treatment to commercial and merchant banks in relation to required liquidity ratios and credit ceiling, the modification of cash reserve requirements which is now based on the total deposit (demand, saving, and time deposits), rather than on time deposits only, and the reintroduction of stabilization securities. These are non-negotiable and non-transferable debt instruments of the Central Bank which banks are mandated to purchase at intervals in order to control their excess reserves. It was designed to mop-up the excess liquidity of the banking system.

***Deregulation of interest rates:*** In January 1987, a partial deregulation of interest rates was attempted, but by August, all rates become market determined. The CNB adopted system of fixing only its minimum rediscount rate to indicate the desired direction of interest rates changes. Interest rate liberalization was aimed at enhancing the ability of banks to charge markets-based loans rates and also guarantee the efficient allocation of scarce resources. In 1989, banks were encouraged to pay interest on current account deposits. The rate to be paid was to be negotiated between banks and their customers.

***The shift from direct to indirect system of monetary control:*** In June 1993, an open-market operation (OMO) was introduced. Under the scheme, OMO was to be conducted exclusively through licensed discount houses, which are supposed to constitute the open market for government securities. The introduction of OMO was meant to replace the use of direct controls for managing liquidity in the economy. The foreign exchange market reforms were also very important since transactions in foreign exchange constitute an important aspect of financial sector activities. A second-tier foreign exchange market was established in 1986 as an auction forum for the sale and purchase of foreign exchange.

Previously, the sale and purchase of foreign exchange was rigidly controlled through the use of import licenses and the exchange rate was fixed by fiat. This resulted in an overvaluation of the Naira with its attendant consequences. In order to restore appropriate exchange rates, the authorities began the auction sales of foreign exchange to licensed dealers. A first-tier market was retained to take care of transactions related to government debt-servicing, contributions to international organizations and transfers to Nigerian missions abroad. In 1988, the government permitted the establishment of private foreign exchange and to accord recognition to small dealers in foreign exchange. With the deregulation of the foreign exchange, all existing restrictions on capital transfers were abolished. All that was needed was for evidence of importation and exportation to be provided to the Federal Ministry of Finance. In addition, all applications for capital transfer abroad were to be backed by appropriate documents and settled at the appropriate exchange rate.

In order to strengthen the Nigeria's financial system, there has been an increased trend in consolidation in some segments of the financial sector like the deposit money banks, community banks, capital market and insurance companies.

***Deposit Money Banks:*** Deposit money banks are supposed to facilitate capital formation and promote economic growth. The consolidation exercise started in mid 2004 with the deposit money banks that were required to raise their minimum capital base from ₦2bn to ₦25bn by the end of 2005. This therefore reduces the number of deposit money banks from 89 banks to 25 mega-banks (now 24) after series of mergers and acquisition. The outcome of the consolidation exercise was the emergences of 25 banks in Nigeria which together accounted for about 93.5% of aggregate deposit liabilities and a larger capital base from about \$3 billion to \$5.9 (Soludo, 2006). The strong capital has ensured a basic indication of solvency of the banks and has provided the vehicle for taking out the weak banks and forcing others into a marriage of convenience. According to Uche (2008), the reform in the banking sector has made of the Nigerian banks to be active participants in the global commerce. He also noted further that these banks have been able to accelerate the development of the economy through their increased lending ability to the indigenous entrepreneurs as a result of the increased capital base of the banks.

***Insurance Companies:*** Insurance services are capable of generating significant productive impact in an economy as a result of risk transfer activities which make it easy for an individual to purchase expensive items. The insurance companies as a result of increasing

risks need to be re-capitalized to enhance their ability to provide cover for policy holders. This made the Federal Ministry of Finance with the National Insurance Commission (NAICOM) to increase the capital base of life insurance business to ₦2 billion while that of general insurance business was increased to ₦3 billion and that of re-insurance business was also increased to ₦10 billion. This has therefore reduced the number of the insurance companies to 71 from 103 comprising of 43 general insurance, 26 life insurance and 2 re-insurance companies

**Capital Market:** The reforms in the Nigerian capital market are concern about a strong and viable capital market as a vehicle for mobilizing capital for developmental purposes. The reform was target at the secondary market represented by the Nigerian Stock Exchange (NSE). The operation standards of the NSE are now comparable to what obtains in the developed economies. The Central Securities Clearing System (CSCS) and the Automated Trading System (ATS) have enhanced the efficiency in stock trading and made the market more investor friendly due to honesty and transparency in-built in the system.

Empirically, many works are being carried out on this area. Among them are: Rousseau and Watchel (2005) who examine the finance- growth hypothesis with data ranging from 1960 to 2003 and revealed that the relationship disappeared over the period of 1985-89 for the coefficient of M3 as a percentage of GDP and during 1990-1994 for the coefficient on private sector credit. It was at this time that numerous developing states, especially in Latin America, went through rapid financial liberalization and opening to world economic market. Their findings suggest that in the absence of stable financial institutions, financial liberalization may be counter productive. Liange (2007) examines banking sector development and growth in China with reference to quality of legal institutions, employing a panel data set covering 29 provinces over the period of 1990-2001 and concluded that without an effective and well-developed legal system, banking sector development only partially contributed to China's economic growth. Also, Ahmed and Malik (2009) in their study examined the relationship between the financial sector and growth, using a panel data for 35 developing countries over the period 1970-2003 and conclude that financial development affects per capita mainly through its role in efficient resources.

Empirical studies on Nigerian finance-growth dynamics are not only scanty in number but restricted in scope in terms of the measure of financial development. Ndebbio (2004), using an ordinary least square regression framework, finds that financial sector development weakly affect per capita growth of output. He attributes the result to shallow finance and the absence of well functioning capital markets. Similarly, Nnanna (2004) using ordinary least square regression technique, found that financial sector development did not significantly affect per capita growth of output. In the same vein, Nzotta and Okereke (2009), in their study using two stages least analytical framework for a period starting from 1986 to 2007, observe that financial deepening did not support economic growth in Nigera. However, Olofin and Afangideh (2009) in their study of financial structure and economic growth in Nigeria, using three stages least square estimation technique on a data spanning 1970 to 2005, discover that a developed financial system alleviates growth financing

constraints by increasing bank credit and investment activities with resultant rise in output. This shows that developed financial system indirectly affects growth through investment. In addition to the existing literature on finance and economic growth, this study sets to investigate the path of finance-growth nexus in Nigeria.

## METHOD

In the empirical study, annual time series data which covers a period of 22 years, that is from 1991-2012 were used and were gathered from the Central Bank of Nigeria (CBN) statistical Bulletins. The study also used four variables namely: gross domestic product, credit to private sector, investment rate and prime lending rate. After selection of the above variables we can describe the economic growth function of Nigeria as follows:

$$GDP = f(CPS, INV, PLR)$$

Where GDP is the gross domestic product,  $f$  represents the function of CPS, INV, PLR respectively, credit to private sector, investments rate and prime lending rate.

After specifying the trade balance function in linear form with an addition of error form, the model was specified in a linear estimation as;

$$GDP = \hat{a} + \hat{a}_1 CPS + \hat{a}_2 INV + \hat{a}_3 PLR + \varepsilon$$

Where GDP is the Real GDP for the sample period, CPS represents the Credit allocation to private sector. INV represent Investments rate, PLR represent Prime lending rate,  $\hat{a}$  represents the error term;  $\hat{a}$  and  $\hat{a}$  represent the slope and coefficient of regression. The coefficient of regression  $\hat{a}_1$ ,  $\hat{a}_2$  and  $\hat{a}_3$  indicate how a unit change in the independent variable, (credit to private sector, investments rate and prime lending rate) affects the dependent variable (Gross Domestic Product). The error  $\varepsilon$  is incorporated in the equation to cater for other factors that may influence GDP.

## RESULTS AND DISCUSSION

The understated variables below include Gross Domestic Product, Credit to the Private Sector, Investment and Prime Lending Rate and the variables used covers the period 1991-2012. In order to estimate the relationship between financial sector reform and economic growth in Nigeria, the first task is to test the presence of unit root. This is necessary in order to ensure that the parameters are estimated using stationary time series data. Thus, this study seeks to avert the occurrence of spurious results. To do this, both the Augmented Dickey -Fuller (ADF) and Phillips-Perron tests are used. The essence of the ADF test is the null hypothesis of non stationarity. To reject this, the ADF statistics must be more negative than the critical values and significant. On the other hand, the Phillips-Perron test differs because it is a robust test for serial correlation and time dependent heteroskedasticities. Table 1 shows the results of Augmented Dickey Fuller (ADF) test and Philip Perron unit root test statistics for the levels. The test was carried out with intercept and, with intercept and trend in order to ensure that our empirical estimations are not spurious. Analyzing the stationary in the data at level consequently checking stationary

at first difference. The result indicates that all variables are stationary at first difference. All the variables are checked at the lag length of one. All the given variables are integrated at order one. On the table 2, GDP is a dependent variable and CPS, INV and PLR are independent variables. Table 2 gives us the value of R square, which represents the correlation between the observed values and predicted values of the dependent variable. R-Square is called the coefficient of determination and it given the adequacy of the model. If the value of R-Square is 0.780 that means the independent variable in the model can predict 78% of the variance in dependent variable. The P-value is given by 0.000 which is less than 0.05, which shows the significance of our model. The values of Durbin-Watson statistics for dependent variables in our case is very near to 2.00, this indicates that there is no autocorrelation existing in our study and the regression models assume that the error deviations are uncorrelated.

The Beta value shows the relationship between the variables in the model, if the value of coefficient is positive, it means that independent variables have positive relation with dependent variable i.e. increase in dependent variable is caused by increase independent variable and if the value of coefficient is negative than independent variables are having negative relation with the dependent i.e. decrease in dependent variable is caused by increase in dependent variable. The value of coefficients beta and constant are used to construct the regression model, the model is shown below:

$$GDP = 0.892 + 0.621 (CPS) + 0.552 (INV) + 1.105 (PLR)$$

Beta coefficient shows the tendency of an independent variable to respond against dependent variables. Therefore greater value of beta indicates the larger impact on dependent variable and vice versa. Credit to private sector (0.621), Investments (0.552) and Prime lending rate (1.105) all are having positive and significant impact on the economy because the p-value is less than 0.05, that means if GDP, CPS, INV, and PLR are increasing then the GDP will also increase. On table 2 column label P-value shows that all variables P-values are <0.05; i.e. Credit to private sector (CPS) has (0.056), Investments (INV) has (0.010), Prime lending rate (PLR) has (0.046) therefore all variables are significant. VIF is the test of multicollinearity among the variables (Excessively high correlation among the independent variables). The rule of thumb describe that  $VIF > 10.0$  indicates multicollinearity problem among the variables, since the table 2 shows that no variable have VIF value  $> 10.0$  so therefore multicollinearity does not exist in this model.

Durbin-Watson test is used to test autocorrelation among the data (error term). In Durbin-Watson test, null hypothesis indicate that autocorrelation does not exist an error term and alternative hypothesis depicts that autocorrelation exist an error term. Since regression model has assumption of uncorrelated error term therefore it must be fulfilled to run regression analysis. Table 2 indicates value of Durbin Watson as 1.841 which shows that autocorrelation does not exist in error term. Regression model overall significance as identified by F-value. It is actually the explained variance (mean error). On table 2, F-stat shows the value of 5.455 and its probability at 0.001415.

**Table 1: Stationary Test Results**

Variables	Augmented Dickey Fuller test				Phillip Perron test			
	Level		1 <sup>st</sup> Difference		Level		1 <sup>st</sup> Difference	
	Inter.	Trend & Inter.	Inter.	Trend & Inter.	Inter.	Trend & Inter.	Inter.	Trend & Inter.
GDP	1.72	-11.20	-5.00	-5.71	1.84	0.87	-2.33	-4.21
CPS	1.01	-13.41	3.07	-3.64	1.63	-1.22	-4.01	-5.32
INV	-1.88	-9.33	-4.11	-5.23	-1.44	-2.71	-3.31	-5.02
PLR	3.13	-8.43	-4.31	-4.01	-2.15	-0.82	-4.41	-4.62

*Source:* Authors' Computation

**Table 2: Ordinary Least Squares (OLS) Results**

Variable	Coefficient	T-Statistic	Probability	VIF
CPS	0.621	1.831	0.056	7.423
INV	0.552	4.105	0.010	5.320
PLR	1.105	5.321	0.046	8.201
C	0.892	8.720	0.000	
R-squared	0.780			
Adj. R-squared	1.841			
DW Stat.	5.455 (0.001415)			

*Source:* Authors' Computation

## APPENDIX

**Financial Sector selected Performance indicators 1991 – 2012**

YEARS	GDP(N' Million)	CPS(N' Million)	INV(N' Million)	PLR%
1991	545,672.41	45.3	7,453.5	20.8
1992	875,342.52	80	6,767	31.2
1993	1,089,679.72	95.5	31,192	36.1
1994	1,399,703.22	151	40,444	21
1995	2,907,358.18	211.4	22,695	20.8
1996	4,032,300.34	260.6	49,751	20.9
1997	4,189,249.77	319.5	42,861.5	23.32
1998	3,989,450.28	372.6	52,993.8	21.3
1999	4,679,212.05	455.2	193,412.9	27.2
2000	6,413,574.84	596	285,294.4	21.6
2001	6,895,198.33	855	192,731.8	21.3
2002	7,795,758.35	955.8	35,601	30.2
2003	9,913,518.19	1,202	434,299	22.9
2004	11,41,1066.91	1,534.4	677,957.4	20.8
2005	14,610,881.45	2,007.4	379,75..5	17.8
2006	18,564,594.73	2,650.8	610,389.3	17.3
2007	20,658,317.67	5,056.7	778,128.2	16.4
2008	24,296,329.29	8,059.5	754,321	15.3
2009	24,794,238.66	10,219	842,002	19.6
2010	33,984,754.13	39,830.3	909,471	15.7
2011	37,409,860.61	14,183.6	1,045,682	16.3
2012	40,544,099.94	15,151.8	1,864,790	24.7

*Source:* CBN Statistical Bulletin & Annual Reports (2012)

## CONCLUSION AND RECOMMENDATIONS

This study investigates the contributions of banking sector in economic growth of Nigeria. The data used in this study were collected from the period of 1991 to 2012. Augmented

Dickey Fuller (ADF) and Phillip Perron unit root test, ordinary least square. Unit root test confirms the stationary of all variables at first difference. Regression results indicate that credit to private sector, prime lending rate have significant positive impact on economic growth of Nigeria. Based on the findings, it is recommended that:

- i The reform policy thrust should be geared toward proper reserves management
- ii There should be efficient stock market operation to enable banks put their capital and asset base to full utilization.
- iii The policy makers should make policies to enhance the financial sector in Nigeria
- iv There should be a body that supervises the reform and ensure a successful follow up of such growth and development.
- v There should be a modality of ensuring of macroeconomic stabilization, as the activities in all other sectors affect this or is affected by it.

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