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CONTENTS

Editorial Team iii
Note for future submission of Manuscript v

Articles

Enhancing Profitability of Nigerian Banks: Insiders' views of the Roles of Efficient Customer Relationship Management
Yusuf H. Agboola, Owuru E. Joel, Charles C. Nwobi, Ojuolape M. Adebayo 1-15

An Econometric Analysis of Financial Sector Development and the Nigerian Economic Growth
Adekunle Ahmed Tobi, Nageri Kamaldeen Ibraheem, Muritala Taiwo Adewale, Oyeleye Aminat 16-30

Influence of New Media on Media Buying among Selected Lagos-based Advertising Practitioners
Akashoro Ganiyu Olalekan, Suleiman, Hassan Biodun 31-44

Effect of Value Added Tax and Capital Gains Tax on Economic Growth in Nigeria: Traditional Versus Buoyancy Approach
Olaniyi Taiwo Azeez, Bello Nurat, Funmilayo, Yunus Bolaji AbdulRasheed 45-66

Privatization of Public Enterprises in Nigeria: Challenges and prospects
Adekola Abdulazeez Alao, Raheem T. Kazeem 67-86

Determinants of Students' Choice of Private Universities in Nigeria: A Corporate branding Perspective.
Oluwasanmi, Oluwaseun .O 87-97

Nigerian Growth Experience: Lessons from the Chinese Model
Oloni, Elizabeth Funlayo; Brimah, Aminu Nassir; Afolabi, Hafsat Olatanwa 98-110

Effect of Information Systems on the Efficiency and Profitability of Banks in Nigeria
Jimba Kareem 111-118

An Econometric Analysis of Financial Sector Development and the Nigerian Economic Growth

▪ *Adekunle Ahmed Tobi, Nageri Kamaldeen Ibraheem, Muritala Taiwo Adewale, Oyeleye Aminat*

Abstract

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. Financial sector development has been one of the unresolved, perturbing and persistent macroeconomic problems plaguing Nigeria for the past four decades. This study undertakes an empirical investigation into the problem using time series data from 1985 to 2014. The aim of this study is to investigate the impact of financial sector development on economic growth in Nigeria. In analyzing the impact of financial sector development on economic growth in Nigeria using time series data obtained from CBN statistical bulletin (2014) and Nigeria Stock Exchange, Ordinary Least Square (OLS), units root test, Johansen Co-integration Test and Error Correction Model (ECM) were used to analyse the data. 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 at 5%. Though the overall statistic shows that the independent variables were able to explain 86 percent variation in the dependent variable, 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 2020. The paper recommends transparent and fair policy to all players in the sector; and a vigorous sustainable human centred development capable of achieving a structural transformation of the economy should be pursued. The study therefore, concludes that government should ensure a robust supervision and strong instittutional development of the financial sector to enable financial institutions provide the needed funds for the growth and development of the Nigerian Economy.

Keywords; *Financial Sector Development, Economic Growth, Interest rate*
JEL Classification: *E44, O16, O55*

1. INTRODUCTION

The link between financial sector and economic growth has been debated in financial and economic literatures. Many researchers are of the view that there still exists great dichotomy regarding the role of financial intermediaries in facilitating sustainable economic growth in the long term. Earlier studies by Schumpeter (1911), Gurley and Shaw (1955), attest to this claim. Later studies like Levine and Zervos (1996) argue that

financial systems do not promote economic growth rather respond to real sector development in an 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).

With the global financial crisis, most countries appear to have recognized the role of financial sector development in sustaining economic growth. Most affected economies had a fall in stocks and commodities prices with consequent decline in the total market capitalization. For example, according to CBN (2010), the Nigerian capital market index which grew from a value of 12,137 in 2007 to 57,990 in 2009 fell to 20,827 in 2009, while total market capitalization of ₦13.29 trillion in 2007 fell to ₦7.03 trillion in 2011. The global financial crisis which translated into economic meltdown of most nations led

to several bail out of the financial sector (with public funds) by the governments of the affected countries with believe that once the financial sector is revived it will translate into reviving the economy and stimulate growth.

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 weaken 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. It is against this background, that this study empirically evaluates the impact of financial sector development on the Nigerian economic growth. Other specific objective is to determine the relationship that exists between economic growth and the real interest rate in Nigeria.

This study contributes to the literature by examining the relationship between financial sector development and Nigeria economic growth, hence, addressing the country's specific dimension to finance-growth debate. The study is different from previous studies in scope (number of years is considerably longer). In addition, the effects of different measures of financial sector development on economic growth are examined, thereby providing a comprehensive empirical investigation of finance-growth nexus in Nigeria. The study also made conscious efforts to address the endogeneity issue and provide the framework for examining the possibility of the impact of economic growth on financial development.

This study is centred on Nigeria. Within the study period (1985-2014), Nigeria has witnessed development in its financial sector such as financial sector reform. The effect of the development however, will not be appreciated without relating it with economic growth.

2. LITERATURE REVIEW

2.1 Conceptual Issues

Financial system serves as the medium of the savings-investment process. The financial system of any economy plays a determining role by ensuring that savings are invested in an efficient and optimal way. Financial sector development is all the wholesale, retail, formal and informal institutions in an economy offering financial services to consumers, businesses and other financial institutions. According to Financial Sector Team of Department for International Development (2004), financial sector development includes

everything from banks, stock exchanges, and insurers, to credit unions, microfinance institutions and money lenders.

Liang and Reichert (2007) noted that endogenous financial development results directly from economic growth. As an economy grows, the aggregate demand for goods and services increases. To expand output, producers must look for efficient ways to raise capital. Consumers on the other hand, will seek more efficient means to earn higher rates of return on their savings. Consequently, a more efficient financial market is required.

According to the endogenous growth theory, all these functions of financial sector can effectively lead to increase in the rate of economic growth. By increasing the quality and probability of success of the undertaken innovation, they positively affect the level and progress of technology available in the economy.

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).

2.2 Theoretical Review

Most literature focus on two main diverging theoretical paradigm namely: the "**supply leading hypothesis**" and "**demand following hypothesis**" in line with Patrick (1966) which postulated a feed back relationship between economic growth and financial development. While the '**supply-leading hypothesis**' posits a unidirectional causation that runs from financial deepening to economic growth, implying that new functional financial markets and institutions will increase the supply of financial services. This will definitely lead to high but sustainable real economic growth. This hypothesis performs two roles namely: to transfer resources from low growth sectors to high growth sectors, and to promote entrepreneurial response in the later sector.

Earlier scholars such as Schumpeter (1912), Goldsmith (1969), Shaw (1973) and McKinnon (1973), emphasized the importance of the financial system in economic growth. Hicks (1969) argued that the industrialization process in England was promoted by the development of the financial sector which increased the access of the government and people to funds that were used to finance capital projects which led to the development of the economy. This view was supported by King and Levine (1993), that financial development fosters economic growth. Moreover, Bensivenga and Smith (2010) concluded that well developed financial market induces long run economic growth.

The **demand-following hypothesis** posits a unidirectional causation from economic growth to financial development. This implies financial system passive response to economic growth meaning that the increasing demand for financial services might lead to the aggressive expansion of the financial system as the real sector of the economy grows. Previous studies that support this hypothesis include **Gurley and Shaw** (1955, 1967), Goldsmith (1969) and Jung (1986). Others are Caporale (2013) and Unalmis (2014) who

empirically examined the relationship between financial development and economic growth. The study employed Ordinary Least Squares technique to show that there is significant positive effect of financial development on economic growth for Northern Cyprus. They posit that causality runs from growth to financial development without a feed back. In addition, Patrick (1966) suggested a third hypothesis known as the **stage of development hypothesis** which posits that the supply-leading financial development can induce real investment in the early stages of economic development. Essentially, this study is built on the demand –following hypothesis.

2.3 Empirical Review

Unalmis (2014) investigated the direction of causality between financial development and economic growth in Turkey using Granger non-causality in the context of VEC model. Annual data from 1970 to 2001 were used. The study found that except for one of the proxies used, causality runs from financial development to economic growth in the short-run; thus supporting the supply-leading hypothesis.

Adeoye (2004) investigated the role of financial development on economic growth in South Africa. The study used three proxies of financial development namely: the ratio of M2 to GDP, the ratio of currency to narrow money and the ratio of bank claims on the private sector to GDP against economic growth proxied by real GDP per capita. He employed the Johansen-Juselius cointegration approach and vector error correction model to empirically reveal overwhelming demand-following response between financial development and economic growth. The study totally rejects the supply leading hypothesis.

Using four countries, Caporale (2013) examined the hypothesis of endogenous growth models that financial development caused higher growth through its influence on the level of investment and its productivity. The study revealed that indeed, investment productivity was the channel through which stock market development enhanced the growth rate in the long run.

Mohammed and Sidiropoulos (2014) investigated the effect of financial development on economic performance in Sudan from 1970 to 2004. The study estimated the short-run and long-run relationship between financial development and economic growth using the autoregressive distributed lag (ARDL) model to cointegration analysis by Pesaran and Shin (1999). Their empirical results indicated a weak relationship between financial development and economic growth in Sudan due to the inefficient allocation of resources by banks, the absence of an appropriate investment climate required to foster significant private investment in order to promote growth in the long run, and the poor quality of bank credit allocation.

Emmanuel and Adegboyega (2014) examined the relationship between banks and economic growth in Nigeria. The study adopts linear regression function and specifies that the level of real Gross Domestic Product, which is a measure of economic activity, is

a function of banks credit to the economy which is a measure of the contribution of banks. The results of the models estimated show that banks have positive impacts on economic growth in Nigeria.

Empirical studies on Nigerian finance-growth dynamics are not only limited in number but restricted in scope in terms of the measure of financial development.

Ndebbio (2010), using an ordinary least square regression framework, finds that financial sector development weakly affect per capita growth of output. He attributed the result to shallow finance and the absence of well functioning capital markets. The finding of Nnanna (2004) was more disturbing. He, also using ordinary least square regression technique, concluded that financial sector development did not significantly affect per capita growth of output.

The finding of Agu and Chukwu (2013) is quite different from other authors on Nigeria. They employed the augmented Granger causality test to ascertain the direction of causality between financial deepening and economic growth in Nigeria between 1970 and 2005. Their findings revealed evidence to support both demand- and supply-leading hypotheses, depending on the financial deepening variable that is used. In addition to the existing literature on finance and economic growth, this study sets to investigate the path of finance-growth nexus in Nigeria.

Based on the above empirical reviews especially, emphasis on Adeoye (2004) that employed Johansen-Juselius cointegration method over 1990 to 2004 on South Africa economy. This current study is a replica in Nigeria with a major focus on economic growth, to examine the effect of financial sector development on economic growth in Nigeria using Error Correction Model (ECM). Thus, this study fills the existing research gap.

3.0 METHODOLOGY

The study employed a modified version of Adeoye (2006), which developed a model showing the relationship between financial sector development and economic growth in South Africa. The chosen economic growth indicator is the real Gross Domestic Product (RGDP) 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:

Economic growth is a function of:

$$RGDP = f(M2GDP, INTR, CPGDP, \mu)$$

And the structural form is expressed as

$$RGDP = a_0 + \beta_1 M2GDP + \beta_2 INTR + \beta_3 CPGDP + \mu$$

The logged version of the model is as follows:

$LogRGDP = \alpha_0 + \beta_1 LogM2GDP + \beta_2 LogINTR + \beta_3 LogCPGDP + \mu$

The log model represent elasticity of dependent variable, that is, what is elasticity of change in capital flight with respect to percentage change in a particular independent variable. One advantage of making use of log model is to make all our variables to be on the same scale in percentage term without being worried about unit. Essentially, our coefficient can easily be compared with each other.

The model below tests the long run relationship and the equilibrium of the variables

$$\Delta RGDP = \alpha_0 + \beta_1 \Delta M2GDP_{t-1} + \beta_2 \Delta INTR_{t-1} + \beta_3 \Delta CPGDP_{t-1} + \gamma \Delta ECM_{t-1} + \varepsilon_t$$

and the error correction mechanism is as below:

$$\Delta ECM_{t-1} = \Delta RGDP - \beta_1 \Delta M2GDP_{t-1} - \beta_2 \Delta INTR_{t-1} - \beta_3 \Delta CPGDP_{t-1} - \varepsilon_t$$

Where RGDP = real gross domestic product
M2GDP = ratio of liquidity liabilities to GDP
INTR = real interest rate
CPGDP = ratio of credit to private sector to GDP
μ= stochastic variable or error term incorporating other factors that are not considered in the model.
a0 =constant term
a1-a3 =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 have given credence to the positive impact of all these financial development indicators on the economic growth.

Hence $\partial RGDP/\partial CPGDP$, $\partial RGDP/\partial M2GDP$, $\partial RGDP/\partial INTR > 0$

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Data and estimation

To achieve the stated objectives of the study, annual time series data of the variables were used. The data were sourced from the Central Bank of Nigeria's Statistical Bulletin (2013), United Nations Organisation for Education, Science and Culture, and the World Bank's World Development Indicators *(2014)*. The period covered by the study is 1985–2014.

To study the impact of financial sector development on economic growth, variables stationary should be checked.

To test the stationarity, the series (LogRGDP, LogM2GDP, Log, LogINTR and LogCPGDP) is exposed to unit root tests. The results are listed in the table below. The ADF results below show

that all the variables are non stationary at level, i.e.I(0) at 5 percent confidence levels.

Variables	Order	Included in Test Equation	ADF Test Statistic	Mackinnon Critical Value
RGDP	I(0)	Trend & Intercept	-2.0738	-3.5806
M2GDP	I(0)	Trend & Intercept	-0.6506	-1.9533
INTR	I(0)	Trend & Intercept	-2.2507	-3.5875
CPGDP	I(0)	Trend & Intercept	-2.0588	-3.5875

Source: *Eviews output computed by the author, 2015*

The ADF results in a table below show that all the variables that are non stationary at level but became stationary at integration of order one, i.e.I(1) at 5 percent confidence levels.

Variables	Order	Included in Test Equation	ADF Test Statistic	Mackinnon Critical Value
RGDP	I(1)	Trend & Intercept	-4.6475	-3.6032
M2GDP	I(1)	Trend & Intercept	-10.5901	-3.5875
INTR	I(1)	Trend & Intercept	-4.9621	-3.5875
CPGDP	I(1)	Trend & Intercept	-5.8622	-3.5950

Source: *Eviews output computed by the author, 2015*

4.2 Test for cointegration

The theory of cointegration proposed by Engel and Granger (1987) is considered as one of the most important new concepts in the field of econometrics and time series analysis. The cointegration test clearly identifies the long-run relationship between the variables in the model. Cointegration therefore allows estimating the long-term relationship between stationary variables integrated of same order. Furthermore, the Johansen (1988) test is used to test the existence and number of cointegration between variables in the model.

Table 2. Johansen Multivariate Cointegration Results

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.932888	238.4419	125.6154	0.0000
At most 1 *	0.884372	162.8031	95.75366	0.0000
At most 2 *	0.812522	102.3966	69.81889	0.0000
At most 3 *	0.625523	55.52203	47.85613	0.0081
At most 4	0.377387	28.01970	29.79707	0.0791
At most 5	0.278087	14.75248	15.49471	0.0645
At most 6 *	0.182107	5.628648	3.841466	0.0177

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: *Eviews output computed by the author, 2015*

Table 3. Johansen Multivariate Cointegration Results

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.932888	75.63878	46.23142	0.0000
At most 1 *	0.884372	60.40647	40.07757	0.0001
At most 2 *	0.812522	46.87462	33.87687	0.0008
At most 3	0.625523	27.50232	27.58434	0.0512
At most 4	0.377387	13.26723	21.13162	0.4280
At most 5	0.278087	9.123827	14.26460	0.2760
At most 6 *	0.182107	5.628648	3.841466	0.0177

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: *Eviews output computed by the author, 2015*

The trace test statistic indicates 4 cointegrating equations at the 5 percent confidence level while the max-eigenvalue test statistic also indicates 4 cointegrating equations at 5 percent level. Meaning that the variables are cointegrated and having long – run equilibrium relationship.

4.3 The Error Correction Model (ECM)

The error correction model proposed by Engel and Granger (1987) describes a process of adjustment by contributing two types of variables; the level variables that measure long-term fluctuations and first difference variables that measure changes on the short term. The error correction model is as follows:

$$\Delta y_t = \alpha_0 + \alpha_1 \Delta x_{1t} + \alpha_2 \Delta x_{2t} + \ldots\ldots\ldots + \alpha_k \Delta x_{kt} + \gamma e_{t-1} + v_t$$

The coefficient γ (force towards the long-run equilibrium) must significantly be negative. The equation that relates the short-run dynamics of economic growth based on the explanatory variables in this model is as follows:

Dependent variable(GDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGM2GDP)	0.072437	0.071486	1.013295	0.3219
D(LOGINTR)	-5.273964	1.591773	-3.313265	0.0032
D(LOGCPGDP)	0.335909	0.658996	5.509728	0.0415
ECM(-1)	-0.886556	0.222489	-3.984726	0.0006

R-squared	0.8985	Mean dependent var	0.077402
Adjusted R-squared	0.8559	S.D. dependent var	0.251587
S.E. of regression	0.184911	Akaike info criterion	-0.350477
Sum squared resid	0.752224	Schwarz criterion	-0.065004
Log likelihood	10.90668	Hannan-Quinn criter.	-0.263205
Durbin-Watson stat	1.826582		

Source: *Eviews output computed by the author, 2015*

According to the estimation results, it is discovered that the coefficient associated with the restoring force towards equilibrium is negative (-0.887) and statistically significant at 5%. Therefore the error correction mechanism, that is to say that γ can tend towards the long-run equilibrium, has been validated.

The result also 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 shows greater capacity to provide liquidity for the exchange of goods and services as indicated by the ratio CP to GDP.

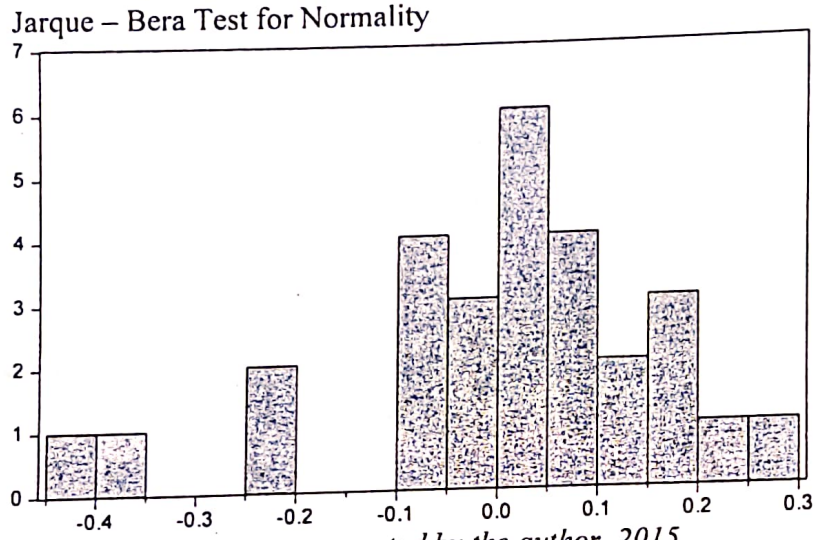
According to Khan and Villanueva (1991) and Nnanna (2004), there exist a significantly strong positive relationship between real interest rate and economic growth. The negative relationship could be due to the high level of interest rate which might have denied investors access to credit and consequently 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.

Model appropriateness test

There are some features that these models should satisfy in order to be appropriate for policy consideration and implementation; the residuals must be normally distributed, absence of autocorrelation, no serial correlation, homoscedastic, etc. In this study, these tests were conducted on the residuals to decide if these models are robust.

Jarque – Bera Test for Normality



Series: Residuals	
Sample 1986 2013	
Observations 28	
Mean	-2.53e-17
Median	0.012767
Maximum	0.296922
Minimum	-0.417207
Std. Dev.	0.164634
Skewness	-0.796441
Kurtosis	3.636854
Jarque-Bera	3.433332
Probability	0.179664

Source: *Eviews output computed by the author, 2015*

Serial correlation test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.225503	Prob. F(2,19)	0.1354
Obs*R-squared	5.314405	Prob. Chi-Square(2)	0.0701

Source: *Eviews output computed by the author, 2015*

ARCH test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.214966	Prob. F(6,21)	0.9678
Obs*R-squared	1.620215	Prob. Chi-Square(6)	0.9511
Scaled explained SS	1.201576	Prob. Chi-Square(6)	0.9768

Source: *Eviews output computed by the author, 2015*

The Jarque-Bera residual normality test result for the model is 3.4333 with a P-Value of 17.96.% which is more than 5% indicates that the null hypothesis cannot be rejected,

meaning, that the residuals are normally distributed. The Breusch-Godfrey serial correlation LM test shows a P-Value of 7% for the observed R^2 which means we cannot reject null hypothesis that the residuals are not serially correlated. The Heteroscedasticity test also shows a P-Value of 95% for the observed R^2 meaning that the null hypothesis that the residual has no ARCH effect cannot be rejected. All these tests confirm that the model is robust for policy consideration.

5. CONCLUSION AND RECOMMENDATIONS

5.0 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 weaken 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.

5.1 Policy Recommendations

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

(i) 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 induce the desire for credit expansion thereby encouraging investment activities in the country. Also the implementation of tax incentive policies should be maintained.

(ii) 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 is the continuous need for political stability in the country.

(iii) 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

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