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Banks/Financial Sector Project Financing and Economic Growth in South Sub-Saharan Countries

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Abstract
The project examines the relationship between Bank/financial sector financing and economic growth in South Saharan countries of Nigeria and Sierraloen. This is done to ascertain the impact of Banks/financial sector financing and the growth of Nigerian economy and francophone country of Sierraloen economy. A descriptive research design was adopted for use involving the collection of variables which includes Gross Domestic Product, Loans and Advances by the banks/financial to private sector and money supplied by the CBN/ADB. The research which centered on the use of secondary data collected from the CBN and African Development Bank from 2000 – 2012. The statistical package for social sciences (SPSS) was used to carry out regression correlation analysis to test the hypothesis. The findings show that there was significant relationship between the loans and money suppliers to private sector and economy growth in Nigeria and Sierraloen. Based on the findings the researchers recommend that the policy makers should facilitate the establishment of financial institution to increase credit delivery to private sector especially in the Rural areas which have limited, access to financial services and create enabling environment to enhance economic growth in South sub-saharan countries. However the results of the research may be different if other variables such as interest rates and exchange rate are introduced.
Keywords: Gross Domestic Product, economic growth Bank/Financial Sector, Credit Advances and Load

Introduction

The development and growth of an economy is not the sole function of only one sector of the economy, rather it is a collective contribution of different sectors working harmoniously together. Many sectors and sub-sectors have indeed contributed to the growth of the Nigerian and Sierra Leon economies. The sectors that have contributed to the growth of the Nigerian economy amongst others are the petroleum sector, the manufacturing sector, the agricultural sector and the banking sector. (Emmanuel, 2010).

The banking system is one of the most important components of the Nigerian financial system. The same applies to other countries of the world including Sierra Leone. It is the hearth of the financial system. This is because apart from being the key operators in the financial market, monetary policies of the government are implemented through the banking system. Moreover, the banking system creates money and by doing this influences the economy of a country in no small way.

These are in addition to the traditional roles of savings mobilization and intermediation and provision of settlement mechanism. Banks/financial sector constitute the major source of credit to the economy. Project financing is one of the numerous functions of banks financial sector that entail a lot of risk. The functions of banks as financial institutions is to pool resources (savings) from the surplus economic units and then channel them to the economic deficit units who will then put such funds to productive use. This singular role helps to increase the production base of the economy. In Nigeria today both universal banks, and other development banks have contributed by playing a vital role in the financial system through mobilizing financial resources and making same available for financial development.

For a country like Nigeria, with a lot of banks operating various parts of the country, there should be an impact in terms of project financing by these various banks in terms of promoting the development of the public and private sectors of the country. Banks are expected to extend credit to finance economic activities from the areas where deposits are mobilized. Therefore, the expectation is that banks in the country should grant credit to the, Federal Government, state governments, small and medium scale enterprises which are seen as having a vital role in the regeneration of the economy and as a continuing source of strength and innovation including inhabitants of the rural areas and to the agricultural sector which is the backbone of the Nigeria economy. This will no doubt lead to the development of the states in particular and the country in general.

However, experience has shown that not much has been done on the part of banks in this crucial area of project financing in Nigeria. It is also our conviction that banks are mobilizing enough savings within the geographical area of the country. The reciprocal gesture from banks is to get themselves involved in the development of the country through project financing. It is based on this apathy that informs the researcher to investigate the extent at which banks are involved in the development and growth of the economy of Nigeria.

According to Read et al., (2006), as sighted in Adekanye (2009:173) the primary function of banks is the extension of credit to worthy borrowers. In making credit available, banks are rendering a great deal of social service and through their action, production is increased. Capital investments are expanded and a higher standard of living is realized. Taking a critical look at loan applicants and their bankers, how can we describe the relationship between the banker and his customer, how reliable and credit worthy are the facility seekers for the banks to extend credit. Either through overdraft, loan hire purchase, equipment leasing or any other form of project financing.

Banks are known to be willing and able to finance projects, but the risk a bank is taking has to be looked into; because banks in Nigeria give large amount of credit for production purposes. The time element should also be put into consideration, that is the time the project will be completed and the time and means through which the loan will be repaid, this gives us an insight to the various methods used by banks in appraising a loan proposal so as to reduce the risk of bank debt.

Like many other countries in sub-Saharan Africa, financial sector plays important roles in the productivity and growth enhancing effects in the government of Sierra Leone. This view was also expressed by Sehumpeter (1911) who argued that financial intermediaries play a crucial role in fostering technological innovations and economic growth by providing basic services such as mobilizing saving monitoring managers, evaluating investment projects, managing and pooling risks and facilitating transactions. The seminal works of Mckinnon (1973) and Shaw (1973) have supported schumpeters; view to promote development of financial sector for economic growth. The authors criticized the Keynesian or financial repressionist view adopted by many governments in developing countries in the early 1970s. They argue that government restrictions on the banking system such as interest rate ceiling high reserve requirements and directed credit programs hinder financial developments and reduce output growth. In this paper, we are going to examine the relationship between financial sector financing and economic growth in Sierra Leon. Therefore, this study would address the following problems.

1. Whether bank project financing affects the growth of Nigerian economy.
2. To examine the relationship between financial sector financing and economic growth in Sierra Leon.

The broad objective of this study is to determine the impact of bank project financing on the growth of the economy. The specific objectives are:

1. To determine the impact of banks project financing on the development and growth of the Nigerian economy.
2. To ascertain the effect of financial sector financing on the economic growth in Sierra Leon.

Research Hypothesis

Ho_1: There is no significant relationship between financing sector financing and growth of the Sierra Leone economy.

Ho_2: There is no significant relationship between Banks financing and growth of the Nigerian economy.

Conceptual Review of Related Literature

Every firm must make capital budgeting decision in order to decide the way in which its capital project will be financed. Every time a firm makes an investment decision, it’s at the same time making a financing decision and also considering the source of finance to embark on such investment or project. Pandy (1999) argues that assets of a company can be financed either by increasing owners claim or the creditors claim. According to him, the owners claim increases when the firm raises funds by issuing ordinary shares or by retaining the earnings; the creditors claim increases by borrowing from financial institutions such as banks.

Project financing is one of the sole functions of banks; banks finance different kind and forms of project because its profitability depends on it. The financial structure of a bank comprises of both the short term claims and long term claims. A firm’s project is financed with long term claim and therefore, the long term claim is said to form the capital structure of an organization or business firm embarking on a project.

Banks project financing is a very significant managerial decision because it influences the shareholders returns and risk. The task of every financial manager is to plan the capital structure that will best maximizing the firm’s value and reduces cost.

Firms managers, who are able to identify the optimum capital structure are rewarded by minimizing the firms cost of financing, and maximizing the firms revenue as expressed by Grang (2007).

The topic of project financing has been the subject matter of many studies. It has been argued that profitable firms were less likely to depend on banks funds for embarking on a project than less profitable ones (Grang, 2007).

If bank project financing influences the profitability of a firm, then it will be reasonable to expect that banks project financing directly or indirectly affect the development and growth of the economy. This is probably the reason why Pandy (1999) asserts that financial leverage employed by a company is intended to earn more changes in funds than their cost. According to him the surplus or (deficit) will increase or decrease the returns on the equity. Van Hitan (2001) in his broad view opines that when we talk of bank project financing and its influence on the development and growth of the economy we looked into allocation of banks capital to investment proposal with a given financing mix which then enables us find out whether the way, in which project proposals are financed matters.,

In view of the above, banks project financing can be viewed as a permanent and long term fund channeled by banks to deficit business unit to embark on a project in order to promote the development and growth of the economy.

Project finance is the long term financing of infrastructure and industrial project based upon the projected cash flows of the project rather than the balance sheets of its sponsors. Usually, a project financing structure involves a number of equity investors known as sponsors as well as a syndicate of banks or other lending institutions that provide loans to the operations. They are most commonly non-recourse loans, which are secured by the project assets and paid entirely from the project cash flow, rather than from the general assets or credit assets or credit worthiness of the project sponsor or decision in part supported by financing modeling. The financing is typically secured by all of the project assets, including the revenue producing contracts. Project lenders are given a lien on all these assets and are able to assume control of a project if the company has difficulties complying with loan terms sufficient to recover full cost of production, enable the project to service debt and provide an acceptable rate of return to equity investors.

The Concept of Economic Development

According to Anyaele (2000) economic development is often associated with a high and sustained rate of increase in real per capital income which is often accompanied by a high and sustained ratio of increase in population, major shifts in the industrial structure both in terms of products, labor force and other factors of production referred to as in industrialization and urbanization changes in the organizational units under whose auspices and guidance of economic activity takes place. A rise in the preposition of output and also the study of consumer expenditure accompanying urbanization and higher income per capital, changes in the character and magnitudes of international economic flows.

Agu and Amuka (2004), opined that economic development is the ability of an economy to increase its capability in the production of goods and services over a period of time. An economy that is growing is the one that is witnessing increase in the production of goods and services for some consecutive years. e horizon differs from a country but one will talk of a developing economy if it is capable of recording a continuous increase in the production of goods and services for at least four years running, the record of improvement in the output of goods and services.

Okafor A. (2005), asserted that economic development is the single most important factor in the economic success of nations in the long run. It represents the expansion of a country's potential Gross Domestic Product (GDP) or economic output. However, there are lots of difficulties in the decision of economic development. This is because talking about the ability of a country to increase the production of goods and services are sometimes misleading. It is misleading in the sense that it does not tell us anything about productivity of labor. Productivity issue is very important because it is the measure of economic development and stability.

Project financing is extremely complex. It may take much longer period of time to structure, negotiate and document a project and the legal fees and related costs associated with project financing can be very high. Because the risk assumed by lenders may be greater in traditional financing. The cost of capital may be greater in traditional financing. The cost of capital may be greater than traditional financing.

The existence of a strong financing system makes the intermediation process more efficient, by avoiding considerable Waste of resources and raise the quantity of investment and development and growth of the economy Levine and Loayza (2000).

In an economy where there is no excess to international credit, savings equal investment, such an economy is said to be far near from attaining a reasonable level of economic growth. This is because a nation without an organized financial system would be a long way from attaining economic development.

Like many other modem economies, the Nigerian economy has progressed substantially from the stage of a better economy through the stage of mixed economy of that of a credit economy. The role of banks in financing project in every modern economy is well documented in economic literature. The impact of bank project financing has positively influenced the level of economic development. The Nigerian financing institution has to a large extent live up to their billing as credit granting institutions. In the analysis of credit activities by these institutions, we focus on the aggregate credit by the banking system, made up of the central bank, commercial banks as well as merchant banks (Prior to 2001) and the distribution of such credit between the private and public (government) sector of the economy. Domestic credit policies are enacted in pursuance of government objectives of ensuring rapid growth of the real sector of the economy, particularly agricultural and manufacturing. Prior to 1987, the economy was categorized into four preferred sectors made up of agriculture, industrial, enterprises service and a fourth category. The less preferred sector comprising of government, import and domestic trade, credit and financial institutions, personal and professional for the purpose of credit extension as from 1987 however, the categorization of the economy was structured along two broad line viz, the high priority sector made up of agricultural production and manufacturing enterprises and second category, others. The central bank prescribes a minimum percentage of total credit that maximize percentage that can be extended to low priority (other) sector Anyawu (1997).

Boosting Small Scale Enterprises

Banks have been recognized to play an important role in economic development. This recognition dates back to Mckinnon (1973) which demonstrated that the financial sector could be a catalyst of economic growth if it is developed and healthy. The benefits accruable from a healthy and developed financial system related to saving mobilization and efficient financial intermediation roles (Cubson 1994).

About 60 percent of poor people in the country live in the rural areas and a good number of them are farmers and artisans.

Banks through the process of finding project have been the main source of funding to the less disadvantaged groups. Rural people are empowered through the extension of credit and financing project within those areas and hence small and large agricultural practice and micro-enterprise are developed. Government go into co-operative to partner with banks in order to raise bulk loans to be disbursed to finance project that will have a viable impact on the development of Nigerian and growth of the Nigerian economy.

Agriculture and micro-enterprises contribute immensely to job creation, and are of particular interest to the growth of the nation. The promotion of employment in rural areas by banks services and agricultural practice covers the following areas; black smithing, gold smithing, watch repairing, barbing, palm wine tapping, cloth weaving, dying, carpentry and so on. It has therefore, been acknowledged that the rural setting in an area of many industries which could be developed to contribute significantly to the national economy, just as rural people are more frequently self employed than urban people Ketu (2008).

Improvement of the condition of women through the provision of skills acquisition and adult literacy is another role played by banks through the process of financing project that has either direct or indirect relation to them. More times, this is done through building capacities for wealth creation among enterprising poor people and promoting sustainable livelihood by strengthening rural responsive banking methodology and introduction of simple cost benefit analysis in the conduct of business, Umar (2008).

Theoretical Framework

Soludo, (2005) opined that the recent endogenous growth theory suggests that a strong banking system promotes economic growth through granting of bank credit and holds that policy measures can have an impact on the long-run to growth rate of an economy. The banking system plays a crucial role in channeling finance into bank credit facilities and investments to productive agents within the economy and thus act as catalysts of economic growth. The main implication of this theory therefore is that banking policies which embrace openness, competition, change and innovation will promote economic growth.

According to Balogun, (2007) theoretical models were expansive and included money supply, minimum rediscount rate, private sector credit, ratio stock market capitalization to credit to the private sector and exchange rates. Banking system openness had a direct and indirect effect on economic growth through combination of improvement in access to financing intermediaries as both of those cause a lowering of costs of financing which in turn stimulates capital accumulation and economic growth.

The rate of economic growth is dependent only on the rate of technological progress and rate of labour force growth.

Theories of Banking

Banking theories have their common focal points a theory of how banks should behave in order to reconcile these conflicting goals. These banking theories are abstract arguments dealing with the pros and cons of how banks should behave, that is a sort of abstract descriptive of what bankers do.

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Commercial Loan Theory

This aims at the stabilization of the banking system this theory holds that banks should lend only on short-term, self-liquidating, commercial paper: The controlling factor is that a bank has liabilities payable on demand and it cannot meet these obligations if its assets are tried up for long periods of time. Adewunmi, (2002) a bank needs a continual and substantial flow of cash moving through in order to maintain its own liquidity and this cash flow can be achieved only if the bank limits is lending activities to short-term maturities. In addition, even short-term credits are not appropriate object of bank credit unless they are backed up by real, physical tangible goods.

Nevertheless, Hansen (2008) in his own view states that, this theory is planned by serious misconceptions, both analytical and historical. Its theoretical unsoundness stems from misconceiving the nature of what is and its immediate source real goods. Thus, there is speculative element in any credit, whether or not it has immediate source real goods. In addition, the theory grew to be fundamentally out of touch with historical reality given the demand for financial capital formation with long-term credit as industrialization grew rapidly which banks compromised despite some lip service adherence to the dictates of this theory. This theory still remains in the structure of bank regulatory agencies, bank examination procedures and the thinking of many bankers.

The Anticipated Income Theory

This theory opines that a bank should make long-term and non business loan since even a real bill is repaid out of the future earning of the borrower that is out of the future earning of the borrower that is out of anticipated income. If anticipated or future income is the true source of bank-loan payment, then there is no reason to confme bank lending to the traditional commercial loan since what is critically and issue is the borrower's ability to repay the loan out of future earnings, (Agu, 2003).

Therefore, under this theory, it became acceptable for banks to engage in as much broader range of lending including long-term loans to business, consumer installment loans, and amortized real estate mortgage loans.

The Liability Management Theory

Arguing that a batik can use its liabilities for liquidity purposes, the theory opines that it can manage its liabilities so that they actually become a source of liquidity by going out to buy money when it need it (for paying its demand deposits and meeting loan requests) Bhatin (2006) states that, the liability management suggests that the bank borrow the funds it needs by means of various bank related money market instruments.

Empirical Literature

Bank advance short-term credit to firms for financing their current assets. However, banks undergo a severe credit squeeze and curtail the loans they can grant. Consequently it is not always possible for a company to obtain funds from this source even under normal credit conditions, the rapid cash and liquidity ratio that banks are obliged to maintain will impose limits on the amount they can lend. These limits, means that the banks issue overdrafts with right to call then out at short-term notice. Ajasa, D. (2006) bank advances are infact legally repayable on demand. Though enforcing the letter of the law on this point is often impractical since it would hardly be in the banks' interest to drive its clients into a dangerous financial position of that look alike. Normally, the bank tells the borrower, he can rely on the overdraft not being recalled for a certain period of time.

Bank credit is usually the cheapest form of finance for a company, the only exception being that under certain conditions, finance may be available for export purposes which is cheaper. Banks do not vary the interest rates on credits to a degree that varies with the risks. They do charge different interest rates to different customers but the range is small as asserted by Ojiegbo (2007). This is a known fact as experience has shown that marked growth has been achieved from various sector of the economy due to bank's extension of credit to those sectors as directed by the central bank monetary guidelines which the central bank issued with a view to control credit expansion and the rate of inflation and directing bank credit to the vital sectors of the economy.

Whist some economists have generally emphasized the central role of financial sector in economic growth, the empirical evidence on the relationship between financial developments and economic growth is apparently inconclusive. Several authors have shown a positive link between financial development and economic growth (see for instance King and Levine 1993, Neusser and Kugler 1998, Rousseaup and Wachtel I 1998, Levine et al 2000, Klan and Senhadji 2003, Christopoulow and Tsionas 2004, Khan et al 2005 and Khan and Oayyum 2006 argue that financial development follows economic growth as a result of higher demand for financial services.

However, in spite of the prominent role of the financial sector in influencing economic growth, Sierra Leone is still characterized by under development financial markets which constrain resource mobilization and hinder economic growth.

Indicators of Credit and Economic Growth

According to Odedokun (2000) the role of banking system credit is to drive economic growth. In general, total domestic bank credit can be sub-divided into two: credit to the private sector and credit to the public sector.

Credit to the public sector is weak in generating growth within the economy because they are prone to waste and politically motivated programmes which may not deliver the best result of the populace. However, Levine (2005) found a negative correlation between growth and banking debt due to the fact that banks were mobilizing and pouring funds into the declining parts of the enterprise and hence, the system has not been growth promoting. He also emphasized the importance of focusing on allocation of credit to the private sector as opposed to all bank intermediation.

Davis (2004) used the ratio of liquid liabilities of the financial system to Gross Domestic Product (GDP), ratio of deposit money bank domestic assets to deposit money bank domestic assets plus central bank domestic assets and ratio of claims on the non-financial private sector to total domestic credit. The used four variable as indicators of financial development namely:- stock market capitalization, stock market turnover, listed companies and bank credit. The activities of the financial system and how they affect the economy where they operate are essential. The factors that drive credit growth are largely not researched hence the contribution of the well acclaimed private sector credit to the growth of the economy may not be easily measured.

Bank credit meanwhile is not the only factor promoting growth within the economy. There is also the importance of trade in generating growth within the economy. It as observed that a rise of one percentage point in the ratio of trade to GDP increases income per person by at least one-half percent. This happens because trade appears to raise income by spurring the accumulation of physical and human capital; thereby increasing output for given levels of capital. Nigeria has foreign trade accounting for a sizeable proportion of GDP. A perusal of the ratio of real exports to real GDP reveals that real exports which accounted for about 10% of GDP in 1970, increased to over 50% by 2004 with the highest percentage increase in 2000 at 59%. Based on the postulation of Amuka (2005).

Data presentation and analysis Table 1.1

GDP/CREDIT TO PRIVATE SECTOR IN NIGERIA AND SIERRA LEONE

Years	GDP NIGERIA	CREDIT PRIVATE SECTO	M2N	GDPSL	CPSSL	M2SL
2000	4582127.29	472011.7	1036080	59600	191786	217605
2001	472086	848992.8	1315869	854999	242601	290864
2002	6912381	1329401	1599495	955762	263905	381753
2003	8487031.59	1803938	1985192	1211993	349926	459333
2004	1141066.9	2020173	2263588	1534448	345600	551582
2005	14572239.1	2313388	2814846	2007356	340325	724178
2006	18564594.7	714205.7	4027902	2650822	454178	879508
2007	206557318	2688237	5809827	5056721	480131	1078701
2008	24712669.9	4951860	9166835	8059549	701946	132241
2009	24712669.9	7917041	10780627	10206085	888394	1697088
2010	33984754.1	8708546	11525530	11203055	1074842	2586068
2011	37409860.2	13686730	13303495	13805954	1932040	2719741
2012	40544099.9	12698205	15483848	15206081	2201088	3348717

Source: CBN Bulletin/African Development Bank 2000 – 2012.

The above table relates to GDP and credit advanced by various Banks to private sector both in Nigeria and Sierra Leone. In Nigeria, the GDP rose from N4582127 billion in 2000 to 4405 - 44099 billion in 2012. While the credit advance to private sector was N472011 billion in 2000 and rose to N1269826 in 2012. However the money supplied was N1,036, 080 billion in 2000 and amounted to N15483848 in 2012. On the otherhand the Sierra Leone GDP rose from Le 59,600 in 2001 to Le 15,206,081 in 2012. The amount of Leon advanced to private sector was Le 191786 in 2000 and to rose Le220,1088 in 2012. In this same vein of Leon supplied was Le 217605 in 2000and amounted to Le 3348717 in 2012.

Research Methodology and Data Collection

Research methodology states the steps and processes followed and undertaken by the researcher in carrying out the research work. It deals with systematic procedures and methods used by the researcher in collecting data for the purpose of the study. Ezirim (2004) viewed research as the specification of methods and procedures for acquiring the information needed. In conducting y this research, the researcher collected data from secondary source which was analyzed using linear regression analysis model. The secondary data was obtained from central Bank Bulletin and African Development Bank.

The Universal data sampling method was adopted and applied to relevant records. For the period 2000 – 2012. The records were assessed from the Central Bank of Nigeria statistical bulletin African Development Bank.

Model Specification

The regression correlation formula is as follows:

$Y = f(CPs, M_2)$ -------------------------------- (1)

Where y = Economic growth proxy to GPD

CPS = Credit to the private sector

M_2 = Money Supply

GDP = $f\ b_0 + b_1\ CPs + b_2\ M_2 + \mu_t$ ………….. (2)

b_0 = Intercept

b_1, b_2 = Slope change in CPS and M_2

μ_2 = Statistical variable

Table 2

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	M2SL, CPSSL[b]	.	Enter

a. Dependent Variable: GDPSL

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.942[a]	.887	.865	1986476.202	2.559

a. Predictors: (Constant), M2SL, CPSSL

b. Dependent Variable: GDPSL

Table 3

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ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	311276432253564.600	2	155638216126782.300	39.441	.000[b]
	Residual	39460877030105.590	10	3946087703010.560		
	Total	350737309283670.250	12			

a. Dependent Variable: GDPSL

b. Predictors: (Constant), M2SL, CPSSL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-126100.366	848190.442		-.149	.015
	CPSSL	6.243	2.258	.751	2.765	.020
	M2SL	1.019	1.361	.203	.748	.031

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1292931.25	17027010.00	5600955.76	5093103.444	13
Residual	-1820928.875	3668511.250	.000	1813396.377	13
Std. Predicted Value	-.846	2.243	.000	1.000	13
Std. Residual	-.917	1.847	.000	.913	13

a. Dependent Variable: GDPSL

Table 2 and 3 Coefficient of determination

From the result of the analysis as presented in table 2.3 show the effect of financed sector development project on economic growth in Sierra Leone. Two economic indicator of Sierra Leone financial sector (Gross Credit to the Private Sector CPSSL and Money Supply Lean a (M_2) was regressed against economic growth proxy by GDP (Gross domestic product) for the period of 2000 – 2012 to determine long term effect of the independent variable on the economy. The result for the table show R = 0.942 R_2 = 0.887 Adjusted R_2 0.865 F – statistics 39.44, P, value 0.000 and Durbin-Watson 2.559. this implied that positive relationship exist between bank financing projects and economic growth in Sierra Leone. As 88.710 variation in economic growth is accounted for by changes in credit to the private sector (CPSSL) and Money Supply (M_2) F – value of 39.44 show that the variable included in the model is well fitted and DW – statistics of 2.559 ruled out this possibility of Serial correlation between the dependent and independent variables.

From the probability value (P – value) of 0.000, implies there is significant relationship between variable of interests and hence we reject the null hypothesis and affirm the alternative that bank finance project has positive relationship with economic growth in Sierra Leone in particular and sub Saharan Africa in general. The coefficient of all induced variable show the approxi sign as they are positively related to economic growth.

TABLE 4

Regression

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.402[a]	.361	346	54212602.903	2.733

a. Predictors: (Constant), CREDIT PRIVATE SECTO, M2N

b. Dependent Variable: GDP NIGERIA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5653715304167896.000	2	2826857652083948.000	23.962	.015[b]
	Residual	29390063134811192.000	10	2939006313481119.000		
	Total	35043778438979088.000	12			

a. Dependent Variable: GDP NIGERIA

b. Predictors: (Constant), CREDIT PRIVATE SECTO, M2N

TABLE 5

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8658345.439	25596885.979		.338	.042
	M2N	13.514	10.099	1.283	1.338	.010
	CREDIT PRIVATE SECTO	13.067	11.212	1.118	1.165	.031

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	9587010.00	67827816.00	32511761.41	21705827.375	13
Residual	-43115144.000	154515264.000	.000	49489109.185	13
Std. Predicted Value	-1.056	1.627	.000	1.000	13
Std. Residual	-.795	2.850	.000	.913	13

a. Dependent Variable: GDP NIGERIA

Table 4 and 5 Coefficient of determination

Coefficient of determination from the result of the analysis as presented in table 4 show the effect of bank financing project on economic growth in Nigeria. two economic indicators of the Nigeria financial sector (credit to the private sector (CPSN) and money supply Naira (M^2) represented economic growth prozy by GDPN (Gross Domestic Product Nigeria) for the period of 2000-2012 to determine long-term effect of the dependent variable on economic growth.

The result as displayed in both table show R = 0.402 R2 = 0.361 and Adjusted R^2 = 0.346 F- Statistics = 23.96, P – value = 0.015 and Ourbin-Watson 2.733. the result indicate positive correlation between bank.

Financing project and economic growth in Nigeria. R^2 of 0.361 implies that 36.1 variation in economic growth in Nigeria is accounted by changes in the independent variable (CPSN and M_2N). The result is robust as there is absence of serial correlation among the mediating variables with DW 2.733 and f – statistics of 23.96. The dependent variables retained their usual sizes b_1 b_2 < (positive).

Conclusion and Recommendation

The paper has examined the relationship between Banks financing and growth of the Nigerian economy over a period of 2000 – 2012 and the relationship between the financial sector financing and economic growth in Sierra Leone over a period of 2000 – 2012. In both countries the regression correlation analysis was adopted to test whether there was a long term effect relationship between the variables.

In the study, the GDP of both countries was regressed against the credit advanced to private sector (CPS) and money supplied (M^2). The results as displayed in table 2 and 3 show that there is significant relationship between Bank's financing and economic growth in Nigeria, are accounted by changes in the independent variable (CPSN and M_2m). Similarly, R = 0.942 and R_2 = 0.887 F- statistics 39.44 implies that positive relationship exist between bank financing's project and economic growth in Sierra Leone and 88.7, variation in economic growth is accounted for by changes in credit to the private sector (CPSSL and Money supply) (M_2) The result imply that financial advances or loans feed economic growth through channels of increased investment. The positive and statistically significant relationship is in accordance with the work of Mckinnon (1973). This is also supportive of the assertion of Odedokun (2000) that the role of banking system is to advance credit for economic growth. It is also in line with Khan and Oayyum (2006) who argues that financial development follows economic growth as a result of higher demand for financial services.

The findings indicate that economic growth can be stimulated by the adoption of credit advances policies to ensure development. Therefore the following are the recommendations of the researchers.

In order for governments to obtain enhanced economic growth, it will be necessary for policy makers to facilitate the establishment of financial institution to increase credit delivery to private sector especially in the rural areas which have limited access to financial services; create the enabling environment for efficient allocation of credit to private sector through adoption of reforms. (2) Banks and financial sector should review upward the maximum amount of credit and loans to project requiring large amount of funds to embark on. In addition the Banks and financial sector could form alliance with other financial institution to provide large loan which cannot be financed by only one bank.

Finally Banks and financial institutions should adopt strict measures for loan recovery that will make firms embarking on project to make judicious use of funds in order to improve the development of the economies of south-Sub-Saharan countries.

However this paper has only examined the relationship between banks/financial sectors financing and economic growth in Nigeria and Sierra Leone. Any other research in this issue should consider the possibility of more variables such as interest rates, and exchange rate e.t.c that could affect financial institutions and economics growth.

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