Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.5, No.3, 2014

Appraisal of Gross Domestic Product, Bank Asset Base, Insurance Asset Base, Stock Market Capitalization and Foreign Exchange Reserves in Nigeria on Economic Growth during Financial Reforms.

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ABSTRACT
This study was carried out to examine the Impact of financial reforms on Economic Performance in Nigeria. Specifically, the study sought to assess the performance of Nigerian Banks as influenced by changes in the economy as well as changes in other sectors of the financial system. In carrying out this research, secondary data were used while ex-post facto research design was employed. Following a forty year review of the performance of Nigeria's economy in tandem with the performance of Banks in the face of the ebbs and flows of the identified parameters. Using both descriptive statistics and analytical methods, regression analyses were conducted and based on the results, it was discovered among other things that there was no significant difference in the growth and development of the economy vis-a-vis bank performance during the pre-reformed compared to the reformed financial era in Nigeria. To this end it was concluded that reforms so far implemented have not significantly move the economy foreword and consequently banks have not also performed as had been expected but rather the reforms have created avenues for executive fiat, corruption and embezzlement of public funds. The study therefore recommended among others that government should ensure that subsequent 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 while insurance sector should be given proper policy consideration for its development. These efforts if pursued vigorously are hoped to make reforms in the financial system effective and capable of moving the economy forward for improved performance of banks in Nigeria.
Keywords: Financial Reforms, Nigerian Banks, Economy

Introduction

The world over, many economies have undergone various types of reforms. This is to enable them cope with changing economic cycles, developments and challenges. Nigeria is no exception. Different sectors of the economy have also undergone several types of reforms. Reforms here mean to improve a system, an organisation, a law, etc by making changes to it, (Hornby, 2001). The point is that reforms are gradual, continuous and of varieties. For instance, there are economic, political, social, and/or financial reforms, to mention but a few.

The concern of this study is on financial reforms with specific reference to the banking sector, insurance sector, capital market and foreign exchange market. It must however, be noted that even within these sectors, there could be structural reforms, institutional reforms, regulatory and legal and operational reforms etc. Structural reforms focus on a decreases or increases on the number and types of operating financial institution, financial reporting as well as the supervisory level. Institutional reforms focus on the establishment and strengthening of the institutional framework as well as its operators. Regulatory and legal reforms are concern with the control, regulations, rules, enactment of laws and other promulgations, for e.g. bank and other financial institutions decree (BOFID) of 1991 as amended in 2004 etc, while operational reforms focus on modes, forms, practices and requirements as in the case of universal banking, recapitalization and ownership in the financial sector (Okorie, 2006; Alabi, 1987; Sasegbon, 2005). These reforms are pervasive, interrelated and complementary; one reform requires a touch on the other and according to Soludo (2004), all are targeted at one common, but broad goal of granting financial intermediaries greater freedom to operate and to strengthen mechanism for prudential regulation and oversight.

The yardstick for measuring financial reforms are bank asset base, asset base of insurance sector, stock market capitalization rate and foreign exchange reserves while economic growth and development are measured through the use of major economic indicators such as growth rate of gross domestic product (GDP_r), volume of investment in the economy and human development index and consumer price index rate respectively.

1.1 Objectives of the Study

This article sought to establish the relationship existing between economic growth and development and financial reforms in Nigeria. Find out the relationship that exist between the growth rate of gross domestic product (GDP_r) and bank asset base (BAB), insurance asset base, stock market capitalisation rate and foreign exchange reserves in Nigeria.

1.2 Research Question

What relationship exist between the growth rate of gross domestic product (GDPr) and bank asset base, insurance asset base, stock market capitalisation and foreign exchange reserves in Nigeria?

1.3 Research Hypotheses

Ho: There is no significant relationship between growth rate of gross domestic product (GDPr), bank asset base, insurance asset base, stock market capitalization and foreign exchange reserves in Nigeria.

2 Literature Review

2.1.0 Theoretical Review: Financial reform has long been recognised to play an important role in the economic growth and development of a nation. This recognition dates back to Goldsmith (1955), Cameron (1967), McKinnon (1973), and Shaw (1973). They demonstrated that financial sector could be a catalyst of economic growth and development if it is developed and healthy. Since then efforts have been made in quite a number of literatures to fathom out the ties between these phenomena.

This study therefore, pitches its tent on the framework of theoretical reasoning and evidences that suggest a positive, first-order relationship between financial reform and economic growth and development. A growing body of work that are conducted on this theory have pushed even most sceptics toward the belief that the reform of the financial sector (market and institutions) is a critical and inextricable part of the growth and development process, and away from the view that the financial system is an inconsequential side show, responding passively to economic growth and development.

2.1.1 The Theory of Finance and Economic Growth

As stated earlier, this study (and the parameters used) is supported by the theory of finance and economic growth propounded and investigated by earlier financial economists like Joseph Schumpeter, Ronald McKinnon, Walter Bagehot, John Hicks etc. The theory describes the conceptual links between the functioning of the financial system and economic growth vis-a-vis development. It proposes and explains what the financial system does and how it affects and is affected by economic growth and development. This theory suggest that financial system (instruments, markets, and institutions) arise to mitigate (or reduce) the effects of information and transaction costs; influencing saving rate, investment decisions, technological innovations, and long-run growth and development rates through its functions.

In addition, the theory advocates the functional approach to understanding the role of financial systems in economic growth and development. It focuses on the ties between growth and the quality of the functions provided by the financial system. These functions (see Fig.1 below) include facilitating the trading of risks, allocating capital, monitoring managers, mobilising savings, and easing the trading of goods, services and financial contracts (Levine, 1997). Justification for reliance on this theory is simple: it discourages a narrow focus on one financial instrument, like money, or a particular institution, like banks as in the works of Gurley and Shaw (1955) and Tobin (1965). Instead it prompts a more comprehensive-and more difficult question: what is the relationship between financial structures/arrangements and the functioning of the entire financial system? In their mathematical models as distinct from their narrative, the authors focus on one instrument/institution. This narrow focus can restricts the analysis of finance-growth nexus, and lead to a misleading distinction between the “real” and financial sectors. In contrast, the functional approach of the theory of finance and economic growth highlights the value added of the financial sector in Toto. This study therefore, relied on the theory of finance and economic growth and financial repression hypothesis. This is because careful perusal and reasoning reveals that other theories have their root emphasis on the adopted theories. Beside this, the theory of finance and economic growth emphasises key parameters of financial reform and economic growth that have great relevant to this study.

2.1.3 Bank Asset Base and the Economy

There is a mass of literature on bank asset base and economic growth and development. In Dele (2007), bank asset not invested crowded out production credit thereby inhibit growth and development. The scholar further opines that despite the rapid increase in facilitating investment to the economy, the share of production sector of the economy remained low and indeed declined proportionately over time suggesting that the new monies raised to boost bank asset may have gone into private pockets and not channelled into production activities, and given this, production is low and economic growth and development retarded.

In another study by Schmidt (2008) there are two problems in using bank asset base for growth and development namely: investing either too little or too much in the economy whose stability is unsure. This has two important effects. First, chronically low use of bank assets is associated with unstable state of the economy, and more over constrained lending restrict growth. Second, periodic surges in bank asset deployment end in systemic bank and economic crisis. Either case, the economy is negatively affected, hence the need for this investigation.

On the other hand, the following propositions summarise evidence on the relationship between bank asset base and economic growth and development.

(a) Over long periods, bank asset investment in private sector is strongly positively correlated with macroeconomic investment, productivity and growth on developing countries (Levine, 1997). That bank asset base leads investment, and growth if invested, and then asset reserves constraints have important macroeconomic effects.

(b) Bank asset volume predicts subsequent long-term growth, capital accumulation and productivity (King and Levine, 1993). With these views it is still debateable whether bank assets actually support the desired economic growth and development.

2.1.4 Insurance Asset Base and the Economy

Earlier work in this area was by Goldsmith (1969). He uses the value of financial intermediary assets over GDP to gauge financial reform under the assumption that the size of financial system is positively correlated with the provision and quality of financial services. Using data on 35 countries from 1860 to 1963 (when available), Goldsmith (1969) found:

> *(1) that a rough parallelism can be observed between economic and financial development if periods of several decades are considered; and (2) that there are even indications in the few countries for which the data are available that periods of more rapid economic growth have been accomplished, though not without exception , by an above average rate of financial development (p.48).*

A similar study conducted by James (2009) had as one of its major findings that a rise in Insurance Asset Base appears to have an adverse effect on growth and development of the financial system; if this is so, it is eminent that economic growth and development would be adversely affected too. This postulation or rather this result lends some support to the argument that some form of financial restraints may help promote financial development as well as economic growth and development in trajectory. Now that the asset base of insurance firms have been reviewed upward through the recent insurance recapitalisation exercise in Nigeria, it is imperative that the effect of such regulatory action on the economy be examined.

2.1.5 Stock Market Capitalisation and the Economy

The role of stock market in economic growth and development has been extensively reviewed in many finance and economic literatures. Many of these empirical studies found a positive correlation between these phenomena. The capital market is the hub of trading and/ or exchange activities involving portfolio investment. A number of authors have shown that stock market play an important role in economic growth and development of a nation. Haber (1996) concluded that difference in stock market capitalisation had a significant impact on the rate of growth and development and that lack of access to institutional sources of capital because of poorly functioning stock market was a non-legible obstacle to industrial development in the 19th century. McKinnon's (1973) seminal book has it that better functioning stock market support faster economic growth and development.

As discussed earlier, stock market facilitates growth and development through a reduced transaction costs and fall, more investment occurs in the illiquid high return project. Then if illiquid projects enjoy sufficiently large externalities, then great stock market liquidity induces faster steady-state growth (Smith, 1977).

However, in Greenwood and Smith (1997) a better market-a market with lower transaction costs-does not stimulate the innovation of new and production technologies as well as growth and development, but instead it expand the set of "on the shelf" production process that are economically attractive. It must be noted that the ability of stock market to or not to aid these activities and growth and development is a function of its capitalisation, therefore, in the face of the above argument it is not clear whether it induce economic growth and development or not. This study will resolve this uncertainty.

2.1.6 Foreign Exchange Reserves and the Economy

Studies on the relationship between foreign reserves and economic growth and development have generated mixed feelings. While the less developed nations around the world have quadrupled the size of their foreign reserves, the developed have not (Wyplosz, 2008). It might seem surprising that less developed countries, which badly need every penny that they can save to improve their production capacities, accumulate such a stock pile of low-yield assets. Are they simply trying to protect themselves from potential currency crisis or are they using them to manipulate their exchange rate to achieve growth and development? Aizenman and Jaewoo (2007) said is for precaution and not growth or development. Jeanne and Romain (2006) said the reserve is for both purposes: for precaution and for exchange rate manipulation to achieve growth and development.

In view of all of these, theories and evidences thereof make it difficult to conclude that the reform of the financial system would engender economic growth and development or that the practice is an inconsequential addendum to the process of economic growth and development, hence this study.

3. Research Methodology

3.1 Research Design

In this study, the *ex post facto* research design was employed. Ex post factor (i.e. after the fact) research is a research that is undertaken after the event has taken place and the data are already in existence (Ndiyo, 2005). The choice of this design is informed by the hybrid nature of this research. It is hybrid in the sense that it has some descriptive and experimental features, and the ex post factor design is midway between descriptive and experimental research. It is descriptive in that the researcher has no direct control over experimental conditions, while it is experimental because an attempt is made to infer causal relationships between groups, which differ in important ways. It is to explore the causal relationship existing between two or more variables as is the case in this study.

3.2 Research Area

This study is conducted in the area of financial reform and economic growth and development. Its thrust is specifically on examining the impact that financial reforms could mete out on economic growth and development of a nation. In this study, I use Nigeria as a case. Thus, this research is carried out in Nigeria to examine the impact of financial reforms on the growth and development of her economy.

3.3 Sources of Data

The data used were secondary data. Secondary data refers to those pieces of information, facts, figures, and detailed opinions generated and documented by other people to satisfy entirely different research works but were found to be relevant to this study. Specific types of data required are as listed under their category below:

1. ***Measures of Financial Reforms:***
   - (i) Bank asset base (BAB) from the banking sector,
   - (ii) Aggregate insurance asset base (IAB),
   - (iii) Stock market capitalization rate (SMCR), and
   - (iv) Foreign exchange reserves (FER).

2. ***Economic Growth (EG) Indicators:***
   - (i) Growth rate of gross domestic product (GDP_r), and
   - (iii) Aggregate public investment designated as volume of investment (VI).

3. ***Economic Development (ED) Indicators:***
   - (i) Per capita income (PCI), and
   - (iii) Consumer price index (CPI).

However, these data were drawn from the following sources: The Central Bank of Nigeria (CBN) and International Monetary Fund (IMF) statistical Bulletin, economic reviews, monetary survey data, Annual Reports and Statement of Accounts; Annual Abstract of Statistics from the National Bureau of statistics (NBL), Bureau of Lab our Statistics (BLS), annual reports and statements of account; Accounts of institutions and information from Federal Ministry of Finance and Economic Development; Textbooks and other publications; Website and Internet-based sources.

3.4 Methods of Data Collection

Archival retrieval method, document investigation/analysis, and extensive library search methods were adopted in collecting data for this research. The library is the storehouse of knowledge and wisdom which have accumulated over time. Thus, the library research method involved intensive library readership. Other methods used to complement the above named method were Internet and website surfing and exploration. Some data were also collected from the records or documents kept in some institutions, establishment through archival retrieval method.

3.5 Model Development/Specification

Economic "growth" and "development" are often used synonymously in economic discussion, but they can be distinguished from each other. Economic growth means more output, which implies more input and more efficiency – that is an increase in output per unit of input (Udu and Agu, 1989:232). It is the rate at which the economy grows per annum and is measured in this study by the growth rate of gross domestic product (GDP_r), and volume of investment (VI) etc. In this study, it is postulated that economic growth, proxy by GDPr and VI is influence by financial reforms proxy by bank asset base (BAB) Insurance Asset Base (IAB), stock market capitalization rate (MCR) and foreign exchange reserves (FER) . Our first set of models and their implicit regression equations are therefore given thus:

(1) $EG = f(BAB, IAB, MCR, FER)$:

(i) $GDP_r = f(BAB, IAB, MCR, FER)$

$$GDP_r = a_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$GDP_r = a_o + b_1 BAB + b_2 IAB + b_3MCR + b_4FER + e \text{...Eqtn 1}$$

(ii) $VI = f(BAB, IAB, MAR, FER)$:

$$VI = a_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$VI = a_o + b_1 BAB + b_2 IAB + b_3MCR + b_4FER + e \text{.....Eqtn 2}$$

*where EG = Economic growth measured by GDP_r and VI, each being a function of (f) X_1= BAB, X_2= IAB, X_3=MCR, X_4=FER as defined above, and **e**=error term, a_o=estimate of the true intercept of the dependent variables or regression constant; $b_{1..n}$ = estimate of the true parameters of the independents variables or regression coefficients*

Economic development (ED) on the other hand, implies that there are both more output and changes in the technical and institutional arrangement by which the output is produced. It implies changes in the structure of outputs and in allocation of inputs by production sector. Udu and Agu (1989:232) defined economic development as the process whereby the level of national production (i.e., national income) or per capita income, increase over a period of time and is measured in this study by per capita income (PCI) and Consumer Price Index (CPI). In the same vein, ED proxy by PCI and CPI is influence by financial reforms as express in our second set of models below:

(2) $ED = f(BAB, IAB, MCR, FER)$:

(i) $PCI = f(BAB, IAB, MCR, FER)$

$$PCI = a_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$PCI = a_o + b_1 BAB + b_2IAB + b_3MCR + b_4FER + e \text{.....Eqtn 3}$$

(ii) $CPI = f(BAB, IAB, MCR, FER)$

$$CPI = a_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$CPI = a_o + b_1 BAB + b_2IAB + b_3MCR + b_4FER + e \text{.....Eqtn 4}$$

All variables are as defined earlier on in the preceding sections.

Generally, while measures of financial reforms constitute the independent variables, measures of economic growth and development constitute the dependents variables of the study. Thus ***eqtns 1 – 4*** would be estimated through a simultaneous regression estimation procedure. This estimation procedure is often adjudged to yield better result and more efficient estimate of the parameters and coefficient of the regression than the

single equation model especially where two or more independent variables are involved. In its implicit form the multiple regression models would be rendered as:

$$Y = a + b_1 BAB + b_2 IAB + b_3 MCR + b_4 FER + e \ldots\ldots\ldots\ldots \text{ eqtn 5}$$

GAUSS MARKOV MODEL: Linearity in Parameters

where: Y = the estimate value of the dependent variable, given specific value of independent variables;

a_o = *estimate of the true Y intercept or regression constant;*

$b_{1..n}$ = *estimate of the true parameter of the independent variables or regression coefficient; BAB, IAB, MCR, FER, are as defined earlier.*

3.6 Method of Data Analysis

In this study, the multiple regression method will be employed to analyze data. The model for this statistics is given as:

$$Y = a + b_1 BAB + b_2 IAB + b_3 MCR + b_4 FER + e \ldots\ldots\ldots\ldots \text{ eqtn 5.}$$

The use of regression in the analysis is to assist in identifying the independent variable that best explains and significantly impacts on the dependent variable of the research. For purpose of testing the hypotheses, three tests:- the t-test, the F-test statistics and ANOVA was employed. While the t-test was used to measure the statistical significant of the regression coefficients and to determine the flow or direction of the relationship existing between the two variables, the F-test was employed to measure the adequacy or appropriateness of the model and to arrive at a conclusion on the statistical significance of the coefficient of determination (r^2). All the hypotheses will be tested at 95% level of significance. The result generated base on the application of Mat lab, a computer based software programme will be compared with the tabulated t and f statistics respectively at P = 0.05. Consequently, the decision rule for accepting or rejecting the hypotheses is based on:

(i) $\boldsymbol{Accept\ H_o\ and\ reject\ H_i\ if\ f_{t\ 0.05} > f_C}$

(ii) $\boldsymbol{Reject\ H_o\ and\ accept\ H_i\ if\ f_{t\ 0.05} < f_C}$

That is, we accept the null hypotheses (H_o) and reject the alternative hypotheses (H_i) where the tabulated or critical F value is greater than our computer generated F value at 5% level of significance and vice versa. Similarly the significance and relevance of the parameter estimate of our test is considered at where: $\boldsymbol{t_{C\ 0.05} > t_t}$ and insignificance and non-relevance at where $\boldsymbol{t_{C\ 0.05} < t_t}$.

The use of F- statistic in determining whether or not to reject the hypotheses is simply because of its prime or superior position to the t-test as noted by McCullough (1974) thus: "if f-test result is true, then t-test must be true and not vice-versa". Finally, an ANOVA used to compare and analyze any observed differences in economic growth and development in periods of financial reform.

4.Data Presentation Analysis

4.1 Data Presentation

Data used in this study were collected based on the variables identified in the research objectives, research questions and hypotheses. Thus the data were presented to reflect the research objectives and the problems identified.

4.2 Data Analysis

The data in Appendix A underpins the analytical framework for this study. It is pivotal to and a springboard from which subsequent data and Appendices are extracted and analyzed specifically for each index of economic growth and development against those of financial reforms. The data presented in Appendix A covers the period of forty-one (41) years, (1970-2010). It thus contains data for both repressed (1970-1985) and reformed (1995-2010) financial eras. In it, it is shown that financial reforms are examined in terms of bank asset base (BAB), insurance asset base (IAB), foreign exchange research (FER) and stock market capitalization (SMC). Economic growth is examined in terms of growth rate of gross domestic product (GDPr) and aggregate public investment, i.e. investment volume (IV), while economic development is examined in terms of per capita income (PCI) and consumer price index (CPI).

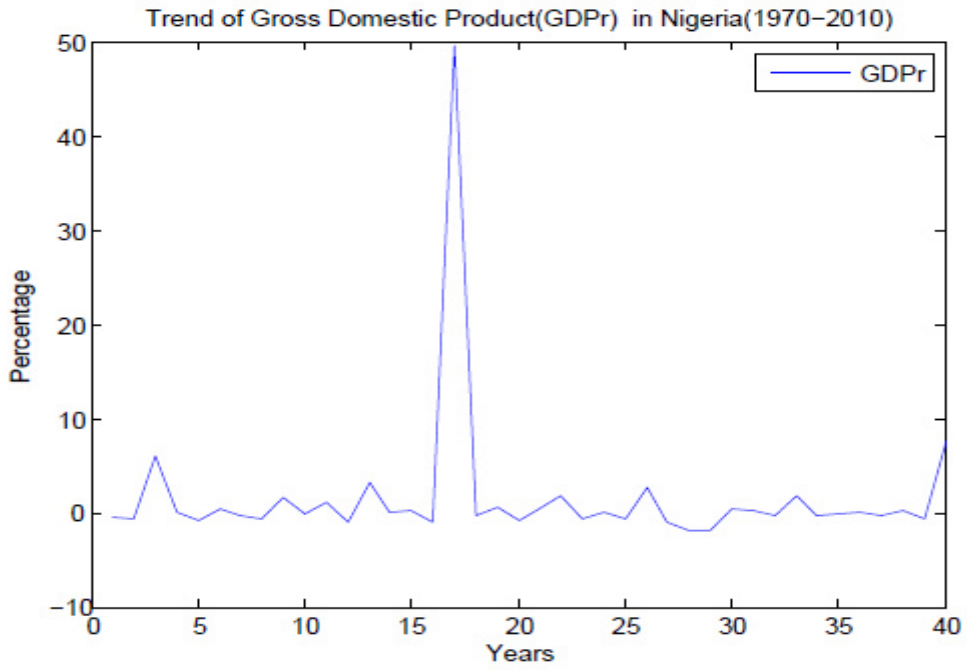
Table 1

The Relationship between Growth Rates of Gross Domestic Product (GDPr), Bank Asset Base (BAB), Insurance Asset Base (IAB), Foreign Exchange Reserves (FER), and Stock Market Capitalisation (SMC), 1970 – 2010

Years	GDPr (%)	BAB (%)	IAB (%)	FER (%)	SMC (%)
1970	46.80	51.19	64.40	8.10	1.20
1971	26.33	10.80	64.20	8.10	11.80
1972	8.45	12.70	54.60	9.20	-24.86
1973	59.09	23.03	53.60	24.80	23.97
1974	60.00	58.84	47.40	25.10	-45.12
1975	17.09	53.24	45.70	24.80	25.64
1976	24.66	47.88	43.30	24.70	75.66
1977	17.41	35.47	40.90	31.00	60.85
1978	7.32	5.51	37.90	30.95	5.38
1979	19.03	23.40	32.30	21.97	34.10
1980	18.62	45.39	33.50	25.78	52.79
1981	40.29	19.19	30.00	33.14	-21.58
1982	2.36	16.34	32.30	53.00	-29.46
1983	9.99	17.82	28.50	43.00	85.06
1984	11.32	12.60	29.70	63.00	-35.53
1985	13.76	6.64	26.50	0.50	23.43
1986	0.97	24.00	23.30	0.50	57.26
1987	49.03	25.57	22.80	0.60	-23.19
1988	33.39	16.45	20.20	0.50	122.35
1989	54.78	11.79	18.90	0.50	-28.22
1990	15.94	27.87	24.20	0.70	-63.06
1991	24.31	41.65	27.60	0.80	7.40
1992	69.69	35.46	35.90	1.70	10.39
1993	26.79	42.07	19.10	2.10	63.59
1994	31.25	30.45	18.30	2.20	22.56
1995	11.60	30.54	50.90	2.20	86.50
1996	42.79	19.11	40.10	2.20	27.97
1997	4.09	27.37	40.1	2.00	48.00
1998	-3.48	18.86	22.88	2.10	31.36
1999	2.80	54.04	26.72	2.10	3.69
2000	3.80	87.00	9.22	9.80	10.06
2001	4.60	26.00	45.76	20.00	10.48
2002	3.50	25.00	13.64	23.00	2.96
2003	10.20	25.00	43.83	23.00	10.26
2004	7.10	25.00	51.41	23.00	87.55
2005	6.20	29.36	39.00	22.60	16.43
2006	6.90	53.50	25.41	26.00	78.84
2007	5.30	62.98	30.00	22.60	12.88
2008	6.40	44.96	25.41	22.60	56.05
2009	2.05	10.07	23.53	20.03	26.48
2010	17.79	11.09	27.34	23.70	41.07

Sources: CBN statistical Bulletin (Various yrs), CBN Annual Report and Statement Accounts (Various yrs); Nigerian Quarterly Economic Review.

Fig.4.1 Constructed from data in Table 1



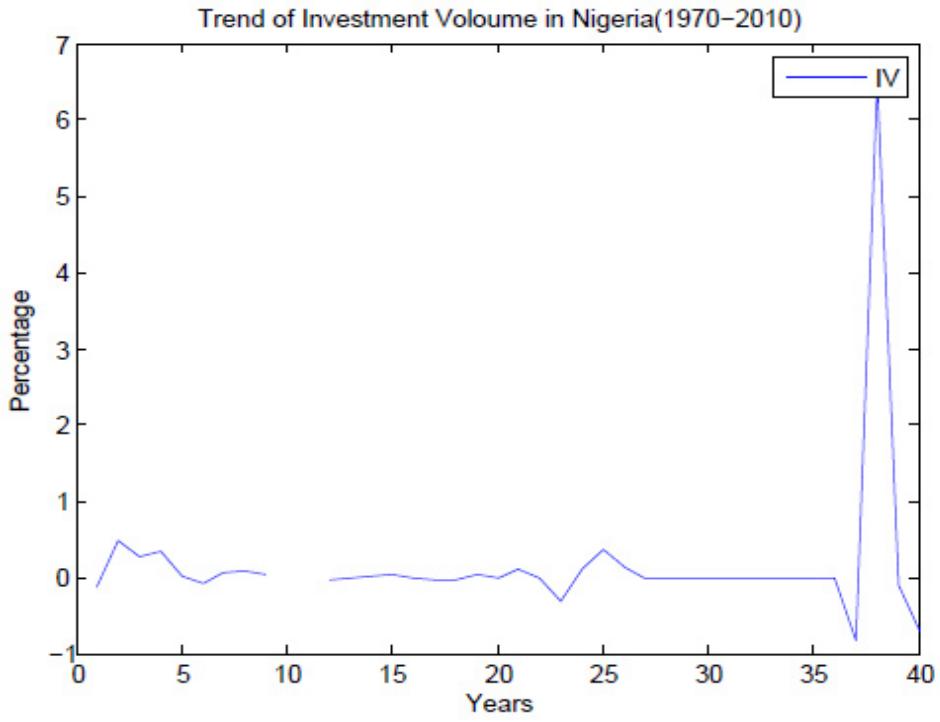
From Fig.4.1, the trend of Nigeria's GDPr, and other parameters for forty-one years (1970-2010) is presented. Fig. 4.1 presents a picture of the trend of the volatility and stability of the GDPr for the period under review. Between 1970 and1980, GDPr remained highly volatile and very unstable. It declined by 20.47% and again by 17.88% from 1970 to 1971 and from 1971 to 1972 respectively. It rose by 50.64% from 1972 to 1973 and maintained a 0.91% increase to 1974 and fallen again in 1975 by 42.91% and again in 1977 by 7.25% having risen by same percentage in 1976. In 1977 and 1978 a 7.25% and a 10.09% decline were recorded, respectively. In 1979, it rose by 11.71% and declined in 1980 by 0.41%. In 1981, GDPr increased by 21.67%, declined in 1982 by 37.93%; rose in 1983 – 1985 by an average of 3.8%. In 1986, it witnessed a drastic decline of about 12.79% as well as astronomical increase of about 48.06% in 1987. Other years that the GDPr improved and the percentages increase were: 1989 (21.39%); 1991 (8.37%) 1992 (45.38%); 1994 (4.46%); 1996(31.63%), 1999(0.68%), 2000 (1%), 2001(0.8%), 2003 (6.7%), 2006 (0.7%) and 2008 (1.1%) and 2010(15.75%). Other years and their percentage decline in GDPr include: 1988 (15.64%), 1990 (38.84%), 1993 (42.9%), 1995(20.09%), 1997 (38.7%), 1998 (7.57%), 2002 (1.1%), 2004 (3.1%), 2005 (0.9%) , 2007 (1.6%) and 2009(4.35%).

Table 2
The Relationship between Investment Volumes (IV) Bank Asset Base (BAB), Insurance Asset Base (IAB), Foreign Exchange Reserves (FER), and Stock Market Capitalisation (SMC), (1970 – 2010)

Years	IV (%)	BAB (%)	IAB (%)	FER (%)	SMC (%)
1970	18.80	51.19	64.40	8.10	1.20
1971	16.60	10.80	64.20	8.10	11.80
1972	24.50	12.70	54.60	9.20	-24.86
1973	31.50	23.03	53.60	24.80	23.97
1974	42.30	58.84	47.40	25.10	-45.12
1975	43.40	53.24	45.70	24.80	25.64
1976	40.60	47.88	43.30	24.70	75.66
1977	42.90	35.47	40.90	31.00	60.85
1978	46.50	5.51	37.90	30.95	5.38
1979	48.40	23.40	32.30	21.97	34.10
1980	52-40	45.39	33.50	25.78	52.79
1981	52.60	19.19	30.00	33.14	-21.58
1982	51.10	16.34	32.30	53.00	-29.46
1983	50.90	17.82	28.50	43.00	85.06
1984	51.70	12.60	29.70	63.00	-35.53
1985	53.70	6.64	26.50	0.50	23.43
1986	54.00	24.00	23.30	0.50	57.26
1987	53.00	25.57	22.80	0.60	-23.19
1988	51.40	16.45	20.20	0.50	122.35
1989	53.20	11.79	18.90	0.50	-28.22
1990	53.10	27.87	24.20	0.70	-63.06
1991	59.00	41.65	27.60	0.80	7.40
1992	58.60	35.46	35.90	1.70	10.39
1993	40.50	42.07	19.10	2.10	63.59
1994	45.40	30.45	18.30	2.20	22.56
1995	62.00	30.54	50.90	2.20	86.50
1996	69.80	19.11	40.10	2.20	27.97
1997	69.40	27.37	40.1	2.00	48.00
1998	69.50	18.86	22.88	2.10	31.36
1999	69.60	54.04	26.72	2.10	3.69
2000	69.60	87.00	9.22	9.80	10.06
2001	69.50	26.00	45.76	20.00	10.48
2002	69.50	25.00	13.64	23.00	2.96
2003	69.50	25.00	43.83	23.00	10.26
2004	69.50	25.00	51.41	23.00	87.55
2005	68.90	29.36	39.00	22.60	16.43
2006	68.90	53.50	25.41	26.00	78.84
2007	12.18	62.98	30.00	22.60	12.88
2008	91.31	44.96	25.41	22.60	56.05
2009	81.19	10.07	23.53	20.03	26.48
2010	23.29	11.09	27.34	23.70	41.07

Sources: CBN statistical Bulletin (Various yrs), CBN Annual Report and Statement of Accounts (Various yrs); Nigerian Quarterly Economic Review.

Fig 4.2.



As presented in Fig. 4.2 above, Volume of investment in Nigeria for the period under review has also witnessed some degrees of volatility from 1971 when it declined by 2.2%, it has maintained on average, a relatively stable increase of 6.7% between 1972 and 1975. In 1976, it declined, on average by 2.8%. In the years, 1982, 1983, 1987, 1990, 1992, 1993, 1997 and 2001, the country's volume of investment declined by 1.5%, 0.2%. 1%. 0.1%, 1.6%, 18.1%, 0.4%, 0.1% respectively. It stabilized from 2001 – 2004 and decline further by 0.6% in 2005 and stabilized in 2005 and 2006 years. Percentages that IV increased following 0.8% increase in 1984 include: 1985 (2%), 1986 (0.3%), 1989 (1.8%) 1991 (5.9%), 1994 (4.9%), 1995 (16.6%), 1996 (7.8%), 1998 and 1999 (0.1%) each and stabilized in 2000 and maintain that level till 2004 before declining by 0.6% by 2005 and maintain that level till 2006. Declined by (56.72%) in 2007.improved much better between 2008- to -2009, and declined by 57.9% by 2010.

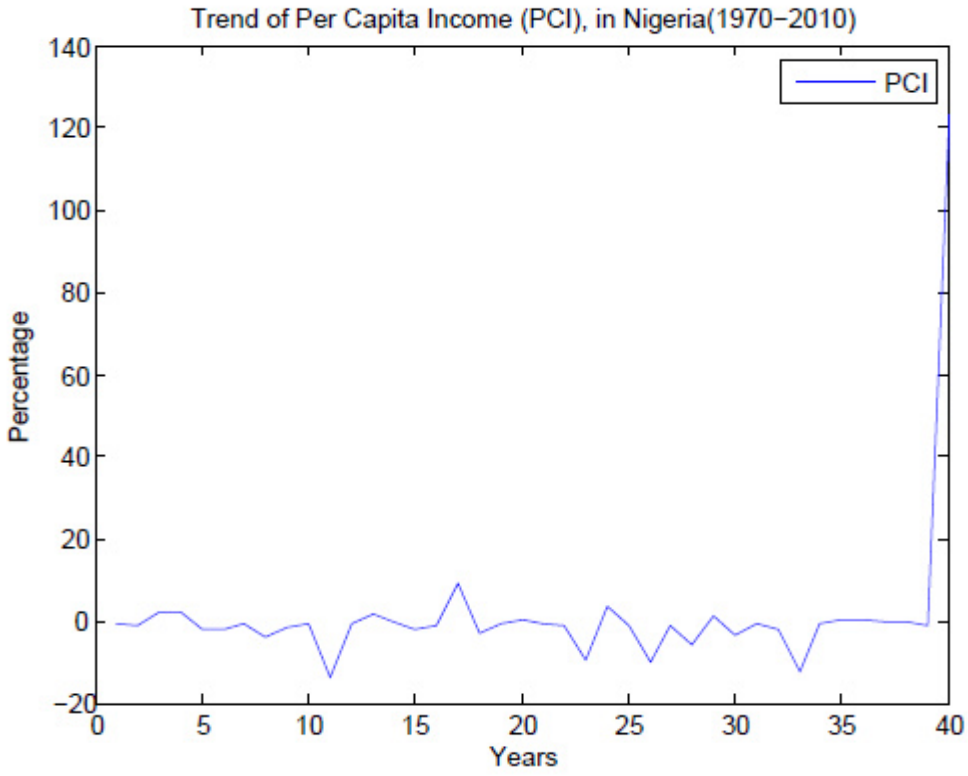
Table 3

The Relationship between Growth Rates of Per Capita Income (PCIr), Bank Asset Base (BAB), Insurance Asset Base (IAB), Foreign Exchange Reserves (FER), and Stock Market Capitalization (SMC), 1970 – 2010

Years	PCIr (%)	BAB (%)	IAB (%)	FER (%)	SMC (%)
1970	21.98	51.19	64.40	8.10	1.20
1971	11.47	10.80	64.20	8.10	11.80
1972	0.85	12.70	54.60	9.20	-24.86
1973	2.77	23.03	53.60	24.80	23.97
1974	8.28	58.84	47.40	25.10	-45.12
1975	-7.81	53.24	45.70	24.80	25.64
1976	5.91	47.88	43.30	24.70	75.66
1977	2.86	35.47	40.90	31.00	60.85
1978	-8.61	5.51	37.90	30.95	5.38
1979	3.58	23.40	32.30	21.97	34.10
1980	1.21	45.39	33.50	25.78	52.79
1981	-15.52	19.19	30.00	33.14	-21.58
1982	-2.90	16.34	32.30	53.00	-29.46
1983	-7.79	17.82	28.50	43.00	85.06
1984	-7.35	12.60	29.70	63.00	-35.53
1985	6.72	6.64	26.50	0.50	23.43
1986	-0.35	24.00	23.30	0.50	57.26
1987	-3.52	25.57	22.80	0.60	-23.19
1988	6.67	16.45	20.20	0.50	122.35
1989	4.14	11.79	18.90	0.50	-28.22
1990	5.14	27.87	24.20	0.70	-63.06
1991	1.83	41.65	27.60	0.80	7.40
1992	0.07	35.46	35.90	1.70	10.39
1993	-0.58	42.07	19.10	2.10	63.59
1994	-2.58	30.45	18.30	2.20	22.56
1995	-0.18	30.54	50.90	2.20	86.50
1996	1.63	19.11	40.10	2.20	27.97
1997	0.13	27.37	40.1	2.00	48.00
1998	-0.61	18.86	22.88	2.10	31.36
1999	-1.32	54.04	26.72	2.10	3.69
2000	2.93	87.00	9.22	9.80	10.06
2001	0.74	26.00	45.76	20.00	10.48
2002	-0.73	25.00	13.64	23.00	2.96
2003	8.25	25.00	43.83	23.00	10.26
2004	3.70	25.00	51.41	23.00	87.55
2005	4.65	29.36	39.00	22.60	16.43
2006	6.73	53.50	25.41	26.00	78.84
2007	7.09	62.98	30.00	22.60	12.88
2008	5.35	44.96	25.41	22.60	56.05
2009	0.07	10.07	23.53	20.03	26.48
2010	8.70	11.09	27.34	23.70	41.07

Sources: CBN statistical Bulletin (Various yrs), CBN Annual Report and Statement of Accounts (Various yrs); Nigerian Quarterly Economic Review.

Fig 4.3



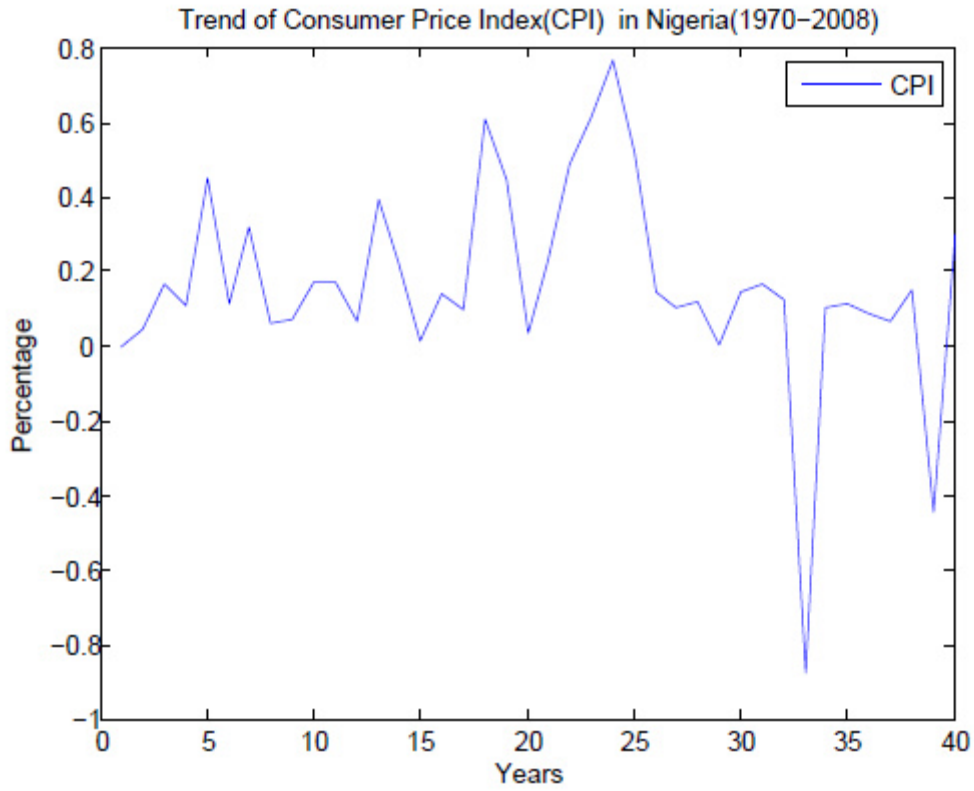
Of all the parameters, per capita income in Nigeria appears to be worst with majority of the growth rates being in the negative region. This implies that the standard of living in terms of income per head is very poor. In other words, it could be interpreted to mean that income per head is not redistributed. This trend is clearly shown in Fig. 4.3 which was constructed from Appendix D. In 1971 and 1972, PCIr declined by 10.51% and 10.62% respectively. In 1973 and 1974, PCIr rose by 1.92% and 5.51% respectively. In 1975, 1977, 1978, 1980 and 1981 PCIr declined by 16.09%, 3.05%, 11.47%, 2.37% and 16.73% respectively. In 1982 it increased at a negative rate of 12.62% and decreased by 5.79% in 1983, and rose again by 0.44% in 1984 and by 14.07% in 1985. In the years 1986, 1987, 1989, 1991 – 1994, 1997 – 1999, 2001 – 2002, 2004 and 2008, PCIr declined respectively by 7.07%, -3.17%, -2.53%, -1.93 on average, -0.98% on average -1.83% on average, 4.55% and 1.74%. On the other hand, other years and the percentages which PCIr increased include: 1988 (10.19%), 1990 (1%), 1995 (2.4%), 1996 (1.81%), 2000 (4.25%), 2003 (8.98%), and 2005 – 2007 (1.3% on average) and 8.7% increase in 2010.

Table 4 :The Relationship between Consumer Price Index (CPI), Bank Asset Base (BAB), Insurance Asset Base (IAB), Foreign Exchange Reserves (FER), and Stock Market Capitalization (SMC), 1970 – 2010

Years	CPI (%)	BAB (%)	IAB (%)	FER (%)	SMC (%)
1970	0.23	51.19	64.40	8.10	1.20
1971	0.23	10.80	64.20	8.10	11.80
1972	0.24	12.70	54.60	9.20	-24.86
1973	0.28	23.03	53.60	24.80	23.97
1974	0.31	58.84	47.40	25.10	-45.12
1975	0.45	53.24	45.70	24.80	25.64
1976	0.50	47.88	43.30	24.70	75.66
1977	0.66	35.47	40.90	31.00	60.85
1978	0.70	5.51	37.90	30.95	5.38
1979	0.75	23.40	32.30	21.97	34.10
1980	0.88	45.39	33.50	25.78	52.79
1981	1.03	19.19	30.00	33.14	-21.58
1982	1.10	16.34	32.30	53.00	-29.46
1983	1.53	17.82	28.50	43.00	85.06
1984	1.87	12.60	29.70	63.00	-35.53
1985	1.89	6.64	26.50	0.50	23.43
1986	2.15	24.00	23.30	0.50	57.26
1987	2.36	25.57	22.80	0.60	-23.19
1988	3.80	16.45	20.20	0.50	122.35
1989	5.50	11.79	18.90	0.50	-28.22
1990	5.70	27.87	24.20	0.70	-63.06
1991	7.00	41.65	27.60	0.80	7.40
1992	10.42	35.46	35.90	1.70	10.39
1993	16.80	42.07	19.10	2.10	63.59
1994	29.70	30.45	18.30	2.20	22.56
1995	45.03	30.54	50.90	2.20	86.50
1996	51.47	19.11	40.10	2.20	27.97
1997	56.73	27.37	40.1	2.00	48.00
1998	63.49	18.86	22.88	2.10	31.36
1999	63.63	54.04	26.72	2.10	3.69
2000	72.87	87.00	9.22	9.80	10.06
2001	84.90	26.00	45.76	20.00	10.48
2002	95.20	25.00	13.64	23.00	2.96
2003	11.79	25.00	43.83	23.00	10.26
2004	12.97	25.00	51.41	23.00	87.55
2005	14.47	29.36	39.00	22.60	16.43
2006	15.71	53.50	25.41	26.00	78.84
2007	16.74	62.98	30.00	22.60	12.88
2008	19.26	44.96	25.41	22.60	56.05
2009	10.67	10.07	23.53	20.03	26.48
2010	13.83	11.09	27.34	23.70	41.07

Sources: CBN statistical Bulletin (Various yrs); CBN Annual Report and Statement of Accounts (Various yrs); Nigerian Quarterly Economic Review.

Fig 4.4



Source : constructed from data in Table 4

Between 1970 and 1980; the volatility rate is about 0.06% tilting toward increasing trend. From 1981 – 1985, CPI increased on average by 0.20% furthermore, CPI growth rate for the years 1986 – 1991, is put on average at 0.85%. It continued the increase for 1992 – 2002 by 8.01% on average and maintained the tempo by a 16.23% increase on average for years 2003 – 2008. But decrease between by (8.59%) by 2009 and improved by (3.16%) by 2010.

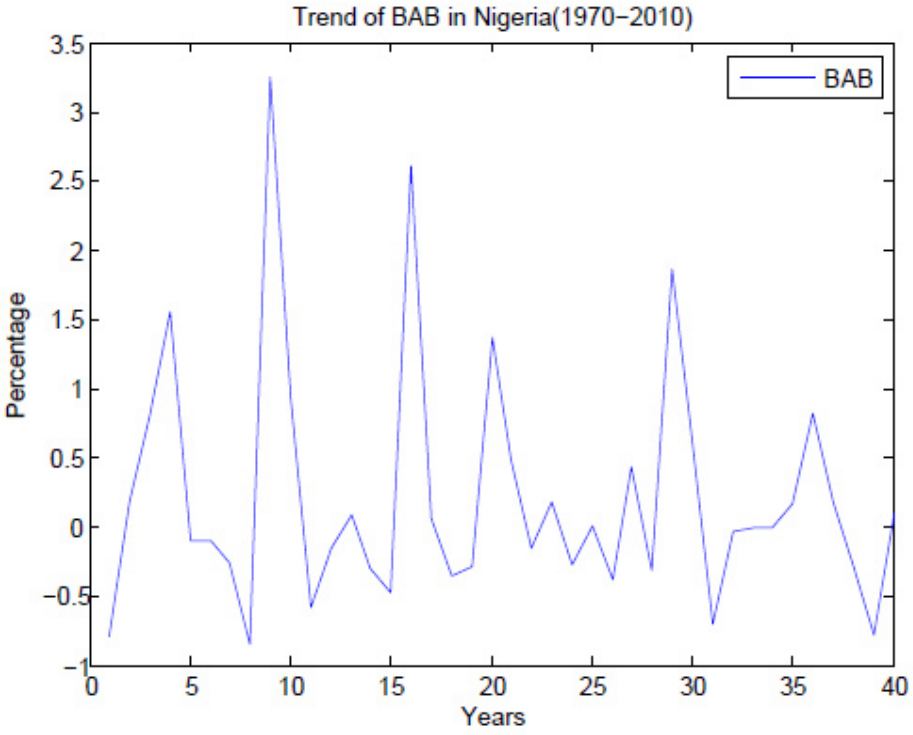
Table 5

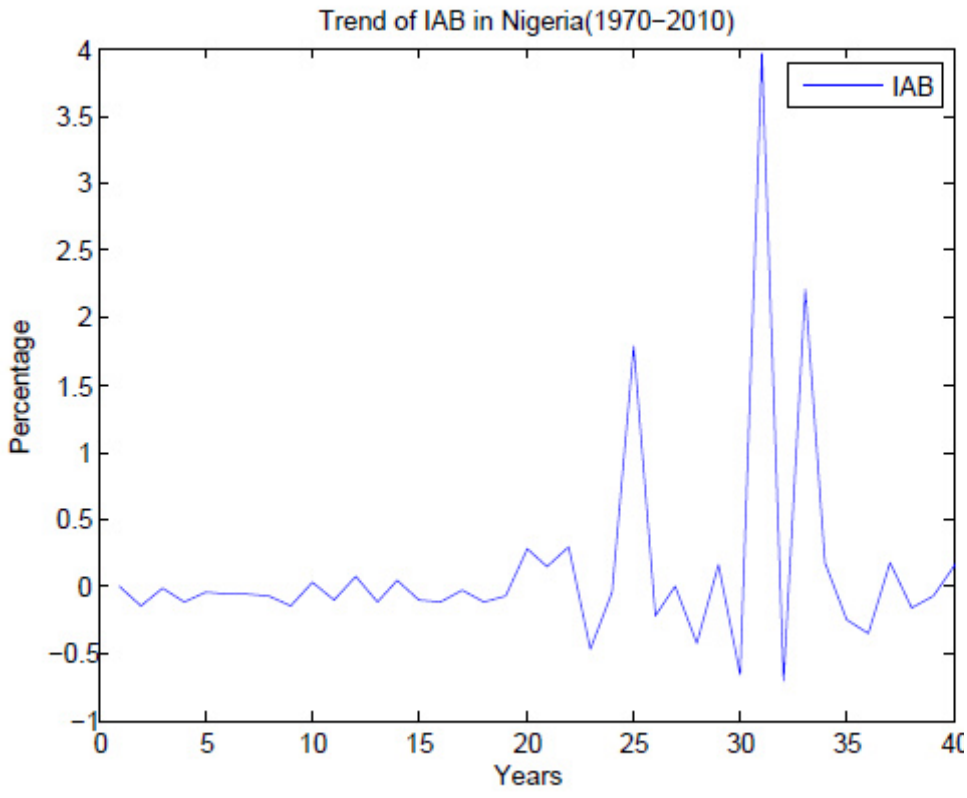
The Relationship between Growth Rates of Gross Domestic Product (GDPr), Investment Volume (IV), Growth Rate of Per Capita Income (PCIr), Consumer Price Index (CPI), Bank Asset Base (BAB), Insurance Asset Base (IAB), Foreign Exchange Reserves (FER), and Stock Market Capitalization (SMC),(1970 – 2010)

Years	GDPr (%)	IV (%)	PCIr (%)	CPI (%)	BAB (%)	IAB (%)	FER (%)	SMC (%)
1970	46.80	18.80	21.98	0.23	51.19	64.40	8.10	1.20
1971	26.33	16.60	11.47	0.23	10.80	64.20	8.10	11.80
1972	8.45	24.50	0.85	0.24	12.70	54.60	9.20	-24.86
1973	59.09	31.50	2.77	0.28	23.03	53.60	24.80	23.97
1974	60.00	42.30	8.28	0.31	58.84	47.40	25.10	-45.12
1975	17.09	43.40	-7.81	0.45	53.24	45.70	24.80	25.64
1976	24.66	40.60	5.91	0.50	47.88	43.30	24.70	75.66
1977	17.41	42.90	2.86	0.66	35.47	40.90	31.00	60.85
1978	7.32	46.50	-8.61	0.70	5.51	37.90	30.95	5.38
1979	19.03	48.40	3.58	0.75	23.40	32.30	21.97	34.10
1980	18.62	52.40	1.21	0.88	45.39	33.50	25.78	52.79
1981	40.29	52.60	-15.52	1.03	19.19	30.00	33.14	-21.58
1982	2.36	51.10	-2.90	1.10	16.34	32.30	53.00	-29.46
1983	9.99	50.90	-7.79	1.53	17.82	28.50	43.00	85.06
1984	11.32	51.70	-7.35	1.87	12.60	29.70	63.00	-35.53
1985	13.76	53.70	6.72	1.89	6.64	26.50	0.50	23.43
1986	0.97	54.00	-0.35	2.15	24.00	23.30	0.50	57.26
1987	49.03	53.00	-3.52	2.36	25.57	22.80	0.60	-23.19
1988	33.39	51.40	6.67	3.80	16.45	20.20	0.50	12.23
1989	54.78	53.20	4.14	5.50	11.79	18.90	0.50	-28.22
1990	15.94	53.10	5.14	5.70	27.87	24.20	0.70	-63.06
1991	24.31	59.00	1.83	7.00	41.65	27.60	0.80	7.40
1992	69.69	58.60	0.07	10.42	35.46	35.90	1.70	10.39
1993	26.79	40.50	-0.58	16.80	42.07	19.10	2.10	63.59
1994	31.25	45.40	-2.58	29.70	30.45	18.30	2.20	22.56
1995	11.16	62.00	-0.18	45.03	30.54	50.90	2.20	86.50
1996	42.79	69.80	1.63	51.47	19.11	40.10	2.20	27.97
1997	4.09	69.40	0.13	56.73	27.37	40.1	2.00	48.00
1998	-3.48	69.50	-0.61	63.49	18.86	22.88	2.10	31.36
1999	2.80	69.60	-1,32	63.63	54.04	26.72	2.10	3.69
2000	3.80	69.60	2.93	72.87	87.00	9.22	9.80	10.06
2001	4.60	69.50	0.74	84.90	26.00	45.76	20.00	10.48
2002	3.50	69.50	-0.73	95.20	25.00	13.64	23.00	2.96
2003	10.20	69.50	8.25	11.79	25.00	43.83	23.00	10.26
2004	7.10	69.50	3.70	12.97	25.00	51.41	23.00	87.55
2005	6.20	68.90	4.65	14.47	29.36	39.00	22.60	16.43
2006	6.90	68.90	6.73	15.71	53.50	25.41	26.00	78.84
2007	5.30	12.86	7.09	16.74	62.98	30.00	22.60	12.88
2008	6.40	91.31	5.35	19.26	44.96	25.41	22.60	56.05
2009	2.05	81.19	0.07	10.67	10.07	23.53	20.03	26.48
2010	17.79	23.29	8.70	13.83	11.09	27.34	23.70	41.07

Sources: CBN statistical Bulletin (Various yrs), CBN Annual Report and Statement of Accounts (Various yrs) Nigerian Quarterly Economic Review.

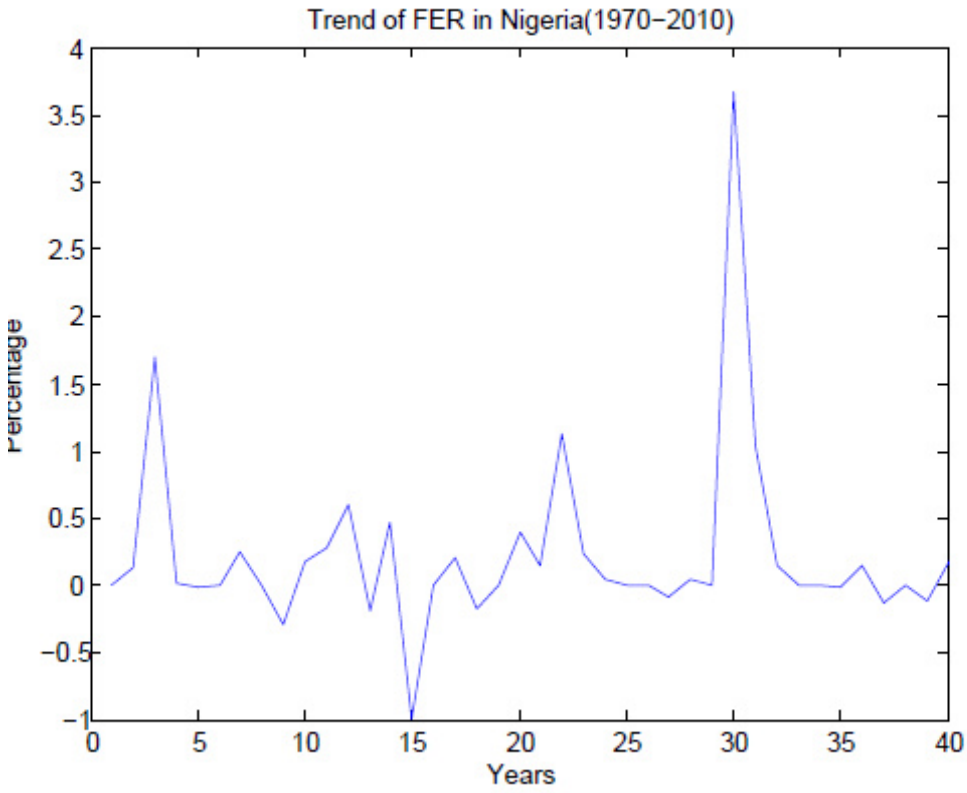
From the data above in Table 4, between 1970 and 1990, Nigeria's bank asset base maintained high volatility rate as it rose and fell frequently throughout the years. From 1991-2008 not much volatility. But decline significantly between 2008(34.89%) and 2010 (1.02%) . This trend is best described in the Fig.4.5 below.





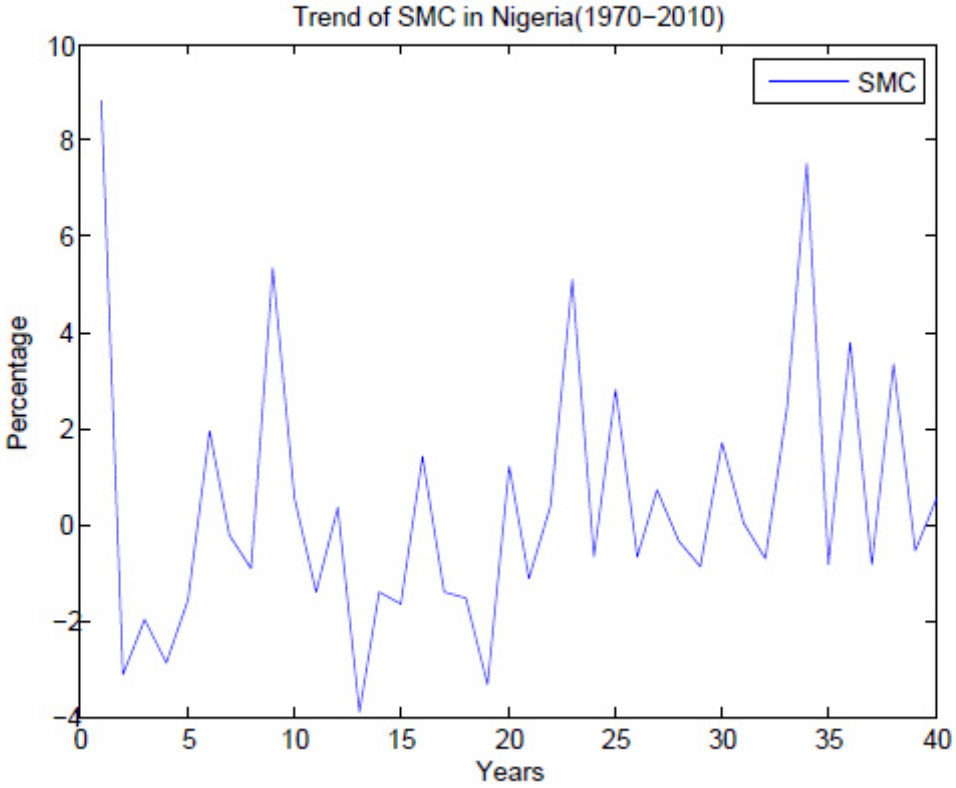
The data for insurance asset base were logged to give the picture of the trend of IAB in Nigeria as presented in Figure . Above.

Insurance asset base during the period decline on average by 3.12% consistently. In 1982, IAB rose by a 2.30%, declined in 1983 by 3.8% and increased again by 1.2% in 1984. From 1985 to 1989, an average of 2.16% decline was recorded, while an average of 5.66% increase was recorded between 1990 and 1992. In 1993 and 1994, 16.8% and 0.8% decrease were recorded respectively 1995 had an increase of 32.6%. Between 1996 and 2007 there was stability following a 10.8% decrease in 1996. From 2008 a declined of (4.59%) ,2009 (1.88%) and an increased of (1.88%) for 2010.



The trend of foreign exchange reserve is above. Foreign exchange reserve rose from 0.01% in 1972 -00.15% in 1973 and rose again by 0.06 % in 1977 to about 2.78% in 1978 and by 0.53% from 1980 to 1981. From 1985, a large decline of about (62.5%) was recorded counting from 1991. Between 1988 and 1990, there was relative stability with an average of about 0.13% volatility rate in the positive direction. It rose by 10.2% in 2000 and by 3% in 2001 and remain stable through 2004 when it declined by only 0.40% in 2005. In 2006, FER increased by 3.4% and to 0.40% decrease in 2007 and stabilized through to 2008 to 2010.

The trend of Nigeria's SMCr under review is presented below.



Stock market capitalization maintained, on average, a 0.07% increase between 1970 and 1975 when it rose by 0.48% in 1976 and maintained an average of 0.65% increase from 1976 - 1980. In 1981 and 1982 SMCr declined by 31.21% and 7.88% respectively. It rose by 55.6% in 1983 and declined again by 49.53% in 1984. Other years that SMC grow and their percentages are: 1985(12.1%), 1986 (33.83%), 1988 (10.96%), 1992 – 1994 (2.47% on average), 1995(63.94%), 1996 declined of (58.53%), 1997 rose by (20.03%), declined of (7.52%) 2002 , 2003 rose by (7.3%), rose by (77.29%) in 2004. Declined by (71.12%) in 2005. and a significant positive volatility between 2007 - 2010.

4.3 Test of Research Hypotheses

This section was designated to test the hypotheses formulated in chapter one. It is meant to determine the relationship that exists between financial reforms and economic growth and development. As stated earlier, financial reforms are measured in this study by bank capital base (BAB), insurance asset base (IAB), foreign exchange reserves (FER) and stock market capitalization (SMC). Economic growth is measured by growth rate of gross domestic product (GDPr) and investment volume (IV), while economic development is measured by per capita income (PCI) and consumer price index (CPI).

4.3.1 Hypothesis

The first hypothesis was developed to address the first objective of this study which was to find out the relationship that exist between the growth rate of gross domestic product (GDPr) and bank asset base, insurance asset base , foreign exchange reserves and stock market capitalization. Based on this objective, first null hypothesized was made thus:

> *There is no significant relationship between growth rate of gross domestic product (GDPr) and bank asset base, insurance asset base, stock market capitalisation and foreign reserves in Nigeria?*

A test of this hypothesis is expected to help us achieve our first objective. GDPr as stated earlier seems to command relatively high volatility rate, with little or no influence by the reform parameters as shown in Figure below. Fig 4.9 gives explicit and on sight picture of the seemingly interactive relationship between GDPr and BAB, IAB, FER & SMC while the log values of the parameters is given as:

$$GDP_r = a_o + b_1BAB + b_2 IAB + b_3MCR + b_4FER + e...Eqtn\ 1$$

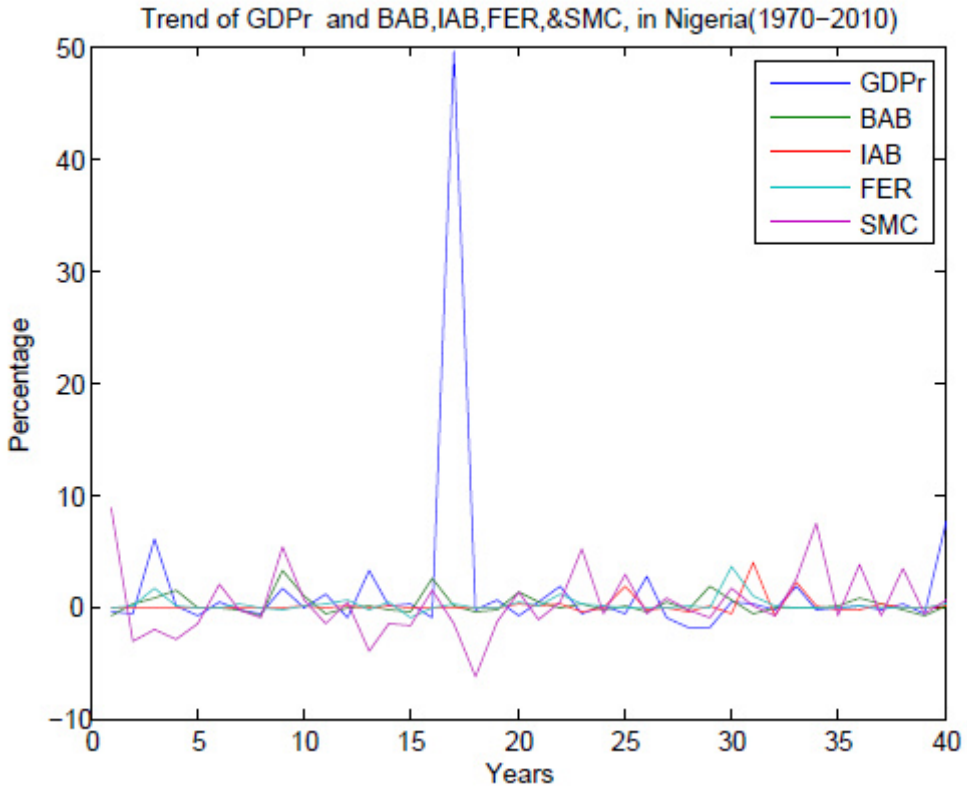


Fig.4.9. The regression result of the above equation as extracted from Table 4.1 below is presented below:

GDPr = 15.9384 + 0 .028$_{BAB}$ + 0 .339$_{IAB}$ - 0 .336$_{FER}$ - 0 .115$_{SMC}$ +e

t-$_{Stat.}$ = (0.834) (0.167) (1.513) (-1.744) (-1.575)

R^2 = 16.52%, F (4, 36) = 1.7816

Table 4.1: Regression result of the relationship between Growth rate of Gross Domestic Product (GDPr), bank asset base (BAB), insurance asset base (IAB), foreign exchange reserve (FER) and stock market capitalization rate (SMCr)

DEPENDENT VARIABLE: **Growth rate of Gross Domestic Product (GDPr),**

Independent variables	**Coefficient**	**t- stat**	**R square**	**F**
Constant	15.9384	0.834	0.1652	1.7816
BAB	0.0282	0.167	0.1652	
IAB	0.3394	1.513		
FER	-0.3355	-1.744		
SMC	-0.115	-1.575		

Source: Authors computation as extracted from the regression of Appendix B

(a) Predictors: (Constant): BAB, IAB, FER, and SMCr
(b) Dependent Variable: GDPr
R^2 = 16.52%, F (4, 36) = 1.7816
Level of significance = 95%

From the regression result above, average GDPr for the period reviewed was 15.9384. The result indicates that a one Naira increase in bank asset base (BAB) increases growth rate of gross domestic products (GDPr) by ₦ 0.028; A one naira increase in insurance asset base (IAB) increases growth rate of gross domestic product by ₦ 0.339 and a one naira increase in foreign exchange reserves reduces growth rate of gross domestic product by – ₦0.336 . Whereas one naira increase in stock market capitalization growth reduces rate of gross domestic product by - N0.115. All other things being equal.

In testing for the significance of the variation in the dependent variable (GDPr), the

Calculated f-ratio (f_C) at 95% significance level and thirty nine degrees of freedom was 1.7816

Compared to the critical value of f (f_t) which was 2.65. Since f_C is less than ft, the null hypothesis which states that there is no significant relationship between growth rate of gross domestic product and bank asset base, insurance asset base, stock market capitalisation and foreign exchange reserves in Nigeria was accepted for greater f_t values while the alternative hypothesis which state that there is a significant relationship between growth rate of gross domestic product (GDPr) and bank asset base, insurance asset base, stock market capitalisation and foreign exchange reserves in Nigeria was rejected.

To establish the statistical significance of the independent variables, the t-test was conducted and the result showed that BAB = 0.167, IAB = 1.513, FER =.-1.744 and SMC = -1.575. The critical t - value of 1.70 was obtained from the statistical table by checking the df (38) under 95% confident level. Comparing the calculated t (t_c)- values of the independent variables with that of the critical t (t_t), it was found that none of the variables was statistically significant since their t_C were all less than the $t_{t.}$ This means that none of the variables significantly influence the growth rate of gross domestic product in the economy. Two variables, BAB and IAB had an insignificant positive relationship with GDPr while foreign Exchange reserves and SMC had an insignificant inverse relationship with GDPr. The economic implication of this is that more investment in the foreign exchange and stock market subsector led to a decline growth rate of GDPr.

From the result, it was evident that the regression model shows no goodness of fit. With R^2 of .1652% it could be seen that, the econometric property of the estimate equation for the period under review is not remarkable. In other words, the regression model does not reflect a reasonable predictive power. This means that the independent variables in the model only explained 16.52% of the variations in the dependent variable while the remaining 83.48% may be explained by variables not included in this model such as foreign exchange inflows, lending and saving rates, oil revenue etc.

4.4 Discussion of Findings

In the previous section, data were presented, analyzed and interpreted using a number of test statistics. These were done so as to reliably and accurately validate our hypothese, and measure the correctness of the parameter estimates as well as the suitability and fitness of the estimated equation models, all in an attempt to solving the research problem and achieving the research objective.

From the analysis done, lots of interesting discoveries have been made. First and foremost, for forty years, Nigeria had been enjoying a relatively stable and a steady- state growth in the economy with the financial system playing a very marginal role in the growth process of the country. For the period of forty years, the study shows that the financial sector made no significant contribution to the growth of the economy (GDPr) given that their respective t_C values of 0.167 (BAB), 1.513 (IAB), - 1.744 (FER) and -1.575 (SMCr) were all less than the t_t value of 1.70. It was opine that there could have been some problems. It is either the gains derived from the financial sector were not channeled or used properly for development practices such as investment or the policy makers or corporate captains had pocketed and exported the gains to “safe heavens” somewhere in the western blocks for selfish and personal interest as was the opinion of the Emanugaa (2008). This must have been one of the impetuses for advocating for reforms in the sector.

For that period, economic growth (GDPr) has not been significantly impacted and no significant contribution was made thereto by BAB, IAB, FER and SMCr given the overall R^2 value of 16.52%. However, an inverse relationship existed between GDPr, SMC and FER. Mismanagement of our reserves as well as misappropriation of the fund and other unfavourable reserve policies of the international monetary authority (ies) could account for this inverse relationship.

5 Conclusion

It is discovered that between 1970 and 2010, no significant (or rather, a marginal) relationship was found between the growth rate of gross domestic product (GDPr) , bank asset base, insurance asset base, and stock market capitalization. Whereas an insignificant inverse relationship exists between GDPr and foreign exchange reserves, other variable had an insignificant positive relationship with GDPr. The fact that bank assets, stock market fund and foreign exchange reserves have not been put to proper use is reflected in the current state of these sectors which appears to be an investment hell for many investors within and beyond the shores of Nigeria.

As for insurance sector, there are great potentials for economic growth and development of the country so long as proper attention is given to its development. From the standpoint of this study, the insurance sector has not contributed significantly to the growth and development process of the economy. From all indices and variables incorporated in this study the economy of this country had perform marginally for the past forty years. The reforms so far implemented have not significantly move our economy as one had expected, but rather have created avenues for executive fiat, corruption and embezzlement of public funds.

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