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THE EFFECT OF BANKING REFORMS ON THE SOUNDNESS OF NIGERIAN BANKING SYSTEM AND THE CONTRIBUTION OF THE BANKING INDUSTRY TO THE NIGERIA ECONOMY

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Abstract

This study looked at how banking reforms affected Nigeria's economic growth. The banking industry is one of Nigeria's most heavily regulated industries. It contributes significantly to the country's economic progress. The nature of growth and the system's efficiency both have an impact on economic growth. Data for the study were obtained from the Central Bank of Nigeria's Statistical Bulletins, National Bureau of Statistics publications, and Deposit Money Bank annual reports. **Methodology:** Time Serial Ordinary Least Squares (OLS) Several relapses were used in the study. The data show that bank reform boosts economic growth in Nigeria. **Results:** Business banks' presentation influences monetary development utilizing information from Nigeria. Also, Bank Credit exerts positive and significant impact on economic growth in Nigeria. **Recommendation:** The monetary authorities should constantly examine the Minimum Capital Base of banks when implementing banking reforms because it has the potential to stimulate Nigerian economic growth. He also proposed that credit to the private sector be guided to ensure proper implementation. According to the studies, credits to the private sector should be targeted at need groups in order to have an impact on the economy.

1. INTRODUCTION

The banking industry is one of Nigeria's most heavily regulated industries. It contributes significantly to the country's economic progress. The nature of growth and the system's efficiency both have an impact on economic growth. Experience has demonstrated that insufficient reform leads to an unsound banking system, impairs effective credit allocation, distorts the structure of interest rates, disrupts monetary policy, imposes considerable financial costs, and has a negative impact on economic stability. he defines a business visionary as an ordinary indebted individual in an industrialist society. Given Schumpeter's robust base, a large amount of experimental study has been dedicated, particularly in emerging markets, to determine the relationship between banking division execution and monetary development.

In Nigeria, experimental works that concentrated expressly on banking area execution and financial development have yielded blended outcomes. A portion of these works recommend that financial area execution has affected decidedly and fundamentally on monetary development (see; Adelakun,2010) while others announced an unimportant connection between banking segment execution and financial development (see. Ekpeyong& Acha,2011; Odeniran& Udeaja,2010. A noteworthy issue in these works are the creators' choice of logical factors that don't expressly support banking part execution. A model is Balogun's (2007) take a shot at banking industry execution and the Nigerian economy where bank offices were utilized as one of the logical factors, Given different stations of getting to banking administrations, for example, web banking; phone banking; versatile banking; and utilization of computerized teller machines and purpose of offer machines; the importance of the quantity of bank offices as a determinant of financial development is obviously unsure. Along these lines, a case can be made for a progressively vigorous experimental displaying with factors that are more extensive based and that support real financial execution.

A. Statement of Problem

Financial growth has for quite some time been viewed as a significant objective of monetary arrangement with a generous collection of research devoted to clarifying how this objective can be accomplished. One of the most punctual chips away at banking execution and monetary development was by Schumpeter (1959) who contended that money related (banking) administrations are fundamental in advancing financial development. In his view generation expects credit to emerge and one can just turn into a business visionary by already turning into an account holder. What the business visionary first needs is credit. The business visionary as per Schumpeter, is the regular indebted person in an industrialist society. In view of this solid foundation laid by Schumpeter, a great deal of experimental works has been directed particularly in cutting edge economies to find out the connection between banking division execution and monetary development. It has been confirm that reviews in creating nations are meager and where they exist, will in general help a negative and irrelevant connection between banking division execution and financial development. Given the prior, there still exist research holes for an experimental assessment of the effect of banking division execution on financial development utilizing increasingly powerful and wide based illustrative factors. The general target of this study is to research how business banks' presentation influences monetary development utilizing information from Nigeria.

B. Research Questions

The following questions will aid the research objectives:
How far does bank credit advancing have effect on economic growth inNigeria?
To what extent does growth in liquid liabilities of banks have effect on economic growth in Nigeria?
iii. How does Net Interest Margin in banks affect economic growth in Nigeria?
Research Hypotheses
Based on these objectives,
The follocing hypotheses were formulated:
i. Bank credit does not exert positive and significant impact on economic growth in Nigeria.
ii. Growth in liquid liabilities of banks does not exert positive and significant impact on economic growth in Nigeria.
iii. Net Interest Margin of banks does not exert positive and significant impact on economic growth in Nigeria.

2. Materials and Methods

A large portion of these exact examinations concentrated on illustrative factors chose based on their importance to policymakers or in light of other hypothetical forecasts (see for example, Barro, 1991; Levine and Renelt, 1992). In fact, one might say that exact writing/takes a shot at the implied connection between banking division execution and monetary development is expansive in cutting edge economies; change economies of Central and Eastern Europe and the Baltics. In Nigeria, experimental works that concentrated expressly on banking area execution and financial development have yielded blended outcomes. A portion of these works recommend that financial area execution has affected decidedly and fundamentally on monetary development (see; Adelakun,2010) while others announced a unimportant connection between banking segment execution and financial development (see. Ekpeyong& Acha,2011; Odeniran& Udeaja,2010). A noteworthy issue in these works are the creators' choice of logical factors that don't expressly support banking part execution. A model is Balogun's (2007) take a shot at banking industry execution and the Nigerian economy where bank offices were utilized as one of the logical factors in his displaying. Given different stations of getting to banking administrations, for example, web banking; phone banking; versatile banking; and utilization of computerized teller machines and purpose of offer machines; the importance of the quantity of bank offices as a determinant of financial development is obviously unsure. Along these lines, a case can be made for a progressively vigorous experimental displaying with factors that are more extensive based and that support real financial execution. 4 Ayadiet., al. (2013) likewise propose that budgetary advancement has been seriously contemplated in created nations, with result showing a solid and positive connection among development and money related area improvement.

A. An overview of the Banking System

According to Otto et al. (2012), there are four vital components of a financial system. These include; financial institutions, financial markets, the regulatory authorities and financial instruments. The study also noted that the system in Nigeria has undergone remarkable changes in terms of ownership structure, the depth and breadth of instruments employed, the number of institutions established, the economic environment and the regulatory framework within which the system operates currently. The banking industry in Nigeria is dominated by the commercial banks.

The commercial banks dominate in both size and profitability.Ofansons(2012)et al. Note that the process of financial intermediation involves the mobilization and allocation of financial resources, through the financial (money and capital) markets by financial institutions (banks and non-banks) and by the use of financial instruments (savings, securities and loans). They also suggested that the efficiency and effectiveness of financial intermediation in any economy depends critically on the level of development of the country's financial system. In effect, the underdeveloped nature of the financial system in most developing countries accounts largely for the relative inefficiency of financial intermediation in those economies. In these countries the financial system is dominated by banks, which are typically oligopolistic in structure and tend to concentrate on short-term lending as against investments with long-term gestation period. Over the course of history the payments system has evolved from trade by barter to the use of commodity money, cheques to electronic money. As the repository of the economy's immediate liquidity, the financial system, especially banks, constitute the backbone of the payments system. Efforts to improve the efficiency and soundness of the financial system are often geared towards supporting macroeconomic and monetary performance. That is because a reasonably sound, competitive and responsive financial system is critical to the effective conduct of monetary policy and efficiency of the transmission mechanism. In this regard, the maintenance of financial sector stability is complementary to monetary and price stability. Both go hand in hand and are key ingredients for economic confidence upon which investment, growth and prosperity depend. Recent experiences have established the importance of financial sector stability from the perspective of macroeconomic performance. Such experiences illustrate the extent to which unsound and uncompetitive financial systems resulting from inadequate regulatory frameworks can weaken efficient credit allocation, distort the structure of interest rates, disrupt monetary policy signals and impose significant financial costs, with adverse consequences for macroeconomic stabilization and balance (Ofanson et al., 2010).According to Harper (2011) "the health of our banks and the health of our economy are inseparable". This statement buttresses the fact that the activities of banks impact every sector of the economy and that in all economies, the banking industry plays a vital role.

B. Bank Performance and Economic Growth

Amongst other indices, banks' performance is basically evident in their level of efficiency and ability to manage costs and post healthy profit figures, but more importantly money creation. Performance reflects in several ways, which include; improved lending to various sectors of the economy, due to enhanced capital base; stronger banks with healthier balance sheets; innovation in banking products / service delivery; improvement in technology and globalization of operations in the industry; employment generation especially at the middle and lower levels of the industry in the short and long run; increased branch network, thereby aiding employment of both capital and labour; more challenges on the supervisory authorities especially in terms of capacity and capability thereby aiding better management of the banking / financial aspect of the economy; adherence to preferential treatment (by policy direction) on certain priority sectors (like agriculture and manufacturing). The apex regulatory body has a major role in ensuring optimal performance by the banks. Developing the real sector of any economy is not a matter that should be left to chance variables, the CBN has to intervene to ensure that the objectives of monetary policy are consistently achieved. Defaulting debtors should be pursued through legislation to ensure public funds are not subjected to waste and also to instill discipline in the behavior of borrowers. These will ensure banks perform optimally as more funds are channeled into productive investment and there will be increased vibrancy in the money and capital markets, thus enhancing economic growth.

C. Banking Industry Performance and Economic Growth – Explanatory Variables and Causation

Despites the Fact that there exist a broad assortment of writings on the connection between money division improvement, monetary development and neediness decrease, there is no accord on the impact of informative factors on financial development. See for instance, King and Levine (1993), Levine and Zervos, (1998), Rajan and Zingales, (1998) and Levine, Loayza and Beck, (1999). The bearing of causal connection between financial development and the financial business is one territory of conflict among market analysts. Schumpeter (1934) for instance was a solid promoter of the job of the financial business in animating monetary development. He noticed that the financier remains between the individuals who wish to frame new blends and the holders of profitable methods. Harrison et al (1999) anyway contend that financial movement and benefit are an element of monetary development. Concurring with this attestation, Bayraktar and Wang (2006), proposed that financial industry transparency had an immediate and circuitous effect on monetary development through a mix of progress in access to money related administrations, and the effectiveness of budgetary go-betweens as both of these reason a bringing down of expenses of financing which thusly animates capital aggregation and monetary development. Bayraktar and Wang (2004) exhibited that the job of outside banks was both measurably and financially huge in expanding development and improving the tasks of nearby banks.

D. Empirical Literature

The key presumption of neoclassical monetary hypothesis, otherwise called the Solow–Swan development model, is that the long-run rate of financial development is needed just on the rate of mechanical advancement and the rate of work power development and that capital is constantly subject to unavoidable losses. Schumpeter (1934), principle shows that financial strategies which grasp receptiveness, rivalry, change and development will upgrade banks' presentation and advance monetary development. On the other hand, strategies which have the impact of confining or moderating financial changes by ensuring or supporting specific ventures or firms are likely, after some time, to prompt unsustainable monetary development. As indicated by Howitt (2007) "Supported monetary development — regardless of whether one barely characterizes it as supported development in pay per individual — is all over the place and dependably a procedure of consistent change". He further affirms that the financial advancement that rich countries have delighted in since the mechanical upset would not have been conceivable had individuals not experienced tweaking changes. Economies that stop to change themselves are bound to tumble off the way of monetary development (Howitt, 2007). Otto et al. (2011) construe that there is a positive connection between the money related framework and monetary development in Nigeria, particularly inside the multi-year time frame (1985 – 2008) contemplated.

Research Gap

Most empirical works so far reviewed in this context were associated with variant results though with different models used for data analysis. It Implied that research on the effect of banking reforms on on soundness of Nigerian banking system and the contribution ff the banking Industry To The Nigeria economy" is inconclusive, hence the study.

METHODOLOGY

E.Research Design

According to Asika (2006), ex post facto research is a systematic empirical study in which the researcher does not in any way control or manipulates the independent variables because the situation for the study already exists or has taken place. The study collates historical data for the period 1999 - 2012. By implication, the study is a time series analysis. Most works along this line use time-series analysis of annual observations and even quarterly data to maximize the information included in their analyses. According to Bandiera et al (2004), time series analysis adjust the standard errors accordingly and conduct an array of sensitivity checks, and this procedure formally deal with simultaneity bias. Levine and Zervos (1998) and Bandiera et al (2004) show that time serial analysis improves information and sensitivity of data by detecting the direction of movement within the period under study. In line with works on banks' performance and economic growth, this study adopted the multiple linear regression approach. While the growth rate of gross domestic product per capita is the dependent variable, the independent variables are lending and deposit rates, ratio of interest rate margin to bank total assets, ratio of liquid liabilities to GDP, ratio of loan to private sector to GDP.

Nature and Sources of Data

Secondary data was used for the study, data for real GDP per capita growth, deposit and Lending Interest rate liquid liabilities, banking industry credit to private sector and other relevant data will be obtained from the Central Bank of Nigeria Statistical Bulletin and NDIC Annual Reports and Account..

F. Model Specification

To test the competing views on the role of banking activities in promoting economic growth, the time series, Ordinary Least Square (OLS) multiple regression was adopted with the functional form stated below. In specifying the models for this study, the following alphabets were used to denote therespective variables. GDPt = represents growth in real gross domestic product per capita over time, a proxy of economic growth BCt = represents banking industry credit to private sector as a proportion of total banking industry credit to the economy. M2 = represent ratio of liquid liabilities NIMt = Net Interest Margin (the interest rate margin over time). Ut = represent the residual error term which will capture any variations in the modelthat cannot be attributed to independent variables used in the equation. The model for this work is a slight modification on models used in Khan &Senhadji: 2000. The basic equation tested in their study has the following form: $Yi = \beta 0 + \beta 1FDi + \beta 2Xi + ei$Where yi is the rate of growth of country i, FDi is an indicator of financial depth, Xi is a set of control variables, and ei is the error term.

G. DATA PRESENTATION AND ANALYSIS

In this section, the significant information for the examination were exhibited and broke down. The important information incorporate; net premium edge (income), complete bank resources, fluid liabilities (M); business bank advance/credit to the private segment; business bank credit to the open part, genuine total national output; and all out populace. The Nigerian Banking part has experienced genuine difficulties lately and these Challenges are fuelled significantly by frail structure and arrangements that showed as illiquidity, undercapitalization, powerless corporate administration, bankruptcy, extortion and Misrepresentations among others. In any case, in July 2004, the then CBN Governor, Prof. Charles Soludo proposed an expansion in capitalization which is accepted will prompt progressively proficient and more advantageous saves money with better proficient and moral qualities. The financial business was likewise laden with undesirable challenge between huge banks and insignificantly playing banks. Be that as it may, with the then proposed N25B least capital prerequisite (up from N2B which speak to a 1,150% expansion), all going along banks are relied upon to be enormous enough to endure. The information displayed in this way, fundamentally takes a gander at banks execution, pre and post solidification with a perspective on finding out if any advancement has been made up to this point, and the general commitment of banks execution to monetary development.

H. Data Presentation

The study presented data that were relevant and in line with the objectives of the study. Table Showed the relevant data for testing financial sector performance in Nigeria.

Table 4.1 Performance Indicators of Deposit Money Banks (1999 – 2012)

Year	Total Assets (N'M)	Demand Deposits (N'M)	Capital Accounts (N'M)	Total Loans (N'M)	GDP
1999	1,070,019	202,162 141	202,162 141	969 322,764	3,194,015
2000	1,568,838	345,001	196,662	508,302,	4,582,127
2001	2,247,039	448,021	364,258	796,164	725,086
2002	2,766,880	503,870	500,751	954,628	6,912,381
2003	3,047,856	577,663	537,208	1,210,033	8,487,031
2004	3,753,277	726,552	206,063	,519,2421	11,411,066
2005	4,515,117	946,039	419,417	1,976,711	14,572,239
2006	7,172,932	1,497,904	872,513	2,524,207	18,564,594
2007	10,981,694	2,307,911	1,560,032	4,813,488	20,657,317
2008	15,919,559	3,650,543	2,577,601	7,799,400	24,296,329
2009	17,522,858	4,132,789	1,982,326	9,667,876	24,712,669
2010	18,664,231	10,840,321	1,912,654	7,172,657	29,503,343
2011	19,371,605	13,322,755	1,965,325	8,693,260	63,258,582

2012	21,231,279	15,465,053	1 2,345,891	10,988,281	71,186,535

Sources: Central Bank of Nigeria Statistical Bulletin (Various Years) and NDIC Annual Report and Accounts (Various Years)

Table 4.2: Selected Ratios of Commercial Banks' Aggregates to GDP in Percentage (1999 – 2012)

Year	Bank Assets/GDP Ratio	Bank Deposits/GDP Ratio	Bank Credit/GDP Ratio
1999	33.50	6.33	10.11
2000	34.24	7.53	11.09
2001	47.56	9.48	16.85
2002	40.03	7.29	13.81
2002	40.03	7.29	13.81
2003	35.91	6.81	14.26
2004	32.89	6.37	13.31
2005	30.98	6.49	13.56
2006	38.64	6.49	13.60
2007	53.16	11.17	23.30
2008	65.52	15.03	32.10
2009	70.91	17.06	39.2
2010	63.26	36.74	39.12
2011	30.62	21.06	13.74
2012	29.82	21.72	15.44

Source: Computation by the Researcher from Table 4.1

The further discouragement is because of extended GDP figure and growing economy. The development trend is shown in figure 4.1.3 below:

Year	Bank Assets/GDP Ratio	Bank Deposits/GDP Ratio	Bank Credit/GDP Ratio
1999	4.36	3.82	102.88
2000	4.51	3.78	115.27
2001	27.37	4.82	57.41
2002	27.55	2.63	41.63
2003	20.32	2.00	29.11
2004	18.22	2.58	27.23
2005	4.07	0.75	4.81
2006	3.47	0.59	4.12
2007	20.58	5.92	36.83
2008	187	4.29	24.11
2009	22.87	-64.72	9.28
2010	10.05	3.91	16.29
2011	0.04	11.24	0.28
2012	11.92	2.62	22.20

Source: NDIC Annual Reports and Accounts (Various Years)

3. Discussion

Information from Table 4.1 demonstrates that complete resources of business banks kept up an enduring increment throughout the years under investigation. Be that as it may, all out resources of each of the 89 banks working in Nigeria as at 2004 (pre-union) was N3.753B and rose to N4.515B before the finish of the combination year(2005). This speaks to a 16.87% expansion. In 2006 in any case (first year post-solidification), banks all out resources rose to N7.17B and this speaks to a 58.86% expansion over the earlier years' figure (N4.52B). For the period under examination (1999-2012), the complete resources of banks developed from N1.07B to N21.231B, which speak to a 1,884% expansion. With an all out number of 89 Banks in 2004, the normal resource size of individual banks remained at N42.21B, however as at 2012, with an absolute number of 24 bank, the normal resource size is N884.63B. Clearly, banks are presently greater and have higher ability to fund formative tasks. Correspondingly, request stores additionally kept up an upward increment all through the period under survey. Request a store was N202.16B in 1999 however expanded to N726.55B in 2004. This speaks to a 259.88% expansion for the pre-solidification period. Be that as it may, in 2006 (first year post solidification), the figure rose to N872.51B from N206.06B in 2004 and N419.41B in 2005. This ascent speaks to a 323.42% and 108% expansion separately, well beyond the 2006 figure. The figure at that point climbed cosmically to N15,465.05B in 2012. For the multi year time span under investigation, this speak to a 7,549.90% expansion somewhere in the range of 1999 and 2012 Moreover, capital records kept up a consistent increment in ostensible terms for the years under survey with the exception of the years 2004, 2005 and 2009. While the 2004 and 2005 decline could be credited to the vulnerability in the Nigerian financial industry, following the massive changes proposed by the then CBN Governor, Prof. Charles Soludo, the 2009 descending pattern could be connected to the worldwide financial emergency that immersed the worldwide economy starting in 2008. Capital records which remained at N141B in 1999 moved to N537B in 2003 yet declined in this manner in 2004 and 2005 when it declined to N206B and N419B individually. Be that as it may, it got again in 2006 when it expanded to N872B and remained at N2,577B in 2008. By 2009, it had declined again to N1,982B in 2009 and remained at N1,912B in 2010. As of late, the worth has likewise kept up an upward increment, ascending to N1,912B and N2,574B in 2011 and 2012 individually. By and large, this speaks to around 908% expansion somewhere in the range of 1999 and 2012. Besides, complete credits and advances likewise kept up a persistent increment for the whole time frame under survey, with the exception of Year 2010.The decrease anyway could be connected to decrease in loaning exercises following the impacts of the 2008 worldwide monetary emergency. Complete credits and advances stood N322B in 1999 yet expanded to N1,519B in 2004. This speaks to over 370% expansion for the period. In addition, from N1,519B in 2004 to N2,524B in 2006 and remained at N7,172B and N10,988B in 2010 and 2012 separately. For the period under examination (1999 – 2012) the estimation of absolute Loans expanded from N322.76B to N10,988.28B which speak to a 3,304% expansion. At long last, GDP likewise shown upward development for the period under survey. From N3,194B in 1999, it moved to N11,411B in 2004 and remained at N29,503B in 2010. This speaks to over 257% expansion somewhere in the range of 1999 and 2004 and over N56,614B increment somewhere in the range of 2005 and 2012, which speak to a 388.51% expansion.

From the outcome in Table 4.2, bank resources for GDP proportion showed a conflicting pattern for the period under survey. From a proportion of 33.50, it edged up somewhat to 34.24 in 2000. Be that as it may, there were minimal gains in 2001, which were along these lines turned around in 2002, as the proportion drooped to 40.03 in 2002 from 47.56 in 2001. The gyration in the pattern proceeded all through the period and remained at 63.26 as at 2010. Relatively, the 2012 proportion is lower than the 1999 figure. This infers with the growing GDP, the sufficiency of banks resource is lessening. This outcome is very aggravating as the monetary extension being seen isn't reflecting inside the financial area, as their benefit development rate is slower than the financial development rate. Source: Researcher's Excel Computation

Bank stores to GDP proportion likewise demonstrated conflicting pattern for the period under audit. The proportion was 6.33 in 1999, rose to 7.53 and 9.48 in 2000 and 2001 separately however in to 11.17. This decrease plainly mirrors the frail financial industry with no enhancement for store levels, be that as it may, following the expansion in least capital prerequisites and the chaperon bank combination, the figures bounce back to 11.17 speaking to a 72.11% expansion over the earlier year's figures. The expansion proceeded and hit an unequaled high of 36.74 in 2000. This figure speaks to a 115.35% expansion throughout the year 2011 figure. Be that as it may, the figures declined further to 21.06 and 21.72 in 2011 and 2012 individually. The development pattern is appeared in figure 4.1.2 beneath. The climb in year 12 is because of the expansion in Demand Deposits from N4,132B in 2009 to N10,840B in 2010. The drop in 2013 and 2014, be that as it may, does not mirror a drop in the outright estimation of Demand Deposits, however mirrors the deficiency of the estimation of the Demand Deposit as a proportion of the GDP following the ongoing GDP rebasing and growing economy.

Bank Deposit/GDP Ratio

Source: Researcher's Excel Computation Furthermore, the outcome from Table 4.2 demonstrates that the proportion of bank credit to the private segment has kept up a conflicting pattern inside the period under investigation. From a proportion of 10.11 in 1999, it climbed marginally to 11.09 in 2000 and proceeded with the expansion to 16.85 in 2001 yet tumbled to 13.81 in 2002. Further increment was seen in 2003, which later fell in 2004 from 14.26 to 13.31 separately. This range was kept up till 2007, where the figure rose to 23.30 which speak to a 71.32% expansion over the earlier year's figure. The break between 2004 to 2006 is suspected to be because of stiffer prerequisites for bank loaning, following arrangement of awful obligation revelations which were uncovered during the combination work out, which finished in December 2005. The expansion was not supported for a really long time, as the worldwide money related emergency of 2008 – 2010 further discouraged the recuperating exercises of bank loaning. Banks were commonly less ready to propel credits to private area establishments. The proportion remained at 24.31 as at 2010 and discouraged further to 13.74 and 15.44 in 2011 and 2012 individually.

From the result in Table 4.3, yield on earning assets of banks showed an inconsistent trend for the period under review. The 1999 and 2000 figures stood at 4.36% and 4.51% respectively, and rose sharply to 27.37% in 2001. The rise reflects a 506.87% increase between the 2001 and 2000 figures. This high figure was sustained for another year and dropped by 25% in 2004. Following the completion of the bank consolidation process, Yield on Earning Asset further dropped to 4.07% in 2005 and 3.47% in 2006. This swing continued, rising sharply to 20.58% in 2007 and closing the year 2010 at 11.24%. These gyrations are a reflection of the impact of series of reforms the banking industry passed through within the period under study, and more lately economic downturn of 2008-2010. The downward trend also reflects the high operational cost of banking business in Nigeria.

Findings emanating from this study are as follows:

1. Bank Credit exerts positive and significant impact on economic growth in Nigeria.
2. Growth in Liquid Liabilities of Banks exerts positive and significant impact on economic growth in Nigeria.
3. Net Interest Margin of Banks exerts positive and significant impact on economic growth in Nigeria.

4. Conclusion

From the rundown of the work it is obvious that the financial part possesses an essential position in the economy and accordingly its exercises must stay under consistent survey and diagnostic spotlight. The unobtrusive accomplishment of the financial division noted in the work could be ascribed to coordinated effort and responsibility of direction among key partners. The investigation saw that the crucial target of each administration approach ought to be the repositioning of the banks to perform better in their center capacities so as to affect decidedly on monetary development in the nation. It could along these lines be reasoned that financial exercises in Nigeria have affected positively on the nation's monetary development as estimated by GDP for the Period of concentrate 1999 to 2012.

5. Recommendations

The following are the recommendations of the study.
1. Credits to the private sector should be directed at priority sectors (manufacturing and agriculture) for its impact to be felt in the economy. Government regulation should be tilted towards encouraging private sector lending, with greater incentives for these sectors. Government should also endeavor to provide a stable macroeconomic environment.
2. Effort should be made to reduce interest rates on deposits, which invariably is making investible funds more expensive and fuelling inflation. Policies geared at stifling investible cash of banks should be relaxed in order to encourage expanded lending activities to the private sector.
3. Growth in Liquid Liabilities of Banks is an indicator of size and capacity. Our study shows that the growth in Liquid Liabilities of Banks has impacted positively and significantly on economic growth in Nigeria, for the period under study.

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We appreciate the fact that our banking industry is one of Nigeria's most heavily regulated industries which contributes significantly to the country's economic progress.is currently undergoing rapid reforms to meet up global demands, especially in Africa.

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AUTHORS CONTRIBUTIONS

Lead Author: Israel O.E. Idewele carried out a detailed work on the background of the study and reviewed the works of other scholars. He also sourced data and materials from the Central Bank of Nigeria bulletin and Statistical data.

Author 2 : Benedette Nneka Okezie and Nnam Hilaryx Ikechukwu wrote the abstract, edited the entire work and conclude it with some recommendations .
Author 3 : Lawrence Sunday Edeh, Idume Gabriel Ish and Kingsley Sunday Oyekezie ran the analysis and present the outcomes using tables as specified by the editors.
Thank you.

Conflicts of Interest

The authors have disclosed no conflicts of interest.

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