FINANCIAL DEEPENING AND ECONOMIC DEVELOPMENT OF NIGERIA: AN EMPIRICAL INVESTIGATION

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ABSTRACT
This empirical study examined financial deepening and economic development in Nigeria between 1986 and 2007. The central focus is that a high level of financial deepening is a necessary condition for accelerating growth in an economy. This is because of the central role of the financial system in mobilizing savings and allocating same for the development process. The study made use of secondary data, sourced for a period of 22 years. We specified nine explanatory variables for the study based on theoretical underpinnings. We sought to establish a relationship between these variables and financial deepening index. The two stages least squares analytical framework was used in the analysis. A trend analysis was also done in the study. At the end of the study, we found that financial deepening index is low in Nigeria over the years. We also found that the nine explanatory variables, as a whole were useful and had a statistical relationship with financial deepening. But four of the variables; lending rates, financial savings ratio, cheques/GDP ratio and the deposit money banks/GDP ratio had a significant relationship with financial deepening. We concluded that: the financial system has not sustained an effective financial intermediation, especially credit allocation and a high level of monetization of the economy. Thus the regulatory framework should be restructured to ensure good risk management, corporate governance and stemming systemic crisis in the system.

Key Words; Financial Structure, Corporate Governance, Financial Reforms, Financial Savings, Financial Market, Gross Domestic Product, Financial Deepening
JEL codes: G14, G15

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I. INTRODUCTION

The reforms in the financial system in Nigeria which heightened with the 1986 deregulation, affected the level of financial deepening of the country and the level relevance of the financial system to economic development. Nnanna and Dogo (1998) However, the rapid globalization of the financial markets since then and the increased level of integration of the Nigerian financial system to the global system have generated interest on the level of financial deepening that has occurred.

The financial system comprises various institutions, instruments and regulators. The According to the Central Bank of Nigeria (1993) the financial system refers to the set of rules and regulations and the aggregation of financial arrangements, institutions, agents, that interact with each other and the rest of the world to foster economic growth and development of a nation. According to Nzotta (2004:169) the financial system serve as a catalyst to economic development through various institutional structures. The system vigorously seek out and attract the reservoir of savings and idle funds and allocate same to entrepreneurs, businesses, households and government for investments projects and other purposes with a view of returns. This forms the basis for economic development.

The financial system play a key role in the mobilization and allocation of savings for productive, use provide structures for monetary management, the basis for managing liquidity in the system. It also assists in the reduction of risks faced by firms and businesses in their productive processes, improvement of portfolio diversification and the insulation of the economy from the vicissitudes of international economic changes. Additionally, the system provides linkages for the different sectors of the economy and encourages a high level of specialization expertise and economies of scale. Nzotta further contends that the financial system, additionally, provides the necessary environment for the implementation of various economic policies of the government which is intended to achieve non-inflationary growth, exchange rate stability, balance of payments equilibrium foreign exchange management and high levels of employment.

The Nigerian financial system can be broadly divided into two sub-sectors, the informal and formal sectors. The informal sector has no formalized institutional framework, no formal structure of rates and comprises the local money lenders, thrifts, savings and loans associations and all forms of 'isusu' associations. According to Olofin and Afandigeh (2008:48) this sector is poorly developed, limited in reach and not integrated into the formal financial system. Its exact size and effect on the economy remain unknown and a matter of speculation. The formal sector, on the other hand, could be clearly distinguished into the money and capital market institutions. The money market is the short-term end of the market and institutions here deal on short term instruments and funds. The capital market encompasses the institutions that deal on long-term funds and securities.

The regulatory institutions in the financial system are the Federal Ministry of Finance, the Central Bank of Nigeria as the apex institution in the money market, the Securities and Exchange Commission (SEC) as the apex institution in the capital market, Nigerian Deposit Insurance Corporation, (NDIC), National Insurance Commission (NAICOM) and the National Pensions Commission (PENCOM).

Since 1986, the monetary authorities have adopted various measures aimed at deepening the financial system and reducing the level of financial repression in the system. In terms of flow of funds, the banking system, clearly dominate and has an important impact on the level of economic development. Thus, we can make a distinction between bank based and market-based financial systems. (Stiglitz, 1985, Levine, 2002). These issues have been the focus of theoretical debate for decades. Attempts have also been made to examine whether one type of financial system better explains economic growth in a country than another. Arestis and Luintel (2004) Empirical studies on financial structure and its effects on economic growth have concentrated on the developed economies, especially the United States of America and United Kingdom, which are market based and Germany and Japan essentially bank based. Olofin and Afangideh (2008). These studies include Arestis et'al (2001). Hohi et al (1991) and Weinstein and Yafeh, (1998). The Studies above points to the fact that the financial structure is important in economic growth. As noted by Olofin and Afangideh, "the results based on the models of developed countries can only be used as speculation when it comes to economic policy for developing countries. They are not likely to provide a convincing reference point for developing countries, given the differences in their level of development. Moreover critical issues on economic growth remain unaddressed. The more developed a financial system and structure, the greater the slice of returns that accrue to financial investors.

Financial reforms have been a regular feature of the Nigerian financial system. The reforms have evolved in response to the challenges posed by developments in the system such as systemic crisis, globalization, technological innovation, and financial crisis. The reforms often seek to act proactively to strengthen the system, prevent systemic crisis, strengthen the market mechanism, and ethical standards. Financial reforms in Nigeria dates back to 1952 when the Banking Ordinance was enacted. The deregulation of banking in 1986 provided the impetus for the Structural Adjustment Programme. The 1986 reform of the financial system saw a policy shift from direct control to a market based financial system, especially as regards monetary management, risk management and asset holding capabilities of the institutions. A number of other reforms followed including the consolidation policy in banking 2005 and insurance 2007. The capital market has also experienced a lot of reforms over the years, especially as regards the capital requirements of the operators, the operational and ethical standards of the institutions and the modalities of the market mechanism.

The reforms in the system impacted positively on the growth of the financial system. The system moved from a rudimentary one at inception to a more sophisticated one in 2009 with diverse institutions and operators, diversified financial assets and an enhanced regulatory framework. The reforms have also tried to address the financial gaps in the system, remove rigidities in the system of credit allocation and control and achieve positive real interest rates and greater efficiency by the market operators in the intermediation process.

The process of financial sector reform consists of the movement from an initial situation of controlled interest rates, poorly developed money and securities market and under-developed banking system, towards a situation of flexible interest rates, an expanded role for market forces in resource allocation, increased autonomy for the central bank and a deepening of the money and capital markets. The link between financial sector stability and growth is, explained by increased market depth, which potentially increases market efficiency. It also reduces risks through the elimination of weak institutions.

Financial sector reforms/seeks to develop an efficient framework for monetary management. This encompasses efforts to strengthen operational capacities of the banking system, foster efficiency in the money and securities markets, over-haul the payments system and ensure greater autonomy to the central bank in formulating and implementing macroeconomic policies. Thus, there is the need to deepen the financial sector and reposition it for growth and integration into the global financial system in conformity with international best practices. One of the most important policy concerns in most countries is the effect of consolidation of financial institutions on financial system growth and development. The first major concern is the transmission mechanism. Consolidation could alter the credit allocation of the financial system by fostering the creation of larger banks having better access to the funds market. It also affects the availability and pricing of loans in response to changes in the market dynamics and the level of economic development.

Generally, this study is important at this level of economic development when efforts are being made to reposition the financial system to enable it play key roles in economic development of Nigeria. The study essentially seeks to examine in an empirical manner, the nature of financial deepening in Nigeria since the onset of financial reforms in 1986 up to 2007 when the banking consolidation took root in Nigeria. We shall seek to ascertain the critical factors that have affected the level of financial deepening in Nigeria. Moreover, we shall also seek to find answers to the basic questions: Is there any verifiable pattern in the financial savings of the system since 1986? Is there any relationship between the lending pattern of banks and financial deepening? Is there any relationship between the level of financial deepening and savings?

Finally, we shall seek to ascertain if there is observable growth in the financial deepening index (money supply to GDP) ratio in Nigeria.

This study is divided into five sections. Section one is the introduction. Section two is the theoretical foundation. Section three presents a general specification of the model. Section four presents the results of the analysis and their implications, while the last section is the concluding statement and recommendations.

11. THEORETICAL FRAMEWORK

Finance affects economic growth, stagnation or even decline in any economic system. Financial resources are mobilized and channeled to economic activities by financial institutions or financial intermediaries who channel these resources from surplus economic units to deficit economic units. In doing this, they evolve appropriate structures necessary for the intermediation functions which they perform. Various studies have shown that there is a strong and positive relationship between the financial sector and economic development. According to Porter (1966) the level of financial institution development is the best indicator of general economic development. Furthermore, Goldsmith (1969) contends that financial institution development is of prime importance for real development because the financial superstructure in the form of both primary and secondary securities accelerates economic growth and improves economic performance to the extent that it facilitates the migration of funds to the best user. This refers to the place in the economic system where the funds will yield the highest social return.

In his empirical study, as reported by Nzotta (2004) Goldsmith calculated the values of the financial interrelation ratio (FIR), the ratio of all financial instruments at a given time, to the value of the national wealth. He found that the ratios for developing countries were far lower than those of developed countries and concluded that because the development of financial institutions affects development, the low level of development of the financial superstructure affects development negatively.

The views above are supported by the development hypothesis theory. The supporters of this theory believe that the lack of a developed financial infrastructure restricts economic growth. Thus, the focus of policy at each point in time should be to ensure that the financial system operates efficiently such that the real sector will receive the necessary support. The acceptance of the hypothesis theory made economic theorists to conclude that a measure of intervention is important and in fact necessary for meaningful growth. Various policies should thus be put in place to encourage and promote the activities of financial institutions in this regard. This gave rise to the financial repression theory. This theory is usually associated with the work of Mckinnon (1973) and Shaw (1973). The implication of their studies is that financial development would contribute most significantly to economic growth, if monetary authorities did not interfere in the operations of financial institutions and the financial infrastructure generally.

The studies by Mckinnon and Shaw observed that financial repression is correlated with sluggish growth in developing countries. Such economies, according to Nnanna and Dogo (1998) are typically characterized by high and volatile inflation and distorted interest and exchange rate structures, low savings and investments and low level of financial intermediation, as interest rates do not reflect the cost of capital- Various studies investigated the relationship between financial system structure and development and the level of economic growth in Nigeria. These studies include Akinlo and Akinlo (2007) Ayadi et al (2007), Ndebbio (2004) Oyejide (1998) Edo (1995), Ogun (1986). The studies relied on money market indicators and established a positive and significant relationship between financial development and economic development. (Nwaogwugwu: 2008) Financial deepening is very often used in development studies and refers to the increased provision of financial services with a wider choice of services geared to the development of ail levels of society. The World Bank (1932) further contends that financial deepening encompasses the increase in the stock of financial assets. From this perspective, financial deepening implies the ability of financial institutions in general, to effectively mobilize financial resources for development. This view accepts the fact that a financial system's contribution to the economy depends on the quality and quantity of its services and the efficiency with which it performs them.

Popiel (1990) conducted one of the most elaborate studies on financial deepening. According to him, financial markets are deep from a qualitative standpoint when:

1. They offer savers and investors a broad range of financial instruments which differ in terms of liquidity, yields, maturities and degree of risk including debt instruments, equity instruments and in between quasi-equity instruments.
2. They encompass a diversity of sub-markets, trading in different financial instruments.
3. Mature, domestic financial markets are integrated into the international financial markets.
4. Are linked together through financial instruments.
5. Finally, the markets are linked together through various financial institutions which function as market makers and financial intermediaries.

The conclusions of Popeil above agree with the views of Shaw (1973) who contends that financial deepening is an outcome of the adoption of appropriate real finance policy and the broadening of the markets. The attempt to effect this in Nigeria resulted in the deregulation of the financial system in 1986 and the various reforms in the financial system since then.

Financial deepening implies the ability of financial institutions to effectively mobilize savings for investment purposes. The growth of domestic savings provides the real structure for the creation of diversified financial claims. It also presupposes active operations of financial institutions in the financial markets, which in turn entail the supply of quality (financial) instruments and financial services (Ndekwu. 1998: 14). The views above conform to the conclusions of a study by Nnanna and Doga (1999) that financial deepening represents a system free from financial repression. Their findings in this study is that policies of financial repression aimed at encouraging domestic investments through suppressing interest rates produced negative results. Here, negative real interest rates did not encourage greater investments but rather encouraged the banks to be more risk averse and more hesitant to lend. On the other hand, when interest rates are more market oriented and less negative in real terms, bank lending increases and same to domestic investments and national savings.

Financial deepening generally entails an increased ratio of money supply to Gross Domestic product Popiel (1990), Nnanna and Dogo (1999) and Nzotta (2004). Financial deepening is thus measured by relating monetary and financial aggregates such as M_1, M_2 and M_3 to the Gross Domestic Product (GDP). The logic here is that the more liquid money is available to an economy, the more opportunities exist for continued growth of the economy. How does this come about? Deep and mature financial markets are indispensable for economic development Olofin and Afangideh (2008) Arestic (2001) and Levine (2002). I t is also instructive to note that the study by Nnanna and Dogo found that the depth of the Nigerian financial market remained fairly shallow up to 1983. The financial deepening index grew between 1987 and 1997. The results of their study showed a positive serial correlation between financial deepening and six explanatory variables.

From the literature, we can summarize the reasons why financial deepening is poor in developing countries as including the low level of foreign direct investments, shallow capital market, distortions in interest rate, and weak association between financial openness and financial deepening. Ju and Wei, (2007), recently the low level of corporate governance in financial institutions has also sustained poor financial deepening in the system. (Nzotta, 2006). Moreover, in a world of friction less capital markets and various levels of country risks, the least developed financial system is completely bye-passed by international investment flows. Thus, a developing country with poor financial infrastructure may experience large outflows of foreign capital, Yan (2007). These issues explain why financial deepening is not progressing fast in Nigeria and most of the poor countries of sub-Saharan Africa and South East Asia.

III. THE MODEL SPECIFICATION

A. Development of the Model

A model is identified if it is in a unique statistical form enabling unique estimates of the parameters to be subsequently estimated from a sample data. In this study, we shall reformulate the model used by Nnanna and Dogo in their investigation of the financial deepening function in pre and post financial reform periods in Nigeria. In their specifications, six explanatory variables were used in investigating financial deepening. In the current investigation, we shall use nine explanatory models. In our model Financial Deepening (M_2/GDP) depends on, Financial Savings/GDP ratio (FS/DGP) Private Sector Credit/GDP (PSC/GDP) value of Cheques Cleared to GDP ratio (CHQ/GDP), value of Cheques Cleared to Money Supply (CHQ/MS_2) the Rate of Inflation (INFLA), Prime lending rates (PLRA) the intermediation ratio i.e. Currency outside Banks to Money Supply (COB/MS_2) and the Dummy.

This model is given as

MS_2/GDP_{it} = f ($PLRA_{it}$), FS/GDP_{it}, CHQ/GDP_{it}, CHQ/MS_2 $INFLA_{it}$, PSC/GDP_{it}, $DMBA/GDP_{it}$, COB/MS_2 + DUM. The model above can be reduced to the linear logarithmic equation form thus:

$$
\begin{aligned}
\text{Log}\,(MS_2/GDP_{it}) = {} & Co + Ci\,(PLRA_{it}) + C_2\,\text{LOG}\,(FS/GDP_{it}) \\
& + C3\text{Log}\,(CHEQ/GDP_{it}) + C_4\,\text{Log}\,(CHEQ/MS_{2it}) \\
& + C5\,\text{Log}\,(INFLAit) + C_6\,\text{Log}\,(PSC/GDP_{it}) \\
& + C_7\,\text{Log}\,(DMBA/GDP_{it}) + C_8\,\text{Log}\,(COB/MS_{it}) + DUM
\end{aligned}
$$

B. Sources of Data and Method of Analysis

The data used in this study were sourced from the Central Bank of Nigeria publications and those of the Bureau of statistics. The data was for the period 1986 – 2007. The period chosen for the study encompasses the phases of the major reforms in the financial system and the period of consolidation of the banking and insurance systems in Nigeria.

In our analysis, financial deepening defined as the ratio of money supply to GDP, is a function of the value of cheques cleared to GDP, value of cheques to money supply, ratio of private sector credit to GDP, financial savings to GDP, rate of inflation, real lending rates, deposit money bank assets to GDP, Currency outside Banks to money supply and the Dummy. The level of development of the Nigerian financial system makes it imperative to use this concept of financial deepening specified above, unlike Goldsmith's Financial Interrelations Ratio (FIR).

The equation specified for the study was estimated using the stepwise least squares regression method. The model assists us to determine the T values and the F values which were used to test the significance of the equation specified.

The data used in the regression runs are as shown in Tables 1. These are absolute aggregates for each variable obtained for the period 1986 – 2007 (22 years). The inflation rates are expressed in percentages, while the savings rates are used as a proxy for interest rates. These rates are also in percentages. The private sector credits (PSC) are aggregate Naira values and so to financial savings (FS). The value of money supply is obtained from the broad definition of money supply (MS_2) and is in Naira values. The gross domestic product is at 1990 values.

The dummy variable is factored into the model and relate to political instability, civil unrest and coups. These occurrences over the twenty two year period were captured by the dummy variable. These occurrences were aggregated into values ranging from 0 to 1. The introduction of the dummy variable seeks to capture the influence of political instability on the operations of financial institutions and this to a large extent influences financial deepening. Values of 0 to 1 are assigned to the various years: 0 representing mild instability, while 1 represent high levels of instability. The assets of deposit money banks (DMBA) are in millions of Naira, and same to financial savings (FS), private sector credits (PDC) and currency outside banks (CO). The data were subsequently converted to the relevant ratios as shown in table 2.

To test for stationarity and co-integration, we adopted the Sargan – Bhargavan Durbin – Watson (SBDW) test. It is important to note that the present of co-integration in a model means that long-run equilibrium relationship exits among the non-stationery variables.

IV. FINDINGS

The findings of the study from the analysis done could be summarized as shown below.

A. ANALYSIS OF TRENDS IN FINANCIAL DEEPENING BETWEEN 1986-2007

The main features of the financial deepening aggregates during the 22 year period, as evidenced from Table 2 were as presented below. The financial deepening index of MS_2/GDP moved from 35.9 in 1986 down to 24.2 in 1992 and increased to 29.7 by 1994. This declined further to 15.3 by 1997 before rising to 32.0 by 2004. The aggregate moved down to 18.0 by 2005 and up again to 29.7 by 2007. The trends above clearly show that the financial deepening index did not experience any dramatic changes during the period. This is despite the various reforms introduced from 1986 which should have a positive effect on financial deepening in Nigeria. Although the number of financial institutions especially banks, increased following the 1986 reforms, over time, these institutions could not sustain a high level of intermediation in the system. The presence of weak and terminally distressed banks especially in the 1990s up to 2003 accounted for the low level of financial deepening index during the period: This necessitated the banking consolidation reforms introduced in 2004/2005.

A high level of financial deepening should sustain and provide basis for moderate lending rates in any economy. Curiously, the prime lending rates had remained very high. The major reason for this according to Nzotta (2004), Ojo (1994) includes technical in solvency and presence of weak banks, the underdeveloped nature of the financial system, the lack of interest elasticity, un-responsiveness of the rates to changes in business cycle and the huge fiscal deficits by the public sector over the years. We also note that the rate of inflation in Nigeria also remained fairly stable between 1997 and 2007. The ratio of currency outside banks to money supply progressively declined between 1997 and 2007. The ratio moved from 30.4 in 1979 down to 15.2 in 2007. This shows a higher level of banking habits in the country. The decline had been more pronounced between 2005 and 2007 following the increased use of Automated Teller Machines and plastic money in the country.

The ratio of cheques to money supply witnessed dramatic changes between 2003 and 2007. The ratio moved from 145.4 in 2002, up to 449.5 in 2003 and the level of financial savings ratio (FS/GDP) declined between 1986 and 1993 The ratio experienced an upsurge between 2006 and 2007 fie same: applies to the deposit Money banks assets to GDP ratio. The bank consolidation of 2005 enhanced the operations of banks and also financial sector development and this affected the assets of banks.

In summary, from the analysis above it is evident that there is relatively a low level of deepening of the financial market in Nigeria during the period of the study. However, the level of financial deepening has been enhanced just after major reforms in the financial system. It is also important to note that the reforms and policy thrusts could have impacted more positively on the system if the issue of systemic crisis had reduced considerably.

Regression Result

The summary of the financial deepening regression result from the Two - Stage Least Squares Analysis is as shown in the model summary in Table 3. The table presents the results of the empirical regression estimates for the specified equation.

Table 3 Model Summary

R	=	.973
R2	=	.047
Adj. R	=	.907
Std Error of estimate	=	1.88809
Durbin – Watson	=	1.550
F Value	=	23.63
DF	=	22

The coefficient of correlation R and Coefficient of determination R^2 measure the explanatory power of the multiple regression model. From the results, there is a high coefficient of correlation (97.3 percent). The implication is that the variables in the equation are useful for explaining the level of financial deepening that has occurred between 1986 2007. There is also a highly significant coefficient of determination (94.7 percent). The standard error of the estimates also known as residual standard deviation has a value of 1.77709. The F-statistic value is found to be 23.63. The F value is significant at the 5 percent level. The overall fit of the regression model measured by the F- statistic, is statistically significant at this level. The Durbin Watson (DW) statistic Of 1.550 indicates that there is no problem of serial correlation in the regression model. This is a case of positive serial correlation. Also, multi-colinearity which often present in cross-sectional data seems to be non existent in the model.

In Table 4 the estimation results using the nine explanatory variables are presented at alpha equal to 0.05 level of significance and also at 0.10. We found that the financial savings ratio, interest rates, cheques value to GDP ratio and, Deposit Money Banks Assets to GDP ratio are very useful explanatory variables. The T- test results confirm the trend analysis which we conducted earlier. Political instability is not significant at both the 5 percent and 10 percent levels.

The implication of the findings is that although the financial structure had enhanced the level of financial savings and thus affected the level of financial deepening positively, the financial system has not been efficient in resource allocation evidently. Here, the process of intermediation in the system is not efficiently done. Although the financial system has not grown tremendously in size and structure this has not been translated in the provision of loans and credits especially to the real sector of the economy.

Table 4: Estimation Results

Variable	Means	Std Dev.	T Stat	Remarks
X_1 COB/MS1	24.97	5.154	.668	Not Sig
X_2 RO1	22.81	19.942	.330	Not Sig
X_3 PLA	20.39	5.502	2.076*	Sig
X_4 FS/EDO	12.47	7.439	3.453**	Sig
X_5 CHQ/GDP	57.33	47.764	2.107**	Sig
X_6 CHQ/MS2	216.52	192.268	(2.492)	Not Sig
X_7 PSC/GDP	17.31	8.008	(2.232)	Not Sig
X_8 DMBA /EDP	37.08	12.425	6.565**	Sig
X_9 DUM	.27	.456	.606	Not Sig

T values at 5 percent n-2 DF =2.086
T values at 10 percent n-2 DF =1.725
*Significant at 10% level **Significant at 5% level

V. CONCLUSION AND RECOMMENDATIONS

From the analysis done in this study, we can conclude that the level of financial deepening in Nigerian has remained relatively low in spite of the various reforms and institutional changes put in place by the: monetary authorities. It is also evident that the low level of monetization of the economy, the high rate of inflation and the level of private sector credits have negatively affected the level of financial deepening in Nigerian. Although the level of interest rates have remained very high, the level of private sector credits have not sustained the desired level of new investments necessary to facilitate growth in the economy.

From the foregoing, we recommend that there is an urgent need to sustain a higher level of macro economic stability in Nigeria, reduce the high incidence of non performing credits ensure that private sector credits are channeled to the real sector of the economy, enhance the level of corporate governance in the financial system and also strengthen risk management in the financial system. Finally the supervision and regulation of banks should be strengthened, with a focus on risk management. These shall be very useful in enhancing the level of financial deepening in Nigeria.

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Table 1 Nigeria's Selected Economic and Financial Indicators (1986-2007)

Year	GDP' 1990 prices	at MS2 Broad Money N3 Nm	PSC Private Sector Credit Nm	ROI Rate of Inflation	FS Financial FS Savings Nm	COB Currency outside Banks Nm	PLRA Prime Lending Rate %	CHQ Value of Cheques Nm	Deposit : Money Bank
1986	69,147	24,819	17,365	5.4	13,934.1	5,178	10.5	24,958	39,578.8
1987	105,223	29,995	19,817	10.2	18,696.3	6.299	17.5	26,699.7	49,828.4
1988	139.085	39,843	23,249	38.3	23,249	9413	16 5	56,181.4	59,226.2
1989	216,798	46,223	30,943	40.9	23,801.3	11,688	26.8	54,832.5	65,523.7
1990	267,550	64,903	36,631	7.5	29,651.2	14,941	25.5	57,839.2	82,957.9
1991	312,140	86,153	45,325	13.0	37,738.2	23,108	20.01	124,891.0	117,511.9
1992	532,614	129,153	76,098.7	44.5	55,116.8	36,755.5	29.8	170,235.3	159,190.8
1993	683,870	198,519.1	91,239.3	57.2	85,027.9	57,845.1	36.09	205,420.3	226,163
1994	899 853	266,944.9	145,103.9	57.0	108,460.5	90,601.0	2.0	310,178.6	295,033
1995	1,933,212	318,763.5	204,945.1	72.8	108,490.3	106,843.4	20.18	466,598.7	385,142
1996	2,702,719	370,333.5	255,558.8	29.3	134,503.2	116,121.0	19.74	406,318.2	458,775
1997	2,801,973	429,731 4	316,577.3	8.5	177,648.7	130,668	13.74	391,924.1	584,375
1998	2,7C8,431	525,637.6	370,705.7	10.0	200,065.1	156,716.1	18.29	1,198,647.8	694,615
1999	3,194,024	699,733.7	452,411.1	6.6	277,667.5	186,456	21.32	1,413,125.5	1,070,020
2000	4,537,640	1,036,079.5	587,486.2	6.9	385,190.9	274,010.6	17.98	2,095,478.1	1,568,839
2001	4,685,912	1,315,869.1	827,122.9	18.9	488,045.4	338,671	18.29	2,256,381.1	2,247,040
2002	5,403,007	1,599,494.6	955,762.1	12.9	592,094	386,942.3	24.40	2,325,719.1	2,766,880
2003	6,947,820	1,985,191.8	1,211,993.40	14.0	655,739.7	412,155	20.48	8,928,400.0	3,047,856
2004	7,078,067	2.263,587.9	1,534,447.80	15.0	797,517.2	458,586.5	19.15	10,996,044.7	3,753,278
2005	14,553,097	2,626,455.1	2,007,355.80	17.9	1,316,957	563,232	17.85	19,640,810	4,515,117.6
2006	15,426,283	3,415,967.50	3,950,476.21	8.5	1,867,800	779,120	17.33	16,400,000	6,400,783.9
2007	16,382,712	4,811,961.9	7,849,596.23	6.6	2,949,800	960,000	16.46	28,100,000	10,106,387.6

Central Bank of Nigeria, Statistical Bulletin, Vol. 16 Dec. 2005

Central Bank of Nigeria, Annual Report and Accounts 2006 & 2007.

Table 2 Selected Macro-economic indicators

Year	Y	X1	X2	X3	X4	X5	X6	X7	X8	X9
1986	35.90	20.90	5.40	10.50	20.15	36.10	100.00	25.10	57.23	0
1987	28.60	21.00	10.20	17.50	17.79	25.30	89.00	18.80	47.00	0
1988	28.00	23.60	38.30	16.50	16.70	40.40	141.00	16.70	42.60	0
1989	21.30	18.00	40.90	26.80	11.00	25.30	84.50	14.30	30.20	0
1990	24.30	23.00	7.50	25.50	11.00	21.60	67.10	13.70	31.00	0
1991	27.60	26.80	13.00	20.01	12.00	40.00	96.80	14.50	37.60	0
1992	24.20	28.50	44.50	29.80	10.30	32.00	85.75	14.30	23.90	0
1993	29.00	29.14	57.200	36.09	12.40	30.00	103.50	13.30	33.00	1
1994	29.70	33.90	57.00	21.00	40.60	34.50	116.20	16.10	32.80	1
1995	16.50	33.52	72.80	10.18	5.60	24.10	126.00	10.60	20.00	1
1996	13.70	31.36	20.30	19.74	5.00	15.00	146.40	9.50	17.00	1
1997	15.30	30.40	8.50	13.54	6.30	14.50	96.40	11.30	20.00	1
1998	19.40	29.80	10.00	18.29	7.40	44.30	74.60	13.69	25.60	1
1999	21.90	26.65	6.60	21.32	8.60	44.20	171.30	14.20	33.50	0
2000	22.80	26.65	6.90	17.98	8.50	46.20	202.30	12.90	34.60	0
2001	28.10	25.74	18.90	18.29	10.40	48.20	171.50	17.70	47.95	0
2002	29.60	24.20	12.90	24.40	11.00	43.00	145.40	17.70	51.20	0
2003	28.10	20.80	14.00	20.48	9.40	128.50	449.80	17.40	43.90	0
2004	32.00	20.30	15.00	19.15	11.30	155.40	485.80	21.70	53.00	0
2005	18.00	21.40	17.90	17.85	9.00	135.00	747.80	13.80	31.03	0
2006	22.00	18.80	8.50	17.33	12.10	106.30	480.10	25.60	41.15	0
2007	29.40	15.20	6.60	16.46	18.00	171.50	584.00	48.00	61.70	0

Source Derived from Central Bank of Nigeria Statistical Bulletin