ANALYSIS OF FINANCIAL SECTOR REFORMS ON ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

The Nigerian financial sector had undergone series of reforms aimed at repositioning the economy activities towards economic growth in Nigeria. Despite all the concerted efforts channeled to this sector with anticipated result to boost economic growth prove abortive. Thus, this study examined the relationship between financial sector reforms and economic growth in Nigeria. The study used time series data from World Bank indicators and Central Bank of Nigeria, Statistical Bulletin which spanned from 1986-2016. Data treatment was done through stationarity and cointegration tests. The unit root test showed that the variables were integrated at order on I(1) except economic growth and prime interest rate were integrated at order on I(0). The result of cointegrated established a long run relationship among the variables. The result further showed negative relationship between financial sector reforms proxied by market capitalization-GDP ratio and economic growth. By implication therefore, the variables contributed significantly to increase industrial output within the study period. However, it was found that positive relationship existed between economic growth, financial sector reforms proxied by credit to private sector and commercial bank loan and advances in the model. Finally, Granger Causality test established both uni and bi-directional relationship within the model. The study concluded that real economic growth is influenced by financial sector reforms in Nigeria. The study therefore suggested that the Central Bank of Nigeria and deposit money banks should institute policies that will stabilize the magnitude of the variables in Nigeria. An effective management and monitoring of all these key variables will in no doubt boost real economic growth in Nigeria.

Keywords: Financial sector reforms, Credit to private sector, market capitalization, Broad money.