# Financial Sector Reforms in Nigeria: a chronological overview

**Dr. Rose Ifeoma Umejiaku.**
Department of Economics
University of Jos, NIGERIA

***Abstract***

*Nigeria banking system over the years has undergone various phases that tend to have eroded confidence on the side of the customers and investors due to the bank failure recorded in the past. These instabilities and bank failure in the Nigeria financial institution had limited credit expansion meant for enhanced investment purposes and economic growth. The paper thus examined banking sector in Nigeria, and highlighted various banking reforms carried out in the past since 1986. It tracked the growth of the Nigeria banking sector in response to the reforms implemented over the past three decades. It was discovered that Nigeria has enjoyed a substantial bank-based financial sector development over the years, and its institutional framework has also grown stronger. These frameworks were adopted to break the oligopolistic structure in the industry, to promote compet ition, creativity, increase capital base and efficiency in banking service delivery. However, the entire banking reform objectives have not been entirely achieved as few banks still controls larger percent of deposit market and existence of high rates of non-performing loans within the banking system remains a challenging task.*

***Keywords*: Banking System, Financial Sector Reforms, Financial Liberalization and Financial Development**
***JEL Classifications*: D53, G01, G20 and G21**

## I. INTRODUCTION

Commercial banks are the most influential financial institution in the development effort of most nations. Others are saving institutions, insurance companies and various governmental agencies. Commercial banks, however, have long been acknowledged as the *primus inter pares*, with the Nigerian commercial banks at one time performing over 85% of the activities in the Nigerian financial system (Ochejele, 1999). Furthermore, history credits Adam Smith to have linked the economic growth in Scotland to the existence and growth of Scottish banks some 200 years ago. Such linkages between finance and growth can also be traced back to the work of Schumpeter (1912) and are presented as the rationale for the endogenous growth model in King and Levine (1993b).

Most financial institutions' activities (commercial banks inclusive) include giving loans and advances, taking deposits and acting as underwriters and brokers. They also provide safe deposit facilities and administer estates. The ability of the commercial banks to create credit is of great economic importance because, without credit readily available for the expansion of productive facilities, economic and developmental growth will always be impaired.

Banks' principal operation are: (i) bringing together in common pool the temporarily idle money of the general public which, in the absence of banks, would be hoarded in different homes and firms and (ii) on-lending to where they are supposed to be effectively used. In other words, a bank is an intermediary between borrowers and lenders. (iii) pooling the publics' deposited funds and invests them in assets that are inaccessible to the individual investor or if accessible, at inferior terms.(iv) Banks also provide the economy and the public with transaction services, that is, they provide the medium of exchange. The activities of the commercial banks can be summarized as in Ojo (1976) who argued that commercial banks perform the role of financial intermediation better because of their diversification ability to allocate idle savings through normal credit operations, competitiveness, international connections, high liquidity which attracts savers, flexibility and reasonable terms of speed of response.

Like most other financial institutions, commercial banks are not charity organizations. They desire to maximize profit, expand their market share of the market and, if possible, be a leader in the market too. Thus they are in competition with other businesses. Klein (1970) posits that commercial banks in the absence of regulation tend to intensify whatever phase of the business cycle that is current. This translates that, commercial banks would expand their loans during

periods of economic boom and contract accordingly during recessions –activities that will result in parallel expansion and contraction of the deposit aspect of the nation's money stock- such that in periods of economic boom, commercial banks' activities will add money to the money stock and will do otherwise in periods of recession. Thus the contradictory nature of the operations of commercial banks, sort of encourage governments in exercising considerable control purportedly designed to forestall selfish activities that may invariably destroy both the banking system specifically and the economy at large.

The objective of this paper is to put the Nigerian banking sector in the spotlight – by providing an overview of the country's banking sector, its reforms, growth and challenges – since the late 19th century, and through to 2015. This is achieved by reviewing different pieces of literature on the Nigerian banking system and condensing relevant literature in one document, thereby bringing out a full picture of the Nigeria banking system. In explaining the trends, raw data from CBN such was analyzed.

Aside the section one which captured the introduction, the other sections of the paper are structured into section two which is the theoretical rationale for reforms and reforms in banking sector; Section three-banking sector changes due to the reform and in section four, we discussed the growth in the banking sector after the reforms; while section five captures the challenges of financial sector development and conclusions were drawn in section six.

## II. THEORETICAL RATIONALE FOR BANKING REFORMS

The theoretical rationale for financial sector reforms, as provided by the so-called financial repression theory of McKinnon (1973) and Shaw (1973), posits that actions like interest rate ceilings, directed credit, high reserve requirements and restrictions of entry into the banking industry are repressive policies which reduce the rate of economic growth by retarding financial developments.

On account of these McKinnon (1973), Shaw (1973), the IMF and the World Bank among others, prescribe (and frequently impose) pro-market financial reform policies on many developing countries as key economic policies for promoting savings mobilization and efficient investment and growth. Financial sector reform can thus be defined as a set of reforms and policy measures designed to deregulate and transform the financial system and its structure with a view to achieving a liberalized market-oriented system within an appropriate regulatory framework (Williamson & Maher, 1998).

According to Williamson and Maher (1998) financial sector reform connotes two distinct but complementary types of change that are needed to establish a modern financial system capable of acting as the 'brain of the economy' and allocating the economy's savings in the most productive way among different potential investments. Firstly, it means liberalisation of the sector, which can be distinguished into the elimination of credit controls; The deregulation of interest rates; Free entry into the banking sector (or more generally, the financial services industry); Bank autonomy (allowing bankers rather than bureaucrats to decide whom to employ, at what wage rate, where to open branches, etc.); Privatization of bank ownership; Liberalization of international capital flows. Secondly it also means establishing a system of prudential supervision designed to restrain the private actors so that we can be reasonably sure that their decisions will also be broadly in the general social interest. Supervision brings prompt corrective action and makes banks play according to prescribed rules.

Most countries financial system including that of Nigeria by the 1980s were repressed going by McKinnon-Shaw definitions, In Nigeria there were statutory interest rate ceilings, directed credits, accommodation of government borrowings, exchange rate controls and informal modes of intermediation. The formal banking sector by mid-1980s had been largely static. In 1986 for example, 29 commercial banks and 10 merchant banks were operating. The commercial banks represented 60% of assets in the banking system, out-numbering the merchant banks by almost three to one. The industry had an oligopolistic structure as the 'big three' commercial banks (First Bank, UBA and Union Bank) were dominant. Adeoye and Adewuyi (2005) noted that the banks at this period showed inability to maintain an efficient flow of funds within the economic system. The banks did not only have weak balance sheet by any reasonable standard, they were also highly exposed to additional deterioration in their capital positions due to high risk lending and moral hazards (Ebhodaghe ,1996; Obadan, 2004). Many institutions, for example 4 development banks were wholly owned by government, many large banks reflected mixed private-public ownership, and about 15 firms were controlled by domestic private owners. The federal government held a controlling share in most of the country's leading commercial and merchant banks and in about 14 insurance companies. Overall, about 80% of assets in the commercial banks and 45% of assets in the merchant banks were under de facto federal control (NDIC, 1993). It was also on record that state governments had equity in 24 banks. The Central Bank of Nigeria, supervised by the Ministry of Finance (MOF), controlled about a third of assets, while federally owned development banks,

with less than 3% assets, played a negligible role in rooting domestic capital. Thus the introduction of financial sector pro market reform in Nigeria in 1987 could be deemed necessary because the system had been characterized by several distortions of the sort McKinnon (1973) and Shaw (1973) will dub repressed.

The pro-market banking reform that started in 1987 in Nigeria is an integral part of country-wide economic reform program- the structural adjustment program- that started in 1986. Continuous reform of the banking system can be likened to proper lubrication of a machine so as to get the best performance of it. As the central nervous system of a market economy, it is needful to put it on the spotlight by providing an overview of its sector, its reforms and the challenges. This objective, to the best of the researcher's knowledge has not been dealt with.

## III. BANKING SECTOR REFORMS IN NIGERIA

The reform in the banks specifically and in the financial sector, was due to the need to deepen the banking/financial sector and reposition it for growth. This reform period is made of the following phases:

Phase I: Deregulation Era 1986-1993

Phase II: Re-regulation or Reform Lethargy (Systemic Distress Period) 1994-1998

Phase III : Liberalization Era (Post Systemic Distress Period) 1999 – 2004

Phase IV: Recapitalization, Consolidation and Restructuring Era. 2005 – 2011

### 3.1 Deregulation Era (1986-1993)

This was also the Structural Adjustment Program era (SAP). The first in the series of reforms of the Nigerian banking sector was the liberalization of credit allocation policy in 1986. In 1987, the number of sectors recognized for the purpose of allocation of bank credit was reduced to two, namely priority and other sectors. Among the priority sectors were agriculture, manufacturing, exports and solid minerals.

Another notable banking sector reform policy measure of this period was deregulation of banking licensing. This was prompted by the concentration in the market where the three largest banks (First Bank, Union and UBA) played dominant roles. The measure which was thus taken to break the oligopolistic structure in the industry, promote competition, creativity and efficiency in banking service delivery instead resulted in the proliferation of banks and banks' branches, precipitated major banking crisis characterized by inadequate bank capital and high rates of non-performing loans within the banking system.

There was also deregulation of interest rate which was embarked on in January 1987. Banks were allowed to fix their interest rate on both deposits and loans with a desired spread of 3% between the deposit and lending rates. The process of complete deregulation was achieved in August of the same year when both the ceiling of lending rate and the floors on deposit rates were removed. However the deregulated interest rate regime could not be sustained beyond November 1989 sequel to producers' complaint on the widening spread and the high leading rate that ensued. In a bid to mitigate the unacceptable state of affairs, the monetary authorities reduced the minimum rediscount rate (MRR) from 18.5% to 15.5%, fixed the maximum lending rate at 21% and maximum spread between lending rate and saving deposit rate at 7.5%. When bankers began to agitate that the pegging of the maximum lending rate will spell down for the entire industry, the government removed the ceiling on the lending rate, raised MRR from 15.5% to 17.5% in 1992 signaling a desire by the government for a high interest rate regime. The banks responded immediately by raising the lending rate by over 50% to 31.2% and the saving deposit rate was increased by less than 3% points from 13.4% to 16.1%. In 1993, when MRR was further increased by almost 49% to 26%, the banks responded by increasing the bank lending rate by over 25% to 39.1%, while the savings deposit rate remained virtually unchanged; rising by only 0.6% from 16.1% to 16.7%. This scenario of an unprecedented spread of 22.4% discouraged the government as producers became outraged and the government dropped the so called market based approach to interest determination. Market determined interest rate ruled until 1991 when interest rate was capped. A year after that control, market forces were once more permitted to prevail in 1992 and 1993 in interest rate determination.

Within this era too in 1989, a new auction system was introduced for treasury bills whereby bids were made through tender for new treasury bills. This was meant to make the treasury bill more attractive align the rate with other money market rates which had earlier been deregulated, reduce the inflationary effect of government's cheap borrowing and strengthen the use of treasury bill rates as an effective tool of monetary control.

### 3.2 Systemic Distress Period (Reform Lethargy) 1994 - 1998

This phase began with the reintroduction of pre-reform policy regulations heralded by embargo placed on bank licensing. This and other issues already pointed out brought a downward trend in the number of banks and branches and lead to a halt in the growth of the banks. In 1994, the gradual market based depreciation in the official exchange rate was truncated by a sharp devaluation of the

Naira in a bid to close the widening gap between the official and the autonomous exchange rate. The unacceptable widening gap between the two exchange rates made government to outlaw the autonomous foreign exchange market (AFEM) and reintroduce exchange control in 1994. The AFEM was however brought back in 1995 to coexist with the official exchange rate. Government allowed official rates to be used on some favored consumption such as pilgrimage and sporting events. The management pattern of official exchange rates brought in a lot of distortions in the domestic allocation of resources within the public sector. In 1994 the pre-reform policy of control was reintroduced because of the unprecedented widening spread between deposit and lending rates. Considering the negative effects of such spread, the government decided to fix the rates. The banks maintained he maximum lending rate equally but reduced the interest rate on savings deposit. The reason for deregulating interest rates was part of the process of freeing the banking system and allowing the market forces to prevail, guaranteeing efficient allocation of scarce resource, and enabling mobilization of idle funds by the banks. This policy however witnessed reversals when lending rates became intractable. This era however was characterized with such policy reversals.

### 3.3 The liberalization –Universal Banking Era (Post Systemic Distress) 1999-2004

This phase coincided with the advent of civilian democracy in 1999.There was again liberalization of the financial sector and adoption of distress resolution programs. There was also introduction of universal banking in 2001 which empowered the banks to operate in all aspects of retail banking and non-banking financial markets with the goal of ensuring efficient delivery of all financial services at reduced costs. By the end of March 2004, a surveillance report by the CBN indicated that 62 banks out of the 89 left were classified as sound/satisfactory, 14 as marginal, while the position of unsound banks had increased from 9 as at end of December 2003 to 11. The report further indicated that 2 of the banks failed to render statutory returns during the period.

An overview of the industry at this point in time further reveals that the industry was dominated by top 20 to 30 banks, with 69 to 59 banks out of the 89 licensed banks operating as marginal players. Notably the concentration and oligopolistic nature of the industry persisted. The three firm asset concentration ratios went back down from 38 to 36 points and the HHI fell again to between 466 and 467 at the end of 2003. According to Lemo (2005), top 10 of the 89 banks controlled, more than 50% of the aggregate assets, more that 51% of the total deposit liabilities and more than 45% of the aggregate credits.

### 3.4 Recapitalization/Consolidation/Restructuring Era 2005- 2011

The new CBN governor, Soludo-led banking authorities asserted that the banking system was inefficient, characterized by structural and operational weaknesses and thus unable to play the catalytic role of promoting private sector led growth. Thus in the announcement of July 6, 2004 the governor laid out a 13 point agenda of banking sector reforms focused on further liberalization of banking businesses that will ensure competition and safety of the system and proactively position the industry to perform the role of intermediation and catalyze economic development. The reform was designed to ensure a diversified, strong and reliable banking sector which will ensure the safety of depositors' money, play active development roles in the Nigerian economy and be a competent and competitive player in the African, regional and global financial system (Anyanwu, 2010). There were many unsound banks out of the 89 banks at the outset of this era when the new minimum capital requirement from N2 billion to N25 billion with a deadline of 31st December 2005 for full compliance, was introduced. It was a policy that effectively raised entry barriers to those wishing to start banking business. Branch network of the banks increased and the banks were no longer largely 'urban banks' as was in the past. They made in-roads into the semi-urban and rural areas. Many of them also ventured offshore and a good number of foreign banks interest precipitated a new wave of market driven consolidation/alliances between the banks and the foreign banks. The culmination of this policy was the emergence of 25 well capitalized banks out of the 89 previously in existence. Unfortunately, what would have been the gains from this exercise was short lived following the negative impact of the global financial crisis which affected a section of the banking industry that by 2007 some banks were already having liquidity problems. By 2008 some of the banks that went borrowing at distress rate at the interbank market had started having problems and were failing liquidity ratio test. Most of them went out again for more funds in the capital market with varying successes; for example the Standard Bank of South Africa, the parent company of Stanbic Nigeria bought IBTC – Chartered Bank, further reducing the number of banks to 24. Consolidation brought dilution of the ownership structure of Nigerian banks as against the case in the past where few individuals owned substantial holdings of the banks shares to the detriment of the performance of the banks. Ownership now is broad based with direct and indirect government ownership limited to 10%. In 2009, the incumbent CBN governor Sanusi's reform known as "The Alpha Initiative" aimed at removing the inherent weaknesses and fragmentation of the financial system further reduced the number of banks; for instance the nine

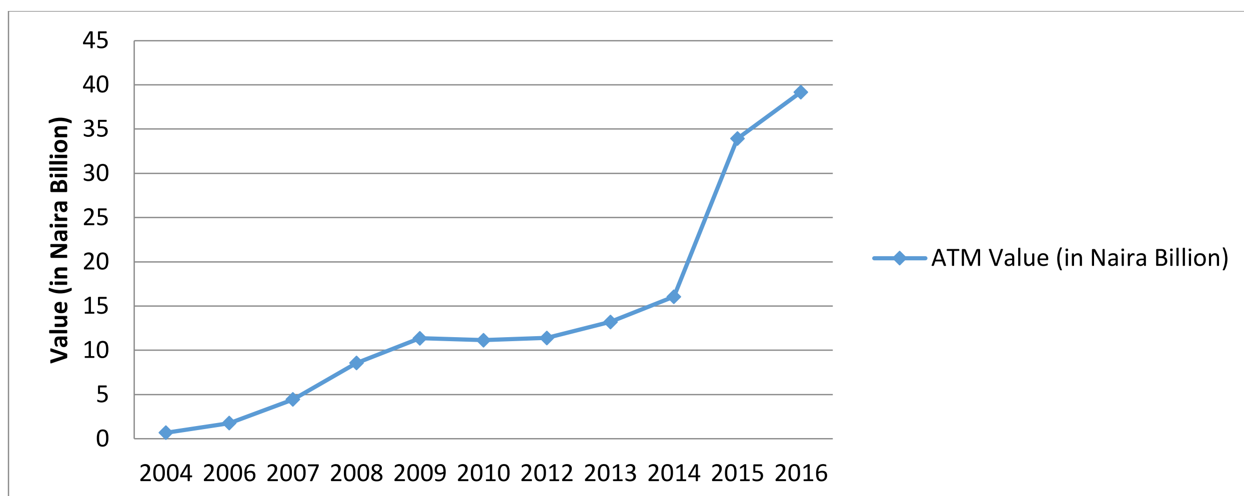
banks rescued in a four billion naira bailout by CBN in 2009 had to go into merger and acquisition to recapitalize before September 30, 2009. In 2010, following the promulgation of its enabling Act of the National Assembly, Asset Management Corporation of Nigeria (AMCON) was established so as to address the problem of non-performing loans in the banking industry. To further engender public confidence in the banking industry, the CBN also established the Consumer and Financial Protection Division- a platform where consumers seek redress. In addition the CBN commenced a comprehensive review of the Guide to Bank Charges aimed at making bank charges realistic and consumer friendly. The adoption of the International Financial Reporting Standards (IFRS) towards the end of 2010 was to enhance market discipline and reduce uncertainties thereby limiting the risk of possible contagion. By the end of 2011, only 24 banks were in operation; there branches had risen to 5789. Micro finance banks were over 816 with branches about 6605 The ratio of bank branch to the total population was at the time 24,224 persons; indicating a high level of financial inclusion. In 2012, the year of "Women Empowerment" in the industry was also the year of introduction of "Cashless Policy" as part of the ongoing reforms to achieve an environment where a higher and an increasing proportion of transactions are carried out electronically thereby reducing operational costs in cash management which had cost about 192 billion naira in 2012 alone.

## VI. BANKING SECTOR GROWTH SINCE THE REFORM

The Nigerian banking sector before the pro-market reform was largely static for about a decade having only 29 commercial banks and 12 merchant banks in operation. Commercial banks represented nearly 60% of the assets in the industry out numbering merchant banks by more than two to one. The industry had an oligopolistic structure where the big four commercial banks (1st Bank, Union Bank, UBA and Afri-bank) were dominant. With deregulation bringing in ease of entry and exist in the banking industry, the number of banks in the industry more than doubled within five years from 50 to 119. It can be said that as was in the USA banking system deregulation may have brought a lot of excitement to the detriment of both the banks and the country at large (Sylla,2012).

The Value of ATM automated teller machines transactions (Naira Billion per 100,000 adults) grew from 0.68 billion in 2004 to 39.17 billion in 2016 as captured in figure 1.

**Figure 1: Growth in ATMs (per 100,000 adults) in Nigeria**




**Source: Authors Computation from CBN Publications, 2016**

Though the network of bank branches had expanded considerably, the yearly average growth rate of 6.8% fell short of what it was per bank during regulatory era. The removal of the suspension of banks licensing in 1994 did not bring new entrants instead the number of banks and the branches began to drop. With the countries lingering socio-political problems, there was gradual global isolation, capital flight was pervasive.

The takeover of the management of 18 banks by the regulatory and supervisory authorities revealed the extent of the effect of mismanagement. By the end of the period, 89 banks were in existence as captured in table 1.

**Table 1: No of Banks and Branches in Nigeria, 1980-2011**

| Ratio /Year | No of Banks | No of Branches |
|---|---|---|
| 1980 | 26 | 752 |
| 1981 | 26 | 884 |
| 1982 | 30 | 1010 |
| 1983 | 35 | 1132 |
| 1984 | 38 | 1274 |
| 1985 | 40 | 1323 |
| 1986 | 41 | 1394 |
| 1987 | 50 | 1516 |
| 1988 | 66 | 1711 |
| 1989 | 81 | 1911 |
| 1990 | 107 | 2013 |
| 1991 | 119 | 2107 |
| 1992 | 119 | 2391 |
| 1993 | 120 | 2482 |
| 1994 | 116 | 2547 |
| 1995 | 115 | 2512 |
| 1996 | 115 | 2551 |
| 1997 | 115 | 2551 |
| 1998 | 89 | 2298 |
| 1999 | 90 | 2298 |
| 2000 | 89 | 2298 |
| 2001 | 90 | 2298 |
| 2002 | 90 | 2193 |
| 2003 | 89 | 2227 |
| 2004 | 89 | 2227 |
| 2005 | 25 | 3357 |
| 2006 | 25 | 3468 |
| 2007 | 24 | 4579 |
| 2008 | 24 | n/a |
| 2009 | 24 | 5407 |
| 2010 | 24 | n/a |
| 2011 | 20 | 5789 |

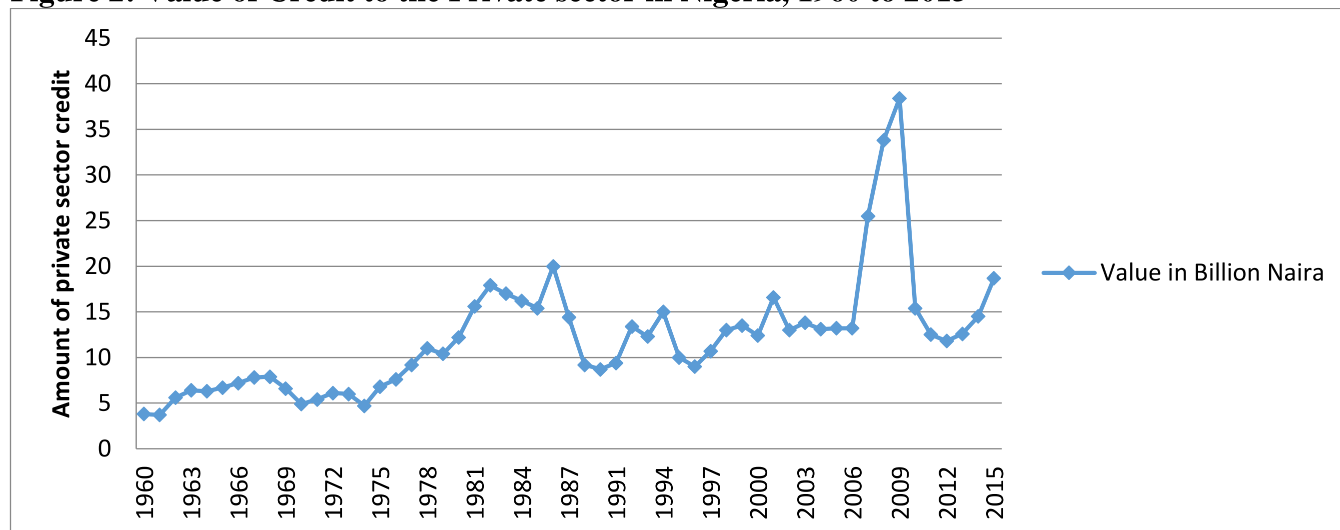
**Source:**

Nwanma (2007) summarized the banking industry of this period thus "In Nigeria banking industry, things appeared normal to the unsuspecting bank customer. There were 89 banks with branches strewn across the country. But not all were banks in the true sense because although they were still opening shop and conducting banking business, some of them were in fact dead – technically speaking and their continued existence posed a threat to the entire banking system"

By the end of March 2004, the CBN classified the banks thus 62 Sound; 14 Marginal; 11 Unsound and 2 Unclassifiable. With this, the stage was set for the era of recapitalization, consolidation and restructuring. The then CBN governor, Soludo (2004) introduced a 13 – point banking sector reform agenda which among other things mandated all banks in the country to recapitalize to the tune of N25 billion by December 31, 2005 or face liquidation. This policy literally knocked down the whole industry given the mergers and acquisitions that ensued. At the end of the exercise only 25 banks emerged initially; by the end of 2011 there were however 24 banks with 5789 branches. In 2012, Islamic non interest banking was introduced.

The credit allocation to the private sector in Nigeria has also been on increasing trend since the adoption of banking sector reforms in 2004. Private sector credit as at 1999 was 13.5 billion naira. It however dropped to 12.4 billion in 2000, and after the adoption of bank recapitalization in 2004, it increased to about 14.5 billion naira and 18.67 billion naira in 2014 and 2015 respectively. The highest allocation of private sector credits was recorded in 2009 when it found to be as high as 38.4 billion as captured in figure 2.

**Figure 2: Value of Credit to the Private sector in Nigeria, 1960 to 2015**




**Source: Authors Computation from CBN Publications, 2015**

## V. CHALLENGES OF FINANCIAL SECTOR DEVELOPMENT IN NIGERIA

The Nigerian financial system is vulnerable to a number of risks, and there are serious concerns about the soundness and stability of the banking system. The Nigerian anti-money-laundering (AML) legal framework and enforcement is also considered inadequate, making the system vulnerable to financial abuse. Inefficiencies, such as delays and backlogs, in administration of justice by courts are also major impediments to the smooth functioning of the financial system.

On the part of banks, the challenges are enormous. We recognize that banks and their owners are primarily in business to make profit, and we are conscious of the need not to jeopardize this key driving motivation for innovation and entrepreneurship. However, we all know that banking system occupies a unique position in every economy and that is why it often attracts more than a casual regulatory attention. Ogujiuba and Obiechina (2011) observed that banking industry in the 21st century must have a moral face and live up to some modicum of social responsibility. Capitalism must have a social face and a human soul to be sustainable. This is the lesson of world history. It is in this context that we view with serious concern the spate of frauds, ethical misconduct, falsification of returns by the banks to the Central Bank, unprofessional use of female staff in some banks in the name of 'marketing' and 'sourcing of funds', etc. Collectively, we can stop these misconducts and give the system a new face.

The basic challenges in the financial sector reforms are summarized as follows:

**i. Striking a balance between stability and reform in the financial sector**: One of the most central economic policy challenges is to strike a balance between stability and reform in the financial sector. Clearly, there is no single "right" place on this continuum. Ultimately, the issue is about balancing the economic, financial, and social costs in the short term to medium term with potential gains in the long term. Allowing problems in the financial sector to fester may preserve stability in the short run, but could lead to pronounced distress and higher costs later on. At a minimum, sufficient progress has to be made to avoid deepening existing vulnerabilities, while building the capacity to manage financial distress when and if it occurs in the future.

**ii.Development of Credit Culture:** another key challenge will be to develop a credit culture. With the stock of non-performing loans already high, it is crucial to avoid a further build-up. This goal is interdependent with developing a credit culture and with improvements in corporate governance and sustaining economic growth. Fostering a credit culture and better governance, in turn, hinge on a reliable legal framework, supportive of private sector activity (Onwe, 2013)

**iii.Resolving Stock of Distressed Debt:** A closely related task is how to resolve the stock of distressed debt in the economy. In essence, distressed debt is the counterpart to a portion of the capital stock and enterprises that need to be restructured or written off and closed. Once these restructurings and write-offs take place, resources - currently locked up would be freed up to finance new investment and consumption opportunities.

**iv.Adapt to a New Economic Environment**: Fourthly, in the longer term, the financial sector needs to adapt to a new economic environment. The Nigerian economy is becoming increasingly market-oriented and opening up to foreign competition amongst others. The financial sector in particular may have to compete for creditworthy borrowers and skilled banking personnel. As flexibility is introduced into the exchange and interest rates over time, financial institutions would have to become adept at pricing credit risks and managing market risks (Ogujiuba and Obiechina, 2011)

**v.Deepening the Capital Markets:** Finally, another long term challenge is to deepen capital markets in order to diversify the sources of investment financing. Greater equity financing can help transform the ownership structure of the economy, attract strategic investors capable of restructuring their firms, and bolster market discipline. As with bank lending, the efficiency of equity financing would be a function of the quality of investment decisions made by investors and their ability to monitor and manage firms under their ownership through effective accounting, disclosure, and governance standards. Capital markets would also provide opportunities for risk diversification by investors, whose savings are still primarily invested in low-yielding bank deposits or in shares on the relatively undeveloped stock market.

## VI.CONCLUSIONS

Overviews of financial sectors in Nigeria were provided by the paper as well as the banking reforms that had taken place since 1986. It traced the growth of the banking sector in response to the reforms implemented over the past three decades; as well as the challenges facing the banking sector in the Nigeria with its reforms.

The reforms focused on securing the depositors money during bank failures; they have increased risk-management procedures, and enhanced corporate governance, as well as increased liquidity management, to enable the banking sector to contribute effectively to the development of the real sector through its intermediation process or increased private sector credits. In addition, these reforms have also involved a process of substantially improving the regulatory and surveillance

framework, fostering healthy competition in banking operations. There are numerous challenges that banking sector had faced in-spite of positive response from reforms. The Nigerian financial system still remains fragile and vulnerable to several external risks, with the economy's high dependence on volatile oil proceeds; economic mismanagement due to fiscal imprudence; and political uncertainty. More so, shallow capital markets, how to resolve the stock of distressed debt in the economy and high stock of non-performing loans remains a challenge.

## REFERENCES

Adeoye, B. W. &Adewuyi, A. O. (2005). Benefits and cost of financial sector reforms: Nigeria's experience. In costs and benefits of economic reforms in Nigeria.*Nigerian Economic Society (NES),*pp449 – 485.

Dabwor, T. Dalis & Umejiaku I. Rose. (2015). The Effectiveness of Monetary Policy Transmission Routs on Manufacturing Output: Evidence from Nigerian Data. *Journal of Development and Society.* 3(4) 67-93

Ebhodaghe, J. U. (1996). The impacts of failed banks on the Nigerian economy: *NDIC Quarterly . June, Vol 6 No 1&2 pp25-37*

Lemo, T. (2005). Banking Sector Reforms and Bank Consolidation. *Central Bank of Nigeria Bullion 29(2)*

King, R. & Levine, R. (1993b). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics, 108 (3), 717 -737.*

King, R. & Levine, R. (1993c). Finance and growth: IMF Working Papers February.

Klein, M.A. (1970). A theory of the banking firm: Journal of Money, Credit, and Banking, 3, 205-18

McKinnon, R.I. (1973). Money and Capital in Economic Development. Waashington D.C. Brookings Institute

Ochejele, J. J. Impact of Commercial Banks' Credit on Agricultural Output in Nigeria. Thesis, Department of Economics, University of Jos, Nigeria, 1999.

Ogujiuba, K & Obiechina, M.E. (2011). Financial Sector Reforms in Nigeria: Issues and Challenges, *International Journal of Business and Management,* 6(6), 1-12

Ojo, A.T. (1976). *The Nigerian Financial System*: University of Wales Press, 101p.

Onwe, B.U (2013). The Nigerian Financial Market and the Challenges of Information Technology-Based Operational, *Kuwait Chapter of Arabian Journal of Business and Management Review,* 2(6)

Shaw E. S. (1973). Financial deepening in Economic Development. New York: Oxford University Press

Schumpeter, J. A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest and the business cycle*. Cambridge, UK. Cambridge Harvard University Press, 255p.

Soludo, C. (2004). Briefing on Current Reforms in the Nigerian Banking Sector. A Brief Held with Foreign Diplomats and Other Nationals in the Country at the Wake of the Recent Banking Industry Reforms.

Soludo, C. Consolidating the Nigerian Banking Industry to meet the Development Challenges of the 21st Century, An address delivered to the Special Meeting of the Bankers' Committee, held at the CBN Headquarters, Abuja, 6 July, 2004b.

Umejiaku, Rose Ifeoma. (2011). Financial Reform and Financial Development in Nigeria: A Graphical Analysis. *An International Multi-Disciplinary Journal, Ethiopia,* 5(3). 247-260

Williamson, J. & Maher, M. (1998). A Survey of Financial Liberalisation. Princeton Essays in International Finance, No 211.

NDIC (1993). Financial Liberalisation in Nigeria: An assessment of relative impact.