TITLE PAGE

THE IMPACT OF BANKING SECTOR INTERMEDIATION ON THE ECONOMIC GROWTH OF NIGERIA 2000-2009

BY
ULASI, JOHN IKE
PG/M.Sc/09/54236

A DISSERTATION PRESENTED TO THE
DEPARTMENT OF BANKING AND FINANCE
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA
ENUGU CAMPUS

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc)DEGREE IN BANKING AND FINANCE

SUPERVISOR:
DR J.U.J. ONWUMERE

FEBRUARY, 2013.

ABSTRACT

This work sets out to assess the impact of banking sector intermediation on the economic growth of Nigeria, using time serial data for ten year period, 2000-2009. Financial intermediation facilitates the savings and investment process through the mobilization of savings from the surplus units to investment by the deficit units. Banks remain at the centre of this process as they provide important positive externalities as mobilizers of savings, allocators of resources and providers of liquidity and payment services. The study is motivated by the fact that though the banking sector constitutes a large part of the financial system in Nigeria, not much achievement has been recorded in the area of providing sound intermediation that will impact positively and significantly on the economic growth. This study, therefore, sought to examine the effect of bank credit, bank liquidity and bank efficiency (herein adopted as independent variables) on the economic growth as proxied by GDP and adopted as dependent variable. Data on dependent and independent variables were collected from secondary sources, mostly from the publications of the Central Bank of Nigeria. The Ordinary Least Square regression technique was used to test the hypotheses. The apriori expectation is that the independent variables should have significant positive impact on the growth of GDP. However, based on the findings of the study, it was observed that bank credit and bank liquidity do not have positive and significant impact on economic growth. Bank efficiency do have positive but not significant impact on economic growth. Banking industry in Nigeria is still undergoing a "surgical process", aimed at injecting liquidity into the banking system and thereby restoring customers' confidence. Countries that enjoy economic prosperity have been linked with an efficient mechanism for mobilizing financial resources and allocating same for productive investment. In view of this, the study recommended that there should be extensive and comprehensive development of banks to ensure efficient financial intermediation.