

AN OVERVIEW OF THE NIGERIAN FINANCIAL MARKET BEFORE AND DURING THE DEREGULATION OF THE ECONOMY 1955-1993

S. O. Olubiyo

Wye College, University of London

1. Background to Banking Services in Nigeria

Modern banking operation in Nigeria started in 1892 with the establishment of African Banking Corporation. This bank later became the Bank of British West Africa (BBWA). As its name suggests BBWA was owned and managed by the British to facilitate their colonial goal by providing the necessary financial support for their operations in the sub-region. Hence, the bank was often referred to as the "colonial bank" and since it was the only bank of its kind in operation, it was able to enjoy and maintain an enviable and unrestricted monopoly of the banking business in the country. This trend continued until 1917 when Barclays Bank (Dominion, Colonial and Overseas) was established. This latter bank also had its roots in colonialism, but there was minimal national interest and participation in the ownership structure and operation of the bank. The operations of these banks were controlled and supervised from London; as a result the interest of the colonial economy dictated the nature of services they rendered. Uche (1997) reiterated that the colonial government actually allowed banking services to commence in Nigeria in order to provide services for government and British commercial interest and, as a result, they did not seek to satisfy the natives' needs. Despite the discriminatory tendency in the operations of these banks, there was a remarkable growth in economic activities in the country. However, the growth in economic activities coupled with the quest for indigenous control and greater participation in the management of banking services, and it was later realized that these banks were not adequate enough to meet the demand for funds and the yearning of the people. Consequently, approval was given for the establishment of more indigenous banks. Between 1917 and 1952 a number of expatriate and indigenous banks, were established and they developed alongside one another. However, most of the indigenous banks could not perform up to expectations because they were hampered by low capital base, indifferent attitudes of colonial banks and policies to indigenous banks and inadequate supply of locally trained and experienced manpower. These problems restricted their effectiveness and overall performance. Similarly, owing to the poor quality of personnel in financial and accounting professions, most of the banks suffered from inefficient monitoring and supervision. This situation led the operations of the banks to become a free-for-all with little concern for banking ethics (Falegan, 1987); while some succeeded in the process others failed. The need to harmonise the operations of these banks for the benefit of the then growing commercial enterprises in the country called for the setting up of a regulatory

framework where their operations could be monitored and controlled.

The formal control and supervision of the banking services started in 1952 with the introduction of the Banking Ordinance that stipulated laws to guide banking operations in the country. The ordinance spelt out conditions under which banks should operate in the country and specifically stipulated that all prospective banking businesses must be licensed and registered with appropriate agencies of the government. However, poor staffing and loopholes in the legislation made the ordinance largely ineffective. To rectify the anomaly, the government established the Central Bank of Nigeria, CBN, in 1959, a year prior to the country's independence. The CBN was empowered to complement the established ordinance so as to effectively monitor and control banking operations in the country. At its inception, the CBN introduced some stringent measures to control the licensing of banks and related businesses in the economy. By 1960, there were only eight banks with about 106 branches nationwide. Owing to the low number of the banks in operation at the time, the CBN was able to cope effectively with the supervision and monitoring of their operations. It was able to enforce the laws guiding banking operations such as controlling the allocation of import licensing, establishing rigid foreign exchange systems, regulating interest rate on loans and deposits and exerting strict control over the licensing of new banks. The CBN was able to achieve remarkable success in its enforcement of all banks to comply with its policy directives. However, the banking services in the country were still dominated by foreign banks who, in many cases, tried to circumvent the regulatory order of the CBN. But when the services of these foreign banks continued to be a glaring detriment to the indigenous business activities in the country, as epitomized in the nature of their credit delivery and adherence to government directives, the government nationalized them and, subsequently, some had to abandon their operations in the country (Nwankwo, 1980).

The nationalization policy allowed the CBN to further streamline banking services in the country, especially as it related to credit delivery to various sectors of the economy, and the establishment of rural branches. The operations of the ensued banks, coupled with funding from the non-banking sectors, encouraged vibrant economic activities such that, within a short period of time, there was heightened demand for loanable funds which were not sufficiently met by the supplies available. This signaled the inherent problems in the macro-economic indicators such that the government was compelled to develop a programme to maintain a balance in some of its macro-economic indicators (employment rate, price stability, inflation and balance of

payments) by relaxing some of the restrictive policies inherent in the operation of the apex bank. Before the government could take the initiative, the CBN started to experience dwindling capital flow such that its ability to monitor and regulate the financial activities of the economy weakened.

When the banking operations were at their heights, there was a drift of finances from the real sectors to other sectors of the economy, and with the use of over-valued domestic currency other resources subsequently moved further, weakening the macro-economic imbalance. The aftermaths of the macroeconomics imbalance were manifested in the form of high inflation rates, unemployment, dwindling foreign exchange (resources inflow) and declining domestic investment. These imbalances were aggravated when the country finally became a mono-product dependent nation, depending mainly on revenue from oil export. Unfortunately, the ensued problems in the oil market virtually blocked external credit lines to the economy, resulting in accumulated trade arrears and excruciating debt. The slump in world oil prices (the country's major foreign exchange earning) and the insensitivity of the government to quickly respond to the changing circumstances, further heightened the crisis. The situation further worsened when the government continued to rely on the use of overvalued currency, thereby encouraging over dependence on foreign goods. It also allowed unrestrained expenditure and widening the deficit finances, that aggravated the economy's malaise. In the process of financing these deficits, foreign debt continued to accumulate including sizable trade arrears. According to Zanini (1994), fiscal indiscipline and administrative rationing of scarce resources contributed to the decline in the Nigerian economy.

As a result of turmoil in the economic activities in the country, it became imperative for the government to introduce policies that would restructure the economy and bring it to a proper footing. This was to be achieved through a programme that would enhance the trust and investment in the country's productive base and a redirection in the overall management of the economy. With this in mind, between 1983 and 1985 the government introduced austerity measures which were implemented with cross-sector budgetary cuts and an administrative restriction on imports and foreign exchange. The austerity regime had a measure of success in reducing the fiscal and external deficits, but the problems in the real sectors were not effectively handled. Hence in 1986, the Structural Adjustment Programme (SAP) was introduced in the hope that this new programme would control the areas unsuccessfully addressed through austerity measures. The remaining part of the paper examines the financial service deliveries under the economic deregulation.

2. Financial Service Delivery during Structural Adjustment Programme (SAP)

The combined collapse in the oil prices, weakening of foreign earnings and other external forces motivated the government to embark on a broad base policy reform programme under the coined name SAP. The reform combined both structural and stabilization policies (Zanini, 1994) to reinvigorate economic activities in the country. The former incorporate exchange rate and trade liberalization policy, which was aimed at revitalizing the non-oil sectors of the economy. While the stabilization policy enforced tight fiscal and monetary policies, which were designed to restore balance of payments equilibrium and price stability. The reform emphasised the downsizing of the public sector and the improving of the efficiency of public asset management. Specifically, the strategy adopted for implementing SAP centered on the use of a realistic exchange rate policy, liberalization of external trade and payment system, rationalization of government expenditure and increased reliance on market forces (Olashore, 1991). In addition, import licenses and agricultural marketing boards were eliminated, price controls were lifted, and banking deregulation was initiated. Thus, as entrenched in SAP implementation guidelines, the government thought all the economic malaise befalling the country will be attended to through wholesome deregulation policies. It was anticipated that the enunciation of these policies will promote competition in the industry, encourage increased deposit mobilization, improve access to credit and ultimately promote investment and economic growth (Soyibo, 1996).

The main focus for the actualization of the goals of these policies is on the productive and real sectors of the economy (agriculture and manufacturing). In order to achieve this the government relaxed the strict controls and regulation it placed in its financial sector especially at licensing new banks, thereby deregulating the economy. It was hoped that this action would mobilize more of savings and enhance the efficiency of funding of new and on-going projects in the real sectors of the economy. Literally, deregulation implies that the government would no longer be involved in the control of the operations of the economic system and that only the market forces, through the interaction of the forces of demand and supply, would interplay to determine the direction of the flow of resources. The stated underlying objectives of the government deregulation policy, as it related to the financial sector are mainly:

- i) to ensure efficient allocation of resources to the productive sectors of the economy and encourage direct sourcing of local raw materials.

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- ii) to reduce excess liquidity in the financial system and mitigate inflation.
 - iii) to stabilize the naira exchange rate at a realistic and credible level.

In summary, the practical application of the policy reforms focused on deregulation of institutions, interest rates and prices and trade. The practices of the financial service under the policy of economy deregulation can now be discussed as it related to conventional and quasi banks and finance companies (Balogun 1989; Oke 1990).

3. Operation of Conventional Banks under the Economic Deregulation

The implementation of the policies on economic deregulation as entrenched in SAP implementation guidelines viewed the number of existing banks as inadequate for coping with the new roles expected of them especially to activate economic activities in different sectors of the economy. At the inception of the programme, the existing banks were operationally affected as a result of increased demand for credit from various sectors. It was evident that the injection of fresh credit and increased efficiency in service delivery from the key financial sub-sector (i.e. banking industry) was imperative for the actualization of the economic reforms being pursued under SAP. Consequently, the government through the Central Bank of Nigeria (CBN), relaxed the controls placed on the licensing of conventional banks (commercial and merchant). The relaxing of the formerly stringent conditions allowed for the licensing of additional banks to further induce competition and efficiency within the industry (Boniface, 1987). It thus made it easier for individual or corporate institutions to own a bank. In addition, the respective banks could freely and independently charge commissions, interest rates and fees and enter into any business deemed viable. As part of the specific programmes under the restructuring of the banking services in the country, the government allowed banks to own shares in non-financial businesses as well as to engage in insurance brokerage. The freedom exercised by the operators of the ensued banking services transformed the banking industry in various dimensions, in particular the growth in terms of number had been quite phenomenal. The number of banks in operation in the country increased from 8 in 1960, to 50 in 1987 and 120 in June 1993 with over 2,000 branches nationwide. Between 1986 and 1990 there was 120 per cent increase in the number of commercial banks (24 in 1985 to 53 in 1990), while merchant banks grew by nearly 300 per cent from 10 to 39 in the same period (CBN, 1994). This unprecedented increase caused the banks to scramble for

fund with stiff competition between them as each bank tried to recoup the newly created financial gap. There was a multiplier downstream effect which also heightened demand for funds in almost all economic endeavors (CBN, 1996).

The phenomenal growth in the number of banks in the country brought with it some operational changes. Specifically, the freedom brought about by deregulation widened the spheres within which banks could operate. It permitted banks to do more business outside their conventional role. For example, the distinction in the operational schemes between commercial banks and merchant banks became thin, often indistinguishable. The traditional and exclusive business of equipment leasing of the merchant banking in Nigeria was opened to all operating commercial banks in the country. To further diversify banking services and their investment patterns in the industry, the government removed the restrictive policy of the banks' participation in industrial, commercial and agricultural activities in the country. For example, the banks could now participate up to 100 per cent of their paid up capital plus reserves in any one enterprise, coupled with an aggregate ownership of over one-third of their paid-up capital (Ojo, 1991). Furthermore, prior to the introduction of SAP, the majority of banks operated in an oligopolistic environment. Product development and services to boost customer's satisfaction were relegated to the background since they could post colossal profits yearly without investing into such areas. There was no impetus for innovation because competition between the banks was virtually non-existent. The introduction of SAP changed the situation, the industry was put on alert, as the majority of the treasury officers were seen scrambling for resources that were formerly taken for granted. The result of such practices (rivalry or competition) was a transformation of the financial sector to one which was dynamic, innovative and supposedly responsive to the demand for enhanced efficiency in the overall efforts of fostering economic development and progress. For example, this competition allowed for continued development of new financial products and most banks were forced to innovate. Some of the new products available included computerization of operations, the introduction of deposit certificate which was backed with life insurance policies, redeemable unit trust schemes, weekend banking services (which were non-existent before). Others include the introduction of raffle draws on saving accounts with a given minimum balance, the introduction of high 'jumbo' interests on saving deposits, or the payment of interest on savings up front. At the inception of the deregulation policy, the banks could only be described with only 13 products traded while by the end of 1992 these products had increased to 40, with an increase of over 208 per cent (Soyibo, 1997).

These new products were, however, expected since the deregulation policy widened the operational base of these banks, and they needed to mobilize funds by luring prospective savers and customers into patronizing respective banks. Unfortunately, these products were short lived, and created an unprecedented increase in money in circulation with the attendant macro-economic imbalances.

The scrambling for loanable funds was further heightened when the government introduced some measures to check the volume of liquid cash in circulation. For example in 1991 the government directed all its agencies and parastatals to keep their account with the Central Bank of Nigeria CBN. The resultant withdrawals of fund from banks that followed this directive affected the liquidity ratio of most banks to such an extent that the CBN was forced to come to the aid of some of the older banks in the country to enable them to meet their urgent cash call. Similarly, the CBN further introduced policy guidelines, such as the prudential guideline, which made it mandatory for all banks to keep a statutory deposit with the apex bank, apart from the minimum balance they must keep as reserves. In addition, the CBN abolished foreign guarantees as collateral for naira denominated loans, and raised the capital adequacy ratio among banks, thereby heightening their cash and liquidity ratio. These CBN directives further aggravated the stiff competition among the banks to the extent that some banks canvassed for funds from non-traditional sources and using some non-traditional means. As a result, serious competition and rivalry developed and were noticed between operators in the financial markets in the country.

It is worth noting that despite these policies, and the differences in capital base, the majority of the operating banks in the country offered virtually identical products and services. This is despite the individual banks' efforts to use different designs, coded names and promotional strategies to differentiate their products and services from one another. There was no major difference in the services they rendered that is worthy of note. The services common to them, which were pursued vigorously during the deregulation, can still be summarised to include granting of loans and overdrafts to customers, discounting of bills of exchange, issuance and purchase of security and foreign exchange dealings. Others include provision of safe depositories to customers and provision of facilities for making payment via bank notes and cheques, insurance brokerage, equipment leasing. Although these functions are not exhaustive, they represent the main features of services delivered among banks; differences occurred only in the operational strategies.

Banks depended on sales of financial services to generate revenue, and subse-

quently they charged interest on loans and overdrafts, took commissions on turnover, and fees and other charges on auxiliary services. Similarly, their earnings were affected by costs associated with interest rates paid on their customers' deposit and other overhead or operational charges. The elementary theory of the firm assumes that most firms seek to maximize their earnings or share capital. In pursuance of this goal by the banks in the country, and coupled with the attendant financial squeeze, they developed practices that undermined the ethics of their business and that of the regulatory policy of their monitory organization, the CBN, as entrenched in the banking ordinance and banking decrees. Some of the sharp, and yet evident, practices include:

- i) hoarding of information and their discreteness about dealing with customers.
- ii) failure to send regular statements of accounts to their customers.
- iii) errors in statements of accounts often posted.
- iv) reluctance of banks to finance long and medium term projects.
- v) unwholesome incursion to other financial services such as insurance business without the requisite expertise and wherewithal.
- vi) double book keeping practices in foreign exchange dealings.
- vii) undue prominence and publicity given to commercial papers, e.g. discounting of bills came into force and promissory notes flew all over the country's financial environment.
- viii) forced claims on promotional advertisements.
- ix) some new banks were best adjudged to be foreign exchange speculators rather than deliverers of banking services that could boost domestic production from real sectors.
- x) lack of transparency in their inter bank dealings.

The majority of banks continued these practices to gain excessive and 'abnormal' profits at the expense of the desired goal of the deregulation policy and the overall objectives of economic development. Many of these practices resulted in some banks posting very high, almost abnormal profit margins, whilst others struggled to survive. The episode of the BCCI overseas in 1991 brought to light the practices of most banks that are inimical to the growth and development of the economy. Some banks continued to profit as a result of questionable lodgements, embezzlement and conspiracy on laundered money through drug trafficking with less emphasis on improving the national income of the country. Only the affected banks and their owners reaped the profit since the proceeds may not necessarily be invested in real sectors of the economy. If they eventually do, there is the likelihood of excessive rates charged on such loans.

Eventually these banks continued to short-chanced themselves by involving in variance of the above practices that are inimical to the overall goal of the economy, and even to the people's trust and confidence in financial service deliveries in the country. When the government realized the negative implications of the unfolding investment environment and the negative image it had on the country, it temporarily placed embargoes on the licensing of new banks. Surprisingly, prospective bank promoters whose applications were still in the process quickly drifted to establish quasi-banks or non-bank financial institutions (NBFI) such as finance companies, unit trusts and discount houses which were not under the policy embargo. Hitherto, many of the banks had earlier on established one or two types of these financial institutions. The next section examines the operation of these non-bank financial institutions during the deregulation of the economy.

4. Operation of Quasi Banks - Finance Companies under Economic Deregulation

Finance companies and other NBFIs provided alternative sources of loanable funds to the general public. From the onset of the economic deregulation and in line with the operation of banking services, the operational schemes of the finance companies and other NBFIs were simplified to the extent that virtually individuals or corporate organisations could easily establish one. Apart from the registration required during the incorporation of the business, the operations of the NBFI were not placed under the control of the central bank. There was no minimum capital base for the setting up and operating of a finance company, yet they fixed their interest rates and commission including other charges on loans and related services independently. They operated a floating interest, which brought about a significant margin between lending and borrowing rates, and in some cases the margins were as high as 25 per cent. Their annual operations and performance figures were not subjected to the scrutiny of the CBN. The NBFIs were able to compete favorably with conventional banks since they offered similar services, hence they were comparatively better placed to widen their earnings base. Many of these finance companies were established in an attempt to capitalise and circumvent the CBN policies of deregulating interest rates chargeable on loans and advances granted, and on interest rates payable on deposits through finance companies which were not monitored. For example, while the conventional banks groaned under the unfolding CBN monetary and

deregulatory guidelines often introduced to check their unwholesome sharp practices, the non-bank finance companies continued to rake in a lot of profit. They were able to do this successfully because they were not public liability company, so they were not initially under compulsion by law to publish their annual reports for public scrutiny. With their 'jumbo' interest rates on deposit, sometimes paid up front, these finance companies became naturally attractive to most depositors who, rationally, sought higher returns on their investments. They also introduced many enticing products and packages as baits for prospective or yearning customers. Consequently, the majority of the conventional banks diversified to establish NBFIs, most especially finance companies and discount houses, in order to prevent their activities from being scrutinized. Thus, by the end of 1992, there were over 660 finance companies with over 3000 branches in the country with their services not wholly available for CBN appraisal and control (CBN, 1994).

The sharp practices discovered amongst the conventional banks were even greater amongst these finance companies. The unprecedented growth in service deliveries amongst both conventional and quasi banks invariably brought with them, and to the larger economy, some problems such as:

- i) contravention and unethical credit policies,
- ii) prevalence of fraud and related charges and
- iii) speculative foreign exchange biddings,
- iv) over stretched man power base,
- v) presentation of false statements of accounts and
- vi) weak internal control of banks and NBFIs,
- vii) appointment of unqualified and inexperienced personnel into management positions,
- viii) release of funds with ulterior motives and without recourse to proper processing and documentation,
- ix) self service among the personnel at the expense of probity and accountability and
- x) other unacceptable practices such as under cuttings, reduced emphasis on economic development, disobedience to government directives among others.

5. Aftermath of the Deregulation of the Economy

The above practices, coupled with that of the banking services, caused unsavory and unattainable monetary control policies in the country. Unprecedentedly, the costs of borrowing soared to a rate above 40 per cent in many of the financial institutions, the worst being the finance companies. These caused the manufacturers and other users of borrowed funds to cry foul of the negative effect on their business operation. Incidentally, almost all the negative practices identified with banks were carried over to the finance companies and the larger thereby further worsening the image of the country internationally. The prevalence of frauds and related practices dented the image of the country. It was when these problems became so enormous and the image of the country was put to test that the government, through the CBN, introduced policies to check the operations of the finance companies and other providers of financial services in the country. These practices, coupled with over devaluation of the naira, caused a fall in the performance in the real productive sector of the economy. Also, most providers of financial services became foreign exchange speculators instead of allowing a realistic and stable exchange rate for the currency. Their combined actions thwarted the relative stability in the exchange rate and eroded credibility in naira denominated account. Subsequently, the inflow and the outflow of savings and investment in the economy were negatively affected. Since exchange rate is basic to all parameters of any budget as it determines the value of the domestic currency, the uncertainty that was brought to the market by these speculators was transferred to the cost of production, marketing and distribution in both private and public sectors. Similarly, the downswing exchange rate exerts great impact on the real burdens of the external debt and the value of external reserves. Since Nigeria suffered continuously from dwindled foreign exchange earnings from crude oil exports and yet was heavily dependent on the importation of capital goods, its debt burden continued to escalate causing major structural malfunctions amongst the sectors of the economy. There was persistently low performance recorded in its real sectors, especially during the economic deregulation, which resulted in massive unemployment, or under employment, and many Nigerians (irrespective of their employment status) were forced to engage in other practices to cushion the effect of the economic malaise. Unfortunately, not all these practices have positive contribution to the growth of the economy.

Furthermore, as may be expected, the majority of these banks and NBFIs only operated in urban and semi-urban centers, thus neglecting the economic activities

that were to be available in the rural areas. Government efforts to encourage them to establish rural branches failed because the government could not enforce compliance and most policy makers happened to be major owners or exclusive shareholders in many of the banks and NBFIs. Thus, in order to stimulate economic activities in the rural areas, among low income earners and operators of small scale businesses, it established the People's Bank and the Community Banks. The main aim of these categories of banks is to cater for those small entrepreneurs who may not readily be able to source funds from the conventional and quasi banks. Emphasis on loan deliveries among them was correlated more on strong kinship relationship based on personal character and attitudes of applicant rather than collateral securities-often the bane of low income people of getting funds from banks and other financial institutions. The number of community banks increased from 1 in 1990, to 66 in 1991, and 401 in 1992. Similarly, the number of community bank branches increased from 200 in 1991 to 228 in 1992. People's bank is wholly government owned while the community bank, as its name suggests, is usually centered on groups within a confined locality. With a minimum of 250,000 (two hundred and fifty thousand naira), a community bank can be floated. Because of the general problems in the financial service deliveries as mentioned below, most of these financial intermediaries have gone into liquidation. The next section enumerates the problems of the financial sector that culminated in the liquidation of many banks and non-bank financial institutions.

6. Problems in the Financial Sector

From the discussion above the problems in the financial sectors of the economy, which invariably affected other sectors, can be attributed to the inconsistent and incomprehensive government policy guidelines, sharp practices and unethical attitudes amongst providers of financial services, most especially the banks and financial institutions. These problems were further aggravated by the weakness of the Central Bank to enforce compliance to even stated government policies. For example, frauds were sometimes perpetrated through false returns to the CBN, fraudulent withdrawals and lodgements, forging of import bills and inflation of pension funds for some expatriates. However, these frauds were not specific to the financial sector, but were also prevalent among sectors of the economy except they differ both in magnitude and frequency of occurrence. Painfully, the CBN cannot guarantee adequate safeguard to

check frauds and it sometimes clears itself of complicity thus allowing an enhanced fraud. It is on record that the CBN often identified erring banks that failed to comply with certain policy guidelines but owing to some social, political and economic reasons (best known to them) offenders were not 'promptly' reprimanded (Lewis and Stein, 1997).

Also there were no uniform accounting standards for the banks to ensure consistency of financial statements which should facilitate a comparison of financial reports between banks and allied institutions. The statements which the financial institutions selectively used included statement of account policies, balance sheets, income statements, financial statements, profit and loss accounts, statement of source and application of funds, statement of value added, and so on. Non compliance or conformity to an approved and uniform accounting standard among banks meant no basis of comparing these banks operations; therefore many banks were able to deceive customers by releasing inadequate, unreliable and yet inaccurate information with some facts hidden away from the public. Since most customers, analysts and researchers based their decisions on the assessment of the operation of most banks on the 'half' information so released by the concerned banks, under this condition wrong judgments were often the norm. Failures to effectively monitor and regulate the operations of the finance company sub-sectors have resulted in the substantial leakages experienced in the financial system. These in turns have greatly undermined the broad objectives of monetary policy guidelines. However, in an attempt to improve on the battered image of the country, the government involved a series of policy and control measures. Some of these were contained in various circulars and financial guidelines. For example the CBN, under the Bank and Financial Institutions Decree of 1990, and through the monetary and financial guidelines, was mandated to take appropriate measures to punish erring banks and individuals violating relevant sections of the guidelines. Also, the government placed embargo on the licensing of new banks or finance companies. Furthermore, the operations of existing finance companies were placed under scrutiny of the CBN. The aftermath of this financial policy led to the collapse of many finance companies and the existence of some commercial banks was threatened. By the end of the period under study, the majority of the commercial banks were put under pressure since they could no longer indulge in their sharp practices, and many were not able to meet their statutory minimum share capital requirement. Meanwhile, the public is invariably losing their interest, hopes and trust in the banking sector. Even before the end of the period under study many

of the quasi-banks have gone into liquidation, with many of their promoters gone underground. Consequently, many of their customers lost their hard earned savings in the process. The banks in Nigeria presently can best be judged as centers for clearing cheques or receiving salaries or foreign exchange speculators. Expectedly, the President of Nigeria Chamber of Commerce, Industry, Mines and Agriculture (NACCI-MA) noted recently that the failures in the financial sectors have caused a shift in fund mobilisation such that over 80% of the savings generated nowadays in the entire sectors of the economy is currently accounted for by the informal financial sector. Incidentally, the government wants more foreign flow of resources into the economy hence they have relaxed the indigenisation policy to allow more foreign participation in financial service deliveries and other sectors of the economy.

7. Conclusion

The growth of any nation can be directly linked to the performance of its financial sector. Most countries exercise concern over the operation of their financial markets to the extent that relevant policies are introduced to enhance the efficiency of their operations. Nigeria is not an exception especially at taking steps to reform its financial service deliveries. However, the insensitivity of the government and the outstanding loopholes in the policy guidelines and implementation have not allowed the country to fully enjoy the gains of financial liberalization. The sharp practices among the operators and the failures of the government to punish erring banks, quasi banks or individuals have not allowed a substantial improvement in the economic performance in major sectors of the economy, the main thrust of the financial service deregulatory policy embarked upon by the government.

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Abstract

Financial services in Nigeria have experienced a great deal of transformation both in the number, quality and varying degrees of services they provide. However, the positive impact from such transformation in the development of the real sector of the economy has not been really actualized. This can be attributed to the practice amongst operators that placed their individual corporate interest higher than the larger economy. The search for steps to actualized corporate interests had forced most operators to imbibe practices that are inimical to the image of the country and its investment climate. This paper presents an overview of the operations of the financial sector of the economy especially during the deregulation of the economy and government efforts to make the sector responsive to rejuvenate the economic activities in the country.

VUE GÉNÉRALE DU MARCHÉ FINANCIER DU NIGERIA AVANT ET PENDANT LA PÉRIODE DE DÉRÉGLEMENTATION DE L'ÉCONOMIE (1955-1993).**Résumé**

Les services financiers au Nigeria ont expérimenté avec un grand intérêt la transformation en nombre aussi bien qu'en qualité à divers degrés, des services qu'ils offraient. Cependant, l'impact positif escompté d'une telle transformation dans le développement du secteur réel de l'économie n'a pas réellement pu se réaliser. Ce fait peut être attribué à la pratique des opérateurs qui placent les intérêts individuels de leurs sociétés à un niveau plus haut que ceux de l'économie nationale. La recherche de voies pour réaliser les intérêts de leur société a poussé beaucoup d'opérateurs à adopter des pratiques préjudiciables à l'image du pays et à ses conditions d'investissements. Cet article présente une vue générale des opérations du secteur financier de l'économie du Nigeria, spécialement pendant la période de la déréglementation de l'économie, et fait état des efforts du gouvernement pour sensibiliser ce secteur en vue de revigorer les activités économiques du pays.