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Analysis of the Volume of Intermediation Pre and Post 2004 Bank Consolidation Exercise

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ABSTRACT

The objective of this study is to investigate the possible existence of significant difference in the volume of intermediation (bank deposit liabilities as well as credit/claims on the private sector) before and after the 2004 bank consolidation exercise. This study employed the Ex Post Facto research design to compare two periods i.e. before and after the 2004 consolidation exercise. In line with the general approach adopted in ex post facto research design, this study made use of existing industry annual data handpicked from the Central Bank of Nigeria (CBN) statistical bulletin. Thus, the nature of data used is secondary and sourced from the CBN statistical bulletin for the whole banking industry. The time frame for the study was truncated to a 20-year period i.e. 1995 to 2014, divided into two 10-year periods (before the consolidation exercise 1995-2004) and (after the consolidation exercise 2005 – 2014). The model for the study was structured in a way to enhance comparisons of the pre and post consolidation periods, and to bring out whether any significant difference exist in the means of the volume of intermediation (demand deposits and credits/claims on the private sector). In testing our hypothesis, the study employed the parametric statistical paired sample T– test. This statistical tool focuses on the significant difference of chosen operational variable between two sample means observed at two points in time. Findings from the study suggest that there is a significant difference in the volume of bank intermediation after the 2004 bank consolidation exercise. Given that the soundness of the banking sector is as important as the volume of intermediation, this study recommends that while banks can mobilize more deposits by increasing interest rates payable on time and savings deposits, banks should also reduce the rate of interest chargeable on loans and advances to encourage lending to the private sector. This would largely enhance the volume of intermediation needed to grow the Nigerian economy.

Keywords: Banking sector, consolidation, intermediation, rates and volume.

INTRODUCTION

Financial institutions play the critical role of mobilizing savings from the surplus economic units and directing same to the deficit economic units for investment purposes. The financial system is the central nervous system of every economy, especially, a market economy. It comprises a number of separate but inter-related components include: Financial Intermediaries (institutions) such as banks and insurance companies, which act as principal agents for assuming

liabilities and acquiring claims (i.e. accept deposits and make payments); the financial market in which financial assets are exchanged; and, the financial instruments which is necessary for the effective interaction of the intermediaries in the markets [1].

These three components are inextricably intertwined. Banks need the payment system infrastructures (instruments) to exchange claims securely; and markets to provide the avenue for their intermediation activities. The banking system therefore functions more effectively and efficiently only when these three components are present and indeed robust. However, one of the major functions of Deposit Money Banks (DMBs) is financial intermediation. That is, the act of channeling funds from surplus economic units to deficit ones. With effective and efficient intermediation banks can lead to economic growth and development. This view was recognized as far back as 1934 in which Schumpeter argues that financial intermediation by banks and other financial institutions is a necessary condition for economic development as they ensure through the intermediation function that no viable project is frustrated due to lack of funds [1].

In the circular flow of income in an open economy, the role of the financial market, part of which the banking sector occupies a prominent place are well spelt out. These include provision of services in the areas of payment enhancement, money supply transmission, credit allocation and general intermediation in the economy. When the banking sector falls short in efficient delivery of the services required of it, the economy is short circuited of funds to drive economic growth [2]. The banking sector helps in mobilizing financial resources in the savings – investment nexus, particularly to the growth enhancing sectors of the economy, namely; agriculture, manufacturing, mining and minerals, oil and gas and telecommunications. The banking sector remains at the center of intermediation process, even in economies with highly developed financial markets.

Banks provide important positive externalities as mobilizes of savings, allocators of resources, and providers of liquidity and payment services, as well as a fulcrum for monetary policy implementation. Simply put, banks influence the savings – investment process in order to accelerate the rate of economic growth and poverty reduction. Towards this goal, the soundness of intermediation is as important as its volume, hence the need to have an efficient banking system. The fact that the banking sector has contributed in no small measure to the development of the national economy through its financial intermediation and other developmental roles is undisputed [3]. This is evidenced by the sprawling number of branches of

deposit-taking banks which rose from 3,247 to 5,837 and 6,605 in 2003, 2010 and 2011 respectively. Also, employment in the sector rose from 50,837 in 2005 to 71,876 in 2010 [4]. Also, a survey conducted in Nigeria in 2008 by a development finance organization, the Enhancing Financial Innovation and Access revealed that about 53.0% of adults were excluded from financial services.

The global pursuit of financial inclusion as a vehicle for economic development had a positive effect in Nigeria as the exclusion rate reduced from 53.0% in 2008 to 46.3% in 2010 [5]. Encouraged by the positive development, the Central Bank of Nigeria in collaboration with stakeholders launched the National Financial Inclusion Strategy on 23rd October, 2012 aimed at further reducing the exclusion rate to 20% by 2020. For the purpose of the Strategy, "Financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost." The services include, but are not limited to, payments, savings, loans, insurance, and pension products. However, despite these seeming positive position, a clean b ill of health could hardly be given to the banking sector as many of its constituent members (banks) were merely gasping for breath and in dire need of a life-line due to technical insolvency, illiquidity, inept management, weak capital base, poor corporate governance, poor assets quality, among other corporate malaise. Also, to buttress further the uneasy calm in the banking sector, and the imperative for reforms is the current high level of exclusion in the Nigerian financial system, and the low ratio of bank branch to total population [6]. For instance, the ratio of bank branch to total population stood at 1:24 as at 2011. Equally, Nigeria's population in 2005 was excluded to as high as 65percent [3] and 46 percent in 2010, compared to south Africa, Kenya, and Botswana with 26.0 percent, 32.7 and 33.0 percent financial exclusion rates, respectively,[3].

In an effort to create a stable banking sector that can effectively and efficiently intermediate. Nigeria banking sector has undergone series of transformations reforms. Reforming a system has to do with identification of problems, challenges and issues militating against the system from achieving pre-determined goals and proffering solutions to overcoming the challenges, To this end, banking sector reform is about issues relating to identification of challenges and provision of capacities to improving the banking system generally. [7] in their study of benefits and costs of financial sector reforms asserted that the Nigerian financial system of the pre-reform period essentially catered for the needs of planned development in a mixed economy framework where the Government sector had a predominant

role in economic activity. Consequent upon the pre-form state of the Nigerian banking system, [3] posited that the 2004 banking sector reform and others were embarked upon to bring about a diversified, strong and reliable banking sector which would ensure the safety of depositor's money and make banks play active roles in the Nigerian economy and become more competent and competitive players in the African regional and global financial system.

[8], from the year 1986 after the introduction of structural Adjustment Program (SAP) to the year 2004 when the new reform of the banking sector was introduced, the sector has undergone four phases of banking reforms. The introduction of the 2004 reform led the sector to become highly concentrated with the top ten banks accounting for more than 50% of the total assets, and many of the 89 banks that are operating are small in size and unable to effectively compete with the bigger ones [9]. The number of banks operating in the sector drastically reduced from 89 as at the year 2004 to 21 as at the year 2013, the issue of quantum of funds that are to be used for intermediation purpose remains a major concern [10]. Another compounding factor to the situation is the provision made by the Central Bank of Nigeria (CBN) in which banks are allowed to operate universal banking system. This has potential implication of making banks to divert from core banking areas to other range of services that may affect intermediation role. This by extension seems to imply the existence of conflicting position between the regulatory authority and banks' management. While on one hand, most of the banks' management inclined to a traditional theory on intermediation in which they demand enabling environment to execute core intermediation function which is considered to lower transactions costs and improve investor information, regulatory authority on the other inclined to current theory of intermediation [1].

The regulatory authority argues that as a result of deregulation, information provision has improved via technology and this can lead to intermediation without necessarily using banks and hence the need for the banks to diversify to other non-banking activities for sufficient revenue generations and thus neglecting their core intermediation role. This therefore, prompted the need to investigate if significant differences exist in bank intermediation after the 2004 banking consolidation exercise. Most of past studies look at intermediation in relation to economic growth and thus neglected the level of bank intermediation especially after the 2004/2005 banking reforms with consolidation as a major objective. The only study that we come across that made use of banks solely was [5], in which he investigated financial intermediation in the pre-consolidated banking sector excluding the post-

banking reform and financial intermediation of some selected deposit money banks in Nigeria.

Thus, the major objective of this study is to investigate if there is any significant difference between bank deposit liabilities and credit to the private sector before and after the 2004 bank consolidation exercise. Given the background and the objective of the study, the study hypothesized that there is no significant difference in Nigerian banks deposit liability and credit to the private sector after the 2004/2005 bank consolidation exercise. The period under study is from 1995 to 2015. The periods are chosen to balance the trend in Nigerian banking sector intermediation while including the pre (1995-2004) and post (2005-2015) consolidation periods.

Following the introduction, the rest of the paper is divided into the four sections. While section two reviewed of related literature, section three was concerned with the methodology while section four addresses the data presentation and analysis; section five summarizes the findings of the study as well as the conclusion.

Empirical Review

[1], evaluated the effect of the baking reform on the financial intermediation of Deposit Money Banks (DMBs) in Nigeria utilizing both primary and secondary data for the period of 14 years ranging from 1999 to 2012. Employing the Paired Sample T-test. Simple Percentage and Chi-square tests, results of the study provide evidence that the recent 2004 banking reform has no significant effect on the quantum of intermediation carried out by banks. The perception of the respondents also indicates that the reform has no effect on the intermediation function of banks. Hence, the study recommends that regulatory authorities should ensure that effective supervision and monitoring are imposed in the banking sector in order to ensure conformity to statutory and regulatory rules.

[12] critically appraised the Nigerian banking sector against the back-drop of its strategic role in national economic development adopting the Ex-post facto design type. Data were collected mainly from secondary records and analyzed using ordinary least square method. Findings from the study reveled that, prior to the 2004 banking sector reforms, many Nigerian banks were undercapitalized and this accounted for their poor performance in terms of low profitability, low liquidity, low returns on investments and lack of sustainability. The study also revealed that huge bad debts profile or poor asset quality has negative contribution to bank performance and was statistically significant. Interest rate had a negative effect and a significant effect on bank performance. On the whole, the incorporated variable (BCAP, INTR) contributed positively to the growth of Nigerian banks, and the economy at large.

Based on the findings above, it is concluded that effective banking sector reforms is a regulatory imperative for a sustainable banking industry in Nigeria.

[5] used a unique bank-by-bank balance sheet and income statement information to investigate the intermediation efficiency in the Nigerian pre-consolidated banking sector during 2000-2005. The author analyzes whether the Central Bank of Nigeria's policy of recent banking consolidation can be justified and rationalized by looking at the determinants of spreads. Indeed, a spread decomposition and panel estimations show that the reform of the banking sector could be the first step to raise the intermediation efficiency of the Nigerian banking sector. [5], found that larger banks have enjoyed lower overhead costs, increased concentration in the banking sector has not been detrimental to the spreads, both increased holdings of liquidity and capital might have led to lower spreads in 2005, and a stable macroeconomic environment is conducive to a more efficient channeling of savings to productive investments.

[2], developed a model to investigate the impact of the banking sector reforms on the level of economic growth in Nigeria. The study covered the period 1980 and 2012 with the co-integration technique applied to the data. The result shows that the credit to the private sector which is a key banking sector reform indicator has not significantly influenced the level of economic growth in Nigeria. The result shows that minimum capital base and the level of financial deepening has a positive and significant impact on the level of economic growth in Nigeria. The result recommends that future reforms in the banking sector should be geared towards credit provision to the private sector.

[6],examined the impact of consolidation on performance of Nigerian banks for the period 1999 to 2011 employing the Chow test; a parameter stability test which showed that there was parameter instability after the consolidation. System GMM (generalized methods of moments) estimation was further used to ascertain the directional and magnitudinal (size) impact of consolidation on the banks' efficiency. With emphasis on earnings per share as a proxy for consolidation, it is inferred that Nigerian banking consolidation exercise did impact their efficiency positively.

[6], is to find out if the banking industry loans and advances have any significant positive effect on the real sector GDP growth rate, using manufacturing component of GDP as the representative of the real sector. they analyzed published audited accounts of twenty (18) out of twenty-five (25) banks that emerged from the consolidation exercise that took place in 2005 in Nigerian banking industry and data from the CBN Statistical Bulletin of various issues over an 8 year period (2005-2013). Using the analysis of variance-ANOVA, mean,

standard deviation, t-test, co-efficient of correlation and simple linear regression, they found that banking sector intermediation has significantly improved the GDP component of the manufacturing sectors, hence, has contributed marginally to the overall growth of the real sectors for sustainable development. The paper concludes that banking sector is becoming more competitive in their intermediation roles as consolidation reform has created an atmosphere where many banks simply cannot afford to have weak balance sheets and inadequate corporate governance.

[10], investigated the effect of financial intermediation on economic growth in Nigeria making use of ordinary least square regression analysis. The study shows that interest rate margin has significantly impacted on economic development in Nigeria, that credit to private sector has significantly impacted positively on the development of Nigerian economy and that the level of lending rate over the years has impacted negatively on economic growth in Nigeria. The policy implication is that improper management of financial intermediation will help the economy to develop. This means that there is significant and positive effect of financial intermediation on economic growth in Nigeria.

[13], examined the financial sector reforms and its effect on the Nigerian Economy employing the ordinary least square method while covering the period 1980-2008. He found out that an improvement in financial intermediation was considered a necessary condition for stimulating investment, raising productive capacity and fostering economic growth. He therefore recommended that there should be macroeconomic stability, as the activities in all other sectors affect this or is affected by it.

The review of related literature indicates that the banking sector remains at the center of intermediation process, even in economics with highly developed financial markets. Banks provide important positive externalities as mobilisers of savings, allocators of resources, and providers of liquidity and payment services. Simply put, banks influence the savings investment proves in order to accelerate the rate of economic growth as noted by past empirical studies. Empirical studies also pointed out that the soundness of the banking system in the intermediation process is also important and hence the series of reforms effected on the Nigerian financial sector in general and the banking sector in particular. Given these reforms, particularly the 2004/2005 bank consolidation exercise, little or no study exits that examined significant differences in the volume of financial intermediation before and after the reform processes. This is given that the volume of intermediation is a important as the soundness of the banking sector to

enable it's catalytic role in economic growth. This is the gap filled by this study.

METHODOLOGY

In line with the general approach adopted in empirical studies, this study made use of existing industry annual data handpicked from the Central Bank of Nigeria (CBN) statistical bulletin. Thus the nature of data used in secondary and sourced from the CBN official website for the whole baking industry. The time frame for the study was truncated to a twenty (20) year period i.e. 1995 to 2014 divided into two ten-year periods (before the consolidation exercise 1995-2004) and (after the consolidation exercise 2005-2014). This study employed the Ex Post Facto research design to compare two periods i.e. before and after the 2004 consolidation exercise.

The model for the study is structured in a way to enhance comparisons of the pre and post consolidation periods, and to bring out whether any significant different exist in the means of the volume of intermediation (demand deposits and credit to the private sector). This is in line with past empirical studies that have considered two samples before and after the implementation of a policy specifically the bank consolidation exercise see ,[3] ; [2]; and [4].

In testing out hypothesis, the study employed the parametric statistical pooled variance/paired sample t-test model. This statistical tool focuses on the significant difference of chosen operation variable between two sample means observed at two points in time. In this version, the two samples are combined (pooled) to get a pooled variance and base the standard error of the difference in means on that single estimate; the resulting *t* can be compared directly to critical values from the *t* distribution table. The choice of this technique is that it suits the analysis since a significance test of two sampled means (before and after the consolidation exercise) is being compared. It is also based on the conditions for using the t-test that:-

i. The population from which the sample is drawn is (approximately) normally distributed.
ii. The two population variances are identical, whatever value they happen to have in other words, there is homogeneity of variances.
iii. The sample size is small (that is n < 30).
iv. The population standard deviation (S) is unknown.

The decision is informed by comparing the paired p-value (significance level) with the 0.05 level of significance. The decision rule is to accept Ho, if calculated p-value > 0.05, otherwise to reject Ho. The actual analysis is aided by the Statistical Package for Social Sciences

(SPSS) at 95% confidence interval for the difference in means and at ten and/or nine degrees of freedom (df).

Model Specification

The study adopted paired sample student's t-test which ascertains whether there is a difference between the mean of the pre consolidation and post consolidation periods.

The geometric representation is given as follows:

$$t = \frac{(M_{post} - M_{pre}) - U_0}{\sqrt{S^2_p \, {}^1/_{n1} + {}^1/_{n2}}} \quad \ldots\ldots 1$$

Where:

t = Student's *t* – calculated

M_{post} = Mean of post consolidation

M_{pre} = Mean of pre consolidation

μ_o = Overall mean (usually equal to zero)

S^2_p = Pool variance of the two sample periods

I = constant

n_1 = Sample size for pre consolidation era

n_2 = Sample size for post consolidation era

Data Presentation and Analysis

Table 1: Volume of Bank Intermediation before 2004 Consolidation (N' Billion)

Years	Loans & Advances to Private Sector	Claims On Other Private Sector	Private Sector Demand Deposits	Private Sector Time Deposits	Private Sector Savings Deposits	Private Sector Total Deposit
1995	122.8	141.7	76.0	29.0	61.3	166.21
1996	153.2	171.6	93.3	43.3	68.5	205.00
1997	214.8	238.2	122.5	50.8	83.9	257.10
1998	244.7	271.7	132.0	58.7	100.9	291.54
1999	311.7	350.6	185.6	107.3	127.8	420.69
2000	429.3	480.0	308.3	145.9	164.0	618.10
2001	714.5	817.7	425.6	230.8	216.3	872.66
2002	805.3	931.1	468.0	289.9	242.8	1,000.62
2003	1,012.4	1,183.0	546.5	313.1	311.2	1,170.77
2004	1,278.6	1,494.6	680.3	390.4	358.7	1,429,39

Source: 2014 CBN Statistical Bulletin

Loans and advances and claims on the private sector which represents the users of funds and the assets of banks, table 1 recorded a steady increase from 1995 to year 2000. In year 2001, the loans and advances increased from NGN429.3 billion to NGN714.5 billion representing a 66.43% increase. On the same hand, claims on other private sector including Loans & Advances to Other Customers; Loans & Advances to Nigeria Banks Subsidiaries/Affiliates; Bills Discounted from non-bank sources; Investments: [i] (Ordinary Shares) Other Investment-Quoted [ii] (Preference Shares) Other Investment-Unquoted [iii] Debentures Corporate Bonds [iv] other investments (promissory notes and other financial assets held); Commercial paper Bankers Acceptances; Factored Debt; and

Advances under Lease increased from NGN480.0 billion to NGN817.7 billion representing a 70.35% increase. These significant increases could be attributed to the introduction of the universal banking model in 2001. Afterwards, the However, a look at table 1 indicates a steady increase in total deposit liability for the banking industry from the private sector, part of the suppliers of funds in the bank intermediation function. Table 1 revels that total deposit liability from the private sector stood at NGN166.21 billion in 1995, increased to NGN1,000.62 billion in 2002 after the adoption of the universal banking model while closing the period in 2004 at NGN1,429.39 billion.

claims on the private sector increased steadily and ending the period in 2004 at NGN1,278.6 billion and NGN 1,494.6 billion for loans and advances and claims on the private sector respectively.

Table 2: Volume of Bank Intermediation after 2004 Consolidation (N' Billion)

Years	Loans & Advances to Private Sector	Claims on Other Private Sector	Private Sector Demand Deposits	Private Sector Time Deposits	Private Sector Savings Deposits	Private Sector Total Deposit
2005	1,584.5	1,936.6	886.9	486.6	400.4	1.773.90
2006	2,096.3	2,528.6	1,412.0	838.6	586.2	2.836.82
2007	3,861.5	4,732.9	2,188.5	1,443.0	748.2	4,379.80
2008	6,051.7	7,649.6	3,291.0	2,254.9	1,083.8	6,629.72
2009	7,385.8	9,357.6	3,014.3	3,074.2	1,165.6	7,254.14
2010	6,359.6	8,828.4	3,335.7	2,753.4	1,587.1	7,676.22
2011	6,098.5	9,101.2	4,208.9	1,299.7	1,859.6	7,368.11
2012	7,034.1	9,775.1	4,291.8	3,277.2	2,016.1	9,585,15
2013	8,730.6	10,767.0	4,184.1	2,797.1	2,347.8	9,328.92
2014	11,569.5	12,643.2	4,736.6	4,722.2	2,672.1	12,130.89

Source: 2014 CBN Statistical Bulletin

Loans and advances and claims on the private sector represents the users of funds and the assets of banks, table 4.2 recorded a steady increase from 2005 to year 2009. Loans and advances depleted from NGN7,385.8 billion in 2009 to NGN6,359.6 billion and NGN6,098.5 billion in 2010 and 2011 respectively. On the same hand, claims on other private sector including Loans & Advances to Other Customers; Loans & Advances to Nigeria Banks Subsidiaries/Affiliates. Bills

Discounted from non-bank sources; investment: [i] (Ordinary Shares) Other Investment – Quoted [ii] (Preference Shares) Other Investment – Unquoted [iii] Debentures Corporate Bonds [iv]Other Bonds [v] Subsidiaries [vi] Other investments (includes AMCON bonds effective Dec-10 [vii] Other investments (Promissory notes and other financial assets held): Commercial papers Bankers Acceptance; Factored Debt; and Advances under Lease depleted from NGN9,357.6 billion in 2009 to NGN8,828.4 billion in 2010 but unlike loans and advances increased to NGN9,101.2 billion in 2011. These decreases could be attributed to the effect of activities of economic meltdown, the introduction of AMCON, and further reforms and bailouts of some banks by CBN. Afterwards, the loans and advances and claims on the private sector increased steadily, ending the period in 2014 at NGN11,569.5 billion and NGN12,643.2 billion for loans and advances and claims on the private sector respectively.

However, a look at table 2 indicates a steady increase in total deposit liability for the banking industry from the private sector, part of the suppliers of funds in the bank intermediation function. Table 2 reveals that total deposit liability from the private sector stood as NGN1,773.90 billion in 2005 after the consolidation exercise and increased steadily until 2010. In 2010, total deposit (demand, time and savings) liability of the private sector dropped from NGN7,676.22 to NGN7,368.11 billion in 2011. In 2012, the total deposit liability increased to NGN9,585.15 but dropped to NGN9,328.92 billion in 2013 while closing the period in 2014 at NGN12,130.89 billion. These fluctuations could also be attributed to the effect of world economic crunch and CBN reform and bailout activities that started in 2009.The objective of this study are to investigate if significant differences exist in the volume of intermediation (bank deposit liabilities as well as credit/claims on the private sector) before and after the 2004 bank consolidation exercise. The period under study is from 1995 to 2015 chosen to balance the trend in Nigerian banking intermediation while dividing the periods into the pre (1995-2004) and post (2005-2015) consolidation periods. These objectives were achieved with the paired sample t-test and the results are as presented in tables 2 and 4 below.

Table 3 Paired Samples Test for Total Private Sector Deposit

	Paired Differences					T	df	Sig.(2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1 private sector deposit Pre- private sector deposit Post	-1.08261	.15588	.04929	-1.19412	-.97111	21.963	0	.000

Table 4 Paired Samples Test for Claims on the Private Sector

	Paired Differences					t	df	Sig.(2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1 private sector deposit Pre- private sector deposit Post	-1.16968	.18595	.05880	-1.30271	-1.03666	-19.891	0	.000

Source: Author's SPSS output, 2016.

The decision to accept or reject the null hypothesis of no significant difference in volume of bank intermediation after the 2004 bank consolidation exercise is informed by comparing the paired p-value (significance level) with the 0.05 level of significance. The decision rule is to accept H_1 if calculated p-value > 0.05, otherwise to reject Ho. Table 3 and 4 revealed that the Sig. (2-tailed) of .000 for total private.

Sector deposit and bank claims on the private respectively < 0.05 level of significant if significant. Thus, we reject the null hypothesis of no significant difference in volume of bank intermediation after the 2004 bank consolidation exercise while accepting the alternate and conclude that there is a significant difference in the volume of bank intermediation after the 2004 bank consolidation exercise.

Summary of Findings and Conclusion Recommendations

Finding from the study suggest that there is a significant difference in the volume of bank intermediation after the 2004 and bank consolidation exercise. The above finding suggests that Nigerian banks after the 2004/2005 provides important positive externalities as mobilizers of savings and allocators of resources. Given

that the soundness of the banking sector is as important as the volume of intermediation, this study recommends that while banks can mobilize more deposit by increasing interest rates payable on time and savings deposits, banks should also reduce the rate of interest chargeable on loans and advances to encourage lending to the private sector. This will not in small way enhance the volume of intermediation needed to grow the Nigerian economy.

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Appendix A: Raw Data

Years	Loans & Advances to Other Customers	Claims On Other Private Sector	Private Sector Demand Deposits	Private Sector Time Deposits	Private Sector Savings Deposits	Total Deposit
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2009	7,385.8	9,357.6	3,014.3	3,074.2	1,165.6	7,254.14
2010	6,359.6	8,828.4	3,335.7	2,753.4	1,587.1	7,676.22
2011	6,098.5	9,101.2	4,208.9	1,299.7	1,859.6	7,368.11
2012	7,034.1	9,775.1	4,291.8	3,277.2	2,016.1	9,585.15
2013	8,730.6	10,767.0	4,184.1	2,797.1	2,347.8	9,328.92
2014	11,569.5	12,643.2	4,736.6	4,722.2	2,672.1	12,130.89

Appendix B: Processed Data Used for Analysis

Years	Log10 (Claims on Private Sector)	Log10 (Private Sector Total Deposit)
1995	2,151281	2,220661
1996	2,234625	2,311763
1997	2,376919	2,410104
1998	2,434123	2,464697
1999	2,544781	2,623958
2000	2,681257	2,791058
2001	2,912589	2,940844
2002	2,969014	3,00027
2003	3,072972	3,068473
2004	3,174528	3,155152
2005	3,287044	3,248929
2006	3,402886	3,452833
2007	3,675131	3,641454
2008	3,883641	3,821495
2009	3,971162	3,860586
2010	3,94588	3,885147
2011	3,9591	3,867356
2012	3,99012	3,981599
2013	4,032093	3,969832
2014	4,101858	4,083893