THE CHARACTER OF THE STATE IN FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

THESIS SUBMITTED FOR THE AWARD OF THE DEGREE OF

DOCTOR OF PHILOSOPHY AT THE UNIVERSITY OF LEICESTER

BY

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SEPTEMBER 2010

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ABSTRACT

This study involved an analysis of how the character of a state inadvertently defines the trajectory of financial development of the state and its resultant impact/causality on economic growth. The guiding theme here is that the finance growth theory (Schumpeter 1911, Goldsmith 1969) has its fundamental root in the demographics of western economies with proven functional and stable political and social institutions. The direct applicability of this theory to the explanation of financial and macroeconomic phenomena in developing economies with a unique set of distinct characters may prove erroneous.

To analyse this assertion, a developing economy (Nigeria) which had experienced decades of autocratic military governance was studied using a mixed method research design to gather and analyse data. Under this approach, triangulation of three data sources was achieved to augment for the problem of reliability of data sources. A historical case review was conducted using secondary data. This was followed by an econometric analysis to determine the direction of causality of financial development on economic growth applying the vector co-integration analysis and the Granger Causality test using time series data relating to Real GDP Per Capita, Size, Activity and Efficiency of Financial Intermediaries and the Stock Market in Nigeria and dummy variables to represent socio-political characters identified from the historical analysis. Finally, primary data was generated by questionnaire and group interview as a means of validating the findings from the historical case review and the econometric analysis as well as completing the triangulation of data sources. The historical review revealed three major characters represented by ethnicity in which prebendalism was strongly inherent, social unrest culminating in a three year long civil war and persistence of autocratic military governance and civilian democracies tutored by military dictators while the econometric analysis revealed the presence of macroeconomic structures identifying at least one co-integrating vector but the causality test showed no indication of causality between financial development and economic growth irrespective of steadily rising annual figures for Real GDP Per Capita and indicators of positive financial development.

It was concluded that the character of a state in developing economies whose characters form a unique parabola of activities that are not prevalent in western democracies where this theory finds its origin is an endogenous variable in determining the impact of financial development on economic growth.

ACKNOWLEDGEMENT

I wish first and foremost to acknowledge my research supervisors Dr. Geoffrey Lightfoot and Professor Peter Jackson for the invaluable support and direction which they inexhaustibly rendered during the course of my research. My deep felt gratitude goes to Professor Martin Parker, Director of Research at the School of Management, Professor Joanna Brewis, Director of the Doctoral Programme at the School of Management, Professor Alan Bryman and Professor Simon Lilley both of whom held the position of Director of the School of Management at different times during my Doctoral Programme and both of whom rendered me support and encouragement all the way. My sincere gratitude goes to Professor Thankom Arun and Professor Emmanuel Haven who were respectively my external and internal examiners in the examination of my thesis for the constructive criticism they deployed.

It is no gain-say to emphatically state that I am immensely indebted to my friends and family whose support and companionship never ceased even in the most difficult times in the course of this research, I therefore wish to acknowledge my Late Parents, Damian and Christiana Uzonwanne, my brothers Dr. Francis Uzonwanne and his family, Mr. Jude Uzonwanne and his Family, Mr. Emmanuel Uzonwanne and his wife Yomade, my sister Mrs Ifeoma Ogini and her husband, Mr Femi Ogini, my loving wife Onyeka and my lovely daughters Nicole and Naomi, my uncles and their wife's, Professor and Mrs Victor Anosa, FRCPath and Dr. and Mrs Sunny Ndekwu and all my great friends.

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CHAPTER ONE

INTRODUCTION

1.1 GENERAL

1.1.1 Theoretical and Methodological Considerations

“*One of the most important problems in the field of Finance, if not the single most important one, almost everyone would agree, is the effect that financial structure and development have on economic growth”* Goldsmith (1969:390).

Following Goldsmith (1969), this research focused on studying how development of the financial structure affects growth in the Nigerian economy, what is the causal relationship between financial development and economic growth and what sector of the financial industry (market or intermediary) is the predominant driver of economic growth. The research design adopted to carry out this study is a mixed method research design with elements of grounded theory. The mixed method was considered very appropriate as no single research paradigm was viewed as suitable to provide sufficient evidence and credibility for the investigation this research focused on. Deductivism was therefore employed by starting off the research with a theoretical position while allowing inductivism by formulating perspectives as the research progressed. This procedure followed the argument of Silverman (1993) which stressed that research that stems from a theoretical background such as this research has is capable of redefining the limits of existing theory. This research therefore gathered both qualitative and quantitative data to argue that the finance-growth theory as we currently understand it is unable to explain the financial and economic structures of developing economies which undergo a very different set of residual socio-economic and socio-political identity characteristics from developed economies, the characters of whom the theory is based upon. These broad characters include properly functioning democracies, free markets and largely mono ethnic societies.

The study focused on the Nigerian economy for several reasons. One of the reasons is that the Nigerian economy provides a suitable test of how effectively the finance-growth theory is applicable to a developing economy as the Central Bank is currently concerned with developing the financial sector as a means of enhancing economic growth. Furthermore the Obasanjo led civilian government privatization of public parastatals has opened up a huge private equity market in Nigeria. A further reason is to contribute to policy decision making as the scope of this study interfaces with the Central Bank of Nigeria's Financial Systems Strategy, FSS (2020) programme targeted at analysing how the development of the financial services industry can act as a stimulus to future economic growth in Nigeria and the West African Sub-Saharan sub-region. In investigating the applicability of this theory to the Nigerian economy, this study carried out a three fold analysis, the first part being a historical analysis of the Nigerian political economy using books and journal articles, the second part was a phenomenological study of the Nigerian social phenomena using a two fold approach of questionnaires and group interviews while the third part of the data gathering and analysis process was an econometric analysis of bank and market time series data to determine causality of economic growth using the vector co-integration technique and Granger Causality test. Data for the econometric analysis was gathered from a database called the Financial Structure Database which provides data to compute the size, efficiency and activity of financial intermediaries and markets for a large number of countries over a long period of time. The data used to create this database is sourced primarily from the International Monetary Fund's International Financial Statistics, the Bank for International Settlement Quarterly review on International Banking and Financial Market Development and Goldman Sachs International Investment Research. The historical analysis of the political economy was intended to highlight country specific effects within the body polity of Nigeria with a view to isolating possible conditions that could inadvertently tilt the position of theory as a result of policy implications on growth and development of the financial sector on economic growth. Furthermore, it is worth bearing in mind that the theory has never been tested for a multi-ethnic developing country using observations other than macroeconomic, political and legal variables. It may be argued however that several studies have been carried out to demonstrate the existence of the impact of political instability on economic growth however all the studies such as Levine and Zervos (1996), Barro (1996) etc utilise cross-sectional data while Asteriou and Price (2001) utilise time series data but look at the effect of political uncertainty on investment growth and hence economic growth using Gross Domestic Product (GDP) as a proxy for economic growth in the United Kingdom. No known study has carried out an analysis of the impact of the character of the state leading to political instability and uncertainty on the causality of financial development on economic growth in Nigeria. Asteriou and Price (2001) further indicate that in a ‘polarised society’, a change in the government may create political uncertainty with its attendant effect on economic growth; in the Nigerian context, polarity can be clearly seen by the deep stratification in ethnic groups from the North to the South and the vicious contest to control the Federal Government. Asteriou and Price (in a study of the UK economy) touched on the reason why military takeovers of government in Nigeria was always welcome. They stress that if the current government (UK Government) was perceived to be untrustworthy, news of their ousting could lead to an increase in investment. However in the Nigerian case where there is a track record of the outcome of military governance, can this premise necessarily be true? The result of this study proved otherwise. This study is further unique due to the fact that it studied a developing economy with a unique set of endogenous characters.

The Finance-Growth theory’s main drive is that developments in the financial system help ameliorate inadequacies in information exchange between investors and potential investors. Banks are thought to be in better control of information flow due to the personal contact they have with their clients while a different school of thought believes that markets are in place to counteract the rent seeking and monopoly prone attitude of banks thereby presenting a more investor friendly platform (Beck and Levine, 2004). This assumes that *ceteris paribus* the political economy of the country is in a state of tranquillity. In Nigeria however and a large number of African countries, evidence from literature (Brown 1995, Collier 2008) suggests that this may not be the case as these countries in addition to experiencing a constant state of flux in their body polity are riddled with decadent infrastructure that could further foster information asymmetry such as poor road networks, poor communication systems and even huge threats to the movement of factors of production due largely to ethnic strife between competing politico-ethnic groups (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

Goldsmiths work studied the finance-growth relationship in thirty-five countries showing a positive correlation between financial development and economic growth but due to research limitations at the time, he was unable to highlight a causal relationship. Advances in research skills and data such as are evidenced in Demirguc-Kunt and Levine (2001) has however created contrary schools of thought as to which financial system drives economic growth and to what extent. The general view of the finance-growth literature (Demirguc-Kunt and Levine, 2001) suggests that economic growth is primarily driven by financial development and not necessarily by financial structure (bank or market based). Evidence of this view was drawn from the case of Germany and Japan, bank based systems versus the United States of America and the United Kingdom, market based systems. All four countries have experienced similar magnitude of long run growth in GDP. They further indicate that the size of the banking sector as well as the size and liquidity of the stock market exert a causal drive on economic growth using Gross Domestic Product per Capita as a proxy for economic growth. Following the long run aftermath of the recent financial crisis however, the bank based German economy may be better positioned than the market based UK and US economies. This is further food for thought.

1.1.2 Central Theme

The central theme of this thesis is to examine the impact of the character of the state on causality of financial development on economic growth. The character of the Nigerian state is one of prebendalistic ethnic politics suppressed by decades of dictatorship military governance during which a three year long civil war was experienced. Because the military played a key role in national planning and development as well as institutionalising the democratic process, this research focused on the examination of the impact of military governance on financial development as a key character of the state leading to a causal relationship on economic growth. The term prebendalism was introduced into literature by Joseph (1987) to describe the tendency of ethnocentric looting carried out on public treasury by elected officials.

The historical analysis broadly highlighted various retrogressive characters of the state These characters were captured as dummy variables in the econometric analysis which showed from the co-integration test that economic structures were indeed in existence between the financial development proxies and the economic growth proxy. The Granger Causality test demonstrated unequivocally that there was no causality from banking sector data or financial market data to economic growth irrespective of the fact that a steady growth in Gross Domestic Product and indeed banking and financial market data was experienced over the years. This lack of causality in the face of steady economic growth was attributed to the Nigerian economy’s over reliance on oil exports to support the prebendalistic character of successive governments a phenomena classified as the natural resource trap (Collier

2008). Following elements of grounded theory research adopted in the study, the secondary data used as the basis of the historical review was analysed in a selective process against the questionnaire data while the interpretation of the econometric analysis was also selectively analyzed against the interview data. As an outcome of these various analytical processes, a theory was grounded as a modification of the existing ontology of the finance-growth relationship stating clearly that the character of a state is a valid endogenous character in determining the direction of causality of financial development on economic growth in developing economies.

1.1.3 Limitations of Study

This study is limited to the Nigerian socio-political and socio-economic environment and inductions made at the end of the study are based entirely on the findings from the Nigerian environment. The characters of the state examined in this study were ethnicity, prebendalism, civil war and military governance which the researcher considered as peculiar landmarks in the country's political and economic history and also considered to be representative of most African nations with a history of colonial rule. A further limitation of this study is access to classified government documents in which place secondary data was employed. The results generated from this study can only be classified as being equivalent to the quality of data used in carrying out the study; data sources even though thoroughly scrutinized for validity and originality may not always be valid particularly when dealing with data from developing countries where record management remains a vital issue. As a means of overcoming this problem however, triangulation of data sources was used in the data analysis process such that data from one source was used to validate data from another source for consistency.

The data sources employed in this research may also be limited in accuracy due to the probability of distortion which is one of the main problems with secondary data (Gay and Diehl, 1992). Furthermore, in the course of the research, it was observed that most government departments do not maintain proper information management systems.

As mentioned in the section on data sampling in chapter three, the small sample set used to gather the primary data no doubt raises questions of generalizability of findings but a bigger sample of respondents was difficult to gather as questions asked both in the interview and questionnaire survey explored issues of Nigerian identity which had emotional and legal restrictions such as the civil war and use of law enforcement agents by government agencies to rebuff opposition as portrayed in the historical review. In spite of this limitation, opinions expressed in the questionnaires by the respondents were personal but formed the basis of a national pulse balanced across geopolitical/ethnic zones. A very positive aspect of the small sample size was that the researcher was able to relate more closely with the respondents which had the advantage of making them relaxed and more committed to the data gathering process thereby improving the quality of the data gathered and providing a basis to eliminate any potential or anticipated bias from the respondents. Furthermore, the process of triangulation of three data sources (historic case review, primary data (interview and questionnaire) and econometric analysis) served as a cross reference validation of sources of data and findings.

1.1.4 Delimitation

Without making reference to particular authors, it can be said that the problem of ethnicity in Nigeria and Africa has no doubt affected writers of African economic and political history in remaining critical of negative developments within their native ethnic groups when such critique could ultimately enhance the existing body of knowledge.

1.1.5 Assumptions

A major assumption embodied in this study is that the population selected for the questionnaire survey and interview reveals the true Nigerian identity. The Nigerian community is multi-ethnic comprising of fifty two ethnic groups scattered around various religious, educational and social backgrounds. A further assumption is that the various choices of secondary data were written without ethnic bias, the reason why the secondary data sources were selected from writers across different ethnic groups to enable the minimization of ethnic bias.

1.2 RESEARCH QUESTIONS/HYPOTHESIS

1.2.1 Research Questions

1. Is the Finance-Growth theory as normally applicable relevant to developing economies?

2. What impact does the essence or character of the state have on causality of financial development on economic growth?

1.2.2 Sub-Questions

1. Is there evidence of causality between financial intermediary and financial market proxies on economic growth from the Nigerian economy as a prototype of a developing economy, the focus of this study?

2. Is there a skewed preference for investment capital between financial intermediaries and financial markets in Nigeria?

3. What has been the role of financial intermediaries and financial markets in allocation of capital to areas of deficit funding?

4. Has ethnicity been a factor hindering the development of a strong financial system in Nigeria?

5. What impact has the military had on the development of financial systems and overall economic growth?

1.2.3 Sensitizing Propositions

Is there evidence that the Finance-Growth theory is only applicable in developed economies run by stable democratically elected governments supported by advanced political and economic institutional structures? What role does the character of the state therefore play in applying the theory to developing economies particularly those with a history of ethnic politics and military governance? Evidence from Galbis (1977:59) and King and Levine (1993) suggests that governments in less developed countries often play a role which is prone not only to destabilize financial markets but also to truncate their growth by fostering the growth of parallel financial institutions which render financial development policy further redundant.

1.3 BACKGROUND TO STUDY

My main motivation for pursuing this research stems from my desire to understand the key driver of the Nigerian Economy as a means of alleviating the crunching poverty faced by many Nigerians today in the midst of so much natural and intellectual capital the country is endowed with. My intention is to produce high quality research that will filter into public policy debates as a means of laying the ground work for a future career in the Nigerian public sector.

The principle of free markets is a direct consequence of democratization and is applicable in its true sense only under democratically elected governments (Friedman, 1962:8-9). Under military governance, there is therefore concern as to how markets can grow and function effectively. The Central Bank of Nigeria (CBN) under the headship of Professor C.C. Soludo its former Governor decided to follow a path of financial development to economic growth. It tagged the programme “The Financial Systems Strategy 2020”. The fundamental aim of the programme was to restructure and enhance the financial services industry by the year 2020 to be able to deliver growth oriented returns to investors. Professor Soludo delivered several lectures to members of the Central Bank of Nigeria and Senators of the Federal Republic of Nigeria in which he cited evidence of the potential of financial development to drive economic growth using published works particularly of Joseph Schumpeter and Ross Levine. As an initial step, the banking sector was reformed by raising the minimum capital requirement of Nigerian banks ten fold leading to a wave of mergers and acquisitions directed at increasing the capital base and financial liquidity of these banks.

1.4 SIGNIFICANCE AND SCOPE OF THE STUDY

This study is significant because it examines the socio-political and socio-economic trends in the Nigerian society from independence to date. These trends studied both quantitatively and qualitatively have the advantage of revealing issues and trends that were not in the original scope of this research. The overall advantage of this study is that a clearer understanding of the causal nature of financial development on economic growth in Sub-Saharan Africa offers the probability of alleviating the continent from poverty as well as tying it into other financial markets around the world bringing the benefits of globalization and economic well being to Africans in general (Collier 2008).

The scope of this study is restricted to the Nigerian Social, Political and Economic arena from independence in 1960 to 2007.

CHAPTER TWO

LITERATURE REVIEW

2.1 FINANCE AND GROWTH

2.1.1 Existing Views

An enormous wealth of literature exists relating financial development indicators to economic growth from two varied points of view. Some economists are of the view that financial development leads to economic growth while others are of the view that economic growth brings about financial development. Early pioneers of the literature like Bagehot (1873), Schumpeter (1911), Gurley and Shaw (1955) and Goldsmith (1969) strongly belief that the former is the case while more recent researchers like Robinson (1952) and Lucas (1988) queue behind the latter opinion Lucas indicating that the entire dialogue has received too much attention. McKinnon (1973) presents an economic development hypothesis that upholds the use of domestic capital markets as drivers of economic development in developing economies rather than inflow of foreign capital. His analysis details the need to use interest rates as an indicator of the actual volume of capital available in an economy for investment, implying an inverse relationship between interest rate and volume of capital. Levine (2004) further cites the views of other researchers such as Bagehot (1873), Gurley and Shaw (1955) and Goldsmith (1969) supportive of the fact that financial development leads to economic growth. Lucas (1988:41) clearly stands out in his position that different economies require different patterns of growth thereby implying that either of the two views above could be applicable to different economies. Greenwood and Smith (1997) are of the view that financial development spurs economic growth and economic growth leads to further financial development. Miller (1998) warns of the dangers inherent in depending on traditional bank loans to finance growth due to depositor's free will to draw on their bank balances; he cites the example of financial crisis in Southeast Asia as an under-dependence on financial markets to fund growth initiatives against a preference for bank funds. This view of Miller's incidentally constitutes another key division in the literature; some proponents strongly believe that a banking sector based financial system is superior to a financial market based system while others such as Alam and Hassan (2003) unequivocally uphold the reverse, arguing that stock market development granger causes growth in GDP (a proxy for economic growth). The United States and The United Kingdom due to properly dispersed and efficiently run financial markets it can be argued are able to manage pockets of financial crisis in their financial systems due to the alternative role markets play relative to traditional bank capital.

Goldsmith (1969) employs a three tier approach to investigate the relationship between financial structure and economic development. Goldsmith's first case was to establish the potential of change in nature of financial instruments, markets and institutions in a country as the country experiences economic growth; evidence from his research demonstrates that banks had the tendency to grow much faster than other non-banking financial institutions and the stock market. Secondly Goldsmith attempted with limited success to show that financial development imposes a causal effect on economic growth. To demonstrate this relationship he employed a graphical method to show that the movement of indicators representing these two variables (using time series data from thirty five countries) were indeed positively correlated. Due to a lack of data, he was unable to draw a strong conclusion on his third case which was to establish how the nature of a country's financial structure affects the speed of economic growth; Goldsmith sought to use direct evidence from Germany and the United Kingdom, The United States and Japan to argue that increased financial development had a positive impact on the speed of economic growth. Loayza (2004) however argues that financial development has the tendency to impede economic growth by bringing with it the propensity for financial crisis. He draws his argument from existing literature such as Caprio and Klingebiel (2003) amongst others to show that financial development in the short term leads to negative consequences of volatility and crisis resulting in stunted and often negative growth but as the system further matures in terms of credit control and management, faster and more rapid economic growth may be experienced.

From the foregoing, the question of financial development leading to economic growth has long since been debated but perhaps not completely resolved (Spratt 2009). The intention of this literature review or the research in general is not to prove that financial development definitely leads to economic growth but to highlight pockets of evidence as a framework to examine how the character of a state could possibly alter the relationship to a minor or significant degree. To achieve this, attributes of financial development, economic growth and relevant institutional framework have been drawn from various schools of economic thought such as the Austrian school, the neoclassical school, the Chicago school, the Institutional school, the Orthodox Keynesian school and the Post-Keynesian school. A clear distinction has not been drawn between these schools while presenting the argument on the basis of the fact that most of their attributes are primarily viewed as complimentary rather than opposing (Mair and Miller 1991:18) and the core intention of this research is a focus on the character of an African state distinct from most Western states. Literature to highlight a few of these characters considered salient such as ethnicity, prebendalism and military governance has also been reviewed as a framework for a more detailed historical review.

2.1.2 What Constitutes Financial Development

Before moving on to examine the literature on the relationship between financial development and economic growth, there is an implicit need to clearly define the limitations and boundaries of what is referred to as financial development. In very basic terms, this study seeks to define financial development as the development of the financial system in an economy. The financial system consists of financial Intermediaries (for bank loans and deposits) and financial markets (for corporate and government bonds as well as for equity). The development of this system therefore implies the putting in place of structures and mechanisms to enable this system run as efficiently as possible with a view to imbibe in savers the confidence to part with their life savings in trust to capital investors for a future anticipated return (King and Levine, 1993). Financial intermediaries are deemed to be efficient if they provide services to lower costs of managing the risk of investment such as cost of actual transaction, corporate control, investment research (to lower information asymmetry), and the cost of transferring exposures from one beneficiary to the other (Levine, Loayza, and Beck, 2000). Schumpeter (1911) defined financial development as the increase in capacity (by government agencies) of the financial system to enable the financing of innovative ideas leading to increased economic activity. This increase in financial capacity was required to be done by government agencies as the surplus of household income over expenditure held in the banking system was considered insufficient to fund major capital intensive innovative ideas.

Levine (2004) identifies five criteria that qualify as financial development viz: ease of procurement of post-investment information, avenues for effective corporate governance and investment scrutiny, availability of skills and instruments for risk management, proper channels for savings mobilization and investment and organised markets for the trading of goods and services. Before analysing Levine’s criteria for financial development it is crucial at this stage to point out that a grave omission has occurred in what we understand as financial development according to Levine’s criteria. The above criteria ordinarily assumes that society has been organised therefore there would be no further need to go back to the basics. In most African countries such as Nigeria the major focus of this research, there is no valid post code system or personal identification records (credit scoring) with the implication that Levine’s criteria’s one and two will be non existent in these societies. In addition to this, the credit rating system which is used to monitor individual as well as corporate use of credit in society is missing in the Nigerian context. It will therefore be impossible for financial intermediaries to effectively provide information about individual or corporate use of savers funds therefore causing savers to renege from parting with their savings for investment purposes. Nigeria has in recent times embarked on economic reforms which saw foreign debt drop from a staggering 60% of GDP to a meagre 3% of GDP; this ordinarily gives a clear macroeconomic indication of improved livelihood but it is amazing to note that more than 54.4% of the population still live in abject poverty (FT.Com, article by William Wallis, July 12 2007). In the same article (William Wallis), Bolaji Balogun, Managing Partner of Chapel Hill Advisors, a Lagos based Investment Bank is of the view that the Government must focus on improving three key areas of the system (Power, Transport and Education) in order to sustain the trend of investment that will lead to future economic growth. This study therefore identifies two new criteria as constituting financial development in a developing society viz: provision of reputable personal as well as corporate identification databases and provision of essential infrastructure (road networks, power supply systems, guarantied security of individuals and assets etc) giving a total of seven criteria for a developing society. Education will inadvertently fall under Levine's skill criteria.

In Nigeria, in addition to ill-maintained road networks, police and customs road blocks constitute a plague to the free and easy movement of goods and services around the country and outside the country constituting a hindrance to economic exchange with neighbouring countries Collier (2007). This invariably mandates savers to curtail their activities to their immediate environments for fear of harassment by government agencies invariably restricting the free flow of capital across the nation.

In view of the fact that production of quality information relating to individuals and firms who seek credit for investment will no doubt be extremely expensive in developing economies of the sort described above if not impossible due to the absence of databases from which such information can be accessed, we consequently determine that a move towards financial development will involve the creation of intermediaries such as can provide these relevant information (Boyd and Prescott, 1986 cited in Levine 2004). Such intermediaries would include local government departments, state government departments, federal government departments as well as private organisations with the primary function of putting neighbourhoods, cities, states and regions on a national grid such that individuals and firms can be associated with particular locations on the grid leading to a tracking system of their activities and actions. The attainment of this goal will not only lower the cost of searching for information but will also account for technological advancement thereby empowering bond and equity holders to exercise due judgement in disbursing their funds. This view of financial development is closely linked to the views of Schumpeter (1911) which was further analysed in King and Levine (1993). Schumpeter's relationship of finance and growth was directed towards the provision of basic services and infrastructure in the society as a bed rock for future economic growth.

After savers have parted with their savings either in the form of bank deposits, corporate bonds or equity investments, their ability to follow the progress of their investment even in an industrialized society with availability of investment information may not be so simply put. The reporting format of financial information is often so complex and complicated for non-finance professionals (Brigham and Houston, 2003) that savers may have to employ finance professionals to follow the complicated trends and networks in their investment portfolios. This invariably restricts savers desire to invest their funds in corporate bonds and equity due to their inability to directly exert corporate governance (Levine 2004) leaving them with a preference for traditional savings deposits where the banking system has a history of stability (the failed bank crisis of 1994 in Nigeria is still fresh in the minds of most Nigerians and West Africans). This decision has huge implications on economic growth given that deposit banks are restricted from making long term investments in the bond and equity market (where they can access information at a cheaper rate than individual savers) due to the short term nature of their funds in order not to distort their asset to liability balance (Koch and Macdonald 2000).

Another aspect of financial development which is paramount in the prediction of the behaviour of savers is the availability of risk management practices, professionals and instruments to diversify their investment portfolios (Levine 2004:16). With the advent of these services, investors can confidently decide to go for high risk projects for higher returns or low risk projects for lower returns according to their aversion towards risk (Merton 1974, Arnold 2008).

Risk however in this regard looks at financial risk in a stable society; in most African societies such as Nigeria, political risk is a significant influence on investor's behaviour. Political Issues like the Niger Delta crisis, the legal tussle over the validity of the April 2007 Presidential elections and the continuous insistence by the Movement for The Actualization of the Sovereign State of Biafra (a pocket of political activists) for the creation of an Independent Republic of Biafra (against the will of the predominantly Igbo speaking east) widely publicised in the Nigerian news media all constitute key draw backs not only for foreign investors but also for domestic savers to invest their funds in more economically viable longer term ventures. This type of risk will see savers reluctant to invest their savings in long term investments due to an unstable political arena thereby creating uncertainty in liquidity planning. Levine (2004:17) looks at the case of 18th century England as a case of an investment boom ignited by liquidity in the capital markets. This could only have occurred because savers felt they faced minimal risk in letting go of their savings which they exchanged for highly liquid investment certificates enabling them access to these funds whenever they required use of them. In the article by William Wallis (Ft.com July 12 2007), Bolaji Balogun boldly asserts that investment will boom in Nigeria and there is nothing the government can do to stop this from happening, in complete defiance to political risk. A tradition I observed during my seven year career in the Nigerian banking industry is that investors are not keen to invest in the shares or bonds of manufacturing companies rather preferring to invest in certificates of deposits, treasury bills and other short term low income assets in order to reduce their time horizon risk. This behaviour is consistent with the two tier savers model in Diamond and Dybvig (1983). Even though the Diamond and Dybvig model succinctly describes the Nigerian investment climate, there is need to add that the model was oversimplified in its assumption of a one bank economy representative of the financial intermediary industry.

One of the criteria cited in Levine (2004) as financial development is the ability of society to reach out to savers to invest in viable projects. Avenues such as the market for equity and bonds provide liquid piecemeal securities which are easily transferable from one party to the other. In less developed societies, the issue of trust is a crucial concept in mobilization of savings. Today, Nigerians are increasingly confident in their investment drive in the equity market but are also very selective in the choice of investments, the banking and oil industry shares being the most heavily traded as evidenced from the All Share Index, the Nigerian Stock Market index found on the website of the Nigerian Stock Exchange. The reason for this is the lack of trust in the performance of the nearly non-existent manufacturing industry against a track record of high growth rates in the banking and oil industries. In spite of the recent growth of the Nigerian All Share Index, the complete absence of a market for corporate bonds is largely evident. Could this be due to a lack of knowledge of how the bond market functions or are there regulatory, political or social issues that deter investors from exploring these markets? Do corporations simply prefer to collect equity and hold on to it in a liquid market where they believe transferability is possible? The answers to these questions could well be hinged on poor corporate governance practices by private sector businesses preventing them from being willing to be subject to the scrutiny and discipline of the corporate bond market. Another possible reason could also be the fact that investment opportunities and hence the prospect of stable periodic returns required to finance corporate bond usage by businesses may not always exist so businesses may deliberately seek shelter using the traditional pillow softness of equity holdings (Brigham and Houston 2003).

Trans-border trade is an organised form of the informal economy in West Africa in particular and Africa as a whole. Meagher (2003) has identified this as a means of employment and livelihood for the downtrodden and poor in West Africa whereby they illegally transport both legal and illegal merchandise across national borders avoiding taxes and tariffs in the process. While these structures sustain a vast majority of people on a daily basis, they will continue to undermine the role of financial intermediaries in the movement of capital as these traders carry large sums of cash across national borders to pay for their transactions (Flynn 1997). Concerted effort (as evidenced by the heavy police and military presence at Nigerian borders particularly the Nigerian-Benin Republic border) has been made by the Nigerian government to curb these trades but without providing an alternative source of livelihood for those affected inadvertently raising unemployment levels and by default crime and other social disturbances in the absence of a social security system. Unemployment figures for Nigeria can be found on the website of the Central Bank of Nigeria (Flynn 1997). Inconspicuous as it may seem, creating proper channels for the transmission of goods and services, the bulk of which currently flows through illegal channels is a major step towards financial development (Meagher 2003).

2.2 THEORIES OF ECONOMIC GROWTH

Economic growth as a subject of discussion is one which is of key interest to technocrats and politicians alike. Since decolonization started in Africa, hopes for rapid growth in African economies were high on the agenda but over the years, long run evidence has largely disintegrated such hopes primarily due to the choice of economic growth models adopted or favoured by most African politicians (Brown 1995). Julius Nyerere of Tanzania after more than two decades in power addressed his parliament saying if he could turn back the hands of time, he would adopt different policies and structures from those he hitherto considered optimal considering that his favoured strategies had widened the gap between the rich and the poor and had as a matter of fact brought abject poverty on the people he so desired to liberate (Brown 1995:41). A brave and noble statement by an elite politician, this brings us to wonder, what he could have done that he failed to do? What other alternatives would have seen the poor people of Tanzania a more prosperous people? This section examines a few elements of a few well known theories of economic growth to further shed light on the concept of economic growth.

Edozien (1980) argues that economic growth theories in force can not support the growth desires of African economies due to what he refers to as the specific difference in structure of African societies to the Western societies. His hypothesis draws on the success of the Latin American experience in the re-working of orthodox economic paradigms to suit their own specific societal needs for economic growth. Edozien argues that the concept of economic development has become associated with desirability for ascendance out of a state of underdevelopment while economic growth refers to the change associated with wealthy nations. Leaning on Edozien's distinction between economic growth and economic development, it can be strongly argued that even though this distinction is not a conventional approach to defining the terms and therefore represents a deviation from classical economic theory, it does serve a purpose in isolating the developed from underdeveloped economies in order to study their different structures, strengths weaknesses and peculiarities with a view to answering the question, 'can the development patterns of institutions in developed countries be standardised and applied to remedy underdeveloped African economies'. Going back in time to Schumpeter (1911) when perhaps it can be rightly assumed that most Western economies were ascending the ladder of economic development, Schumpeter in his contribution to the literature of the finance-growth theory referred to economic development rather than economic growth. For the purpose of this research, the definition of economic development will refer to those economies where stable political and economic structures do not yet exist such that a level of desirability currently exists while economic growth will refer to countries where stable political and economic institutions exist and desirability for incremental change to these institutions currently exists. Following this definition, the vast majority of African economies therefore fall into the category of economic development rather than economic growth while economies like the United Kingdom, United States, France and Germany to mention a few falls within the category of economic growth. From the foregoing argument therefore, isolating the issue of economic development therefore refers to the creation of stable institutions such that their cumulative activities could quantitatively lead to an incremental level of Gross Domestic Product (GDP). Such institutions will include, political, military, industrial, educational, financial etc Edozien refers to development as comprising a floor and a ceiling which mark the standards of living below which (floor) it is undesirable for people to live and above (ceiling) which it is equally undesirable for people to live. The floor refers to a minimum acceptable level of poverty below which no human being should be subject to while citizens are viewed to enjoy excess advantages relative to the rest of society if they rise above the ceiling. In a developed economy therefore, such as the United Kingdom, the vast majority of the population live between the floor and the ceiling (middle class citizens) while a minority live below the floor and an equal minority live above the ceiling (elite). A structural attempt to curtail those who desire to cross the ceiling is seen to be in place in the United Kingdom using the tax structure to regulate available income for higher income earners. This is done by introducing a partly progressive tax system (Petersen 1995). In Nigeria, the need for economic development is apparently strong as the vast majority of the population fall below the floor with pockets of individuals living between the floor and the ceiling leaving an equally sizeable chunk of the citizens living above the ceiling and in effect above the legal system (Theobald et al, 2008). It can therefore be argued that a key stage of development is the institution of a strong middle class such as is prevalent in the United Kingdom. In taking this view, a key consideration arises which is ‘can the development strategies in terms of both financial and economic theories that formed the framework of development and growth of western economies be applicable to African economies which have sufficiently different characters’ Edozien argues that the evolution of African Economics is primarily of the essence. African Economics in his argument will comprise theories of development empirically tested to work for African economies. Such theories he argued will stem from existing theories of development tested and adapted or re-modified for suitability within the African political and economic context. Nigeria currently operates what is referred to in generic terms as a Federal government but which in most ramifications defies the very tenets of Mills law of federalism (Mills 1861). Under Mills law, it stipulates that the centre should be weak relative to the appendages (the states) and fiscal revenue should flow from the appendages to the centre to ensure that each federating unit is capable of supporting itself financially. In Nigeria however, since the General Gowon led Federal Military Government, federalism has been practiced contrary to Mills law (Osaghae 1998). Nwabueze (1982) refers to Nigeria’s federal government as ‘Military Federalism’ because of its peculiar reverse structure of the centre being excessively more powerful than the federating units and flow of fiscal revenue being from the centre to the federating units. Various arguments such as Nnoli (1978), Madiebo (1980) and Anugwom (2000) exist to support and reject this system viz the system of military federalism supports a balanced approach to manage the problem of ethnicity which is a key character of the Nigerian state by ensuring that a balanced divide exists between the North and South (18 states in the north and an equal number in the South) even though quite a few states are subject to a near form of parasitic existence on the welfare of other states which is a central tenet of the current Niger Delta petroleum exploration crisis. Under this system of military federalism, representation in the National Assembly is by State membership to ensure that all ethnic groups are equally represented at the federal level. A popular view however argues that the design of a strong centre and weak federating units is a tool to perpetuate the preponderance of Northern hegemonic rule in the country as Mills law of federalism in itself is consonant with the problem of ethnicity and diversification (Osaghae 1998). While the intention here is not to look into the most appropriate system of federalism, the interest is to highlight the apparent possibility of re-modelling existing developmental theories to take into account specific characters of the African people with a view to achieving the so much desired change. Edozien (1980) has therefore put the challenge forward to African developmental analysts to embark on development plans that are realistic and suitable for Africa and Africans. Under the Military governments in Nigeria, the planning tools deployed were the first, second and third development plans which where well meaning plans but which Edozien argues where not reducible to quantitative magnitudes but where rather politicized to satisfy the desires of a few elitist politicians, military and civilian alike. The most crucial challenge therefore is how then do we go about re-theorizing for African Political, Social and Economic Development? This represents a challenge for young Africans who have attained reputable scholarly achievements both in domestic and leading Western Citadels.

Barro and Sala-i-Martin (1995) describe the growth rate of Sub-Saharan African countries as having increased by only a factor of 1.3% in over thirty years (although World Bank figures for the last decade show an average growth of 5.4% across African economies up to 2007). To understand the implication of Barro and Sala-i-Martin; they describe six factors that represent economic growth viz: per capita output experiences positive growth, growth of physical capital per worker, variation in the cost of capital is minimal through time, physical capital generates a near constant ratio of output, the ratio of labour to physical capital generated as a percentage of national income is nearly constant and the growth rate of output per worker is significantly different from one country to the other. Is it then appropriate to conclude that once these factors have been achieved, then economic growth has a place in our societies? Brown (1995) concludes that economic growth is a highly politically motivated process and its occurrence, progress and measurement is equally a political process.

Classical economic growth theory (the foundation for the modern economic growth theory) was built around the following key concepts of competition, the relationship of returns to human and physical capital, impact of per capita income on economic growth rate, the impact of technological advancement on labour and production techniques as well as the role of monopoly power on technological advancement (Schumpeter 1911, Barro and Sala-i-Martin 1995:9). Early development economists who strongly contributed to the current stock of theoretical knowledge in this field of economics include Adam Smith (1776), Thomas Malthus (1798), David Ricardo (1817), Joseph

Schumpeter (1911), Frank Ramsey (1928), Allyn Young (1928) and Frank Knight (1944).

Below is a review of three economic growth models considered to link three different time spans. The intention here is to look at the key highlights of these models with a view to relating them to the financial development process of the country under review. The Smithian model below is considered to be of a much older era than the Rostovian and the neoclassical models. Even though the latter two models have considerably different characteristics, they share some characteristics in common that alienates them from the Smithian model; they both consider that real wages would rise and that the value of land and natural resources, will rise at a constant rate on the long run and growth in technological advancement will be fairly regular (Rostow 1990, Barro and Sala-i-Martin 1995). All three models below hold the basic assumptions that the economy is closed and comprises of three production sectors viz: primary, industry and services.

2.2.1 The Adam Smith Growth Model

Adam Smith in 1776 proposed a theory of economic growth titled an enquiry into the wealth of nations. This model is today considered to be classical due to time factor but also possibly because it holds opposing views from the Rostovian and Neoclassical models as mentioned earlier. Smith's model was supply side driven and argued that economic growth was as a result of a combination of growth in the labour force, growth in investment and growth in land use. He associated the existence of a labour force to a demand in wage undergoing various levels of change resulting in changing profit levels in the face of a relatively fixed stock of land. The model considers that on the average real wages will not rise over time and that the value of land and natural resources will remain fairly constant over time. In Smiths view, economic growth reaches an optimal point over time when the economy ceases to grow (Smith 1776, Rostow 1990, Barro and Sala-i-Martin 1995). Because of the similarity in view of the Rostovian and Neoclassical models in contrast to the Smithian model, economists have the tendency to refer to the former two as the modern growth models while the later model is considered outdated and in some cases primitive. The primary distinguishing factors between the modern growth models and the Smithian model therefore lies in labour growth/real wage relationship, growth in value of land and natural resources as well as advancement in technology.

A further insight into these distinguishing factors of the Smithian model point to the model's definition of some macroeconomic variables such as growth in labour force, the accumulation of capital stock, land and technological advancement. Under the Smithian model, growth in the labour force is measured according to the movement of real wages to the upside or downside of a 'benchmark real wage'. In other words, when the real wage is above this benchmark, the model assumes growth in the labour force while the labour force is assumed to have shrunk whenever the real wage level falls below this benchmark. The model also assumes that as the labour force attained higher levels of education, the benchmark for real wage will subsequently rise to a new level (Smith 1776, Rostow 1990, Barro and Sala-i-Martin 1995).

Incidentally, all three models considered here agree on a common formula to determine the level of accumulation of capital stock but disagree on what they consider to be the level of investment in the economy; the Smithian model considers a direct relationship between the level of investment and the level of profits while the neoclassical model relates the level of investment to the level of Gross National Product (GNP). The Rostovian model assumes that the level of investments is directly related not only to the level of profits (as in the Smithian model) but also to the rate of growth of profits.

While the Smithian model considers the value of land to be fairly fixed, the neoclassical model assumes land to grow at a rate equivalent to the growth rate of GNP. Rostow however is of the view that the value of land encounters varying levels of growth swings.

Rostow (1990) identifies three levels of technological advancement. The first level is associated with growth in returns to scale as a result of increased specialization leading to an increase in the overall size of the market for goods and services. The second level of technological advancement is associated with pockets of discoveries such as scientific discoveries leading to improvements in the way processes are executed; this sort of development occurs randomly. The third form of technological advancement is the slow form of knowledge accumulated gradually over the years and through generations; this form of advancement due to the slow accumulation process is not considered to have a noticeable short run effect on the society. The Smithian model does not consider technological breakthrough as being a regular occurrence, it rather employs a pessimistic approach to technological advancement considering it to occur randomly and therefore not being a constant factor of significant change in the economy (Rostow 1990).

2.2.2 The Neoclassical Growth Model

The neoclassical model was proposed by Solow (1956) as an improvement on existing models of economic growth. The model which sought to infuse a new ideology in the theoretical understanding of economic growth embraces technological progress as a regular occurrence in the economy. The magnitude of technological advancement in this model is very large compared to the views of Adam Smith. The model assumes that technological changes occur in isolation of changes in other macroeconomic variables. Rostow (1990) argues that the long run effect of technological advancement in the neoclassical model and the Smithian model are near equal measures considering that a steady growth in technology of say 2% per annum in a particular country using the neoclassical model over a ten year period is equivalent to a sudden advancement of 20% in a particular year for another country according to the Smithian model. Both countries will be at the same level of technological expertise.

In summary, the neoclassical model assumes that the value of savings is in direct proportion to the GNP and that when there is a variance in their values, that variance is defined as consumption; technological advancement is a continuous occurrence having an immediate impact on society; labour and therefore real wages grow at a constant annual rate; land and other natural resources grow at a rate that causes the real level of rent to remain constant (Solow 1956, Rostow 1990).

2.2.3 The Rostow Growth Model

Rostow (1956) argued that a better way of looking at economic growth is to view economic growth as occurring within a short period of time (two to three decades) for a particular country; he identified this period as the “take-off”. This model considers technological advancement from two points of view; the first being all backlogs of advancements a country should have adopted which is referred to as an autonomous factor and the second factor referred to as an endogenous factor looks at how enthusiastic the country is in advancing its technological framework in the future (research and development) (Rostow 1990). The autonomous factor immediately distinguishes developed from developing countries as there is little doubt that Nigeria will have more technological backlogs than the United States of America. Efforts at research and development however is future bound but can be measured in terms of human and capital investment set aside for such research in the present time. The Rostovian growth model assumes that land and other natural resources will grow according to the amount of resources devoted to them both endogenously and exogenously. In this regard, the Rostovian view is at variance with the neoclassical view which assumes such increases are wholly exogenous. The Rostovian model also assumes that labour force will grow at the rate of growth of economic development while the neoclassical model assumes constant growth all through.

A major critique of the Rostovian growth model is that the underlying engine of change governing the different stages of growth was not specified and as such remains a classification of stages with no driving linkage (Baran and Hobsbawm 1961).

A key issue this literature review has highlighted is how each of these models impacts on development in the developing as well as growth in the developed world to determine if there exists a transition period in the growth of an economy from developing to developed where each model plays a role or becomes obsolete. Rostow (1990:564) however purports that the modern growth models are hybrids of the Smithian model whereby a restraint has been placed on the growth of the labour force, technological advancement is regular and increase in land and natural resources is regular.

2.2.4 The Schumpeterian Model

Schumpeter (1911) applied a slightly different relationship to modelling the finance-growth nexus. He worked up his argument from the stand point of innovative ideas in production in the basic circular flow model of the economy whereby households earn an income as a result of their productive activities and proceed to spend part of this income on products of enterprise while a proportion of their income is saved. In his view, this circular flow system represents a static economy and if the economy where to grow, innovative ideas relating to better methods of industrialization would have to be funded. The volume of funds required would be far in excess of society's savings requiring recourse to the banking system (the Central Bank) to create more money and disburse through commercial banks that create credit to entrepreneurs. In other words financial development (through the banking system) assists society to originate new technologies leading to growth in the economy. In his view, the banker is the provider of capital that facilitates technological change. As much as this view has been overtaken by more recent and direct views of how financial development connects with economic growth, the Schumpeterian model still indirectly connects these two concepts of financial development and economic growth (Schumpeter 1911, Clemence 1951:228 and King and Levine 1993:735). Schumpeter argued that five variables were relevant to the incidence of financial development, economic growth and economic development. Capital and population growth he argued leads to economic growth and change in consumer preference he argued is an intrinsic part of the circular flow process. The last two variables, organization of productive capacity and innovation in productive technique he argued are salient to economic development as they are the key components of entrepreneurship.

A very salient point arising from Schumpeter's analysis of the relationship between financial development and economic growth is that innovations in production processes will have to be made manifest before the need to seek financial outlets to fund the innovations which will then lead to economic development as a result of the funding. In contemporary society, this strand of argument can be rolled back a step or two to argue that finance generated via financial development can be used to fund research which will generate innovations. This new argument even though different from Schumpeter's original point of view finds its root within the Schumpeterian School. In a study of early US economy growth patterns, Rousseau and Sylla (2005) provide compelling empirical evidence to support the Schumpeterian growth model by showing that the financial system by providing funding supported a series of technological advancements which ultimately improved the way people do business leading to economic growth.

2.3 THEORIES OF FINANCIAL DEVELOPMENT

2.3.1 Bank Based Finance-Growth Models

The theory proposes a model whereby financial development is based on the development of a strong banking system capable of gathering information about potential investors, exerting corporate control over managers and their activities, granting loans for corporate expansion, consumer use and industrial development (Levine 2004). This theory finds its roots in the works of Schumpeter (1911) further consolidated by Goldsmith (1969). A bank is an institution licensed by law to collect deposits, issue credit in the form of loans and overdrafts, carry out financial advisory services as well as a host of other non financial services like document safe-guarding etc (Koch and Macdonald 2000). Traditionally banks use the credit scoring system to evaluate the credit worthiness of potential loan customers as a guide to the maintenance of a healthy risk asset portfolio (Koch and Macdonald 2000). This system is based on a database of information with easy accessibility by potential lenders.

However widely used this practice is in the Western banking system, caution has to be applied in assuming that similar practices occur the world over. In the Nigerian banking system where information flow is hindered by technological advancements and irregular power supplies, banks adopt a different mechanism for monitoring their loan customers. Evaluation for qualification of a loan is based largely on the duration of relationship with the bank as well as a cash flow analysis of the customer’s bank account. The implication of this is that goodwill cannot be transferred across the sector (in the case of a business or individual deciding to change his banker, he will be required to build a new relationship with the new banker in order to qualify for credit to fund his growth initiatives) resulting in a major hindrance to investment and thereby stifling innovation. Knowledge of this practice is based on my personal experience working in the Nigerian Banking Industry.

Boot and Thakor (1997) and Demirguc-Kunt and Maksimovic (2002) examine the economic significance of a bank against the financial market and deduce that economies in their budding stage often place more reliance on banks for the provision of investable funds. The implication of their view is that banks apply all forms of caution to maintain a healthy relationship between their liabilities and their assets which in most cases are funded up to ninety percent by liabilities. They proposed a theory that identifies more sophisticated borrowers as seeking funds from the bond and equity markets while less sophisticated borrowers seek bank loans. They conclude by saying that as a system increases in its level of advancement, emphasis of borrowers tend to shift from bank sourced funds to capital market sourced funds. This view was prior to Boot and Thakor held by Goldsmith (1969:390) in his acknowledgement that banks tend to increase their operational capacity as the economies in which they function increased in magnitude but capital markets tended to outgrow banks with this growth in the economy. Goldsmith's view was also given empirical evidence by Demirguc-Kunt and Maksimovic (2002). Evidence of Goldsmiths bank-growth theory may have been made manifest in the Nigerian Banking Industry consolidation scheme led by the Central Bank of Nigeria (CBN) in 2006 where the Governor of the Central Bank increased the minimum equity capital of commercial banks by 1000%, a move he asserted was targeted at increasing the competitiveness of Nigerian Banks beyond the national boundaries. In the wake of this new requirement, a wave of mergers and acquisitions saw a consolidation of 81 commercial banks down to 25 full service universal banks (For further details see the website of the Central Bank of Nigeria). An error with the Boot and Thakor analysis however is that they assumed that in a bank based system, factors making up the system can cooperate while in a market based system factors making up the system are in competition. This assumption gives the impression of a single bank operating under the same management but with a nationwide branch network. This may normally not be the case as banks today are as varied in management as they are varied in market strategy (Koch and Macdonald 2000). Even though their argument is in favour of a market based system, the flaw in this assumption limits the applicability of this analysis.

2.3.2 Market Based Finance-Growth Models

The financial market is the market for corporate bonds, equity and in recent times, more sophisticated instruments like derivatives. These markets are highly dispersed, functioning primarily through agents and brokers. Because of the size and magnitude of today's financial markets (Hull 2003), banks have joined the race in acting as agents and brokers to their customers and non-customers alike in moving their savings into security portfolios in the financial markets as evidenced in the United Kingdom where banks offer access to and manage portfolios of investments hitherto not traditionally associated with banks. This constitutes a contradiction of the stratification between the bank and market based models.

Levine (2004:29) analyzes the case for a market based system and posits that big and influential banks through their 'vicious' dealing with firms have indirectly created the incentive for firms to look elsewhere for capital. His position is that banks after having dealt with these firms for a long time know their entire cycle and therefore are able to institute higher rent seeking policies in their relationship with these firms. At a point in their relationship, these firms move to source funds from the capital market with a preference for the softer equity market (Brigham and Houston 2003). Allen and Gale (2000) observed that Japanese firms have a higher tendency to seek funds from their banks rather than from the financial market due to a long standing tradition of a bank based financial system. Weinstein and Yafeh (1998) take a closer look at the Japanese financial system and conclude that Japanese firms tend to maintain long run relationships with one main bank due to their restricted access to financial markets. In spite of their long run relationships with the firms, the banks maintain a conservative approach to lending, analysing viable projects for which they will advance financing to firms thereby stifling their investment initiatives (Weinstein and Yafeh 1998). The Japanese tradition of firms sticking to one main bank over a long run relationship is no doubt similar to the Nigerian situation elaborated earlier on. When compared to firms that did not maintain a long run relationship with a particular bank, Weinstein and Yafeh found that the one bank-long relationship firms grew at a relatively slow rate due to the banks selective financing as well as their high rent seeking attitudes consistent with Levine's findings. Aoki and Hugh (1994) further add that the relationship between Japanese firms and their long term one main bank relationships was occasioned by tight regulatory measures in the Japanese financial markets post second world war. In the advent of regulatory bottle necks, firms were forced to embrace banks for their funding needs while these banks went beyond funding to demand equity from these firms thereby giving them direct access to information relating to their daily activities. Due to their controlling stake in the firms, the banks are able to restrict firms from seeking alternative sources of funds from the now less regulated financial markets. Allen and Gale (2000) also find a similar case of bank based dependence prevalent in the German capital market. Greenwood and Smith (1997) argue a case for financial development based on a market system. They posit that a market based system provides better pricing of risk and assets which is consistent with the view of Fama (1970). Fama describes pricing mechanisms of the capital market as being effective such that capital resources are allocated in a timely manner to where they are most required.

This no doubt is a prerequisite for economic growth (McKinnon 1973). Greenwood and Smith go further to show how the market based model embraces a wide range of professionals such as stockbrokers, underwriters, bankers, insurance brokers and a host of others making stock market transactions more open to scrutiny and discipline. This view of Greenwood and Smith is purely an ideological claim as can be seen when compared to the outcome stressed in Allen and Gale (2000) where it was argued that intermediaries and markets play complimentary roles in the financial system depending on the country in question.

2.3.3 Banking/Market Based Finance-Growth Models

Allen and Gale (2000) compared the financial systems of a group of developed countries, The United States of America, The United Kingdom, Germany, France and Japan and observed that the USA and The UK rely predominantly on a market based financial system while Germany, France and Japan seem to have a preference for the bank based system. In their argument, they give credit to both systems emphasising that bank based systems have a greater propensity to monitor the activities of individual firms while market based systems may not have such close vigilance over corporate activities. Market based systems however are better dispersed with the effect that they have a wider outreach thereby improving liquidity. They conclude by saying that a well positioned financial system must not place its full reliance on either the bank based model or the market based model but must incorporate both models into its financial development agenda. This compliments the argument of Greenwood and Smith (1997) where they show that the market based system draws on varied professionals including a well functioning banking system for its success.

Demirguc-Kunt and Levine (1999) using cross country evidence from 150 countries highlight that financial structure is irrelevant to economic growth by analyzing the size, activity and efficiency of various financial systems. They argued that as a country grows richer, its financial system becomes more advanced irrespective of whether it is bank or market based. In their study, they also highlighted that a countries legal system had a significant role to play in the choice of the countries financial structure showing that countries with a common law system with shareholder right protection had a tendency to follow a market based structure while those with a French legal system with weaker shareholder protection rights had the tendency to follow bank based systems. Their overall argument reinforced the view that financial structure is irrelevant. Beck, Demirguc-Kunt, Levine and Maksimovic (2000) using firm, industry and country evidence further consolidate the view held in Demirguc-Kunt and Levine (1999) by showing that a countries legal system is more relevant to economic growth than its financial structure. Beck et al (2000) demonstrate that irrespective of which financial structure a countries financial system follows, firms using retained earnings and/or external finance in either bank or market based systems grew alike thereby attributing economic growth to other factors outside of financial structure. Ayadi, Adegbite and Ayadi (2008) in a study of Post-Structural Adjustment Programme Nigeria however argued that financial structure was relevant in advanced stages of economic development stating that market based systems were better positioned to allocate capital efficiently to productive ventures. The Nigerian Legal system is derived from the English common Law shown by Demirguc-Kunt and Levine (1999) to be more amenable to the market structure. While still on Nigeria, Nzotta and Okereke (2009) using time series data for the Nigerian economy for a 22 year period showed that financial structure is irrelevant to economic development rather policy makers should concentrate their efforts in making financial policy that would help deepen the financial system by creating appropriate channels for the allocation of credit to the real sector of the economy. In their view, the economy will grow if the appropriately channelled credit transforms effectively to increased investment in the real sector. Fitzgerald (2006) in an intensive study succinctly demonstrates that neither bank based or market based systems had an upper hand in driving economic growth as financial liberalization does not increase the rate of savings and investment but merely increases the efficiency and liquidity of the financial system. The implication of this argument is that economic growth will result from the proper channelling of the increased liquidity as argued by Nzotta and Okereke within a proper legal framework as previously argued by Demirguc-Kunt and Levine (1999) and Beck et al (2000).

Levine (1997) further argues that both the banking system and the financial markets constitute financial development pointing out that any well developed financial system must not only have a highly liquid financial market but must also have a strong banking system. Boyd and Smith (1998) complement this argument by emphasising that the banking system and the financial markets compliment each other in their various functions. They posit that in the early growth stages of an economy, the banking system is the main provider of investment funds because the financial markets are either in their budding stage or possibly non existent. As the economy grows, and the banking system grows with it, the increased relevance of a rapidly growing financial market is apparent as it effectively competes with the banking system as the main provider of funds. This apparent takeover does not render the banking system useless as they still fund other types of investment including consumer items. This argument of the superiority of a bank based system over a market based system is a classical argument put forward by Schumpeter (1911). Boyd and Smith also clarify that the bond and equity markets are not substitute markets but play different roles in their provision of capital.

Using firm level data, Demirguc-Kunt and Makismovic (2002) discover that in developing countries, as growth is experienced in the financial markets, there is a correspondingly high demand for bank funds. This finding is strongly consistent with trends in the Nigerian market since 2007 whereby growth in the Nigerian All Share Index has seen investors taking out bank loans to purchase equity on the stock exchange (personal discussion with an officer of UBA Capital Markets, the investment arm of the United Bank for Africa Plc). Scharler (2006) give further evidence in support of bank based financial systems by showing that the operations of banks in limiting the passing through of interest rate changes help reduce macroeconomic volatility.

2.4 EVIDENCE OF THE RELATIONSHIP BETWEEN FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH

2.4.1 Some Theoretical and Empirical Considerations by Raymond Goldsmith

Goldsmith (1969) presents a hypothesis whereby he posits that over time, financial activities have been separated into savings and investment due to the increased complexity of financial markets, institutions and trading processes resulting in increased economic growth. He supports his argument by stressing that members of the society exhibit two general attitudes towards risk; some people save more than they are willing to invest (due to uncertainty about the future) while others invest much more than they save. Ironically, the intermediaries that gather these savings from the risk averse savers mentioned above (at a low interest rate) pass them on to investors at a higher rate for investment. Goldsmiths concern however was to establish empirically that financial development leads to economic growth. To establish this, he carried out a study of 35 countries from 1860-1963. In spite of the wealth of his study which gave good indications about the causal relationship from finance to economic growth, Goldsmith was reluctant to draw direct conclusions about which of markets or intermediaries give the stronger causal effect on economic growth due to the small sample size he employed in his empirical studies (35 countries). Further evidence for Goldsmiths work can be found in King and Levine (1993), Demirguc-Kunt and Levine (2001) and Levine (2004). Demirguc-Kunt and Levine (2001) show that even though a vast body of literature has been amassed giving evidence that financial development does lead to economic growth, no concrete work has been carried out after Goldsmith (1969) to provide unwavering empirical evidence in support of the supremacy of financial intermediaries or markets in the causal effect of economic growth save for Allen and Gale (2000) who conclude that the choice between intermediary and market varies from one country to another and a mix of the two systems with the right balance is often beneficial. Levine, Loayza and Beck (2000) also add that causality from intermediaries or market is inconclusive and dependent on other factors such as the accounting and legal environment of the country under review. In another article specifically examining which of intermediary or market is better, Levine (2002) posits that the view of financial development has gone beyond market or intermediary preference as evidence amassed provided an inconclusive view of superiority each having its merits over the other. Choe and Moosa (1999) in addition to showing that financial development has a causal effect on economic growth in the Korean economy also provide a contrary view to Goldsmiths inconclusive view of the importance of markets or intermediaries by positing that intermediaries play a stronger role than markets in the causal relationship. Saint-Paul (2002) on the other hand show that markets provide the vehicle for diversification of risk which invariable improves the quality of investments therefore markets ultimately give a stronger causal effect on economic growth than intermediaries do. Ndikumana (2005) argues that financial systems play the role of channelling capital to investors so whichever system (market or intermediary) is in place, to the extent that investors receive investable capital at a cost effective rate, he concludes that causality from market or intermediary is irrelevant to economic growth.

2.4.2 Empirical Evidence (King and Levine 1993)

King and Levine (1993) set up two hypotheses to test the relationship between financial development and economic growth;

H_0: Financial development leads to economic growth.

H_1: Economic growth facilitates financial development.

The study empirically established a relationship between the two variables by accepting the null hypotheses. A sample size of 80 countries was employed using data between 1960 and 1989. In conclusion they outline evidence that the increase in size, efficiency and activity of financial intermediaries and market has a causal impact on economic growth. They also conclude that financial development as in Schumpeter's view has a causal effect on economic development.

Evidence from this study was used to augment the findings from an earlier study by Goldsmith (1969).

Liang and Teng (2006) in a study of the Chinese economy however finding contradictory evidence relating to the relationship; they find that there exist a uni-directional causality in the case of China from economic growth to financial development.

2.4.3 Time Series Evidence from 26 Countries

Aka-Brou (2004) theoretically established a positive theoretical relationship between financial development and economic growth by carrying out a critical analysis of existing literature. He then went on to test the practical existence of the theoretical relationship using financial market and financial intermediary data from 26 countries. He employed the error correction model to test for the direction of causality. His result proved the existence of a positive relationship between financial development and economic growth but was inconclusive as to actual direction of causality from market or intermediary to growth as it varied from one country to the other. In most liberal economies however, stock market development was found to be a stronger indicator of economic growth even though a few countries gave a strong indication using financial intermediaries. The implication of this interdependence and no clear cut direction of causality further confirm the findings of Allen and Gale (2000) which states that every economy depends equally on financial intermediaries and financial markets.

2.4.4 Panel Evidence from 24 Countries

Afonso et Al (2002) using panel data on 24 developing and developed countries through the 70s, 80s and the 90s examined the drivers of economic growth in different financial systems (bank based and stock market based). Their intention was to analyse how a particular financial system reflects the stage of growth the economy was currently in. Using domestic credit as a proxy for bank dominated systems, stock market capitalization for market based systems and GDP as a proxy for economic growth they found that developing economies tend to show a more statistically significant relationship between the credit variable and GDP while for more developed economies, the significant relationship with GDP was stronger with stock market capitalization. They therefore conclude that economies in their early growth stage have a stronger reliance on the banking system for investment funds while more advance economies tilt towards the capital markets for their funding requirements.

2.5 THE FINANCIAL REPRESSION HYPOTHESIS

The advent of recent financial crisis across the globe, notably in Latin America, South East Asia and most recently, the Sub-Prime mortgage crisis emerging from the United States of America and spreading across to other parts of the world has inadvertently strengthened the view that financial development leads to financial crisis as opposed to the view that it leads to economic growth. McKinnon (1973) and Shaw (1973) have shown that developing economies do often behave differently from developed economies in the way and manner they receive and distribute capital as a result of often underdeveloped financial, economic and social structures such as power and communication networks which are vital to the attraction of investments. If these boundaries were overcome, they argued that in the long term, capital market development would inadvertently lead to economic growth. They point out that if the contrary were to be the case i.e. a repressed financial sector, economic growth would suffer as savings vehicles would not be readily available and would not guarantee safety of funds where they are available; information asymmetry is prevalent leading to investors losing touch with their business interest etc. McKinnon is of the view that the real rate of savings plays a key role in driving investment as owners of funds will be moved towards accumulating these funds for further investment. McKinnon however underplays the role of financial intermediaries in the distribution of savings for investment preferring the view that developing countries do not possess properly functioning financial intermediaries and so the distribution vehicle of capital is directly from savers to investors. Shaw however argues that however underdeveloped the financial intermediaries in a country is, they play a critical role in the distribution of savings to investors as they have the potential for economies of scale in the creation and supply of credit. They therefore argue that financial reform leading to financial deepening and stability will generate a causal effect on economic growth in the long term. The theoretical underpin supporting this view of financial deepening goes back to Schumpeter (1911) and is further supported by Aka-Brou (2004). The Keynesian view of finance (Keynes 1934) however argues that savings is determined by investment and not investment determining savings. This Keynesian view therefore argues that the McKinnon-Shaw view of financial deepening raising savings and hence investment is not tenable. A further divergent view on the decision to save argues that the decision to save arises from the need to part consume today and save to consume tomorrow as opposed to investing.

2.6 LEGAL, REGULATORY, SOCIAL AND POLITICAL DETERMINANTS OF FINANCIAL DEVELOPMENT

Evidence from the foregoing literature review demonstrates that financial development is paramount for long run economic growth. Arguments for and against intermediary and/or financial market driven financial sectors (Aoki and Hugh 1994, Boot and Thakor 1997, Levine 1997, Weinstein and Yafeh 1998, Allen and Gale 2000, Demirguc-Kunt and Makismovic 2002) inadvertently filter down to the fact that financial intermediaries and markets constitute key drivers of economic growth. The choice of which institution a particular country's financial system should be based on depends strongly on domestic conditions and socio-economic/socio-political institutions (Lucas, 1997), particularly the Legal, regulatory, social and political framework within which the country operates; emphasis should therefore be directed primarily at policy reforms and implementation rather than which combination of intermediary and/or market is deemed optimal for the proper functioning of a country's financial system (Goldsmith, 1969). De Soto (2000) also argued that a vast amount of capital could be unlocked and allowed to flow through the financial system in emerging economies given the right legal framework to create and protect titles to hitherto untitled assets making them acceptable as collateral.

The literature on legal origin fundamentally categorizes countries under four key legal systems, English, French, German and Scandinavian legal systems (La Porta et al, 1997). One source of Nigerian law is the English legal system.

The structure of a country's legislature is based primarily on its political structure therefore more emphasis is laid here on the political structure/system of the case study rather than its legal structure as the legal structure is a derivative of the political structure (La Porta et al, 1997). The intention expressed in this section is therefore not to look in-depth into the existing literature relating legal structure to financial development but to draw awareness to the role the legal system as an extension of the political system has to play in the financial system.

2.7 ETHNIC POLITICS, PREBENDALISM AND MILITARY GOVERNANCE

2.7.1 The Theory of Two Publics (Ekeh 1975)

Ekeh (1975) describes the tendencies of prebendalism as an off shoot of European colonial rule where citizens where separated from the state in an act of governance. He refers to this as 'the theory of two publics' in view of the fact that after the colonial era, government business and assets were continued to be viewed as foreign entities by the domestic public. Reference to such business and assets were coined as no man's affair and as such a national cake to be consumed by the opportuned few called to service (Okolie 1995, Osaghae 1998). Those called to service were inadvertently launched forward on an ethno-regional platform making prebendalism a core ingredient of ethnic politics.

2.7.2 Ethnicity and National Development

Anugwom (2000) is of the view that for development to thrive within a nation a core ingredient that is essential is the proliferation of stable democratic institutions. He stresses that the advent of ethnicity in a nation's political system is not only obstructive to economic growth achieved through a series of cohesive development initiatives but clearly leaves a nation and her citizens rejected to the past. Development in his view is fostered by stable democratic institutions devoid of ethnic sentiments. He cites the case of ethnic sentiment in Nigeria which continued to grow in proportion through the 60's to the 70's reaching a critical climax in the 80's primarily during the Shagari led civilian government. Evidence from literature such as Olukoshi (1996), Osaghae (1998) and Falola and Heaton (2008) suggest that ethnicity prevailed strongly not only during the Shagari led second republic but formed a key element of the 1983 elections which the military anchored as a core reason for its return to government in December 1983 barely four years after a thirteen year spree in power.

Africa has had its fair share of conflict and internal strive which has in no small way led to deep hatred and distrust amongst fellow country men and women who should ordinarily join forces in nation building (Brown 1995). Most of these crises have been hinged on ethnicity such as the Nigerian civil war, the ethnic clashes in Kenya, Zimbabwe and Somalia to mention a few (Madiebo 1980, Collier 2008). Ethnic crisis can therefore be argued to have contributed to Africa's current state of economic decadence and under development (Brown 1995, Madiebo 1980, Osaghae 1998, Collier 2008). In the case of

Nigeria, it is still quite common for the blame of ethnicity and its resultant effect on national development to be levelled against the colonial government and the political structures inherited from it upon departure in 1960 (Nnoli 1978, Anugwom 2000). Brown (1995) argues that the colonial government in Africa created the current geographical boundaries without consideration for ethnic similarities but only giving consideration for cash crop production areas suitable for export to the motherland. Much as critics may argue that this is representative of the fact (Nnoli 1978), countries like Nigeria should have learnt lessons related to how retrogressive ethnic conflict can be and so after more than forty years since the end of the Nigerian civil war the contrary may be considered to be the case in Nigerian politics where critics of colonialism still level the blame of a failed state on colonial structures.

Such critics include Mafeje (1971) who takes a deeper look at the origin of the word ‘ethnicity’ and relates it to the word ‘tribalism’. Mafeje (1971) and subsequently Nnoli (1978) argue fervently that the word ‘tribalism’ was adopted by the colonialist as a depiction of animalistic tendencies they associated with Africans to justify the act of colonialism which resulted in spoils being carted away from Africa to the motherland. Nnoli therefore argues alongside Mafeje’s view that the word ‘tribalism’ should not only be dropped from academic circles but that post independence ethnicity and ethnic strive should be viewed as an aftermath and deliberate institution of the colonial government in Africa who upon exiting the continent left structures in place to ensure the long term continued instability and marginalization of Africans. This argument is reflected in Nigeria where the colonial government gave the North

52% of the seats in parliament (Madiebo 1980, Osaghae 1998) as a means of persuading the North to remain as one independent nation with the rest of the country. In present day Nigerian politics, the northern hegemony has not only persisted but has ultimately led to the marginalization of ethnic minorities in the power struggle between the North, South West and South East to control Federal power. Between independence in 1960 and 2007, Nigeria had twelve heads of government of which three were from the South West, one from the South East and eight from the North (Falola and Heaton 2008). Nnoli defines ethnicity as a class structure created from the marginalization of ethnic minorities in a bid to empower certain persons belonging to similar ethnic, cultural and linguistic backgrounds. This marginalization in his view creates ethnocentricity which is the feeling of rivalry, suspicion and superiority complex on the path of one ethnic group against the other. It is no gain say to argue therefore that the British colonial government not only in Nigeria but across their various colonies applied the 'divide and rule' system of government to achieve firm control of their colonies while the French colonial government applied the system of total assimilation to control their colonies. The resultant effect being that the 'divide and rule' system of government emphasized on ethnic, cultural, linguistic and religious differences between the people to create ethnocentric pulls causing communication and hence resistance to break down amongst potential resistant groups while the total assimilation system blurred out the ethnic differences by introducing the French language and culture as a common facet across originally different ethnic groups thereby emphasizing their similarities rather than their differences. The impact of the British colonial system therefore left a people divided against each other while the French colonial system left a people united across national borders by a common language, culture and in the case of the CFA zone, a common currency (Nnoli 1978, Madiebo 1980, Brown 1995, Mason and Patillo 2005). The vast majority of ethnic struggles in Africa have therefore been in former British colonies, the former French colonies experiencing relative political and macroeconomic stability but not a vast amount of economic growth due to landlocked locations stressed in Collier (2008). Exceptions to political stability amongst former French colonies include countries like Congo caught in the natural resource trap described in Collier (2008) and Haiti facing various magnitudes of instability.

One key argument that arises however is how long Africans and African voices such as Mafeje (1971), Nnoli (1978) and Anugwom (2000) will persist in levelling the ethnic problem that has so hindered development in Africa at the doorstep of the colonial masters? Decolonisation in Africa commenced in the 50's and terminated in the 80's with countries like Zimbabwe becoming independent. Africans with a core understanding of the ethnic problem should therefore have gained control of the situation and should have turned around this problem rather than thrive on it to achieve nepotic and prebendalistic spoils. Nigeria has had its fair share of political and social instability and should therefore have learnt lessons from the past rather than continue to dwell on how badly the colonial government structured the political system in the late 50's shortly before it's exit.

2.7.3 Military Governance, Financial Development and Economic Growth in Black Africa

The question of how military governance affects financial development and economic growth is strongly tied to the influence that political instability has on investor confidence in a country (Asteriou and Price 2001, Collier 2008). In Black Africa, successions of military juntas routinely seized power from democratically elected civilian governments or fellow military juntas with the associated policy and political instability (Alesina et al 1996). Fosu (2002) examines the impact of thirty one successful and unsuccessful military *coups d'etat* in Black Africa between 1960 and 1986 and found substantial evidence that military coups had a negative effect on economic growth; he however substantiated further by stressing that the unsuccessful coups had a higher tendency of depressing economic growth because of increased level of policy and political uncertainty associated with it. This view is supported by Collier (2008) by expression of the fact that regime change however subtle leads to a dampening of investor morale and subsequently a slow down in economic growth. Asteriou and Price (2001) also used regime change as a variable in an econometric analysis and found that investor morale was significantly affected when a new regime came to power as a result of policy uncertainties associated with the change.

Decalo (1986) argues that the persistence of military governance in Africa was a result of weak and unstable political institutions the continent inherited upon independence. He further cited that in the West African region, in the first twenty five years of decolonisation, all the regime changes that took place was by military *coups d'etat*, the military often finding a reason not far from weakness of the elected civilian governments to take over governance with the promise of restructuring and return to democratic rule. These weak institutions cited by Decalo (1986) were incidentally founded on tensed tribal and ethnic differences such as was prevalent in Nigeria in the early 60's leading to a three year long civil war the effect of which the country continues to feel four decades later (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Decalo stresses that records of the reasons for military take over and rule In Africa have not shown any significant change in the quality of life of the governed but have certainly shown changes in the quality of life of the military rulers in consonance with Ekeh (1975) in his theory of two publics. If we therefore follow Ekeh's two public theory, it can be argued that military governance is not only prebendalistic but retrogressive in terms of the development not only of financial institutions but all facets of the real economy leading to a slow down in growth of Real Gross Domestic Product Per Capita. Decalo points to the fact that military governments more often than not do not receive the full endorsement of the military as a corporate institution as the government in power is made up of a clique of officers acting as a resistance group to current civilian or military governments. A similar view is expressed in Osaghae (1998). Following the law of agency however, any action carried out by an agent (in this case the clique seizing power) is deemed to be binding on the principal (the military corporate institutional structure).

Decalo summarising the views of some eminent scholars of African Political History such as Zolberg and Huntington argue that military intervention in countries engulfed in ethnocentric tendencies, strive as a result of weak political structures and a variety of socio-economic crisis may well be better suited to military governance as the military as an ethno-neutral corporate institution is better equipped than civilians to enforce goals of national development. Madiebo (1980) and Osaghae (1998) amongst others however demonstrated how ethnic cleansing of Military personnel of Eastern Nigerian origin carried on unabated under the Yakubu Gowon led military junta leading to a civil war with its catastrophic impact on national development and economic growth. While countries like Libya have indeed benefited from decades of military governance in line with Decalo's argument, the question arises as to how professional and ethno-neutral Africa's military indeed is? Are the officers that make up the military not part of society and how could they have acted in an altruistic manner to ensure that military governance delivered a common good for the governed?

2.8 POLITICAL INSTABILITY AND ECONOMIC GROWTH

Asteriou and Price (2001) carried out a study to examine the impact that political instability had on Gross Domestic Product growth (GDP) in the United Kingdom between 1961 and 1997. Their key focus was to unearth political sources that have an impact on growth such as the character of the state which is the concern of this study. They argued that the relationship between growth and political instability is driven in two directions. The first direction being a direct reduction in private sector investment due to uncertainty of investment outcome and the second being a change in the constitution of public spending driven by a reduction in factor demand as a result of a reduction in private sector investment; this reduction in public spending they argued is indeed really critical in its effect on a decline in GDP. Asteriou and Price adopted a Generalized Autoregressive Conditional Heteroskedasticity (GARCH and GARCH-M) model using time series data and dummy variables that reflect some historical instability characteristics of the United Kingdom economy to show that political instability such as the threat of terrorist actions did depress economic growth in the United Kingdom.

2.9 SUMMARY OF LITERATURE REVIEW

The process of this literature review has looked at various literature relevant to the questions this study set out to answer which are firstly how applicable is the Finance-Growth theory to developing economies and secondly what impact does the character of a state have on causality of financial development on economic growth?

A broad scope of literature has been pulled together to reflect the complexities of these questions. Literature ranging from different aspects of development economics, monetary economics, capital markets, ethnicity and military governance has been reviewed in the process. The intention here is not to show that financial development does or does not lead to economic growth as substantial evidence exists to suggest that it does lead to economic growth (Levine 2004) but to what extent can this assertion apply to developing economies with often fragile social and political structures experiencing retrogressive attributes such as ethnic strife and violent military led regime change? The literature on development economics outlined the various schools of thought in financial development and economic growth while the literature on monetary economics looked at the role of a central bank using monetary policy as a stimulus for economic growth while the literature on ethnicity and military governance examined the degree of retrogression perceived from these aspects of a nations development trajectory.

In order to fully understand the implication of the various strands of literature reviewed, both primary and secondary data from the case study lead to more conclusive evidence.

CHAPTER THREE

METHODOLOGY

3.1 THEORETICAL CONSIDERATIONS

Mair and Miller (1991:22) define philosophy as the school of learning that understudies the foundations of various disciplines. They highlight two key branches of philosophy as the study of the theory of knowledge known as epistemology and the study of the various laws and principles that guide the world order otherwise known as ontology. They further define methodology as the general means of examination of the theories that underpin a field of study and the acceptable methods of investigating those theories as they relate to human existence. Methodology from their conclusion can rightly be defined as the epistemological and ontological basis for the examination of a research interest.

The process of this research seeks to identify how the major themes of the Finance-Growth theory apply to developing economies in West Africa with a focus on the Nigerian financial development and economic growth process. In order to achieve the aims and objectives of this research, key theoretical and empirical investigations have been carried out on the various determinants of financial development and economic growth with a view to determine how advanced financial structures can enhance economic growth prospects in the presence of residual retrogressive characters of a state.

The key theoretical consideration of this research is therefore to examine how the character of a state may determine the direction of causality of financial systems (intermediary or market) on economic growth.

3.2 RESEARCH DESIGN AND EPISTEMOLOGICAL CONSIDERATIONS

This section looks at the most appropriate research design to adopt in carrying out this study. The research design is based on epistemological and ontological considerations of both qualitative and quantitative methods. Research design is concerned with organising the logic behind the research such as deciding how samples will be drawn, what groups/sub-groups will be involved in the data collection, deciding which variables will be measured/compared (Oppenheim 1992). A good research design provides a strong possibility of making valid inferences from the data gathered.

3.2.1 Qualitative and Quantitative Research Designs

A variety of research designs exist under the broad category of research design classified as qualitative and quantitative research methods. The foregoing analysis investigates the attributes of these two broad categories as a test for suitability for adoption in this study.

The main tenet for categorizing research as qualitative is derived from the fact that research generates theory under this method (inductive approach) while under the broad category of quantitative research methods existing theory stimulates research (deductive approach) in order to test hypothesis and accept, reject or improve existing theory (Bryman and Bell, 2007). Inductivism and deductivism are therefore the two key distinctions that define the relationship between theory and research in the qualitative and the quantitative research strategies. Silverman (1993) however argues that this distinction between research methods that qualify as qualitative or quantitative research methods is not sufficient ground to separate research methods as theory could stimulate data gathering and analysis to create new theory.

The key difference researchers have attributed to what qualifies as qualitative or quantitative research can be broadly attributed not only to the relationship between theory and research as mentioned above but to the epistemological and ontological considerations held under both strategies (Bryman and Bell 2007). Epistemology as earlier defined looks at what we consider as an appropriate means of generating knowledge referred to as interpretivism in qualitative research and positivism in quantitative research. An interpretivist approach to research implies the use of social observations to generate an understanding of social issues of concern to researchers while a positivist approach implies the use of natural science models to generate such knowledge (Bryman and Bell 2007). Ontology on the other hand as earlier defined is the philosophical approach attributed to the relationship between social entities and the social world. Qualitative researchers believe that social entities constitute a part of the world they live in thereby exercising their desires in the process of construction of the realities of the world they live in making them a part of that reality as well as the reality being a part of them. The qualitative ontology is referred to as constructionism. Quantitative research however takes an abstractive role to the understanding of the relationship between social entities and the social world preferring to view social entities as being alienated and therefore out of control of the changing realities of their world. This quantitative ontology is referred to as objectivism (Bryman and Bell 2007)

Qualitative research in summary embodies three key strategies (Bryman and Bell, 2007). The strategies of qualitative research include **inductivism** which is the process through which theory is generated from research, **interpretivism**, which is the process of building knowledge and understanding (epistemology) of a social phenomena through interaction with the phenomena and its participants and finally **constructionism** which is the basic philosophical or ontological stand point that suggests that the way and manner social entities choose to do things are a direct off shoot of interactions between various entities rather than a laid down law of how things should be done (Bryman and Bell, 2007).

Pure quantitative research in summary embodies three main strategies which include **deductivism** which is the process through which research is used to test theory, **positivism**, which is the process of building knowledge and understanding using natural science models (epistemology) of a social phenomena and its participants and finally **objectivism** which is the basic philosophical or ontological stand point that suggests that social entities can be studied and understood in abstraction of their social world or order (Bryman and Bell, 2007).

3.2.2 Mixed Method Research Designs

From the strategies cited above, there is definitely some measure of conflict to be experienced when carrying out pure qualitative or quantitative research if the researcher was to stay within the strict guidelines specified by each strategy. As described in Brannen (2005), a mixed method research design is a research design that incorporates both qualitative and quantitative data gathering and analysis tools. A mixed method study can either use qualitative and quantitative data gathering and analysis tools complimentarily or concurrently depending on the research questions and the nature of the research (Saunders et al 2007). Whatever pattern is chosen, it is however important to note that qualitative data must be analysed with qualitative analytical tools while quantitative data should be analysed with quantitative analytical tools.

Tashakkori and Teddlie (2003) and Saunders et al (2007) argue that for researchers seeking increased validity in the outcome of their research as well as extending the epistemological and ontological boundaries of their research, mixed methods provide a wider array of data as well as deeper analysis enabling such researchers to fully explore the problem under review. Saunders et al (2007:146-147) further argue that mixed methods provide several advantages such as allowing a researcher to carry out a preliminary study such as a historical review to gather secondary data before using a questionnaire survey as descriptive data to validate and/or seek varying opinion on the landmarks of the historical review. Interviews offer exploratory data which often can be used to explain complex financial and macroeconomic phenomena which fall under quantitative data and which are best analysed using quantitative tools. A combination of these various data gathering and analysis tools leads to triangulation which provides a strong means of critically analyzing earlier data gathered as well as ensuring consistency in findings.

Further support for mixed methods is that it allows researchers studying the same phenomenon at different times to arrive at similar conclusions Denzin (1970:18). The agreement of both quantitative and qualitative data gathered in the same study is no doubt a means of strengthening the findings of a study as these data are often gathered and analysed using the tools of seemingly opposing paradigms (Jick 1979:13).

Smith (1975) and Saunders *et al* (2007) however acknowledge that both qualitative and quantitative methods embody weaknesses which are effectively neutralized when these two methods are combined. Jick (1979:14) however argues that no research design is without its weakness so completely neutralizing the weaknesses of either paradigm in a mixed method cannot be achieved and furthermore replication of results may be difficult where qualitative data has been used. Moore (1983:12) is however of the view that even though there is no clear evidence that following a strict single paradigm limits the validity of results, a combination of paradigms will no doubt enhance validity. Evidence from Bryman and Bell further suggests that a mix between a deductive and an inductive approach could be used to either create new theory, a new hypothesis or new perspectives to an existing theory.

Research can either be guided by ones personal experiences, insights or a reaction to a certain problem within the social world (inductive) or perhaps guided by a desire to further understand or dispute existing social theory (deductive) (Bryman and Bell 2007). This research therefore as earlier stated is a desire not only to create a better understanding of the social reality of the Nigerian political economy but to also test the hypothesis that the finance-growth theory pioneered by Schumpeter (1911) may not be applicable directly to developing economies due to their unique characters different from characters of Western economies, the objective focus of the existing theory.

A key issue in deciding the research paradigm or strategy to follow in research is to understand the nature of the theory being examined and the far reaching intentions of the researcher which will generally be to create new theory at different levels or test existing views as this study has combined. Even though this research started off using a theoretical framework and a hypothesis giving the impression of a deductive approach, the hypothesis was more of research questions than a crystal clear hypothesis and the historical case review revealed unexpected contextual based outcomes in an inductive process tagged characters of the state which were subsequently analysed constructively to draw relevant inferences and deeper understanding of the social reality under review (Silverman 1993). The inductive process in this research is further justified by the fact that the research questions loosely categorized as hypothesis from a deductive point of view can also be categorized as contextual based social observations from an inductive point of view. Bryman and Bell (2007) however argue that the use of quantitative or qualitative data does not restrict the research design to a fixed paradigm as the data does not determine the choice of the paradigm rather the processes involved in the research such as inductive versus deductive ultimately inform the choice of research paradigm. Furthermore, the final conclusions were based on characteristic themes that were borne out of the qualitative data employed (ethnicity, civil war and military governance).

In view of the fact that both strategies have been intricately interwoven in a predominantly deductive framework, there is sufficient ground to argue that a mixed method strategy was adopted in this research.

3.2.3 Research Method

Research method refers to the techniques adopted in gathering data such as email questionnaire, face to face questionnaire, group interviews, historical case reviews etc. The Intention here is to determine the character of the state and analyse the determinants of financial development in Nigeria (regulatory, political and social) using a mixed method research design with elements of grounded theory, historical case review, questionnaire survey, phenomenological study and econometric analysis.

Historical Case Review: Ghauri and Gronhaug (2002) demonstrate that the use of secondary data is not only cheap and time saving but also helps reduce the control respondents have over primary data collection when interviews and questionnaires are used by providing factual evidence to act as a check against intentional or unintentional distortions in facts by respondents. They argued that the use of secondary data before going out to gather primary data is essential to providing a firm background to the study in question. This study adopted a historical case review of the Nigerian political economy from 1960 to 2007 in a bid to identify landmarks and themes that may be conglomerated into characters of the State under review. Data sources used were secondary (from existing literature).The historical case review method involves five processes viz: definition of the problem, data collection, setting up of hypothesis (or intrinsic questions to be answered), data analysis and data synthesis (Gay and Diehl, 1992). The purpose of adopting a historical case review was to unearth historic information relating to the determinants of the development of the financial system in Nigeria with a view to understanding the present situation as a leverage to predict or control future policy determinants suitable for development of the financial system. To achieve this aim, the research looked at the causes, effects and trends associated with these determinants. Of particular importance was country data on Nigeria relating to the long years under autocratic military governance. Gay and Diehl specify that the analysis of the data collected is of utmost importance in order to ascertain its integrity. The data must be subject to criticism by considering the knowledge and competence of the writer, time lapse between incidence and documentation, the writer's possible interests that may lead to a bias in writing and time consistency of the information supplied. In conclusion, the qualitative data set was logically and critically analysed with a view to maintaining objectivity.

Specific answers to the following questions were sought from the historical analysis:

1. What impact if any has ethnicity had on financial development and economic growth in Nigeria?
2. Under the military governments that ruled Nigeria for a total of 28 years, what was the key focus of government?
3. In the country under review, what has been the role of the Central Bank in the development of the financial system?
4. Has there been a noticeable impact on the development of the financial system under military and civilian regimes? What was the role of each of these governments in financial development?
5. What impact has education, wealth distribution, National Census and Religion had on the development of the financial system.

Brown (1995) and Meagher (2003) adopted a similar historical review in looking at socio-political and socio-economic problems in various segments of the African continent. Brown analysed Africa's choices for economic growth in the aftermath of several World Bank and IMF policies while Meagher looked at how illegal trans-border trade has affected several African economies.

To answer the above sub-questions, both primary and secondary quantitative and qualitative data was gathered using a historical review, questionnaires and group interviews.

Questionnaire Survey: A questionnaire survey was carried out as a descriptive tool to validate the landmarks highlighted in the historical data as well as seek varied opinion of respondents using a five point Likert scale.

Semi-Structured Group Interview: A semi-structured group interview formed a strong part of the data gathered as the interview questions focused on ten leading questions which the researcher considered strongly relevant to unearth key themes and perspectives in the Nigerian socio-economic environment.

Time Series Data Analysis: Numeric data was gathered for use in determining causality of financial development on economic growth. The endogenous determinants of financial system development in Nigeria were analysed using the Granger Causality test to determine the causal effect (which financial system played the major role) of financial development on economic growth in the country. Levine, Loayza and Beck (2000) using traditional instrumental cross-section, instrumental variable techniques and dynamic panel techniques have shown that a positive relationship does exist between the endogenous components of financial development and economic growth as well as determine that a country's legal and accounting system play a strong positive and/or negative role In the growth pattern and magnitude of capital markets. Following their methodology, this research established the validity between the variables under question for Nigeria.

To analyse the time series data, a simple econometric method was employed to test for causality (Granger Causality test) between financial intermediary indicators and an economic growth indicator as well as financial market indicators and an economic growth indicator. To achieve this comparism, the research set up two hypotheses:

H_0: Financial Market development is a better driver of economic growth than financial intermediary development.

H_1: financial intermediary development is a better driver of economic growth than financial Market development.

The causality test employed here was the ‘Johansen Co-integration test and Granger Causality test’. In this method, the problem was set out and the procedure defined. The data was analysed to determine the time scale causal effect. The co-integration method is used to study the relationship between two non-stationary variables, one believed to have a dependence on the other; the hypothesis is then tested for a statistically significant relationship between the endogenous components of financial development and the proxy for economic growth. Evidence of co-integration suggests the presence of economic structures. Causality is therefore determined by the Granger Causality Test (Johansen 1988, Engle and Granger 1997). Further less complicated techniques for determining causality include ‘Analysis of Covariance’ (this method is suitable when performance on an independent variable is related to performance on a dependent variable) and ‘Analysis of Variance’ (Gay and Diehl, 1992).

The broader analysis further sought to identify the following qualitative factors as a means of comparing which of the systems has a stronger causal effect on economic growth:

1. How has Real Per Capita GDP grown since the introduction of the stock market in the Nigerian economy?
2. What has been the growth rate of the banking sector in terms of deposit base compared to stock market capitalization from the inception of the stock market and how has Real Per Capita GDP grown during this period?
3. Has financial development aided or stunted the growth of other sectors of the economy such as the agricultural and manufacturing sectors?
4. What impact has long years of military governance had on the development of financial intermediaries and financial markets, has this stunted the growth of any of these financial sectors, could this have affected the direction of causality indicated by our model?

For these analyses, the following data sets were sourced:

1. Real Per Capita GDP data for Nigeria.

2. Stock Market data for Nigeria.
3. Banking sector data for Nigeria.

These results were analysed along side existing literature, the historic case review, questionnaires, and the semi-structured group interviews to make policy recommendations.

The data spanned from 1960, the year of inception of the stock market in Nigeria. Banking sector data was however considered from independence (1960) as this sector was in existence before independence.

Similar studies have been carried out by Aka-Brou (2004) where he analysed time series data for 26 countries to determine the causal effect of financial intermediaries and financial markets on economic growth in these countries. Aka-Brou tested for causality using advanced econometric tests such as the Error Correction Model (ECM) test, Johansen Co-integration test, Vector Auto-Regression (VAR) tests etc. Afonso et al (2002) adopted a Panel technique to investigate the causal effect in 24 developed and under developed countries. King and Levine (1993) in providing further evidence for the Finance-Growth relationship defined financial development and economic growth indicators using similar time series data.

This research adopted the definitions of the indicators used in Demirguc-Kunt and Levine (2001) modifying them as the need arose. Other studies which used similar definitions include Kormendi and Meguire (1985), Barro (1991), Levine and Renelt (1992) and Mankiw, Romer and Weil (1992)

3.2.4 Questionnaire Design

Oppenheim (1992) and Stewart and Kamins (1993) have shown that surveys are a strong tool for measuring attitude and gathering empirical data using questionnaires to seek the views of a sample set to the same set of questions. Questionnaires also have the advantage that they provide the respondents the free will to answer the questions posed by the researcher without the researcher looking over their shoulders (Sudman and Bradburn, 1982). The structure of the questions if found interesting and relevant by the respondents tends to generate a high response rate which generally improves the quality of data gathered and analysis achieved (Altschuld and Lower, 1984). Surveys are also less cumbersome to use as the questions are preset and the respondents simply tick the answers that most closely fit their views (Bryman and Bell, 2007). Dillman (1983) however warns that if questionnaires become too bulky, respondents will renege from participating in such surveys. The major advantage of using this tool is that it requires less time to administer and easy for respondents to go through thereby minimizing the risk that respondent’s attention would be lost. For these reasons, it was decided to adopt questionnaires with objective questions for this survey.

Forty five questions were adopted in the questionnaire designed along eight major constructs /themes generated from the historical case review.

It was decided to construct the questionnaire using a Likert scale in view of the advantages posed by this scale to extract objective information. Likert (1932) describes a scaled technique for the assessment of attitudes and opinions of respondents in a survey. The original scale had a five point response option however various levels of alternatives such as three and seven point responses are commonly used by researchers to achieve different degrees of reliability. The Likert technique assumes that there exists an underlying common knowledge amongst the respondents that will ultimately inform and direct their opinion and attitude. Classon and Dormody (1994) argued that the five point scale provides a more balanced approach to seeking the views of respondents as the middle point allows respondents an avenue to maintain a neutral opinion on questions they do not feel comfortable answering or perhaps those which they have no knowledge of. They also argued that the neutral point will force answers to be erroneously skewed to one extreme or the other. Jacoby and Matell (1971) however argued that the choice of alternative response level options employed in a Likert scale does not affect the reliability and validity of the data gathered. In their view a three point scale will give the same level of reliability and validity as a five or seven point scale, what is considered important is the level of research put into the study and the knowledge of the researcher. Oppenheim (1992) supports the view held in Jacoby and Matell stating that in order to design an effective questionnaire, the researcher must have carried out a very good background investigation of the data context best achieved by defining the aim of the research and carrying out an in-depth literature review and conceptualization of the study in this case, the historical case review.

Schuman and Presser (1981) further posit that open ended questions with optional answers improve the quality of data gathered by allowing the respondents to select the option that most closely fits their point of view; analyzing the answers based on the context of the study is then the researcher's prerogative. Due to the sensitive nature of the subject of this research, it was decided to adopt a five point Likert scale. This enabled the views gathered to be balanced around a fulcrum by including a neutral point to enable respondents maintain their silence on questions they found sensitive. The scale included a strongly agree, agree, neutral, disagree and strongly disagree option for respondents to air their opinion regarding a question emerging from the construct under review. McCall (2001) is however of the view that the neutral option allows respondents the means of being untruthful or perhaps falsifies the average views thereby distorting the result of the survey. This further echoes concerns aired by Classon and Dormody (1994). Much as this may be significant, the researcher considered that some respondents found certain questions sensitive either because it stirred harsh memories (such as the genocide that preceded the civil war) or because it highlighted ethnic or other differences of long term National discord.

Because of difficulties experienced in reaching some of the respondents via email, the questionnaires were distributed to respondents in person. A total of twenty four respondents were selected for the administration of the questionnaires by selecting four respondents from each of the six geopolitical zones of the country (see map of geopolitical zones in the appendix).

The choice of respondents for the questionnaires was representative of the Nigerian identity in terms of ethnicity, income bracket, educational and career aspirations. Respondents were chosen across a broad age bracket ensuring that at least twelve of the twenty four respondents were over the age of sixty years and could comment on their experiences of Nigerian life after independence. The other twelve respondents were middle aged ranging from thirty years to forty five years old. The reason for this age bracket was to test if the ethnic sentiment had significantly evaporated with the younger generation who perhaps either had not experienced the civil war or had experienced it as infants with no clear recollection of events. The respondents were selected across both genders as the aim of the process was to create a system of typical Nigerian identity. Respondent occupations ranged from academics, to traders, civil servants and private sector employees.

3.2.5 Interview Design

Various data collection instruments exist for the collection of qualitative data such as one to one interviews, group interviews, focus group interviews and surveys. In order to generate a free flowing process rich in descriptive data, interviews come to the fore front of tools available for gathering qualitative data (Bryman 2001, Bryman and Bell 2007). When dealing with well informed respondents, interviews have the ability to generate fresh information which can be used to develop new perspectives, confirm existing views and perhaps generate new theories (McDaniel and Gates 1998). Sorenson (2002) however argues that because of the qualitative nature of interview data, a major limitation is that data gathered by this means may not be replicable and generalizable. Interviews are also considered to be a strong tool for triangulating of data sources which provide a strong basis for descriptive analysis using elements of grounded theory research to increase validity of findings (Strauss and Corbin 1990, Leady and Omrod 2001, Saunders et al 2007). Oppenheim (1992) also argues that interviews are a strong tool for generating fresh data particularly when respondents are well informed. In Oppenheim's view, group interviews are an excellent approach to save time and money when the researcher is faced with a limitation of resources but also have the disadvantage that some respondents may feel inhibited if their views fall in variance with that of the group. A further shortcoming in applying the interview technique to gather data is that the researcher conducting the interview may use the wrong set of words or emphasis on certain words thereby providing the wrong response from the respondent (Schuman and Presser, 1981). This can be mitigated against by pre-structuring the interview in a clear written format but allowing the answers to be free flowing. Oppenheim (1992) and Bryman and Bell (2007) however point out that such pre-structured interviews bear a strong resemblance to questionnaires

Along side the questionnaire data, interviews were conducted with a set of twenty four respondents (four from each of the six geopolitical zones). The twenty four respondents from the interview were selected by taking one questionnaire respondent from each geopolitical zone plus eighteen fresh respondents (three from each geopolitical zone). The interviews were made up of ten leading questions constructed around four major constructs/themes emanating from the historical review and closely related to the basis of the econometric analysis (size, activity and efficiency of markets and intermediaries). The interviews were semi-structured and skewed towards extracting detailed information on the character of the state.

Because of the time constraints faced in getting respondents across a wide population and geographical area to carry out one to one interviews, it was decided to use group interviews with small sample sizes to generate the required primary data.

3.2.6 Method of Data Sampling

The primary data source was gathered by questionnaires and interviews. The population for this data gathering process was considered to be Nigerian citizens above the age of 18 who carry out some form of economic activity. The choice of respondents was identified as middle class, entrepreneurs, civil servants and academics. This selection was to ensure that respondents are politically literate and have a basic understanding of current affairs, financial development and economic management. Nigeria has an estimated population of over 150 million persons (Aluko 1991) of which at list one third are considered to carry out some form of economic activity thereby giving a survey population of roughly 50 million Nigerians. Because of the huge size of this population, the research process proceeded by selecting a suitable sample from which views where drawn (Bryman and Bell 2007). The initial intention was to generate a pseudo-representative sample size of 600 respondent's age range 18-70 across the 250 ethnic groups in the country by travelling across the country administering interviews and questionnaires.

Travelling was the only option as internet facilities were not readily available to enable the administration of email questionnaires. This proved to be difficult due to financial reasons, transportation network problems and time constraint imposed on the research. A further constraint experienced was the ability to convince people to participate in the survey process as the vast majority of people initially approached in offices, churches, mosques and markets during the exploratory pilot study did not feel secured in giving their views in a process they viewed as some sort of political campaign. After the pilot study, 82 respondents agreed to participate in the data gathering process but 30 of them were not willing to answer certain questions which they considered sensitive and opted to drop out of the process. It was then decided to select a sample with a uniform characteristic; the choice of uniformity was decided to be a suitable ethnic divide across the country represented by the countries geopolitical zones. Respondents were selected from the six geopolitical zones comprising the federation of Nigeria namely north west, north central, north east, south west, south-south and south east. The geopolitical zones are geographical zones created by lumping similar or near similar ethnic groups together thereby creating seemingly harmonious political entities for the perpetuation of ethnically motivated national politics. The data gathered in this survey used a small sample size both in the interview and the questionnaire survey; the intention was not to have a representative sample but to have a means of validating the information generated in the historical review and the econometric analysis.

Twenty four respondents were each used for the questionnaires and the interviews ensuring that the sample size cut across the true Nigerian identity spectrum as it spanned across all major ethnic groups, age brackets, male and female genders and common occupations. In spite of this uniform span of respondents across the geopolitical zones, reliability and generalizability of the data cannot be guaranteed due to its qualitative nature; respondents were often supportive of their ethnic groups rather than being critical when the need arose. Generating a bigger sample size would have obviously enriched the data set but the intention here (in the face of the above mentioned limitations) was to create a group with elements of the Nigerian identity bearing in mind that Nigeria has over 250 ethnic groups who speak more than 50 linguistically different languages therefore a truly representative group would run into a few hundred thousands of respondents and would also create a huge communication barrier for the researcher. Each of the six geopolitical zones have a fairly well defined coverage of major ethnic groups so stratifying along these lines and reducing the number of respondents to a logistically manageable size was of the essence.

3.2.7 Exploratory Pilot Study

Likert (1932), Stewart and Kamins (1993), Oppenheim (1992) and Bryman and Bell (2007) are of the view that a pilot study should precede the main study in a survey to enable the researcher judge the level of success of the main survey in terms of anticipated level of response and appropriateness of survey questions.

In commencing the survey, a short questionnaire was distributed seeking the views of respondents on if they will be willing to participate in a survey which was targeted at looking at ways to improve socio-economic welfare of Nigerians by exploring issues and landmarks from independence to date.

Test for Validity and Reliability of Anticipated Data: The exploratory pilot study indicated that the questions will be built around certain themes (generated from the historical review) such as the impact of ethnicity on financial development and economic growth, causes and residual impact of the civil war, shortfalls and gains of military governance as well as benefits of civilian rule.

Analysis of Data Generated From the Pilot Study: The study revealed that Nigerians preferred to let sleeping dogs lie as only eighty two of one hundred and fifty respondents gave any indication of interest in participation in the main study. Of the eighty two, thirty were of the view that if the survey contained questions about the civil war or probed too deep into ethnic differences that they will not participate in the survey (even under the cover of anonymity) as these issues were found to be sensitive and they did not want to alter their peaceful lifestyles by getting involved in political type surveys.

Sampling Methods, Procedures and Methods of Data Collection: The initial question was constructed on a four point Likert scale without the option for respondents to remain neutral on a view that they found sensitive but following feedback from the exploratory pilot study and following Classon and

Dormody (1994), it was decided to include the neutral option thereby increasing the scale of the Likert model to five. McCall (2001) argued that the reason for a respondent choosing the neutral option may range from ignorance, discomfort or uncooperativeness. In the case of this study, it was observed that respondents chose the neutral point mostly when they were uncomfortable and sometimes when they did not have the required knowledge to answer a question. As mentioned earlier, the initial intention was to generate a pseudo-representative sample size of 600 respondent's age range 18-70 across the 250 ethnic groups in the country. After analyzing the response from the pilot study, it was decided that generating a pseudo-representative sample balanced across the various ethnic groups was not achievable within the time frame and resources available to complete this study. Nigeria had recently been divided into six geopolitical zones representative of ethnically similar clusters in a bid to cater for ethnic politics involving rotation of Federal executive Power from one ethnic cluster to another. In a bid to use a fairly balanced sample of respondents as indicated in the pilot study, it was decided to pick respondents amongst the group who were willing to participate in the survey in equal numbers to represent each geopolitical zone on the premise that such representation will ultimately represent the ethnic divide highlighted in literature.

3.2.8 Ethical Considerations

The main ethical consideration of this research was to protect the identity of respondents as respondents showed obvious reluctance to participate in the survey due to possible apprehension by law enforcement agents should they express sensitive views. Direct quotes made against other ethnic groups by respondents were also down played to avoid causing ethnic related tensions which are currently high in the country. Such quotes were however admitted into the final report where the researcher found them to be of material relevance to the purpose of the research. The process of conducting the interviews and questionnaires was indeed sensitive requiring the researcher to provide a written endorsement of anonymity to each respondent in order to gain their total participation. This also helped to reduce possible ethnic bias against the researcher who hails from the south eastern geopolitical zone which has had a history of conflict (civil war) with the rest of the country.

3.3 ANALYSIS OF DATA

3.3.1 Analysis of Questionnaire Data

Forty five structured questions were posed in the questionnaires in an attempt to cover the entire scope of the historical case review creating a validation for the contents of the review. The analysis and discussion of the questionnaires therefore looked at themes generated by creating groups of questions to highlight views and opinions expressed in them as well as their implications to a stable body polity focused on economic growth. Respondents were required to express their views on each statement made on the questionnaire selecting a number between 1 and 5 in a five point Likert scale. Number 1 indicates that the respondent strongly agrees with the view, number 2 indicates that the respondent agrees while number 3 indicates that the respondent either has no view on the statement or is unwilling to express a view and so has decided to remain neutral. Number 4 indicates that the respondent disagrees with the statement while number 5 indicates that the respondent strongly disagrees with the statement. The analysis was carried out on an excel spread sheet by plugging in individual numeric answers to each question and using a formula to calculate the average view of respondents on each question/issue. Details of the analysis are shown in the appendix.

The analysis was carried out in three stages; in the first stage, an average response to each question was derived by numerically seeking an average value to represent a holistic answer for that question. In the second stage of the analysis, the number of respondents selecting a particular view represented by the Likert scale (e.g. two respondents strongly disagreed) was calculated to determine the total number of respondents across all six geopolitical zones that held a common view. In the third stage, the answers of the previous two stages of analysis were discussed highlighting the implications of the views selected. The reason for this three stage analysis was to avoid the average response trap highlighted in McCall (2001) which argues that an average response does not demonstrate the true extent of polarization of views. In order to mitigate against this averaging problem, the number of respondents choosing each option were highlighted numerically followed by a qualitative discussion of the implication of each answer.

The questionnaire findings were integrated with the findings of the historical review to generate further themes used in the triangulation of data sets.

3.3.2 Analysis of Interview Data

The interviews were carried out as six brainstorming group interview sessions whereby all the respondents from a geopolitical zone were brought together and questions were posed to the group while their answers were recorded on tape. Some respondents chose to reply in their native dialects considering that the researcher is fluent in the three major native languages of the country. In transcribing their responses into text, care was taken to avoid direct worded translations ensuring the incorporation of the grammatical meaning of phrases only.

The respondents were given the option of anonymity as in the case of the questionnaires. This resulted in a very free flowing process and strong (sometimes personal) views were aired under the comfort of anonymity. This went a long way to show that even under the current democratic dispensation, respondents still felt a sense of insecurity towards expressing views that the government may perceive to be negative or critical of their conduct.

The responses were categorized into four themes and analyzed qualitatively by discussing the implication of each question individually then as a group under a particular theme.

Following the discussion and thematic summary of the interview data, triangulation of the historical review/questionnaire survey, outcome of the econometric analysis and the summary of the interview data, a selective analysis was carried out leading to the development of a theoretical perspective.

3.3.3 Analysis of Time Series Data

In order to answer sub-questions one to four above arising from the second research question (causality of financial development on economic growth), the following measures of financial intermediaries and markets were investigated in Nigeria:

1. Size of financial intermediaries and market.
2. Level of activity of financial intermediaries and markets.
3. Efficiency of financial intermediaries and markets.

Evidence from literature (King and Levine 1993, Levine, Loayza, and Beck 2000, Levine 2004) demonstrates that increased size and activity of both the banking sector and stock market are significantly correlated with upward movements in Real Gross Domestic Product (GDP) Per Capita. These measures therefore give a clear indication of the level of development of both the banking sector and stock market in Nigeria and hence an indication of the direction of causality of economic growth (King and Levine 1993; Aka-Brou 2004).

Following the indicators highlighted in Demirguc-Kunt and Levine (2001:19) this study investigated the relationship of the various indicators of size, activity and efficiency of intermediaries and markets to GDP per Capita in Nigeria using data from the IMF's International Financial Statistics (IFS) and the World Bank's World Development Indicator data set and employing the Johansen Co-Integration Method and Granger Causality test to determine the degree of causality between the various exogenous components of financial development and the proxy for economic growth.

3.3.3.1 The Size, Activity and Efficiency of Financial Intermediaries

Three categories of financial intermediaries are considered in this section viz: The Central Bank, Deposit Money Banks and Other Non-bank Financial Institutions (Demirguc-Kunt and Levine, 2001). Absolute caution was employed here in defining the limitations of these intermediaries in Nigeria in terms of size and activity in view of the fact that their constitution and structure may be at variance with current world standards.

To further elucidate this point, emphasis was directed to the structure of the Central Bank of Nigeria which is at present not independent of the Executive arm of government and therefore is relatively inhibited in its free exercise of discretion towards setting monetary policy. The implication of this is that the bank is not at liberty to carry out independent monetary policy functions having to revert to politicians (and military dictators in the past) for final approval and endorsement of its monetary and even regulatory functions.

Non-Bank financial institutions include insurance companies, pension funds, National Savings Schemes etc (Demirguc-Kunt and Levine, 2001). Under this category, further caution is exercised in view of the fact that Non-Bank financial intermediaries form a minor part of the intermediaries in Nigeria. The existing Insurance laws for example may not be strong enough or in some cases, feebly enforced resulting in weak growth of the Insurance Industry (La Porta et al, 1997).

Absolute Measures of size of Financial Intermediaries

1. Liquid Liabilities to GDP

Because this measure is related to the Gross Domestic Product, its use in this analysis immediately highlights their degree of importance not only in terms of size of the financial sector but in other socio-economic issues such as creation of jobs.

Liquid liabilities are given as the sum total of currency, demand and interest bearing liabilities of banks and Non-bank financial institutions (Demirguc-Kunt and Levine, 2001). This measure may however not give a good prediction of how well the financial system manages information asymmetry and transaction costs; double counting may also be experienced when using this measure due to Inter-Bank deposit and lending (Levine, Loayza and Beck, 2000).

Measurement of Activity of Financial Intermediaries

1. Credit to the private sector by Deposit Money Banks and other financial intermediaries to GDP

The above ratio is intended to demonstrate the intricacy of the relationship of financial intermediaries with both the formal and informal private sector. The ratio gives a broad picture of the activity of intermediaries to provide investment funds for growth of private sector businesses (Demirguc-Kunt and Levine, 2001). Credit issued by government agencies and the central bank have been conspicuously omitted from the above in a bid to narrow down the focus of analysis to actual activities by the private sector (Levine, Loayza and Beck, 2000).

Measurement of Efficiency of Financial Intermediaries

Efficiency of a financial intermediary relates to how well the intermediary is able to execute its primary function of moving capital from savers to investors (Levine 2004). This concept is of particular interest in developing economies where infrastructure may be in decadence or in some cases non-existent.

Poor transport networks, unreliable telephone services and irregular power supply constitute major hindrances in the smooth functioning of a business and hence it's efficiency. Nigerian businesses often require private power generating sets as a substitute for the irregular power supply by the Nigerian Electric Power Authority (NEPA) thereby incurring higher overheads than would have been the case if power supply was smooth and uninterrupted.

Two measures of efficiency shown below were considered in Demirguc-Kunt and Levine (2001):

1. The Net Interest Margin defined as the ratio of the book value of a bank’s net interest revenue to its total assets.
2. Overhead costs margin defined as the ratio of the book value of a bank’s overhead cost to its total assets.

Because of restrictions to data relating to Net interest margin and overhead costs for Nigerian banks, this research adopted a new measure to calculate efficiency of financial intermediaries. The ratio adopted was Credit to the Private Sector by Deposit Money Banks to Total Financial Assets.

3.3.3.2 The Size, Activity and Efficiency of Financial Markets

Following the indicators specified in Demirguc-Kunt and Levine (2001) this study laid emphasis on stock market indicators to determine the influence of the financial market on Real GDP Per Capita. Indicators such as size, activity and efficiency were calculated from the time series data sourced.

Measurement of Size of Stock Market

Stock Market size was measured by the ratio of Stock Market Capitalization to GDP. Stock Market Capitalization was measured by calculating the monetary value average of end of year figure for any two given years of the number of shares listed on the stock exchange (stock variables). Both Stock market capitalization and GDP (flow variable) were deflated using the end of year and annual value of consumer price index respectively (Demirguc-Kunt and Levine, 2001).

Measurement of Activity of Stock Market

The activity of the stock market is a measure of it's liquidity in terms of the value of shares traded within a time period given by the ratio of market value of shares traded to GDP. Deflating was not required here because both variables occurred through a given time period (flow variable) and not at the end of a time period as indicated above (stock variable) (Demirguc-Kunt and Levine 2001).

Measurement of Efficiency of Stock Market

This measure was given by calculating the ratio of the trading on a stock market to its overall size. In order words, the efficiency of the stock market was measured by how much turnover occurred given numerically by the ratio of the total monetary value of shares traded to monetary value of market capitalization. These variables were deflated using the Consumer Price Index.

3.3.4 Data Sources

Both qualitative and empirical data was collected for this study.

The qualitative data facilitated the historical analysis targeted at answering the first research question and associated sub-questions. The research as stated above used both primary and secondary qualitative data. Due to difficulties experienced in getting access to Nigerian government documents directly from government offices, a contingency plan was adopted to use secondary data. Historic data was gathered from published literature and government agency websites. The bulk of secondary data was sourced from books and journal articles focused on the Nigerian political and economic history from the colonial era to date.

The empirical data required to answer the second research question was sourced from the IMF International Financial Statistics data set (time series data for financial intermediaries) and the web site of the Nigerian Stock Exchange (stock market data for the Nigerian Stock Market).

3.4 DESCRIPTION OF VARIABLES

The data file in this analysis contains a list of variables requiring a qualitative description. The variables described below give an indication of the size, efficiency, degree of activity and direction of causality of a countries financial system and economic growth as well as justify the claim that a countries financial system and economic growth are correlated. It is therefore paramount to qualitatively describe the importance and significance of each of these variables and the role they play in a countries financial system. This qualitative description highlights not only the obvious direct meanings of these variables but also looks at the negative implications they could introduce into a countries socio-economic structure in the event of misappropriation and undermining.

3.4.1 Deposit Money Bank Assets

Deposit money banks have two sides to their balance sheet. They however have a slightly different constitution to these sides. Deposit money banks liability side of the balance sheet comprises mostly of deposits made up of checking accounts, savings accounts and term deposit accounts. A small portion of the liabilities side is made up of the shareholders capital. By implication, a banks liability base is dependent on how widely accepted its trademark is by the general non-bank public. A bank with a strong trademark and goodwill will reflect this in the size of its liability base.

This variable is found to be essential in measuring financial development because of the role deposits and credit play in altering the monetary base of the economy thereby increasing or decreasing money supply with its resultant effect on inflation and price stability.

3.4.2 Non-Financial Institutions Assets

From Demirguc-Kunt and Levine (2000), non-financial institutions include all those institutions that collect deposits from the general public but do not offer checking account services. These institutions play a major role in financial development because they constitute a huge pool of investable funds for investment in manufacturing, the financial markets and other pockets of entrepreneurial endeavours.

Their assets are generally made up of positions taken in the stock markets. Their activities are usually of a very high volume often causing interest rates and even exchange rates to sway as they move in and out of their positions.

3.4.3 Total Financial Assets

Total financial assets is given as the total impact of the activities of financial intermediaries on the domestic economy given that these total assets end up in investments of all forms with economic growth potentials.

3.4.4 Liquid Liabilities

Liquidity in financial terms is defined as the potential of a financial asset or liability to be converted to cash or near cash. Liquid liabilities are therefore those liabilities that are easily transferable to cash for reinvestment or final liquidation. Again, their importance is closely tied to the credit process due to deposit money and non-financial institutions assets ending up on the liabilities side of the balance sheet of other privately owned businesses and institutions.

Liquid liabilities are therefore concerned with the percentage of an institutions asset (deposit money bank in the case of Nigeria) that can safely be funnelled to the non-bank public in loans for investment and hence economic growth.

3.4.5 Gross Domestic Product

Gross domestic product (GDP) is defined as the market value of final goods and services produced within a time period (usually one year) by domestic corporations, foreign corporations, native residents and foreign residents within a country. The GDP does not however include the income of native residents living abroad (Levine, Loayza and Beck, 2000).

Because it is defined as the market value of final goods and services, its role in measuring the size and growth rate of a countries economy cannot be undermined. Going by the finance-growth theory, it is assumed that credit to businesses and individuals by deposit money banks contribute to increases in GDP per time period.

3.4.6 Credit to the Private Sector by Deposit Money Banks

In a market economy, the private sector serves as a key growth stimulus due to its role in creation of jobs through investment in income bearing endeavours. This variable therefore mirrors the activity of deposit money banks not only in gathering of liabilities through marketing of the products to the non-bank public but also in the quality of risk assets they create in lending to deficit areas.

3.4.7 Liquidity of the Stock Market

The ability or ease of investors to move in and out of financial positions in the stock market is of the essence in determining how much funds will flow through the market. Liquidity is therefore a key measure of the activity in the stock market as well as a measure of the disposition of investors to uphold financial positions.

3.4.8 Outstanding Market/Monetary Value of Shares

This variable gives an indication of the absolute size of the financial markets in an economy. Its importance as a measure of economic activity and growth stems from the fact that a market with a huge outstanding amount of funds depicts investor confidence and liquidity. In the same vein, market capitalization refers to the market value of outstanding shares.

3.4.9 Number of Shares Traded

This variable looks at the dispersion of trades in the financial markets. A high number of shares traded depict a wide dispersion of investors while a low number of shares traded signify a concentration of investors. A concentrated investor base could have negative consequences in terms of price fixing and sudden outflow of funds leading to an unstable market.

CHAPTER FOUR

A HISTORICAL ANALYSIS OF THE NIGERIAN POLITICAL ECONOMY

The purpose of this historical analysis is to closely examine institutional and historical characteristics of the case study (Nigeria) thereby enabling the researcher to capture the essence of the State in nation building reflecting on the advent of the state under the aegis of the colonial government through to governance at the hands of Nigerian politicians and military rulers. The analysis unveiled the nature of the Nigerian society, the character of the Nigerian State, the character of contestation of power in Nigeria and the impact these factors have had on social development and economic growth. A Historical analysis therefore has the propensity to gather facts based on which objective analysis and evaluation is carried out.

4.1 PRE-INDEPENDENCE

In a bid to fully understand the dynamics of the Socio-political and Economic formations of post independence Nigeria, it was considered inevitable to analyse the political history of the country from birth to date with a view to provide a contextual background for further analysis into the causal effect of financial market and intermediary development on economic growth.

Nigeria a former colony of the British Empire was formed at the amalgamation of 1914 from tribes under British colonial administration on both sides of the river Niger (the Niger-Area became known as Nigeria). In general, these tribes were under colonial rule for a total of 100 years before independence in 1960 (Obilade 1979, Falola and Heaton 2008). These tribes put together consisted of close to 400 different linguistic groups amongst which are three dominant linguistic groups, the Igbos, the Yorubas and the Hausas. These major ethnic groups, The Hausas in the north, The Yorubas in the west and the Igbos in the east were imposed in regional formations on the minority groups around them. These minority groups incidentally formed the bulk of the country's more than two hundred and fifty ethnic groups resulting in strong intra-regional power and superiority struggles in the post independence state. Evidence from Osaghae (1998) suggests however that the colonial government intended to rectify the tribal domination issues by creating separate states for the minority tribes but political leaders from the bigger majority tribes were impatient for independence. The British colonial administration employed the divide and rule mechanism to unite these linguistically distinct people employing the English language as the 'lingua franca' (Obilade 1979 Osaghae 1998, Falola and Heaton 2008). The views expressed in Madiebo (1980) and Osaghae (1998) corroborated by Uzoigwe (2004), Falola and Heaton (2008) and Ehwarieme (2010) demonstrate that writers of Nigerian political history widely view the historical experience of Nigeria within the same context. What may be at variance is the perceptions and reasons attached to these various incidences. These reasons and perceptions have been left to the respondents of the questionnaire and interviews to reveal while this section concentrates on the factual political and economic history of the country.

Osaghae (1998) has attributed most of the institutional malformations of the country to the erroneous amalgamation in 1914 of the North and South of Nigeria. In the amalgamated state, differences between the North and South by far surpassed common attributes leading to immense problems in the process of state building, political and economic integration. Advantages however exist in diversity as a pool of varied skills was harnessed by the process of the amalgamation, the problem being to find the right political formation to hold the state together as a single and unified entity. Various writers such as Crowder (1962), Obilade (1979), Madiebo (1980), Osaghae (1998) and Falola and Heaton (2008) amongst others have questioned if the issue of political stability in the post colonial state was given key consideration by the departing colonial administration. The process of this analysis revealed key landmarks in the process of nation building. Osaghae however draws a line where he considers blame for the erstwhile colonial administration should cease and Nigerian politicians and military leaders should be held accountable. After the initial tensions of the first republic, the murder of the Prime Minister and top party chieftains in both the NPC and NNDP, the revenge murder of General Ironsi and other top military officers of eastern origin followed by a bloody civil war, it was time for Nigerians to steer their destiny and correct whatever perceived errors the colonial administration may have imparted on the body polity from the 1914 amalgamation to their final and complete detachment in 1963.

During the colonial administration, the extent of variance in cultural and linguistic values was relatively undermined due to the central use of the

English language by colonial officers (Madiebo 1980, Falola and Heaton 2008). A further criticism of colonial boundaries in Africa is found in Brown (1995) where he asserts that the current geographic boundaries in Africa were created by colonial administrators on the basis of cash crop dispersion rather than linguistic and cultural similarities, a key reason for the incessant ethnic conflicts that have become a hallmark in African socio-political life (Collier, 2008). Before January 1st 1914, what is today known as Nigeria was a group of tribes scattered to the north and south of the river Niger (Falola and Heaton, 2008). There were however three key tribes that had a predominant linguistic and cultural influence amongst the other minority tribes; to the north was the Hausa/Fulani tribe who due to their strong trade ties with the Arabs of North Africa had adopted the Islamic faith. The Northerners were of the Hausa/Fulani majority and other minority tribes in the north such as the Non-Islamic Igala tribes of the Middle belt were ruled by a "*centralised and hierarchical theocratic*" government called the *Sokoto Caliphate* (Osaghae 1998, Falola and Heaton 2008). The colonial administration was immediately overwhelmed by the extent of sophistication exhibited by the Caliphate in politics, administration and military strategy thereby winning the Northerners a position of favour with the colonial administrators who immediately adopted the Caliphates style of governance as the model for the new nation state (Osaghae 1998, Falola and Heaton 2008). To the West of what is today know as Nigeria was a group of tribes formed into kingdoms. The two most powerful of these Kingdoms were the Oyo and Benin Empires. Yoruba was the predominant language spoken across these Kingdoms with dialects varying from one Kingdom to the other. Some Non-Yoruba tribes such as the Isoko, Urhobo, and some Igbo States also formed a part of this empire. The Westerners according to Osaghae, Falola and Heaton ranked next to the Northerners in governance and state organisation. To the East was a multitude of Igbo, Kalabari, Efik, Ijaw, Annang and other minority tribes who conspicuously had no centralised form of government. Because of the wide use of the Igbo language in eastern Nigeria and the potential of easterners to organise and mobilise resources, it is alleged that the Igbos of Eastern Nigeria failed to erect political structures capable of forming a fulcrum of unified leadership and governance preferring to remain individualistic, loosely united by close family ties and weak communal leaderships under which they formed entrepreneurial relationships (Crowder 1962, Osaghae 1998). Little wonder why they showed a strong tendency to resist centralised leadership by the colonial government. Madiebo (1980) laid emphasis on the colonial governments choice of concentration of strategic military bases in the north of Nigeria with a few located in the West and only one in the East. It can be argued that this act of concentration was driven by capability and potential of the people rather than a deliberate attempt to concentrate power in the north. The concentration of military power in the north however played a major role in shaping the countries political and economic landscape. A key factor highlighted by Madiebo was the use of the divide and rule system of government by the Colonial Administration to effectively govern the protectorates. This system of government emphasizes the key differences between tribes and employs these differences to create distrust across tribal boundaries in a bid to increase loyalty of the various tribes to the government at the centre. The north was perceived to be more submissive to colonial rule and the northerners were seen to be less corrupt in comparism to the southerners resulting in more pronounced efforts by the administrators to keep northern and southern affairs (such as government policies, education and Christian missionary movements) separate as well as monitor migration of southerners to the north (Osaghae 1998, Falola and Heaton 2008). This no doubt had long lasting effects on integration and development of the two regions. As a direct consequence, education and western civilization was slow in gaining ground in the north due to the fact that early western education was imported and implanted by Christian missionaries whose presence in the predominantly Muslim north was resented (Osaghae 1998, Falola and Heaton 2008). The development of social, economic and political institutions in the north lagged behind by an average of thirty years resulting in inevitable consequences for the budding state at independence and thereafter. One major landmark difference was that between 1914 (the amalgamation) and 1947 (introduction of the principle of regional representation under the Sir Richardson Constitution), the north and south never sat together as one nation (Osaghae, 1998). As a result, when the southerners clamoured for independence in the 1950's, the north reneged from the idea of self governance due to fears of southern domination in an independent state as the south had acquired an immense educational and political advantage over the north. To drive home this point, the north threatened to secede from the colonial union if their request was ignored. Under the prevailing circumstance the colonial government granted the north supposedly balancing positions in parliament, government and revenue allocation in a bid to bridge the gap between the north and the south unknowingly giving the north a dominant position over the south (Osaghae, 1998). Dudley (1982) however highlights a positive side to the amalgamation of these tribes by the colonial administration stressing that only an external push could have yielded what is today known as Nigeria. In order to advance the north's claim to supremacy of governance, The late Sir Ahmadu Bello, Premier of the Northern region and Sardauna of Sokoto (traditional head of the Sokoto Caliphate) was said to have claimed that had the colonialist not interfered, the Fulani *Jihadist* movement of 1804 which had gained sufficient ground in the West of Nigeria would have advanced its conquest to the East thereby resulting in a state similar to today's Nigeria but unified by the Islamic faith (Osaghae 1998, Falola and Heaton 2008). From 1954 to 1959, the country prepared for independence on the principle of north-south parliamentary parity in the House of Representatives (52% of the seats were occupied by the north while the remaining 48 went to the south). The South took to self governance in 1957 while the North followed suit in 1959. Following independence in 1960, the country was divided into three key regions, The Northern region, The Eastern region and the Western region, representative of the three dominant local languages, Hausa, Igbo and Yoruba. A government of national unity was formed at the core with an equitable representation across all the regions.

Nigeria under the colonial government was predominantly an agricultural economy depending mostly on exportation of cash crops for the generation of revenue. Nnoli (1978) and Osaghae (1998) assert that the main reason put forward by the colonial government of the north and south protectorates for the amalgamation of both protectorates to create a unified country was the need to harness and develop economic advantages presented by both protectorates. To this end, road and rail networks were constructed linking the north to the south thereby facilitating movement of cash crops from the north to the south for exportation to Europe through the sea port in Lagos by the various product marketing boards set up by the government. On the other hand, European consumer goods were imported for use by the domestic public. The economy was therefore an import-export economy with no manufacturing sector. A major set back experienced by the economy was that rural areas were not integrated into the national economy (Madiebo 1980, Osaghae 1998).

4.2 THE FIRST ATTEMPT AT CIVILIAN RULE (1960-1966)

After independence in 1960, the colonial administration left in place a Federal government operating the Westminster parliamentary system to carry on the administration of the country. Writers of Nigerian political history such as Madiebo (1980), Adamolekun (1985), Ojukwu (1989), Osaghae (1998) and Falola and Heaton (2008) to mention a few have commonly referred to this era as the First Republic. The system comprised of a President who was a ceremonial head and Prime Minister who was the head of government (Madiebo 1980, Osaghae 1998). The federation was made up of three autonomous regions (Northern, Western and Eastern). Because of the high level of autonomy, the regions were very powerful relative to the centre which was considerably weak. Each of the regions was made up of one of the major tribes supported by other minority tribes. The northern Hausa/Fulani, the western Yorubas and the eastern Igbos effectively dominated the minority tribes under them leading to strong agitations by the minorities for separate states to create a balance of power and infuse self governance in the federation (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

The first republic (1st October 1960-15th January 1966) was born as a result of the 1957 parliamentary elections and the 1959 federal elections. These elections proved to be critical to Nigerian political history considering that the outcome played a major role in the country’s political, social and economic order (Dudley, 1973 quoted in Osaghae, 1998). In a bid to persuade the North to remain a part of the federation and accept a ‘1960’ independence, the colonial government allocated more than half of the seats (52%) in the House of Representatives (HOR) to the northern region thereby giving them a firm grip on the federal government (Osaghae 1998, Falola and Heaton 2008). The Legislature was however bicameral in structure comprising of the HOR as the lower house and the Senate as the upper house. The senate had an equal number of representations from all the regions supposedly to produce a balancing effect to the tilted HOR. The Senate at the time however had minimal powers over legislation exercising only delaying powers with no leverage over financial matters. The political parties formed then were purely regional such as the Ahmadu Bello led Northern Peoples Congress (NPC) in the north, the Obafemi Awolowo led Action Group (AG) in the west and the Michael Okpara led National Congress for Nigerian Citizens (NCNC) in the east. Madiebo (1980) argues that the NCNC was the only political party at the time that showed any signs of a national orientation. Other political parties and political associations were formed by minority tribes such as the Aminu

Kano led Northern Elements Progressive Union (NEPU) in the North; the Ladoke Akintola led Nigerian National Democratic Congress (NNDP) in the West and United Middle Belt Congress (UMBC) in the Middle Belt. After the 1959 elections, none of the parties formed a clear majority so a coalition was needed to form the Federal Government. Due to the North's hegemony in parliament, the NPC was in the best position to lead a coalition with either the NCNC or the AG. Due to what NPC leaders considered to be Awolowo's open distaste for the northerners (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008), the AG was immediately discounted for a coalition and the NCNC was invited to join them in a coalition to form a Federal Government with promises of key positions in the new government for NCNC leaders. The NCNC leader, Dr. Nnamdi Azikiwe became the nation's first Governor-General and later President while the Deputy Leader of the NPC, Sir Abubakar Tafawa Balewa became the nation's first Prime Minister (Sir Ahmadu Bello, the NPC leader preferred to remain as Premier of the Northern Region due to the power the regional governments wielded at the time). In spite of the coalition, the NCNC continued to flirt with other opposition parties in a bid to strengthen its national spread and even acted as opposition to the NPC in parliament to the utter dismay of NPC leaders (Osaghae 1998, Falola and Heaton 2008). This in addition to power tussles at the centre between the President and the Prime Minister eventually led to the collapse of the hitherto weak coalition. The NPC then sought to form another coalition with the main opposition party in the west, the NNDP; this coalition created a huge rift between Awolowo, the AG leader and Akintola, the NNDP leader and effectively split support for the Yoruba's between Awolowo and Akintola thereby weakening the AG's powerbase in its home region (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Before the breakdown of the NPC-NCNC coalition, both parties used their Federal strength to further weaken the AG by creating the Mid-Western Region for the minorities of the Mid-West located between the Western and the Eastern regions. With this development, the AG was forced for the first time to seriously consider spreading its tentacles beyond the boundaries of the Western region by seeking to form coalitions with the northern opposition NEPU.

To say that the first republic had problems amounts to a gross understatement. The major problem the republic had was the hegemonic relationship the north had with the rest of the country as a result of the constitutional majority it held in parliament (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). According to Osaghae (1998), Mills' law of federal stability states that a federation with such a composition will constantly experience instability and strife between federating units struggling for recognition at the centre of power. Porter (1977) in an analysis of Mills' views on federalism identified that Mill showed a preference for a unitary government as opposed to a federal government because of the difficulty in balancing federating units in a bid to eliminate destabilizing strives. The strife in the case of Nigeria was heightened by the small number of federating units (four regions only) leading to frequent inter-regional conflicts. Even though the NPC succumbed to the creation of the Mid-Western region to create a balance in the anomalies of federating powers created at independence, it was strongly opposed to creating new states in the north for the northern minorities which it considered would weaken the northern hegemony. The creation of the Mid-Western region was therefore not targeted at creating a balanced political arena but served to strengthen the Northern hegemony. Furthermore, the 1954 constitution which created the regions and granted them autonomy more or less created separate countries as these regions in addition to having complete autonomy over their day to day political and economic activities had their own separate constitutions and even high commissions overseas (Osaghae 1998). The incentive to remain as one country was therefore strongly undermined by this constitution save for the fact that the Federal Government had control of the Federal Police and Armed forces and could declare a state of emergency when it deemed fit in any of the regions as well as control over fiscal allocations to the regions. This extreme level of regionalism therefore encouraged not only instability but strong ethnic discrimination and stratification even in federal institutions located outside the federal capital (Ekeh 1975, Madiebo 1980, Osaghae 1998). A Westerner therefore was discriminated against and often viewed with suspicion in a federal institution based in the northern region while he had absolutely no chance of gaining employment in a regional institution outside his Western region of origin. Regions therefore engaged in deep competition to better each other resulting in unhealthy political rivalry, a hallmark of Nigerian politics to date (Madiebo 1985, Osaghae 1998, Falola and Heaton 2008).

The structural flaws of Northern domination and strong regional autonomy constituted incubation grounds for various political developments which singly and cumulatively shook the fragile framework of the first republic till it eventually collapsed (Madiebo 1980, Ojukwu 1989, Osaghae 1998, Falola and Heaton 2008). Notable amongst these political developments was the 1962-68 Federal Development plan, the largely controversial 1962 national census, the imprisonment in 1963 of Chief Obafemi Awolowo, Leader of the Western based Action Group on corruption charges, the 1964 general elections to mention a few. The Federal Development plan according to Madiebo (1980), Dudley (1982) and Osaghae (1998) was summarily a Northern development plan. Running up to 1962, the incidence of speedy promotion of unqualified Northerners to key positions in the civil service and military had been building tensions which final bust the bubble with the release in 1962 of the development plan which showed the bulk of federal capital expenditure to be in the north. The 1962 census intended to be used as a tool for economic and development planning such as revenue allocation, capital budgeting and other fiscal allocations was hijacked by politicians to be used in their political differentiation (Osaghae 1998, Falola and Heaton 2008). The balance of political power tilted in favour of the north at the 1959 elections was due to the premise that the northern region had the largest population of the three regions at independence (Aluko, 1965). NCNC Chieftains saw the census as an opportunity to erase the northern political hegemony by showing that the northern population was in fact less than that of the south. The census figures were also used in promotions and recruitment into Federal institutions such as the Federal Civil Service, The Armed Forces and the Federal Police. Aluko shows that even though the Eastern regional government rejected the 1962 figures and the figures of a 1963 recount, numerical checks indicated that the population in the East and West had increased by over two thirds within the last ten years while that of the North had increased by only one third within the same period. Allegations that the north had counted livestock in addition to humans to arrive at their population figures were thwarted by the fact that registered births and deaths during the period under review did not suggest that the population of the south had increased by two thirds as the census figures claimed (Osaghae 1998, Falola and Heaton 2008). The figures were accepted by the Premiers of the North, West and Mid-West but strongly contested by the Premier of the East (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). The controversial census figures of 1963 then was adopted as the basis of various Socio-political and Economic decisions that followed (Aluko 1965, Osaghae 1998). By 1963 the NPC-NCNC coalition at the centre had managed to penetrate the ranks of the Western based Action Group led by Chief Obafemi Awolowo who was largely considered to be a very conservative and anti-nationalist politician. Even though the AG was the main opposition party in parliament, senior members of the AG such as the then Premier of the Western Region, Chief Ladoke Akintola was of the view that the AG should look at other ways to work with the parties controlling the Federal government considering that the AG had virtually no presence in key Federal establishments; Chief Awolowo viewed this as an act of treachery and proceeded to attempt to remove Chief Akintola from his position as Premier of the Western Region for anti-party activities (Madiebo 1980, Osaghae 1998). In the wake of the crisis, the NPC-NCNC led Federal government saw an opportunity to drive a wedge into the AG stronghold on the Western region and immediately declared a state of emergency in the region, placing a ban on all AG activities and appointed an Administrator to act as premier following which a panel was set up to investigate the AG crisis. The Panel found the Party leader Chief Awolowo guilty of converting funds from regional institutions for use in the party and was subsequently imprisoned for fraud alongside other party chieftains who shared Awolowo's political ideology (Osaghae 1998). Chief Akintola formed another political party, the United Peoples Party (UPP) and later the Nigerian National Democratic Party (NNDP) and was re-instated as Premier of the region. From then on, the NPC-NCNC coalition gained a deep in road into the predominantly Yoruba West through Akintola who had a "debt of gratitude" to pay in return for the political support he had received (Osaghae 1998, Falola and Heaton 2008). At the centre however, the NPC was conscious that the NCNC had grown a lot stronger than it originally anticipated with the NCNC controlling the newly formed Mid-Western region and enjoying popular support from a major faction of former AG members, the NPC moved speedily to strengthen its alliance with the Akintola led NNDP using its Federal might to promise NNDP members key positions in the Federal government in return for their unwavering support. New alliances had been formed, the NPC with the Akintola led NNDP driving to control the Western region and the remains of the AG with the NCNC, both parties with different agendas, the AG vying to regain its hold on the Western region through NCNC support and the NCNC scheming to unseat NPC in the Federal government through AG support. In order to consolidate these alliances across the country, NPC-NNDP alliance which called itself the Nigerian National Alliance (NNA) co-opted minority parties across the south into its fold while the NCNC-AG alliance which called itself the United Progressive Grand Alliance (UPGA) consolidated it's presence in the north by co-opting northern minority parties into its fold. The elections were then essentially between these two alliances (NNA and UPGA) both having a national presence. Thus the political balance in the country shifted, with grave consequences for future national stability and cohesion. The run up to the December 1964 election was in conservative terms violent with regards to life and property across the Northern and Southern regions. In the Western region Awolowo and Akintola supporters engaged in a deep struggle for supremacy of control. Across the country however the assassination of opposition candidates became common place, the abduction of electoral officers and ballot boxes was routine. On the average, about 40% of electoral offices were won unopposed. Using the power of incumbency in the Federal government and its control of both the Northern and Western regions, the NPC frustrated efforts by the UPGA to consolidate its hold on the body polity. In the light of this development, the UPGA called on its member parties to boycott the elections. This boycott was however only effective in the Eastern region, home of the NCNC, the main political party in the UPGA alliance. As a result of the ineffective boycott, after the elections, the NPC emerged as the majority party in parliament, retained control of the Northern region, consolidated its hold on the Western region through the controversial victory of the Akintola led NNDP and thus Sir Abubakar Tafawa Balewa, the immediate past Prime Minister called on the President, Dr. Nnamdi Azikiwe to invite him to form a new government. Azikiwe a member of the NCNC declined to do so but after the intervention of high powered delegates, Azikiwe gave a conditional approval to Balewa to form the government. Azikiwe required Balewa's new government to show a balanced representation of members of the two political alliances (NNA and UPGA), reschedule the elections boycotted in the Eastern region for March 1965 and elections to the Western regional assembly in October 1965 presumably to give the AG another shot to control the region (Dudley, 1982). Balewa honoured his promise for Eastern elections as well as Western regional assembly elections. The NCNC unable to unseat the NPC it was unofficially rumoured was considering confederation and even secession. In the Western region, the Assembly elections had degenerated into chaos, AG and NNDP supporters in violent confrontations (Madiebo 1980, Osaghae 1998). Both parties declared victory at the end of the elections and each party proceeded to swear its Leader in as Premier of the Region. The AG obviously was the more favoured party because the predominantly Yoruba West viewed Akintola and his NNDP chieftains as traitors for acknowledging Northern hegemonic rule. In the wake of the western regional crisis which dwarfed the 1962 crisis for which a state of emergency was declared for about six months, the Balewa led Federal government not only refused to declare a state of emergency but also announced that the Akintola led NNDP had won the elections and was the recognised government in the region. Military installations in the region were put on hold as it was rumoured that they were in support of the AG. The crisis extended unabated into the new year (January 1966). While Balewa was hosting the Commonwealth Leaders Conference in Lagos on January 16 1966, the Military decided to put a final stop to the chaos that had not only engulfed the Western region but had thrown the whole country into disarray posing a question of national unity.

Critique of the First Republic Politics

To what extent the military as an institution remained unified in their decision to abort the growth of democratically elected political institutions remains a question on the lips of many Nigerians to date. On one hand, the coup was welcome as civilians perceived that it would bring much longed for peace and stability back to daily life but the seemingly regional tilt to the violence the coup plotters doled out on the members of the federal government, regional government and political parties introduced renewed fears and potential for future instabilities (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

During the short lived First Republic (1960-1966), the Federal government emphasised economic growth as its main economic objective deploying its economic policies to reflect this desire. There was however a high spate of importation of Western commodities supported by an import substitution industrialization policy (Osaghae 1998, Falola and Heaton 2008). Agriculture which hitherto was a key area of economic development and source of foreign exchange (export proceeds) was neglected to the detriment of the development of the rural sector (Brown 1995, Osaghae 1998, Falola and Heaton 2008). Brown (1995) argues that Nigeria was one of the African countries that showed strong signs of development after independence according to World Bank indices; Osaghae (1998) however holds a contrary view stressing that the capitalist formations put in place at independence were structured to foster neo-colonialist control of the new nation’s economy. His emphasis derives from the origin and structure of the leading enterprises that controlled the financial and manufacturing sectors during the first republic. The economy was controlled by foreign multinationals and trading companies and investment funding was mainly from foreign capital. McKinnon (1973) argues that in order to sustain a desired level of economic growth, it is paramount that the bulk of investment capital be derived from domestic sources. To drive home McKinnon’s view by the end of 1963, only 10% of paid-up capital was in the hands of private sector Nigerians while government controlled enterprise asserted control over 22% leaving the remaining 68% in the hands of foreign owned institutions with the predominance of British government owned institutions (Osaghae 1998). The British Government controlled major investments such as Shell-BP Oil Exploration (49%), Amalgamated Tin (Nig) Ltd (60%) and United African Company (41.3% of all export and import trade) to mention a few. Akeredolu-Ale (1975) and Joseph (1978) have argued that the underdevelopment of Nigeria’s indigenous enterprise was a deliberate outcome of Britain’s colonial developmental policy to ensure neo-colonial control after independence. They further argue that due to Nigeria’s subsequent resistance to neo-colonial control, Britain has rallied its allies to isolate Nigeria in foreign direct investments and all other forms of development aids. Osaghae (1998) puts forward that the neo-colonial agenda was only made possible by the greed of Nigerian elites installed in power at the departure of the colonial government to continue their extractionist policies. The Import substitution industrialization policy of the Balewa government in Osaghae’s view merely served to increase the spate of importation as the indigenous industries set up to substitute importation of finished goods were heavily dependent on imported technology and raw materials. Chief Obafemi Awolowo, leader of the Action Group (AG), the main opposition party openly opposed the Federal Governments heavy reliance strategy on foreign capital for development planning. His view was that the dependence on foreign capital for development planning suggested a neo-colonialist form of relationship with the former colonial master. Nigeria a budding nation, closing its doors to foreign investors may have hindered growth. The issue here may not have been the source of capital but how the capital was integrated and assimilated into the domestic economy by means of appropriate legislations to create permanent growth investment structures. This view earned Chief Awolowo strong resentment from the Northern Hegemonic Ruling Class whose members were still very loyal to the colonial masters (Osaghae 1998, Falola and Heaton 2008). Clearly, during the first republic development of the financial sector was undermined more so, the domestic private sector was deficient of investment capital for use in investment in the stock market and the banks mainly served the government and foreign multinationals.

4.3 THE FIRST ERA OF MILITARY GOVERNANCE (1966-1975)

This section analyses the character and context of military intervention and hegemony in Nigerian politics and the impact this may have had on social and economic development. It is worthy to note at this point that between 1960 and 1998, various Military dictatorships ruled Nigeria for approximately twenty eight years (General Aguiyi Ironsi, 1966; General Yakubu Gowon, 1966-1975;

General Murtala Mohammed, 1975-1976; General Olusegun Obasanjo, 1976-1979; General Mohamadu Buhari, 1983-1985; General Ibrahim Babangida, 1985-1993; General Sani Abacha, 1993-1997; General Abdusalami Abubakar, 1997-1998).

Researchers of Nigerian Political History are largely of the view that the politicians introduced the Military to the “forbidden fruit” by making them conscious of the role they had to play in national cohesion and security as a means to an end in the game of politics (Ekeh 1975, Madiebo 1980, Osaghae 1998 and Falola and Heaton 2008). The feud between Azikiwe and Balewa over who was to be Commander in Chief of the Armed forces analyst claim opened the eyes of the Military to the fact that they had a strategic role to play in Politics; the power struggle between Brigadier Aguiyi Ironsi and Brigadier Samuel Ademulegun over who was to become the first indigenous Commander of the Nigerian Army which Sir Ahmadu Bello, Leader of the NPC clearly took sides with Brigadier Ademulegun was another clear precedence. Madiebo (1980) is of the view that the Ahmadu Bello led NPC had identified the military as a key political institution in nation building and therefore intended to use it as a watchdog over the opposition. They had however not bargained that the military will in the future become the watchdog over national politics and politicians. Because Ademulegun and Ironsi were from opposing major ethnic groups, West and East respectively, the perception that the leadership contest between them was tribal may not be far fetched. Even though Ironsi later became the Commander, Ademulegun was sufficiently senior in rank to be able to flout instructions from Ironsi and run a parallel army given the support of the Late Premier, Sir Ahmadu Bello. In the light of this background, the military under the guise of being a neutral and altruistic national institution assumed the role of messiah with the self imposed mandate of rectifying the administrative errors of civilian regimes (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Osaghae argues that the military was in no position to be a neutral institution in view of the fact that officers and gentlemen of the armed forces were an intrinsic part of the larger society and were therefore not able to remain apolitical. Furthermore, the adoption of the quota system for recruitment and promotion into the military suggests that the military was not free of ethnicity and therefore was politically inclined. Military governments often ushered themselves into power with revelations of economic, financial and social atrocities committed by civilian regimes. When a military government in Nigeria assumed power by ousting another military government, it often justified its action by indicating that the current government had derailed from the agenda of restructuring the political arena and handing power back to the civilians. Military regimes therefore gave the impression of speedy correction and back to status quo. This however was not the case as the military became more intoxicated with power than their civilian counterparts. Having been in power in Nigeria for twenty eight years of the nearly fifty years of independence, the military regimes that assumed power by the barrel of the gun and ruled with an iron fist should be held accountable for most of the social, political and economic structures currently existing in the country.

4.3.1 The January 16 1966 Military Coup

In the aftermath of independence, tribal tensions perpetuated by ethnic politics grew into unprecedented levels in violent power struggles, random and often leisurely assassinations of opposition members and supporters and a general descent into anarchy leading to a military intervention on January 16 1966 by a group of young military officers led by The Late Major Chukuma Kaduna Nzeogwu, an officer of Eastern Nigerian origin. Nzeogwu's assault was short lived, bloody and brutal resulting in the assassination of key government Officials of Northern Nigerian origin such as the then Prime Minister, The Late Sir Abubakar Tafawa Balewa, The Premier of The Northern Region and Sardauna of Sokoto, The Late Sir Ahmadu Bello, The Premier of The Western Region, Chief Ladoke Akintola, The Commander of The First Brigade, Brigadier Samuel Ademulegun (a westerner) who incidentally was a very close associate of The Northern Peoples Congress. Following the data already gathered from the historical analysis, it can be summarily stated that Nzeogwu's assault was directed unequivocally at members of the Nigerian National Alliance (NNA, the NPC and NNDP political Alliance). One of the reasons given for the military intervention of a democratically elected government by the coup plotters was the need to remove the perpetrators of ethnic politics considered to hinder a balanced approach to the national development process; how fairly these officers acted is relegated to the records of history as we can only judge by the records available at the time of this study hoping that the intent and purpose of the writers of these records were not influenced by any ethnic or personal motives. The then Supreme Commander of The Nigerian Army, The Late Major General Aguiyi Ironsi with the cooperation of senior military officers from all the key Nigerian tribes (such as Lt. Col Odumegwu Ojukwu, Commander of the Fifth Infantry Battalion in Kano, Lt. Col Alexander Madiebo, Regimental Commander Artillery Regiment, Kaduna, and Lt. Col Yakubu Gowon) surmounted the efforts of the coup plotters and placed them in custody The popular view was that the coup was an Eastern assault against the Northern Hegemonic class more so as the NCNC had rumoured confederation and even secession if northern hegemony persisted. This view was buttressed by the fact that the coup's main onslaught was in the Northern and Western regions but analysts mainly of Eastern origin (Madiebo 1980, Ojukwu 1989) argued that the Western region had descended into a deep state of anarchy reinforced by the support its Premier, The Late Chief S.L Akintola enjoyed from the Northern ruling class who allowed this mayhem to persist. AG supporters were killing northerners wherever they were found while northerners were retaliating with unequivocal vengeance. The East was in a relative state of calm therefore justifying the claim of the coup plotters that the coup was necessitated to restore National Security and was thus directed at those who posed the greatest threat to calm and stability (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

4.3.2 The Aguiyi Ironsi Led Military Government of National Unity (January 16 1966 – July 29 1966)

With the Nzeogwu coup virtually a success with only a few pockets of resistance still to deal with such as Lt. Col. Chukwuemeka Odumegwu Ojukwu's Fifth Infantry Battalion still to give in, Major Kaduna Nzeogwu (at the time of plotting the coup was the Chief Instructor at The Nigerian Military

Training College, NMTC) was firmly in control of the Northern region having assassinated its Premier, Sir Ahmadu Bello (Madiebo 1980). The East was also under his firm command as the coup was received without resistance and the Premier of the region Dr. Michael Okpara had been taken into custody. In the opinion of Osaghae (1998), the coup had been badly executed and was therefore not deemed to be successful as pockets of resistance still existed around the country. This view was also shared by Ojukwu (1989) and Falola and Heaton (2008). The coup plotters had however succeeded in terminating the existing government of the day leaving the country without a government thereby necessitating superior military intervention to restore the country from sliding into anarchy. Madiebo (1980), a senior military commander at the time however claims that Major Nzeogwu had control of most parts of the country except Lagos, the Federal capital where troops and officers were loyal to the Supreme Commander of the Armed Forces, General Aguiyi Ironsi. Madiebo narrates how he was instructed by Ironsi to place Nzeogwu under arrest. Under high level dialogue, Kaduna Nzeogwu voluntarily handed over control of military units under his command to General Ironsi and was subsequently taken into custody. Ironsi's true involvement in the coup was however subject to speculation as Osaghae notes that major military locations around the country were controlled by officers of Ironsi's native eastern origin and in the event that senior military officers were eliminated by the coup plotters, Ironsi miraculously managed to stay alive to play the role of hero and nation builder. In the state of anarchy the country found itself in, the federal cabinet voluntarily handed over the reins of government to General Aguiyi Ironsi who became Nigeria's first military ruler.

Ironsi's regime was short lived and unceremonious. He strived above all to unite the country in a show of unity that many senior northern military officers and politicians as well as their western and even eastern counterparts thought was unrealistic in view of the deep ethnic cleavages that existed within the country (Madiebo, 1980). According to Madiebo, the late General surrounded himself with more Northerners than the Late Sir Ahmadu Bello erstwhile ruler of the Sokoto Caliphate ever did at the height of his political career. Madiebo (1980) and Osaghae (1998) also claim that Ironsi was of the view that the Northerners around him could confirm to fellow Nigerians that he was not holding secret political meetings with his ethnic Igbo brothers. This view, even though a nationalistic view was later to be the ticket to his demise.

Ironsi was described as over simplistic and politically naïve for the things he did and those he did not do. The most erroneous of all his decisions it was claimed was the controversial decree no. 34 of May 24 1966 in which the country ceased to be a federal republic. Decree 34 was intended to eradicate ethnicity driven by intense regionalism and concentrate power at the centre from where government was to be administered (Falola and Heaton, 2008).

In the last weeks of Ironsi's regime (May 1966), violent riots emerged in the north directed at the termination of easterners and destruction of their property (Madiebo 1980, Ojukwu 1989, Osaghae 1998, Falola and Heaton 2008). While Ironsi was in Ibadan, capital of the Western region on a national tour to consolidate his agenda of national unity, the military struck once again on July 29th 1966 led by Lt. Col. Yakubu Gowon, a northern officer from the minority tribe of Angas. Ironsi and his host Brigadier Francis Fajuyi, Military Governor of the Western Region were violently murdered in a military operation titled “Operation Araba” meaning secession. The north was poised to secede from the rest of the country but intervention of the then British High commissioner Francis Cumming-Bruce and the American Ambassador to Nigeria Elbert Mathews persuaded the northerners to drop their plans.

4.3.3 The Gowon Led Military Regime (August 1966-July 1975)

After the assassination of General Ironsi, the north having reneged from their secessionist agenda had decided to take over the reins of power provided certain conditions were met; that Decree 34 be repealed, that the January 1966 coup plotters be brought to trial and that no investigation be conducted into the May 1966 riots that saw easterners in the north heavily massacred (Madiebo 1980, Osaghae 1998). Gowon then took over the reins of power from July 1966 to January 1975 when he was ousted from power on grounds of gross corrupt practices by a fellow Northern Officer, Major General Murtala Mohammed, perceived by the local public to be a messiah during his short lived era. After Gowon came to power, reports of wide spread pogrom of officers and civilians of Eastern Nigerian origin became common place in the news media resulting in frequent brutal tribal clashes between Northerners and Easterners while the predominantly Yoruba West looked on (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). In the wake of the tribal tensions that ensued and mounted, as well as political tensions between the military administration in the east and the federal government in Lagos (then capital city), a civil war broke out in July 1966 between a seceding Eastern block and the Northern led federal forces. The Eastern block was led by the Governor of the then Eastern Region, Lt. Col Chukwuemeka Odumegwu-Ojukwu. Ojukwu son of a wealthy industrialist, Sir Louis Odumegwu-Ojukwu had joined the Nigerian Army as a Recruit shortly after he returned from Oxford University where he earned an MA in History.

Following the assassination of General Ironsi and the ascension to power of General Gowon, tensions grew between the east and the north more so due to the refusal of Col. Ojukwu, the Military Governor of the Eastern region to acknowledge Gowon’s authority as Head of States. Ojukwu demanded to know what had become of General Ironsi whose demise was not made official till January 1967, six months later (Madiebo 1980, Osaghae 1998). In the meantime, between July 1966 and September 1966, the pogrom of easterners in the north continued unabated by the Gowon led regime (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Madiebo recounts that Gowon himself (who worked closely with General Ironsi) selected a high number of Senior Military Officers of southern origin including all southern officers with rank above Lt. Col. (Madiebo inclusive) to attend a commissioning board for officer cadet in Kaduna (northern Nigeria) on July 30th 1966, the day the coup was scheduled to take place in a bid to eliminate them and thus systematically put officers of northern origin in the majority in the armed forces. Ojukwu who was senior to Gowon in military hierarchy (before Gowon elevated himself to the rank of Major General) claimed that in the absence of General Ironsi, the next most senior ranking officer, Brigadier

Ogundipe, a westerner of Yoruba origin should take over the affairs of the Federal Military Government but the hegemonic north would not hear of such an anomaly, Ogundipe who feared for his safety sought exile in Britain where he was later appointed Nigerian High Commissioner to Britain by the Gowon Regime (Madiebo, 1980).

Talks of secession were therefore common place amongst eastern traditional rulers who urged Ojukwu to protect the Igbos from the unending onslaught from the north. In reaction to the continued pogrom of easterners, Ojukwu in a press statement voiced his views to the Federal Government saying easterners no longer felt safe living outside the eastern region and summarily requested all easterners to return home to the east while all none easterners living in the region were ordered to leave the region as the Regional Military Government could no longer guarantee the safety of their lives and property. In reaction to this, Gowon repealed degree 34 (the Unitary degree) in a bid to strengthen the Federal Governments control of the regions and dowse any hopes of secession warning that any such uprisings will be met with decisive force. Osaghae (1998) argues in favour of Gowon's decision to prevent the east from secession ignoring the fact that Gowon himself championed operation Araba, the northern secessionist agenda. Furthermore, the pogrom of easterners in the north that carried on unabated for months under Gowon's watch was sufficient grounds for the east to secede. It is therefore not clear what Osaghae referred to as Gowon's benevolence towards re-absorbing the easterners back into the country and his subsequent embarking on reconstruction of war damaged areas.

In order to resolve tensions between Col. Ojukwu and himself, Gowon called for an Ad Hoc conference to discuss issues of national unity in September 1966.The eastern delegates included academics, politicians, bureaucrats and senior military officers. Gowon advised that the conference should exclude deliberations on secession or a unitary system of government and should discuss around four options viz: a federal system with a weak or strong centre, a confederal system or a system unique to the Nigerian situation. Upon invitation to Lagos the Federal Capital to attend a meeting of the Supreme Military Council, Ojukwu declined to attend emphasizing that all representatives of the eastern region including himself no longer felt safe outside of the region (Madiebo 1980, Osaghae 1998). The meeting was then hosted in Aburi, Ghana on January 4-5 1967 under the watch of the Military Government in Ghana. The East and North proposed a confederal system of government where the regions will be completely autonomous and decide on how the federal government would be organised and funded while some parts of the West and Mid-West proposed a federal government with a strong centre with the creation of eighteen states. Other parts of the West and Lagos however also supported the confederal system that the north favoured as they argued that the country was not yet ready for state creation (Madiebo 1980, Osaghae 1998).

Ojukwu’s view was that at the Aburi meeting, they decided to form a confederal system of government allowing the regions complete autonomy and its own military and police force but upon returning to the country, Gowon promulgated decree 8 which gave the interpretation of a Federal system of government. Ojukwu proceeded with the confederal system and the eastern regional government took over all Federal parastatals and withheld all federal taxes and revenues in the region. In reaction to this, the Federal government cut off air travel to and from the east and imposed various economic sanctions (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

Between May and September 1966, an estimated 100,000 easterners were brutally massacred in the northern region without any form of government interference (Madiebo 1980, Osaghae 1998). The east had continued to be marginalised in Federal affairs following the pogrom. With the imposition of the economic blockade on the east, the Eastern Regional Consultative assembly called on Lt. Col. Odumegwu Ojukwu, the Military Governor of the Eastern Region to secede from the rest of the country and declare a separate republic to be called the Republic of Biafra (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Ojukwu subsequently declared the Republic of Biafra as a sovereign nation on 27th May, 1967. Fighting started on 6th July, 1967, the beginning of a civil war which lasted 30 months (Madiebo 1980 gives a detailed account of the war). Osaghae (1998) argues that the eastern regional government had only ten million pounds in reserves so could not have fought a war that lasted thirty months without some form of external aid while Madiebo (1980) who was the General Officer Commanding the Biafran Army narrates of how the easterners improvised weapons such as the famous “ogbunigwe” or death of metal piercing (home made landmine).

In the post war era, a deep sense of distrust engulfed the easterners particularly the Igbos, the majority tribe in the east leading to their continued marginalization in spite of programmes embarked upon by the Federal government to re-integrate them into the federation (Osaghae 1998, Falola and Heaton 2008). Having won the war and the country returned to peace time, Gowon was faced once more with the task of returning the country to civil rule. He proposed a nine point agenda on the basis of which the transition programme would be complete. Items on his agenda included determining a new revenue allocation formula for distribution of federal revenue, carrying out a national census, implementation of the 1970-1974 national development plan and demobilizing a burgeoning war time armed forces to mention a few. Gowon shifted his proposed hand over to civilian rule date from 1972 to 1974 and subsequently to 1976 on the grounds that the 1972 census had been severely rigged and therefore the results were unacceptable to the Federal Military Government (Madiebo 1980, Aluko 1991, Osaghae 1998). With this uncertainty of hand over, the civilian population was getting irritable while senior military officers were beginning talk in whispers particularly about allegations of high level corruption levelled against Gowon and his lieutenants (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). The allegations of corruption and Gowon's reluctance to quit power were based on the oil boom of 1970 which his economic advisers had advised will last well into the 80's (Osaghae 1998). In the first few years of the Gowon administration economic growth and development was hampered by the civil war which lasted nearly three years. After the civil war, government spending on luxury imported goods and benevolent acts to other African nations were high on the agenda due to excess capacity derived from the oil boom of the early seventies. Focus on economic planning was relegated to the background (Aluko 1991, Osaghae 1998). By July 1975, a new Military Junta headed by General Murtala Mohammed, of Hausa/Fulani origin terminated the Gowon regime.

4.3.4 The Murtala/Obasanjo Military Regime (July 1975–October 1979)

After what seemed to be a never ending chain of promises to return the country to civilian rule, Nigerians had evidently become disgruntled with the military bearing in mind that the country had faced its deepest levels of political instability under military custodians and trustees of peace and National unity. General Murtala Mohammed came to power in a bloodless military coup d'etat that ousted the Gowon regime. Mohammed in his maiden broadcast to the nation assured Nigerians that his regime had not only come into power to restore the status quo, civilian rule but above all to correct and restore the dignity the military once enjoyed as an institution. Grave allegations of corrupt practices were levelled against the Gowon regime as well as allegations of derailment from the objective thereby tainting the grand image of the military. In a bid to demonstrate that the Gowon regime was extravagant in its spending habit, General Mohammed disbanded the massive personal security team that formed part of Gowon's identity, a decision that later cost him his life. A wave of new military decrees was issued mainly restricting the press and repressing any form of opposition. The regime set up the National Security Organisation (NSO) to act as a secret Federal Police but their main function in the days of the regime was to intimidate and repress opposition of any form wherever it was found. Labour unions were regrouped (about 250 different unions) into only eight unions to facilitate monitoring and control (Osaghae 1998).

Even though General Mohammed was one of the northern officers that sought northern secession in 1966 (alongside Gowon) he was still widely respected in the armed forces as a bold and outspoken officer (Osaghae 1998, Falola and Heaton 2008). During his regime it was believed that he acted fearlessly and took firm decisions like the Gowon regime was unable to take. Notable amongst his actions was the immediate and unexplained cancellation of the 1972/73 controversial census and his decision to use the 1962/63 census figures for planning purposes. On the 1st of October 1975 the Head of States in his Independence Day broadcast announced a transition to civil rule programme which the regime followed to the letter. The issue of creation of new states was also looked into in order to create a political balance between north and south for which the Irikefe Panel was appointed to look into and their recommendations were adopted with some modifications to create seven new states bringing the total number of states to nineteen. In the same vein, the suitability of Lagos as the Federal Capital was also looked into and the vision to create Abuja, a new Federal Capital Territory, was put on the drawing board. All in all, the Mohammed/Obasanjo regime made efforts to correct the ills of the civil society but analysts consider that their efforts did not yield the correct results (Osaghae 1998, Falola and Heaton 2008).

On October 4th 1975 the Federal Military Government inaugurated a Constitution Drafting Committee comprised of two members from each state of the federation to prepare a draft constitution for the proposed new civilian administration. The constitution according to the military government was to reflect the federal character of the country, encompass a free democratic political system based on the creation of viable political institutions to enable a smooth transition to power from one administration to another and in general avoid mistakes made by the first republic politicians. In order to achieve these the government advised that the panel should adopt an Executive Presidential System of government (to avoid the power sharing problems that was rampant between Azikiwe and Balewa in the first republic), limit the number of political parties to be registered, insulate the Judiciary from political pressures, restrict the further creation of new states and create institutions with a mandate to serve as corrective organs of government such as the Public Complaints Bureau.

Murtala Mohammed the Military Head of State who ousted the purportedly corrupt Gowon military Junta was assassinated on 13th February 1976 approximately six months after he assumed power by a member of a group of military officers led by The Late Lt. Col. Burka S. Dimka. Dimka's coup was foiled by the then Chief of Staff Supreme Headquarters, Major General Olusegun Obasanjo who assumed office as the next Military Head of States and Commander in Chief of the Armed forces of the Federal Republic of Nigeria. Obasanjo became famous for his transition to civil rule agenda which created the second republic by handing over power to a democratically elected Northern Civilian President, Alhaji Shehu Shagari. Shagari's coming to power was controversial and it was rumoured in high political quarters in the West and the East of the country that Obasanjo had been under pressure from Northern king makers to return power to the North where it was assumed it rightly belonged (Osaghae 1998).

Various reasons were given for the Dimka coup; it was strongly rumoured that the erstwhile Military Head of States General Gowon had masterminded the coup which was intended to restore him to power. Dimka apparently was a close associate of Gowon's and the vast majority of men and officers involved in the coup were from Gowon's middle belt origin. The middle belt is comprised of a group of minority tribes located around the intersection of the rivers Niger and Benue; the intersection occurs around the middle section of the country. The British and American Governments were further suspected of complicity in the assassination due to what they termed General Mohammed's communist tendencies which he displayed in support for Agosthino's Movimento Popular de Libertacao de Angola (MPLA) a Marxist group (Osaghae 1998). Dimka had been seen on a few occasions at the British high commission in Lagos where he was alleged to have gone to receive funding for the operation. He had also visited Gowon in Warwick, England where Gowon was studying for a degree in Political Science. General I.D Bisalla the Commissioner for Defence was strongly implicated in the coup plot because he had openly made his resentment known at the appointment of General T.Y Danjuma as the Chief of Army Staff. Danjuma who was junior to him in the Military College had risen above him by rapid promotion while Mohammed and Obasanjo who were originally his rank had risen above him in Military hierarchy. Bisalla was also known to nurse strong ambitions of becoming the Head of State (Osaghae 1998).

Various attempts by the Nigerian Government to extradite General Gowon to stand trial were declined by the British Government (Madiebo 1980, Osaghae 1998).

Critique of the Military Establishment

General Bisalla's perceived views no doubt demonstrate the character of the State and go a long way in explaining the high spate of successive military regimes which formed the framework of national development. It can therefore be argued that the frequency of military takeover of government machinery in Nigeria was not only ethnically motivated (character of state) but also driven by prebendalistic personal career ambitions of high ranking military personnel such as General I.D. Bisalla who records have it had openly boasted about his ambition to become Head of States (Osaghae 1998).

4.4 THE SECOND ATTEMPT AT CIVILIAN RULE (1979-1983)

After the highly controversial elections held in August 1979, a supposedly new era of civilian rulers were ushered in by the military to take charge of the body polity. Alhaji Shehu Shagari was sworn in as the First Executive President of the Second Republic under the 1979 constitution that bestowed full executive powers on the President and abolished the office of the Prime Minister. By all ramifications the Shagari led National Party of Nigeria (NPN) undoubtedly represented the unyielding interests of the conservative Hausa/Fulani Northern hegemonic authority (Osaghae 1998, Falola and Heaton 2008).

4.4.1 The Institutional Structures of the Second Republic

Taking into consideration the flaws of the First Republic, the military government led by Murtala Mohammed and Olusegun Obasanjo endeavoured to re-engineer the political process by creating a constitution that sought to balance out the national power equation eliminating amongst many issues, the imbalance of power at the centre created by the Westminster Parliamentary system where a President and Prime Minister were required to share power (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). The 1979 constitution as it came to be known required all political parties to incorporate the Federal Character Principle in their formation and activities demonstrating constitutionally that they all had a national presence and coverage both in location, membership and leadership. Under the Westminster Parliamentary System, the legislature was considered an appendage of the bi-cameral executive but under the 1979 constitution, the legislature was to operate independent of the executive and Judiciary. The Legislature known as the National Assembly was also bi-cameral, consisting of the Senate or upper house (formed by equal representation from states) and the House of Representatives or lower house (formed by state population). At the state level the legislature was made up of the House of Assembly. The states were headed by Governors who had deputies elected on the same ticket. The third tier of government was the Local government which was headed by a chairman. Under the new constitution, the legislature played a more prominent role than it had done in the first republic such as maintaining checks and balances on the executive arm of government with the right to impeach a President who had been proven to act outside his mandate. The legislature also had new 'ratifactory' powers over decisions made by the executive arm of government (Osaghae 1998, Falola and Heaton 2008).

During the second republic, six political parties (three northern and three southern) in all were functional. The parties just like those of the first republic were ethno-regional and often built around the party's leadership. One of the key aims of the Federal Character Principle was to protect minority ethnic groups but this aim failed massively as tensions associated with which ethnic group will eventually control Federal Executive power left them once more marginalized. Of the six political parties formed, only the ruling National Party of Nigeria (NPN) had a truly national representation (even though it was built around the hegemonic conservative Hausa/Fulani Northern elite) and the Nigerian Advance Party (NAP) was the only truly ideological party that had no obvious ethnic tilt (even though it was headed by a Yoruba leader and had its head office in Lagos, a Western city) (Joseph 1981, Osaghae 1998).

In parliament, the Awolowo led Unity Party of Nigeria (UPN) just like the old Action Group (AG) he led in the first republic remained a strong opposition to the National Party of Nigeria (NPN) led Federal Government and the NPP just like the NPC-NCNC formed a fragile alliance with the NPN, an alliance which did not last very long. Institutionally therefore, the second republic was no different from the first republic (Joseph 1981, Osaghae 1998, Falola and Heaton 2008).

4.4.2 Crisis and the Life of the Second Republic

The second republic was rife with crisis ranging from religious, social to political. The economic recession on its own brought about grave riots and disorder in the country causing serious disruptions across the federation. What was most fascinating was that the NPN led Federal Government carried on lavishly enriching its members and ignoring the plight of the electorates (Osaghae 1998, Falola and Heaton 2008).

Inter-governmental relations with the exit of the Military became strained along the three tiers of government. The Federal Government maintained its supremacy and attempted to practice the form of Federalism the Military Government had introduced (extremely powerful centre) but continued to meet with opposition from the State governments; such opposition included the demolition of federally constructed low cost housing in a Western state controlled by an opposition party which claimed that housing was the jurisdiction of the state government and the federal government had not sought permission from it before commencing construction (Osaghae 1998). An eastern state government was also alleged to have prevented the construction of a major road by the federal government as the road was owned by the state government (Osaghae, 1998). Under the Federal system of government the military had imposed on the country, the Local government was supposed to function as a separate tier of government but state governments viciously cut off access to the federal government to prevent the more often than not opposition led federal government from undermining supremacy of the state government in their very own states (Osaghae 1998, Falola and Heaton 2008).

The crisis of the second republic cut across political parties, occurred within political parties and within the larger society. The NPN led federal government became more arrogant in its dealing with opposition and the general public increasing the size of the police force and militarizing the force to meet the regular riots and disorder that characterized the second republic (Osaghae 1998).

After the 1983 elections which saw the incumbent party, the National Party of Nigeria (NPN) gaining a land slide victory even in opposition territory. Accusations of rigging were rife and wide spread but in most political constituencies, the NPN maintained its stand and formed the federal government a second time (Osaghae 1998, Falola and Heaton 2008). The second republic however came to a quite end on 30th December, 1983 with the seizure of power by the military.

4.4.3 The Economy during the Second Republic

The Nigerian economy during the NPN led Second republic was an epitome of failure (Osaghae 1998, Falola and Heaton 2008). The return to power by the Military in 1983 was therefore widely supported by the civilian population. The Shagari led Civilian Government evidently mismanaged the economy.

According to Osaghae, GDP fell by 8.5% in real terms and consumer prices increased by 20% during the four year reign of civilians compared to the unceremonious record the military left behind, a just and proper reason for an emergency rescue package only the armed forces could provide.

4.5 THE RETURN TO MILITARY RULE (1983-1993)

On 30th December 1983 Major General Mohamadu Buhari, an officer of Northern origin and Major General Olatunde Idiagbon, an officer of Western origin ousted the second republic returning the country to military rule with Buhari assuming office as Head of States and Commander in Chief of the Armed Forces while Idiagbon assumed the role of Chief of General Staff.

Under the 1979 Constitution, as mentioned earlier, all the flaws of the defunct first republic were supposed to have been addressed by the erstwhile military government therefore negating the need for another military intervention in view of the fact that the military had imposed itself on the body polity as the custodian of political order. Analysts of the second republic like Dudley (1982), Adamolekun (1985) and Osaghae (1998) to mention a few argued that the character of the state was ignored in the making of the 1979 constitution to the detriment of the second republic. The unanswered question of the role of the military in rescuing the nation from failing civilian governments has however lingered like a dark cloud over the electorate. If the politicians hit stumbling blocks in carrying out their constitutional duties, on what basis can an unelected military government rectify their anomalies or perhaps put them back on the right footing. Osaghae argued that the character of military governments is strongly questionable bearing in mind that only a select few politically motivated military officers have taken upon themselves the role of nation builders in the name of the entire armed forces. As much as the military endeavoured to present itself as one body motivated by one goal, factions driven by different views however formed the bulk of the military.

As suddenly as the Buhari-Idiagbon junta came to life on December 30, 1983 so did it come to an abrupt end on August 25, 1985 ousted by General Ibrahim Badamasi Babangida, Nigeria's first Military President.

Babangida's eight year rule was sporadic and corrupt, a government whose era inadvertently legitimised kickbacks. From the on set, as part of his manoeuvring skills, IBB as he came to be known promised a swift return to civilian rule but Nigerians came to realise much later that his definition of 'swift' was no different from that of a tortoise (Osaghae 1998, Falola and Heaton 2008).

After a huge amount of political pressure from eminent Nigerians and both domestic and Western news media, Babangida finally organised an election to return the country to civil rule on June 12, 1992. The elections widely acclaimed to have been won by Chief Moshood Kasimawo Abiola, a Muslim from the Yoruba speaking West was annulled by General Babangida on grounds of national security. Succumbing to pressure from his followers, Abiola proceeded to announce himself as the rightful President and Commander in Chief of the Armed Forces of the Federal Republic of Nigeria

(Osaghae 1998, Falola and Heaton 2008). As the Armed Forces still remained loyal to General Babangida, this proved to be a costly error of judgement for Abiola who was taken into custody and charged with treasonable felony. Babangida in the midst of both National and International pressure later handed over the reins of government to Chief Ernest Sonekan who hailed from Western Nigeria widely perceived as a traditional means of dowsing the ethno-political tensions that arose in the wake of Abiola's detention.

4.6 THE BOTCHED THIRD REPUBLIC AND PERSISTENCE AT MILITARY RULE (1993-1998)

Sonekan's mandate was to head an Interim National Government charged with re-conducting elections to return the country to civilian rule (Osaghae 1998, Falola and Heaton 2008). As a final manoeuvring tactic, Babangida handed over command of the Armed Forces to a long trusted colleague and Northern Officer, General Sani Abacha.

Babangida was barely out of office when General Abacha ousted the Sonekan administration and assumed full control of the government for a remarkable four year rule in the political history of Nigeria (Osaghae 1998, Falola and Heaton 2008).

Abiola after four years in detention mysteriously died of a cardiac arrest following the brutal assassination of his wife Alhaja Kudirat Abiola who had relentlessly stepped on the toes of the ruling military junta while calling for her husband’s unequivocal release from illegal detention (published by various Nigerian and international dailies).

Shortly after Moshood Abiola passed on, the demise of General Abacha was announced resulting in an open national jubilation across the country. Apart from the June 12 election, another incidence which clearly united Nigerians from their different walks of life was the passing on of General Abacha representing the end of a traumatic phase both for the poor and down trodden as well as the rich and mighty from North to South (personal experience while living in Nigeria at the time).

Abacha was succeeded by General Abdusalami Abubabkar, an officer of northern origin who came into office announcing a twelve month return to civil rule programme. Abubakar true to his word conducted elections under a two party system, both parties headed by candidates from the West of the Country. The general perception amongst Nigerians of Southern origin at the time was that the North had finally decided to relax their grip on power but they had decided to entrust it to a former military General of Western Nigerian origin and trusted friend of the North, Chief Olusegun Obasanjo. Obasanjo who prior to the time of appointment as Civilian President had spent three years on death row sentenced to death by the erstwhile Abacha Junta for his alleged role in a plot to overthrow the military government (Osaghae 1998).

4.7 THE FOURTH REPUBLIC (1998- DATE)

After two ‘four year’ terms in office and an attempt at a third term, Obasanjo who had ruled the country as a military ruler in the past handed over power to Alhaji Shehu Yar’ Adua, a Northern Nigerian Politician and younger brother to his former Chief of Staff Supreme Headquarters during his tenor as military ruler, Brigadier Musa Yar’ Adua. Musa Yar’ Adua who died of unclear chronic illnesses while on death row was arrested and sentenced to death alongside Obasanjo by the defunct Abacha regime (Nigerian news media).

The validity of the election that brought Shehu Yar’ Adua to power was contested vigorously by the opposition who claimed that Obasanjo had undermined the electoral process using the power of incumbency to install a close friend in power to avoid after office probes in view of insinuations of high handed corrupt practices associated with his eight year civilian administration (Nigerian news media online, Falola and Heaton 2008).

Relative peace was however brought to the country by the Supreme Court which ruled that evidence before it did not suggest that Yar’ Adua had been fraudulently installed in power (Nigerian news media online). Yar’ Adua continued to rule the country until a spate of ill health prevented him from continuing the execution of his mandate forcing him to concede Federal power early in 2010 to his Vice President, Dr. Goodluck Jonathan an academic turned politician from the minority oil rich Niger Delta region. As at the time of writing this review, Dr Jonathan remained the Acting President and Commander-In-Chief of the Nigerian Armed Forces.

4.8 THE CHARACTER AND ROLE OF THE MILITARY IN NATION BUILDING

Osaghae (1998) attempts to redefine the use of the phrase “The Military” frequently used in describing military governments in Nigeria, Africa and indeed across countries in the developing world that have at one point or the other been subject to military rule and governance. Osaghae broadly connotes that the phrase “The Military” used to refer to the various activities of political soldiers does not refer to the Armed forces as a homogenous body but to those members of the Armed forces who have shown an inclination towards politics, governance and nation building. The view of this research however on the use of the phrase is contrary to that of Osaghae in view of the fact that the homogeneity of an institution cannot be redefined by the personal views and actions of individual members; all good and bad accruing to individual members of the military should therefore accrue to the credit or discredit of the institution as it were. In examining the role of the military in the Nigerian political economy, views and findings of this research was attributed to the Nigerian Armed Forces as a homogenous institution.

At all times the military deemed it fit to wrench power in Nigeria either from a democratically elected civilian regime or from a self appointed military regime, the most obvious reason was given “the current government was corrupt and had lost focus, the state was in decadence and needed to be resuscitated urgently”. Military intervention and rule can therefore be classed as an integral character of the Nigerian State. Being an integral character of the state, the question of the character, role and achievements of the military in nation building in Nigeria therefore deserves a critical examination to isolate its advantages and disadvantages. In discussing the character of military rule, the intention is to examine the remote factors that drove the military to advance from a role of professionalism to one of politicking and nation building as well as the factors that motivated successive military regimes to remain in power.

4.8.1 The Character of Military Intervention, Military Colonialism and the Theory of the Third Public

Military Colonialism is a phrase coined by this researcher to refer to the broad socio-political and socio-economic attributes and nuances of military intervention and rule that became a significant trend in most African democracies or what was referred to as democracies. The purpose of this section is to succinctly examine the pedagogical factors that characterised military intervention and subsequent rule, re-engineering of civilian rule and eventual handover of power to purportedly democratically elected civilian regimes.

In the Nigerian context, the character of the state identified from the foregoing historical analysis of the Nigerian Political Economy which led to the first incursion of the military into politics is ethnicity and prebendalism; the military coup d'etat executed by the five Major's in 1966 was on the ground that civilian politics was rife with ethnic sentiments driven primarily by the NPC led Northern hegemonic government and therefore unhealthy for national security and development at a balanced pace. From the foregoing analysis, it can be deduced that the military judging it self to be professional and free from ethnic and political sentiments placed it self in the best position to govern the country as a single entity and spread the gospel of a balanced and neutral approach to nation building under the banner of a national social welfare function. Elements within the military as has been demonstrated however did not feel this was the case leading to the emergence of pockets of disgruntled and slighted resistance groups within a supposedly homogenous entity as a result of which a further coup d'etat took place, the developments from which plunged the country into thirty gruesome months of civil war (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

The military therefore characterised its intervention as corrective and progressive in relation to a central state welfare. The Nigerian military hitherto an under privileged institution was launched to the lime light by its control of the fiscal and policy mechanism of the state it was purported to protect and nurture. Ohiorhenuan (1980) criticised the military for deriving its power from the control of the state it sought to protect rather than from its position within the national political economy. The implication of this is a rejection of military intervention as the military has no place in the national political economy. Madiebo (1980), Ohiorhenuan (1980) and Osaghae (1998) have argued that repeated use of the military to suppress opposition under the first republic led to the military locating itself within the Nigerian Political Economy thereby seeking to create a social class of relevance where it ultimately placed itself. Because the military knew that they could only hold political power for so long, they sought to create institutions and structures that would ensure their continued relevance after disengagement from active politics (Joseph, 1981). This brings to question the stability of Nigeria's current democracy, does it support the genuine will of the people or does it merely satisfy the desires of specific social classes or ethnic groups? If so, is the current democracy threatened by direct or indirect control by the military and/or her agents? Is the current democracy neutral to national development objectives as opposed to Sectorial or ethnic objectives?

Ekeh (1975) elaborates on a detachment of the individual from the state in view of the individual perceiving his existence to be alien to that of the state, locating himself outside the periphery of the interests of the state with a view to pursue his own independent interests. This phenomenon was purported to have arisen under colonial rule where the colonial government was evidently identified as alien to the civil society and had summarily used its machinery to administer its policies often against the desire of the governed Ohiorhenuan (1980). This analogy can be extended to include the seemingly endless chain of unelected military governments as the third public which ousted democratically elected civilian governments (second public since their actions once in power was viewed as alien to the civil society) who had been elected to serve the unified interest of the civil society but who from the foregoing historical review had failed in that ramification and had rather acted against civil society as a result of which civil society continually welcomed and often sought military interventions as a release from civilian torment.

In a bid to consolidate its newly acquired gains and status, the military acting in the capacity of the state embarked on hedging its position through a massive expansion of the public sector by spending plans which rather than increase public utility was directed at duplicating and hence subsidizing the private sector with the effect that the private sector gradually dwindled (Ohiorhenuan, 1980)

TABLE 4.1: RELATIVE SIZE OF THE PUBLIC AND PRIVATE SECTORS

	Gross Investment (%)		Contribution to GDP (%)	
	1965	1976	1965	1976
Public Sector	35.7	67.5	9.2	38.0
Private Sector	64.3	32.5	90.6	61.7
Total	100.0	100.0	99.8	99.7

Source: Ohiorhenuan (1980), Proceedings of the Nigerian Economic Society (1980)

4.8.2 The Nigerian Economy under Military Governance (1966-1979)

The views expressed in this section are based on secondary data from Mbanefoh (1980), Ohiorhenuan, Osaghae (1998) and Falola and Heaton (2008).

Nigeria is endowed with a multitude of natural resources such as iron ore, copper, tin, crude oil and other mineral extracts. In addition to this, the country possesses a wide profile of arable land making agriculture a mainstay of the Nigerian economy. Under the colonial government and in the first republic, agricultural produce such as groundnut, cocoa, palm produce formed a major part of national exports. However under the first tier of military rule, political conflict around the decision for the various regions to remain united as a Federal Republic was largely attributed to the vast oil reserves in the South South of the country directly under the administration of the Eastern Regional Government (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). Oil politics as Osaghae referred to it was the reason why the North called off operation Araba (secession), why the East decided to secede and why the Federal Government under Northern hegemony seized fiscal autonomy from the state governments and implemented a revenue allocation formula (under the Gowon led Federal Military Government) that saw to the fact that oil revenue particularly during the oil boom of the early seventies was essentially controlled and disbursed by the Federal Government. As a result of the boom, emphasis was turned away from other productive sectors of the economy such as agriculture and manufacturing (Brown 1995, Osaghae 1998, Collier 2008, Falola and Heaton 2008, Moyo 2009) in preference for luxury imported goods and even those agricultural products for which Nigeria had been known as a major exporter dwindled in output (Collier 2008, Moyo 2009). Because the country's productive capacity was concentrated in a single product, oil, it was inevitable that the economy faced a huge vulnerability to macroeconomic shocks in demand and supply. As a result, with the sudden hike in price of oil, the Federal Government increased government spending to astronomical levels leading to immense unsustainable increase in well being and prosperity. Expansionary monetary policy was embarked upon to enhance the economies distributive rather than productive capacity resulting in the Federal government building two new oil refineries, one in Warri (Niger Delta) and the other in Kaduna (North) to augment the already existing one in Port Harcourt (Delta South). In addition to this, the Federal Government acquired major share holdings in expatriate oil companies operating within the country (such as Elf, Shell BP etc) as a political tool to control and direct oil exploration and distribution. The government incorporated the Nigerian National Petroleum Corporation (NNPC) in 1990 to manage its share holdings in these oil companies. Because of excessive government control of the region, projects like the Liquefied Natural Gas (LNG) project initiated by Shell BP in 1966 remained crippled for decades. Nigeria has vast deposits of natural gas (the single largest deposit in Africa at 2400 million cubic centimetres) suitable for heating homes in cold climates like Europe but not essential for use in Nigeria, a temperate country. From 1966 to 1978, over 80% of the available gas was flared into the environment at an estimated loss of national income of about Four Billion United States Dollar a year (Osaghae, 1998). In a bid to create a manufacturing sector, the Obasanjo led Federal Military Government in conjunction with Russian Technical Partners constructed a steel rolling complex (Ajaokuta Steel Complex) with an annual capacity of 5.2 million tonnes of steel. The nearly non-existent manufacturing sector was strongly dependent on imported raw materials for its operation thereby stifling domestic growth potentials.

With the end of the oil boom in the late seventies, oil prices began to decline and in order to stave off the decline, oil producing countries under the Organisation of Petroleum Exporting Countries (OPEC) began to reduce supply in order to cause demand to outstrip supply and thus cause an artificial rise in the price. In the face of this macroeconomic shock, the Federal government still continued expansionary fiscal policies spending heavily to fund the Black African Festival of Arts and Culture (FESTAC) in 1977 while oil production dropped from 2.1 million barrels per day to 1.5 million barrels per day with the resultant increase in fiscal deficits. Because of the combined effect of huge volumes of imports and drop in oil export, the country's Balance of Payment (BOP) widened uncontrollably.

In a bid to check the deteriorating economic situation, the Federal Government introduced austerity measures such as the imposition of restrictions on the importation of certain commodities that were either deemed unnecessary luxuries or had local alternatives, increased income tax and tariffs, cut in public sector budgets and rationing of foreign exchange. These austerity measures were however ineffective as any gains made were immediately lost by the Federal Military Governments persistence on expansionary fiscal policies. The country's external debt portfolio firmly established under the first era of military rule persisted for several years to come.

As a further drive towards resuscitating the economy, the Military Government under General Gowon embarked on an Indigenisation programme which was supposed to transfer the nations productive capacity to indigenes but the end result was a transfer of the distributive capacity to a selected few, the cream of the elite who restructured their holdings in order to accommodate their expatriate Under-Technical Partners who possessed the wherewithal to run the businesses (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). The economy therefore had simply been transformed from one state of disability to another more complex one. In line with the Indigenisation decree of 1972 (effective 1974) the Military Government used its legislative power to acquired 40% stake in the three biggest banks which were hitherto foreign owned (The United Bank for Africa Plc, The First Bank of Nigeria Plc and the Union Bank of Nigeria Plc known then as Barclays Bank of Nigeria). The acquisition was more or less a forced sale of shares by the bank's shareholders. The Military government later took over control of these banks and in a later privatisation programme handed over full control of the banking sector to Nigerian shareholders.

The Military Governments indigenisation unfolded under three separate schedules, each schedule categorising the various sectors of the economy and specifying the extent of foreign participation if any in the various sectors. Some sectors were to be reserved 100% for nationals only. The Nigerian Enterprises Promotion Board and the Bank for Commerce and Industry were established to provide risk capital for Nigerian nationals to invest in sectors where foreign entrepreneurs had been relieved. The essence of the programme was thwarted two fold by the fact that the economies distributive and productive capacity was transferred unilaterally to the elite of society while these elite who did not have the technical capacity or were just seeking rents transferred their ownership rights unofficially to foreign investors who never really left the scene. In 1975, the Military Government moved to check the activities of these underground foreign investors by selling more than 120 such companies with underground foreign ownership for violating schedule one of the Nigerian Enterprises Promotion decree. Retail trade was thus effectively transferred from the Asians and Lebanese to Nigerians (Osaghae 1998). A key point to note here was that during the indigenisation programme, the highest number of shares was reportedly purchased in the Western States with a reasonable amount purchased in the Eastern State of Anambra while the Northerners more disposed to politics showed little interest in commercial enterprise. Other Eastern states preferred to engage in one man or family businesses where capital was controlled directly by the owners of the business rather than banks and the stock market (Osaghae 1998).

Being a former British colony, Britain was Nigeria's biggest trading partner (importation and exportation) but the relationship between Nigeria and Britain deteriorated during the civil war due to what the Nigerian government termed Britain's negative role in the war (Madiebo 1980, Ojukwu 1989, Osaghae 1998). The relationship further deteriorated during the Obasanjo led Military Government when repeated attempts by the Military Government to extradite General Gowon from Britain to stand trial in Nigeria for his alleged involvement in the Military Coup D'etat that resulted in the assassination of the Head of States, General Murtala Mohammed ended in a stalemate. Subsequently trade with America increased as trade with Britain declined.

In summary the Military Governments from 1966 – 1979 moved the Nigerian Economy from various stages of dependence under the erstwhile colonial structure to higher levels of dependence in what was supposed to be a capitalist economy.

Going forward, this section examines the views as put together by members of the Nigerian Economic Society immediately following the exit of the Military from governance in 1979 (Proceedings of the 1980 Annual Conference of The Nigerian Economic Society edited by Femi Kayode and Ibi Ajayi).

The Objectives of Economic Policy - Ohiorhenuan (1980) stressed that the state represented by the federal military government or its civilian equivalent according to the Neoclassical Welfare Theory is expected to be neutral towards social classes. In the case of Nigeria, ethnic stratifications inclusive; the federal government was therefore expected in its pursuance of national economic policy to set its objectives in a balanced national interest. Economic policy for the purpose of this study will follow the definition and scope used by Ohiorhenuan (1980) to examine the performance of the objectives set by the military led federal government in Nigeria between 1966 and 1979. Economic policy is therefore defined as the set of policies set by the Federal Military Government as a guide to preparing the budget, managing the role, powers and function of the central bank, development of infrastructure and national development. Economic policy of any well meaning government machinery should therefore have a set of clear objectives focused on creating a national welfare function that embraces the interest of all its citizens to a large and visible extent (Ohiorhenuan 1980). Economic policy serving a national interest should unanimously embrace the objectives of maintaining stable commodity and asset prices by controlling inflation using various instruments of monetary policy (such as money supply, interest rates and credit policy), maintaining low levels of unemployment, acceptable levels of economic growth, a positive balance of payment, security of lives and property, a stable banking system and the freedom of citizens to set up their private economic machinery anywhere they desire within the boundaries of the federation irrespective of their ethnic origin (Ohiorhenuan 1980).

The underlying character of military intervention in Nigerian politics therefore poses great challenges for the achievement of these objectives of economic policy stated above considering that from the historical analysis of the Nigerian nation, the incursion of the military into politics was based primarily on the instability of the political class on the grounds of ethnic strive and prebendalism itself a brain child of ethnicity. As mentioned earlier, for the military to assume the role of nation building, it speedily attempted to locate itself outside of the ethnic and prebendalistic set which incidentally was a subset of the national set which it professed to be a part of and which it sought to protect. Because members of the armed forces were as Nigerian and as ethnically stratified as the civilians who they ousted and accused of implementing policies which were not in the national interest, it was only expected that that the military would have done a better job at nation building than the civilians ever hoped to do; in my personal opinion, it was perhaps this high hope that brought the military under the spot light and under sharp criticism.

The objectives the military sought to pursue in the interest of a balanced approach to nation building were outlined in the second (1970-1974) and third 1975-1980) national development plans.

In 1970, the Federal Military Government set the following national social and economic objectives which Ekundare (1971) referred to as a weapon for social change:

1. Build a united, strong and self reliant nation.
2. A great and dynamic economy.
3. A just and egalitarian society.
4. A land of bright and full opportunities for all citizens.
5. A free and democratic society.

Table 4.2 below shows the planned distribution of expenditure to achieve these objectives.

TABLE 4.2 PLANNED DISTRIBUTION OF EXPENDITURE: SECOND NATIONAL DEVELOPMENT PLAN

	=N= Millions	**%age of Total Planned Expenditure**
Transport	242.6	23.7
Education	139.9	13.5
Agriculture, Forestry & Fishing	132.7	12.9
Defence & Security	96.4	9.4
Industry	86.1	8.4
Health	53.8	5.2
Fuel & Power	45.3	4.4
Communications	42.6	4.2

Source: Ekundare R.O (1971)

The key message in the second national development plan according to Ekundare (1971) was social change and national cohesion as a result of lessons learnt from the just concluded civil war which had brought home the realization that a strong and united nation with a strong and positive character was of the essence for political stability and economic growth. The government was therefore at the time of formulating this plan determined to achieve the five objectives through a balanced approach to development of transport and communication networks, balanced geographical industrial development, education at all levels for all, full employment and reconstruction of the war torn Eastern region. According to Ekundare in a quote from the script of the second national development plan, the government indeed recognised that the problem of ethnicity and prebendalism which were the root causes of the thirty month long civil war had to be squarely confronted if the national interest of a free and fair state was to be achieved; the only problem though was that no concrete direction was carved out to achieve these objectives and their associated semi-objectives as a result of which they never really left the drawing board.

While these objectives sounded wholesome and nationalistic, evidence from the historical review demonstrates that the Nigerian political economy between 1970-1974 was not heading anywhere in these directions, as a result of which a another military junta in their words, felt compelled to seize power and return the country back on the track of national development by issuing the third national development plan which embraced all the objectives of the second national development plan with more specific enhancements targeted at unpacking the five holistic objectives embodied in the second national development plan. The additions were as follows:

1. Increase in per capita income.
2. More even distribution of income.
3. Reduction in the level of unemployment.
4. Increase in the supply of high level manpower.
5. Diversification of the economy.
6. Balanced development.
7. Indigenisation of economic activities.

Table 4.3 shows the planned Sectorial distribution of investment targeted at achieving the third national development plan.

TABLE 4.3 SECTORIAL DISTRIBUTIONS OF INVESTMENT, INCREASE IN OUTPUT, AND INCREMENTAL CAPITAL/OUTPUT RATIO IN MILLIONS OF NAIRA

Sectors	**Public Sector Investment**	**Private Sector Investment**	**Total Investment**	**Increased Value Added**	**Implied ICOR**
Agriculture	1,300	1,200	2,500	2,084.6	1.2
Mining & quarrying	1,400	1,100	2,500	4,464.1	0.6
Manufacturing & craft	3,800	2,000	5,800	1,691.1	3.4
Electricity & Water	1,000	-	1,000	99.9	10.0
Building & Construction	-	2,700	2,700	2,535.8	1.1
Distribution	100	1,400	1,500	1,447.9	1.0
Transport & communication	5,500	500	6,000	694.0	8.6
General: government	3,000	-	3,000	1,159.1	2.6

Education	1,500	-	1,500	623.8	2.4
Health	400	100	500	196.3	2.5
Other services	2,000	1,000	3,000	257.5	11.7
	20,000	**10,000**	**30,000**	**15,254.1**	**2.0**

Source: Lewis A.O (2007)

From table 4.3, it can be seen that the proposed total investment for the third national development plan was thirty billion Naira as against three billion Naira (1000% increase) proposed for the second national development plan. According to Lewis (2007) the objectives the military outlined for national social and economic development were sentimentally appealing but difficult to numerically quantify in terms of execution and measurement of success; with this problem at the point of commencement therefore, the plan was set to fail even before it took off (see Lewis 2007 for a critical analysis of the policy framework of the third national development plan). This was another demonstration of the incompetence not only of the military who were the executors of the plan but perhaps also the technocrats who drew up the plan assuming that the military had not published a politically palatable version of what the technocrats had produced in order to sooth the yearns of a specific social class and ultimately ethnic group as the foregoing historical review highlighted as being the predominant practice (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

In conclusion, Lewis argues much to the tune of this research that the third national development plan like the plan it sought to replace was fundamentally erroneous in its use of only economic indicators to measure growth rate rather than a conjectural consideration of social indicators which were unique to the Nigerian environment, (a reflection of the character of the state the key focus of this study) as indices of growth rate alongside established macro and micro economic indicators.

A Review of Fiscal Policy - Ohiorhenuan (1980) summarises fiscal policy under the military era not only as haphazard but conflicting in terms of its objective and long term effect. In the years following the civil war, the Federal Military Government professed to rebuild and reconstruct domestic capacity however this view was not reflected in the government's fiscal policy mostly directed at consumption spending which did very little to develop domestic industrial capacity particularly during the oil boom of the early 70's when importation of all manner of consumer goods was financed at the expense of domestic enterprise.

Mbanefoh (1980) presents a succinct analysis of the behavioural trends of the military led fiscal policy drive of the mid 60's to late 70's.

In the area of personal income tax, Ohiorhenuan (1980) and Mbanefoh (1980) both stressed that the degree of inconsistency and lack of focus of successive military governments was made obvious in the inconsistency between the objective of building a just and egalitarian society stressed in both the second and third national development plans and the regular incidence of imposition of higher tax levels on low income earners. To buttress this fact, Mbanefoh cites the example of the tax restructure which took place in 1966 where the rate of tax of low income earners (N1,000) more than doubled while that of higher income earners (N20,000) remained unchanged thereby transferring the burden of fiscal revenue to the poor. This no doubt had the consequence of continually widening the gulf between the rich and the poor with the effect of creating a society which was far from just and egalitarian contrary to the widely preached objectives.

Table 4.4 shows a reduction in personal income allowance in 1966.

TABLE 4.4 A CROSSECTION OF CHANGES IN PERSONAL INCOME ALLOWANCE UNDER THE MILITARY

	1961	1966	1975	1977	1979
Personal Allowance (=N=)	600	400	600	600*	1200*
Wife Allowance (=N=)	200	200	300	300	300
Allowance Per Child** (=N=)	120	120	250	250	250

* Including the option of one-tenth of earned income

** Allowance per child up to a maximum number of four children

Source: Mbanefoh (1980)

The above table shows that personal income tax allowances were increased in the oil boom years because the military had stumbled on another means of financing government spending (Madiebo 1980, Osaghae 1998, Falola and

Heaton 2008); in general, personal income taxes were reduced in these years with the most benefit of reduction going to the higher income earners (about 30% for the higher earners compared to 20% for the lower earners). In addition to this, the option of claiming one-tenth of earned gross income as personal tax allowance was no doubt more beneficial to higher income earners thereby confirming the distortion in income distribution which was associated with the military era (Mbanefoh, 1980).

On the expenditure side of fiscal policy, Ohiorhenuan (1980) and Mbanefoh (1980) both concluded that government spending under the various military governments in Nigeria were excessive and regressive in nature. Government expenditure further helped maintain the wide gulf created by the regressive personal income tax scheme that was in place. Further to this, tax was collected from low income earners on a “Pay As You Earn” (PAYE) basis which was direct from source while the higher income earners such as private business men where allowed to evade taxes as no major huddles were set by the oil revenue rich military government to ensure prompt payment of taxes.

TABLE 4.5: OIL CONTRIBUTION TO THE FEDERAL MILITARY GOVERNMENT REVENUE (1966-1977)

Year	**Oil Revenue (=N=m)**	**Total Revenue (=N=m)**	**Oil Revenue as Percentage of Total Revenue (=N=m)**
1966	37.7	339.2	11.1
1967	41.2	300.0	13.7
1968	23.3	299.9	7.8
1969	72.5	435.9	16.6
1970	196.4	759.1	25.9
1971	740.1	1410.9	52.9
1972	576.2	1389.9	41.5
1973	1461.4	2171.3	67.3
1974	4183.8	5177.1	80.8
1975	4611.7	5861.6	78.7
1976	5548.5	7070.3	78.5
1977	5821.5	8251.3	70.6

Source: Mbanefoh (1980) originally from the Federal Office of Statistics, National Accounts of Nigeria 1960/61-75/76, Lagos, 1978

Monetary Policy under the Military – Since independence, the Central Bank of Nigeria has had the mandate to formulate monetary policy. A key institutional framework associated with the formulation of monetary policy in Nigeria however is that the Central Bank is a department with responsibility to the Federal Executive Council (civilian or military); in other words, the Central Bank is devoid of operational independence and hence lacked the liberty to formulate monetary policy without interference from the Federal Military Government. In relation to the view of this research therefore and with reference to Kirshner (2001), the political class in power (civilian or military) and by the character of the state, the ethnic group in control of the Federal Government had a significant propensity therefore to influence the direction and magnitude of monetary policy.

The key instruments of monetary employed by the Central Bank under the Military era was interest rate policy, credit policy and minimum cash reserve requirements (such as 40% of a banks liquidity to be held in treasury bills and call money) (Ohiorhenuan 1980). The Central Bank fixed a lending ceiling to credit to the private sector by commercial banks. Such a ceiling was however not applicable to the public sector. The sectors under the credit rationing scheme included the industrial sector, general commerce and service sectors.

Furthermore, the Federal Military Government proceeded to acquire 40% of all foreign banks in the economy (Osaghae 1998, Falola and Heaton 2008).

Between 1970 and 1980, fiscal policy continued to be expansionary while monetization of budget deficits continued unabated leading to high level double digit inflation figures and structural adjustment in the 80’s (Osaghae 1998, Falola and Heaton 2008).

From the foregoing, literature and historical review it can be argued that even though the Central Bank of Nigeria has been a very active and seemingly politically independent institution, under the military era particularly in the days of the Structural Adjustment Programme (SAP) the Central Bank of Nigeria was not in any way in control of money supply (inflation and money supply data from the banks website). This leads to the conclusion that the military governments in power over time abused the process of monetary policy formulation.

Key Institutional/Sectorial Developments – Under the Federal Military Governments development plans (1970 – 1980), three key institutional/sectorial developments were recorded to have taken place. These are broadly categorised under the oil, industrial and agricultural sectors (Ohiorhenuan 1980).

The Federal Military Government began active participation in the oil sector in 1971 when it formed the Nigerian National Oil Corporation which by 1973 had taken over 55% interest in all oil producing companies in the country and by 1979 was in control of 60% of all oil producing interest including a complete nationalization of British Petroleum Nigeria in a responsive move to British foreign policy in apartheid South Africa.

In the Industrial sector which Osaghae (1998) referred to as an assembly process, the Federal Military Government promulgated the Nigerian Enterprises Promotion Decree (1972) specifying industrial sectors to be wholly owned by Nigerians, and a minimum of 40% ownership by Nigerians in those concerns where foreign ownership was allowed. This decree was directed at meeting the objectives of economic policy and national development set out in the national development plans. A Nigerian Enterprises Promotion Board was charged with the responsibility of ensuring that these percentages of ownership were maintained; the guidelines however only opened up a new opportunity for Nigerians to earn a living fronting for foreigners who desired full control of their businesses (Osaghae 1998).

In the agricultural sector, the Federal Military Government carried out various programmes such as the re-launching of Agricultural Research Institutions, the launching of nationally oriented farming programmes for grains and food crops such as The National Accelerated Food Production Programme (NAFPP) in 1972 and the Operation Feed the Nation Programme (OFN) in 1976. These programmes designed to alleviate the difficulties of rural farmers no doubt ended up in the hands of the elite as a tool of largesse distribution (Ohiorhenuan 1980, Mbanefoh 1980). The Military government also introduced a scheme to guarantee 75% of loans made by commercial banks to individual as well as organised farmers for farming. Furthermore, the Federal Military Government promulgated a land use decree in 1978 which vested ownership of all urban land in a state in the Military Governor of the state to be allocated for agricultural purposes at his discretion.

4.8.3 Development of Financial Intermediaries and Markets under Military Governance

From the foregoing discussion of the Nigerian political economy particularly under the military, recalling the second and third development plans, no evidence exists to suggest that the military governments that predominantly held federal power had a specific agenda for the development of financial markets and intermediaries. The Nigerian Stock Exchange (NSE) was formed in 1960 and was headquartered in Lagos the then Federal capital city. In 2001, the Abuja Stock Exchange (ASE) was launched with modern electronic trading facilities however the exchange was soon closed under heavy political sentiment from high powered Directors within the Nigerian Stock Exchange who had the backing of top government functionaries claiming that the government was better off maintaining its monopoly position of ownership of the NSE (Wikipedia).

According to the World Fact Sheets of the Library of Congress CIA Fact sheets, banking in Nigeria started in 1932 when the first Nigerian Bank was established by British Missionaries. By 1952 Nigeria had five banks in all, three foreign and two indigenous. During that year, the National Assembly resolved that the country should set up a Central Bank to promote Economic growth. The Colonial government looked into this claim by asking a senior official of the bank of England to look into it. The official's conclusion was that the market was relatively underdeveloped and therefore did not require a Central Bank. By 1957, the decision to set up a Central Bank was approved and the bank became operational in 1959 with operational independence till 1968 when the Gowon led Federal Military Government annexed it to the State House, by a Military Decree which gave the Federal Executive Council supremacy over the affairs of the Central Banks monetary and other operational activities.

The Nigerian Banking system has grown considerably since its inception with nearly ninety commercial banks in operation before the Chukwuma Soludo led Banking Recapitalization Scheme which required all commercial banks to increase their capital base by 1000% to make them comparable in size and capacity to their overseas counterparts. Today, the financial market and intermediaries consist of the Nigerian Stock Exchange, twenty five full fledged Universal Banks, Insurance Companies, Pension Funds and Cooperative Societies (Central Bank of Nigeria Website).

4.9 SUMMARY OF HISTORICAL REVIEW

The foregoing historical review of the Nigerian Political Economy has revealed factual evidence as documented by social and economic historians of Nigerian literature. Key amongst the characters of the Nigerian State revealed by this review is ethnicity. Ethnicity was the reason why the erstwhile colonial government gave the North an upper hand in parliament to help balance out their shortfall in development, ethnicity was the reason why “The Five Majors” struck in January 1966 in Nigeria’s first military coup to forestall the highhandedness of the incumbent Northern Peoples Congress (NPC) led civilian government following which a retaliatory coup was executed to restore Northern control of the Federal Government. Ethnicity was further responsible for the thirty month long civil war which not only destroyed existing infrastructure but also impeded the path for future development as it introduced deeper dimensions to the existing ethnic cleavages around the country. Ethnicity again is the reason why there continues to be deep emphasis in which ethnic group controls the Federal Government (to ensure continued dominance of the Northern hegemonic rule) thereby taking away emphasis from regional and local development.

Between 1960 and 2007, the historical review revealed that Nigeria had thirteen heads of government; one easterner, three westerners and nine northerners. The incidence of Northern hegemonic rule is therefore not imaginary but factual. Eight of these thirteen rulers were military rulers who ruled for a total of twenty eight years of forty seven years (at 2007). Further evidence from the review particularly the first national development plan rolled out by the NPC led civilian government in 1964 which was coined a northern development plan was purportedly a prebendalistic plan to develop the north with nationally generated revenue. A further act of prebendalism was the controversial revenue allocation formula adopted by the Gowon led military government in 1974 to ensure northern control of nationally generated revenue through the machinery of the federal government. The Gowon government and subsequent governments laid emphasis on the huge crude oil revenues using this revenue allocation formula to control crude oil sales thereby ignoring sectors such as financial services, agriculture, manufacturing and real estate.

In the light of the foregoing therefore, the key characters of the Nigerian State highlighted by this review is ethnicity, civil war/strife and military governance. Ethnicity has however been identified as the driver of the other two characters which have resulted in a diversion of development capital to other less productive ventures such as prebendalism and politicking.

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSION OF RESULTS

5.1 DESCRIPTION OF DATA

5.1.1 The Structure of Economic Data

Data is traditionally described in terms of its dimensions. The dimension of a particular set of data allows it to be classified into different forms associated with the statistical or econometric instruments of analysis available. Such classification would therefore refer to data as cross-sectional data, time series data or panel data.

Data comprising of a group of variables observed during a point in time (perhaps house hold expenditure during a particular month) is referred to as cross-sectional data. If the data is a particular variable observed over a continuous time frame (perhaps a number of years) then the data is referred to as time series data. Both cross-sectional data and time series data are referred to as one dimensional data because cross-sectional data is observed over a single time period while time series data involves the observation of a single variable over multiple time periods. Panel data on the other hand is data made up of a group of variables observed over a continuous or multiple period of time. Panel data is referred to as two dimensional data because it involves the observation of multiple data heads over a multiple period of time. Each data head in a panel of data however qualify to be referred to as time series data. An example of panel data would be the GDP and money supply data for a group of countries (e.g. Sub-Saharan African countries from year 2000 to 2005).

The data involved in this analysis comprises of various market and intermediary data heads observed between 1960 and 2006 for Nigeria The structure of this data qualifies to be classified as multivariate time series data giving the reason for the choice of method of analysis this study adopted to analyse the data.

5.1.2 Procedure of Data Analysis

The purpose of this analysis was to quantify and evaluate the finance growth theory in relation to macroeconomic indicators from the Nigerian economy between 1960 and 2006. The method for quantification and analysis is a suitable econometric method for the quantification and analysis of time series data. Econometrics is broadly defined as the set of procedures applied to measuring the behaviour of economic indicators in search of evidence of their conformity with accepted economic theory (Asteriou and Hall, 2007). This analysis therefore seeks to identify how closely the finance growth theory explains the causality of economic growth in the Nigerian economy.

The first step in carrying out any econometric analysis is to identify the economic theory to be tested (in this case the finance growth theory) and go on to identify a model that can be used to empirically test the validity and applicability of the theory. Following this step, the required data for testing of the model is gathered and the model estimated. Specification tests to confirm that the model adopted is the appropriate model for the analysis and diagnostic tests are then carried out to test the accuracy of the estimation method used. If the model is found to be appropriate, hypothesis testing is then carried out. The hypothesis testing is a process of accepting or rejecting the validity of the economic theory in use. On the basis of the hypothesis test result, academic deductions and policy recommendation can be made (Asteriou and Hall, 2007).

5.1.3 Analyzing Time Series Data

Two main types of analysis exists using time series data. They are time series forecasting and dynamic modelling.

In time series forecasting, the main focus is the building of models which have the capacity to forecast efficiently. This type of analysis is not concerned with attempting to understand the economy through the building of structural models or testing of hypothesis.

Dynamic models on the other hand are more concerned with building structural models and testing of hypothesis.

5.2 STATEMENT OF PROBLEM AND METHOD OF ANALYSIS

5.2.1 Statement of Problem

Given the short run Error Correction Model (ECM)

$Y_t = a_0 + a_1 Y_{t-1} + \gamma_0 X_t + \gamma_1 X_{t-1} + u_t$

If a series of negative shocks occur in the economy represented by the character of the state (ethnicity, prebendalism and military intervention/governance) captured by the error term u_t then we may likely have a situation whereby Y_t increases at a slower rate than its lagged value Y_{t-1}. In future periods, Y_{t-1} will therefore be located below its long-run steady-state growth path.

If we successfully eliminate these characteristic factors (ethnicity, prebendalism and military governance/intervention), how fast, or what will be the speed of adjustment of ΔY_t back to its steady state long-run equilibrium.

If the analysis shows that characteristic factors represented by dummy variables slow down the increase of Y_t then we can conclude that in the case of the Nigerian Economy, the causal relationship between financial development and economic growth is truncated by the character of the state.

5.2.2 Estimating the Long-Run Relationship between Variables

As mentioned earlier, the purpose of econometric analysis is to measure the theoretical relationship between a set of variables under scrutiny. If there is no theoretical basis to the relationship then econometric modelling becomes insignificant (Hendry 2003, Asteriou and Hall 2007). In order to estimate the long-run relationships, we must identify a suitable analytical method to illustrate the theoretical basis of the relationship. Two methods have been identified to be suitable for the estimation of the long-run relationship viz The Engle-Granger Method (EG Method) proposed by Engle and Granger (1987) and the Johansen Maximum Likelihood Method proposed by Johansen (1988). Both methods are suitable to estimate the relationship in question however the EG Method has been found to have some shortcomings as a result of its inability to specify which of X or Y should be used as the regressor. A further shortcoming is that when more than two variables are present in the relationship such as the relationship currently under investigation, the emergence of more than one co-integrating relationship is more than likely thereby leading to conflicting views and relationships. Finally, the method uses a two step estimator, the first step being to generate the residual series and the second being to estimate a regression for the series. The disadvantage of this is that the model does not allow for the use of lagged terms which allow for the introduction of Gaussian error terms and standard normal error terms that are free of non-normality, autocorrelation and Heteroskedasticity (Hendry 2003, Asteriou and Hall 2007).

The Johansen method however takes care of all the short falls of the Engle-Granger method mentioned above by allowing for the use of multiple variables and lagged terms (Asteriou and Hall, 2007).

5.3 ANALYSIS AND RESULTS

The analysis was carried out in four stages and the result for each stage discussed.

5.3.1 Tests for Unit Roots or Non-Stationarity Using the Augmented Dickey-Fuller Test

The presence or otherwise of unit roots gives an indication of the order of integration of a time series variable. Therefore for a time series variable to be stationary it must have an order of integration of zero. Any order above zero implies that non-stationarity exists and therefore regressions using such data may produce spurious regressions, however this may in some rare cases not occur. Various tests are available to test for stationarity such as the Dickey-Fuller Test (DF), the Augmented Dickey-Fuller (ADF) Test and the Phillips-Perron (PP) Test. The ADF and PP tests tend to give similar results (Asteriou and Hall, 2007). For the purpose of this analysis, the ADF test was used on microfit following the steps outlined in Asteriou and Hall (2007:299).

In carrying out the tests for the various series in the data set (GDP per capita, size, activity etc) the standard practice is to select level in the microfit software to determine the point of testing for unit roots; the general equation showing trend and intercept was used as a starting point following Doldado, Jenkinson and Sosvilla-Rivero (1990). In microfit the graph of the variable against time was plotted and observed for an intercept as well as a trend. This procedure was repeated for all the variables.

The critical values for the ADF test were shown in the test results following McKinnon (1991). The critical values applied for each series was generated along side the test statistics for the series in the ADF tests shown below.

From step seven of the ADF analysis procedure shown in Asteriou and Hall (2007:299) the null hypothesis is rejected if the absolute value of the test statistics for the ADF test is less than the critical value shown for the case we are studying, i.e. no intercept or trend, intercept only and no trend and finally intercept and trend equation. All these three cases were analysed at three different levels i.e. level (no unit root), first difference (one unit root) and second difference (two unit roots). To determine the state of the data (level, first difference or second difference) the highest value for Akaike Information Criterion (AIC) and the Schwartz Bayesian Criterion (SBC) were selected for each ADF test run on each variable. The Test statistics corresponding to the highest value of AIC and SBC were compared to the critical values shown in the test result to determine if the absolute value of the test statistic was less than that of the critical value; if this was the case then the null hypothesis of the presence of unit roots was rejected. For each of the three cases (namely no trend or intercept, intercept only and intercept and trend) Mckinnon (1991) gives critical values for 5% significance. The level of significance of a test is given as the probability that the test statistic falls in the critical region when the null hypothesis is true (Watsham and Parramore, 1997).

The concept of non-stationarity/stationarity in time series data is associated with the data exhibiting trends or otherwise. Stationary time series will experience temporal shocks with the effect that the series will return to the mean long-run value associated with it. In non-stationary series however shocks tend to be permanent therefore the series is unable to adjust back to a mean value on the long run resulting in its variance tending to infinity (Asteriou and Hall, 2007).

GDP time series are normally trended causing them not to be stationary irrespective of the number of times they are subject to differencing (Watsham and Parramore 1997, Hendry 2003, Asteriou and Hall 2007). If two non-stationary series are regressed against each other, a typical problem mentioned earlier known as spurious regressions may arise. This problem is detected when the coefficient of determination (R^2) is significantly greater than the degree of autocorrelation (DW statistics) more so with (R^2) tending towards unity (Granger and Newbold, 1974).

5.3.1.1 Unit Root Test for Real GDP Per Capita

From the plot of the series on microfit it was determined that the series has an intercept and also trended. The ADF test was carried out and the results in table 5.1 obtained. AIC and SBC values of -684.1283 and -687.7856 and zero lag were selected for intercept and trend giving a test statistics value of 5.0817 greater than the critical value of -3.5088 therefore the null hypothesis of the presence of a unit root was unable to be rejected. At the first difference however with an AIC and SBC value of -679.5300 and -682.2400 respectively and zero lag, a test statistics of -2.5006 was obtained which had an absolute value lower than the critical value of -3.5112 therefore the null hypothesis of the presence of a unit root was rejected. The GDP series was therefore considered stationary at first difference.

TABLE 5.1 UNIT ROOT TEST (ADF) FOR REAL GDP PER CAPITA

LEVEL FOR REAL GDP PER CAPITA

Unit root tests for variable REAL
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistics	LL	AIC	SBC	HQC
DF	10.6966	-680.8096	-682.8096	-684.6382	-683.4946
ADF(1)	5.9088	-680.1297	-683.1297	-685.8727	-684.1572

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable REAL
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	7.7791	-680.7973	-683.7973	-686.5403	-684.8249
ADF(1)	5.0817	-680.1283	-684.1283	-687.7856	-685.4983

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

FIRST DIFFERENCE FOR REAL GDP PER CAPITA

Unit root tests for variable DREAL
The Dickey-Fuller regressions include an intercept but not a trend
****
45 observations used in the estimation of all ADF regressions.
Sample period from 1963 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.4328	-679.1933	-681.1933	-683.0000	-681.8668
ADF(1)	.42972	-673.9366	-676.9366	-679.6466	-677.9469

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9271
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable DREAL
The Dickey-Fuller regressions include an intercept and a linear trend
****
45 observations used in the estimation of all ADF regressions.
Sample period from 1963 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-2.5006	-676.5300	-679.5300	-682.2400	-680.5402
ADF(1)	-.62995	-672.2572	-676.2572	-679.8705	-677.6042

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5112
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.2 Unit Root Test for Size of Stock Market

From the plot of the series on microfit it was determined that the series has an intercept and also trended. The ADF test was carried out and the results in table 5.2 obtained. AIC and SBC values of 180.7547 and 178.0117 respectively and zero lag were selected for intercept and trend giving a test statistics value of 0.85502 lower than the critical value of -3.5088 therefore the null hypothesis of the presence of a unit root was rejected. The Size of Stock Market series was therefore considered stationary at Level.

TABLE 5.2 UNIT ROOT TEST (ADF) FOR SIZE OF STOCK MARKET

LEVEL

Unit root tests for variable SIZ
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	1.3775	182.6152	180.6152	178.7866	179.9302
ADF(1)	0.73701	182.6525	179.6525	176.9095	178.6250

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable SIZ
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	0 .85502	183.7547	180.7547	178.0117	179.7272
ADF(1)	0 .10751	183.9617	179.9617	176.3044	178.5916

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.3 Unit Root Test for Activity of Stock Market

From the plot of the series on microfit it was determined that the series has an intercept and also trended. The ADF test was carried out and the results in table 5.3 obtained. AIC and SBC values of 150.7298 and 147.9869 respectively and zero lag were selected for intercept and trend giving a test statistics value of 2.9703 lower than the critical value of -3.5088 therefore the null hypothesis of the presence of a unit root was rejected. The Size of Stock Market series was therefore considered stationary at Level.

TABLE 5.3 UNIT ROOT TEST (ADF) FOR ACTIVITY OF STOCK MARKET

LEVEL

Unit root tests for variable ACT
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	3.7188	153.5613	151.5613	149.7327	150.8763
ADF(1)	3.2199	153.5663	150.5663	147.8233	149.5387

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable ACT
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	2.9703	153.7298	150.7298	147.9869	149.7023
ADF(1)	2.5962	153.7315	149.7315	146.0742	148.3614

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.4 Unit Root Test for Efficiency of Stock Market

From the plot of the series on microfit it was determined that the series has an intercept and also trended. The ADF test was carried out and the results in table 5.4 obtained. AIC and SBC values of -458.6114 and -462.2687 respectively and a unit lag were selected for intercept and trend giving a test statistics value of -5.8696 higher than the absolute critical value of -3.5088 therefore the null hypothesis of the presence of a unit root was unable to be rejected. The Efficiency of Stock Market series was therefore considered to be non-stationary at Level.

For The first difference of the Efficiency of stock market series, AIC and SBC values of -461.6998 and -464.4098 respectively and a zero lag were selected for intercept and trend giving a test statistics value of -11.4118 higher than the critical value of -3.5112 therefore the null hypothesis of the presence of a unit root was unable to be rejected. The Efficiency of Stock Market series was therefore considered to be non-stationary at first difference.

For The second difference of the Efficiency of stock market series, AIC and SBC values of -467.2186 and -469.8948 respectively and a zero lag were selected for intercept and trend giving a test statistics value of -14.8934 higher than the critical value of -3.5136 therefore the null hypothesis of the presence of a unit root was unable to be rejected. The Efficiency of Stock Market series was therefore considered to be non-stationary at second difference.

Unable to achieve stationarity with the Efficiency of stock market series even at second difference we consider that the series may contain a permanent error in its trend and therefore proceed to use its Level form in the regression equation.

TABLE 5.4 UNIT ROOT TEST (ADF) FOR EFFICIENCY OF STOCK MARKET

LEVEL

Unit root tests for variable EFF

The Dickey-Fuller regressions include an intercept but not a trend

****

46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007

****

	Test Statistic	LL	AIC	SBC	HQC
DF	-7.3089	-457.1115	-459.1115	-460.9402	-459.7965
ADF(1)	-5.2655	-456.9540	-459.9540	-462.6970	-460.9816

****

95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable EFF

The Dickey-Fuller regressions include an intercept and a linear trend

****

46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007

****

	Test Statistic	LL	AIC	SBC	HQC
DF	-7.7227	-455.3794	-458.3794	-461.1223	-459.4069
ADF(1)	-5.8696	-454.6114	-458.6114	-462.2687	-459.9814

****

95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

FIRST DIFFERENCE

Unit root tests for variable DEFF
The Dickey-Fuller regressions include an intercept but not a trend
****
45 observations used in the estimation of all ADF regressions.
Sample period from 1963 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-11.5431	-458.7107	-460.7107	-462.5174	-461.3842
ADF(1)	-11.3909	-442.8814	-445.8814	-448.5913	-446.8916

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9271
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable DEFF
The Dickey-Fuller regressions include an intercept and a linear trend
****
45 observations used in the estimation of all ADF regressions.
Sample period from 1963 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-11.4118	-458.6998	-461.6998	-464.4098	-462.7100
ADF(1)	-11.8843	-440.7088	-444.7088	-448.3222	-446.0558

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5112
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

SECOND DIFFERENCE

Unit root tests for variable DDEFF
The Dickey-Fuller regressions include an intercept but not a trend
****
44 observations used in the estimation of all ADF regressions.
Sample period from 1964 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-14.9863	-464.5164	-466.5164	-468.3006	-467.1781
ADF(1)	-16.0216	-436.5667	-439.5667	-442.2429	-440.5592

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9287
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable DDEFF
The Dickey-Fuller regressions include an intercept and a linear trend
****
44 observations used in the estimation of all ADF regressions.
Sample period from 1964 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-14.8934	-464.2186	-467.2186	-469.8948	-468.2111
ADF(1)	-15.8253	-436.2175	-440.2175	-443.7859	-441.5408

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5136
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.5 Unit Root Test for Size of Financial Intermediaries

From the plot of the series on microfit it was determined that the series has an intercept and no trend. The ADF test was carried out and the results in table 5.5 obtained. AIC and SBC values of 88.5205 and 86.6919 respectively and zero lag were selected for intercept and no trend giving a test statistics value of -1.9457 lower than the critical value of -2.9256 therefore the null hypothesis of the presence of a unit root was rejected. The Size of Financial Intermediaries series was therefore considered stationary at Level.

TABLE 5.5 UNIT ROOT TEST (ADF) FOR SIZE OF FINANCIAL INTERMEDIARIES

LEVEL

Unit root tests for variable SIZE
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.9457	90.5205	88.5205	86.6919	87.8355
ADF(1)	-2.1879	91.3828	88.3828	85.6399	87.3553

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable SIZE
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.8666	90.5963	87.5963	84.8533	86.5688
ADF(1)	-2.2282	91.6621	87.6621	84.0048	86.2921

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.6 Unit Root Test for Activity of Financial Intermediaries

From the plot of the series on microfit it was determined that the series has an intercept and no trend. The ADF test was carried out and the results in table 5.6 obtained. AIC and SBC values of 101.5434 and 99.7147 respectively and zero lag were selected for intercept and no trend giving a test statistics value of -1.7295 lower than the critical value of -2.9256 therefore the null hypothesis of the presence of a unit root was rejected. The Activity of Financial Intermediaries series was therefore considered stationary at Level.

TABLE 5.6 UNIT ROOT TEST (ADF) FOR ACTIVITY OF FINANCIAL INTERMEDIARIES

LEVEL

Unit root tests for variable ACTIVITY
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.7295	103.5434	101.5434	99.7147	100.8584
ADF(1)	-1.5307	103.8121	100.8121	98.0692	99.7846

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable ACTIVITY
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-2.3702	104.8690	101.8690	99.1260	100.8415
ADF(1)	-2.1124	104.9176	100.9176	97.2603	99.5475

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.1.7 Unit Root Test for Efficiency of Financial Intermediaries

From the plot of the series on microfit it was determined that the series has an intercept and no trend. The ADF test was carried out and the results in table 5.7 obtained. AIC and SBC values of 93.9636 and 92.1349 respectively and zero lag were selected for intercept and no trend giving a test statistics value of -1.7177 lower than the critical value of -2.9256 therefore the null hypothesis of the presence of a unit root was rejected. The Efficiency of Financial Intermediaries series was therefore considered stationary at Level.

TABLE 5.7 UNIT ROOT TEST (ADF) FOR EFFICIENCY OF FINANCIAL INTERMEDIARIES

LEVEL

Unit root tests for variable EFFECI
The Dickey-Fuller regressions include an intercept but not a trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.7177	95.9636	93.9636	92.1349	93.2785
ADF(1)	-1.7680	96.8690	93.8690	91.1260	92.8414

****
95% critical value for the augmented Dickey-Fuller statistic = -2.9256
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

Unit root tests for variable EFFECI
The Dickey-Fuller regressions include an intercept and a linear trend
****
46 observations used in the estimation of all ADF regressions.
Sample period from 1962 to 2007
****

	Test Statistic	LL	AIC	SBC	HQC
DF	-1.5567	96.4060	93.4060	90.6630	92.3785
ADF(1)	-1.1081	96.9772	92.9772	89.3199	91.6072

****
95% critical value for the augmented Dickey-Fuller statistic = -3.5088
LL = Maximized log-likelihood AIC = Akaike Information Criterion
SBC = Schwarz Bayesian Criterion HQC = Hannan-Quinn Criterion

5.3.2 Test for Co-integration (Long Run Relationship)

The Co-integration test was used to understand the long run relationship between economic growth and development of financial markets and intermediaries in Nigeria (Engle and Granger 1987, Johansen 1988 and Johansen and Juselius 1990). Several tests for co-integration are available using different econometric softwares, In view of the fact that microfit 4.1 was adopted in this analysis, the co-integration test available on the software, 'The Residual-Based Augmented Dickey Fuller (ADF) Test of Co-integration was used to test for the presence of economic structures amongst the variables.

The desire in practice is to have all the variables to be tested for co-integration to be of the same order of integration in order to detect co-integration however this is not compulsory as the presence of economic structures may still exist irrespective of multiple orders of integration in the regression equation. Care must however be exercised when dealing with variables with multiple orders of integration as complications such as two variables of a higher order co-integrating with each other to form a lower order variable which may also further co-integrate with another lower order variable (Asteriou and Hall, 2007).

TABLE 5.8 AUGMENTED DICKEY FULLER TEST FOR COINTEGRATION

Ordinary Least Squares Estimation

****

Dependent variable is DREAL
47 observations used for estimation from 1961 to 2007

****

Regressor	Coefficient	Standard Error	T-Ratio [Prob]
SIZ	6.03E+07	4.42E+07	1.3642[.181]
ACT	2.64E+07	1.77E+07	1.4915[.144]
EFF	-151.3645	11.8333	-12.7914[.000]
EFF(-1)	-81.2822	10.1562	-8.0032[.000]
SIZE	-2253885	1563807	-1.4413[.158]
ACTIVITY	-209506.9	2510639	-.083448[.934]
EFFECI	2001721	575828.6	3.4762[.001]
ETHNIC	-6478.0	190756.9	-.033959[.973]
CIVWAR	176195.0	177722.3	.99141[.328]
MILGOV	-174068.5	124284.3	-1.4006[.170]

****

R-Squared	0.95273
R-Bar-Squared	0 .94124
S.E. of Regression	298461.8
F-stat. F(9, 37)	82.8688[.000]
Mean of Dependent Variable	486095.7
S.D. of Dependent Variable	1231234
Residual Sum of Squares	3.30E+12
Equation Log-likelihood	-653.5689
Akaike Info. Criterion	-663.5689
Schwarz Bayesian Criterion	-672.8196
DW-statistic	1.9930

****

Diagnostic Tests

****

* Test Statistics *	LM Version *	F Version
* A:Serial Correlation	*CHSQ(1)= .1307E-4[.997]	*F(1, 36)= .1001E-4[.997]
* B:Functional Form	*CHSQ(1)= .60373[.437]	*F(1, 36)= .46845[.498]
* C:Normality	*CHSQ(2)= 4.0077[.135]	* Not applicable
* D:Heteroscedasticity	*CHSQ(1)= .25592[.613]	*F(1, 45)= .24637[.622]

****

A:Lagrange multiplier test of residual serial correlation
B:Ramsey's RESET test using the square of the fitted values
C:Based on a test of skewness and kurtosis of residuals
D:Based on the regression of squared residuals on squared fitted values

The test statistics indicated an R-Squared value of 0.95273 and a DW-Statistic of 1.9930. R-Squared is a statistical measure that looks at how closely the regression line fits the data points used to approximate the regression. An R-Squared of 1.0 implies a 100% fit therefore the test R-Squared of 0.95273 indicates 95.273% close fit. The DW-Statistic normally ranges from 0-4 and measures the presence or otherwise of autocorrelation. Autocorrelation is the measure of how successive data points or readings resemble each other. A DW-Statistic less than 2 indicates positive autocorrelation while a DW-Statistic of 2 indicates no autocorrelation and a DW-Statistic above 2 indicates negative autocorrelation (Asteriou and Hall, 2007). The DW-Statistic for this regression of 1.9930 indicates very weak positive autocorrelation showing the tendency for successive readings to be similar in magnitude and difference. All the coefficients generated for the above variables are statistically significant and different from zero mostly showing large standard errors. These large standard error terms which estimate the data's standard deviation lend credence to the weak positive autocorrelation indicated by the DW-Statistics and show that the data is significantly dispersed around its mean value.

5.3.3 The Error Correction Mechanism (Short Run Relationship)

The Error Correction Model (ECM) has the advantage that it is capable of modelling the short-run effect various macro-economic variables have on each other. It therefore is capable of eliminating the problem of spurious correlations by incorporating lagged terms of the variables under investigation thereby differencing them (Asteriou and Hall, 2007) The ECM therefore removes trends and linearizes the series. The typical regression equation which embodies the problem of spurious regressions is given by:

$$Y_t = ß_1 + ß_2X_t + u_t$$

While the typical short-run error correction model is given by:

$$\Delta Y_t = a_0 + b_1\Delta X_t + Y_t + p\,u_{t-1}$$

The ECM embodies lagged terms of both Y and X thereby introducing stationarity into the model (Johansen 1988).

To construct the Error Correction Model, the approach adopted was to regress the variables in difference terms as shown in table 5.9 below.

TABLE 5.9 THE ERROR CORRECTION MECHANISM

Ordinary Least Squares Estimation

****

Dependent variable is DDREAL
46 observations used for estimation from 1962 to 2007

****

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
DSIZ	6.35E+07	6.05E+07	1.0498[.301]
DACT	1.77E+07	3.30E+07	.53621[.595]
DEFF	-194.9671	31.3086	-6.2273[.000]
DDEFF	62.0635	18.4364	3.3664[.002]
DSIZE	-3920364	2734887	-1.4335[.160]
DACTIVITY	-4005477	4386459	-.91315[.367]
DEFFECI	326677.6	2703470	.12084[.904]
ETHNIC	139638.5	123872.3	1.1273[.267]
CIVWAR	-18343.3	177248.0	-.10349[.918]
MILGOV	-152482.3	149879.8	-1.0174[.316]

****

R-Squared	.83317
R-Bar-Squared	.79146
S.E. of Regression	405914.3
F-stat. F(9, 36)	19.9762[.000]
Mean of Dependent Variable	100567.9
S.D. of Dependent Variable	888872.6
Residual Sum of Squares	5.93E+12
Equation Log-likelihood	-653.6726
Akaike Info. Criterion	-663.6726
Schwarz Bayesian Criterion	-672.8158
DW-statistic	2.8494

****

Diagnostic Tests

****

Test Statistics	LM Version	F Version
A:Serial Correlation	CHSQ(1)= 10.1788[.001]	F(1, 35)= 9.9454[.003]
B:Functional Form	CHSQ(1)= 2.6088[.106]	F(1, 35)= 2.1043[.156]
C:Normality	CHSQ(2)= 33.3850[.000]	Not applicable
D:Heteroscedasticity	CHSQ(1)= .097308[.755]	F(1, 44)= .093275[.761]

****

A:Lagrange multiplier test of residual serial correlation
B:Ramsey's RESET test using the square of the fitted values
C:Based on a test of skewness and kurtosis of residuals
D:Based on the regression of squared residuals on squared fitted values

For the error correction model shown in table 5.9, R-Squared was found to be 0.83317 or 83.317% which indicates a very good measure of fit slightly less than with the co-integration model shown in table 5.8. DW-Statistics was found to be 2.8494 (greater than 2), an indication of negative autocorrelation which is interpreted to mean that past values have a lower likelihood to affect future values an indication that errors are corrected in the short run.

5.3.4 Johansen Full Information Maximum Likelihood Test

The Johansen full information maximum likelihood test (JFIML) was used to test for the number of co-integrating vectors amongst the variables under examination. The first step was to determine the order of the Vector Auto Regression (VAR) equation involving these variables

TABLE 5.10 ORDER OF UNRESTRICTED VAR MODEL

Test Statistics and Choice Criteria for Selecting the Order of the VAR Model

****

Based on 44 observations from 1964 to 2007. Order of VAR = 4

List of variables included in the unrestricted VAR:

REAL SIZ ACT EFF SIZE

ACTIVITY EFFECI

****

Order	LL	AIC	SBC	LR test	Adjusted LR test
4	-11.3881	-207.3881	-382.2387	------	------
3	-98.4382	-245.4382	-376.5761	CHSQ(49)= 174.1001[.000]	63.3091[.082]
2	-158.2408	-256.2408	-343.6661	CHSQ(98)= 293.7055[.000]	106.8020[.255]
1	-230.0128	-279.0128	-322.7255	CHSQ(147)= 437.2494[.000]	158.9998[.236]
0	-618.2198	-618.2198	-618.2198	CHSQ(196)= 1213.7[.000]	441.3321[.000]

****

The order of the VAR was selected using the highest value of the Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC). From table 5.10 it can be deduced that the order of the VAR is zero.

Following this deduction the next step carried out was to determine the number of co-integrating vectors in the relationship. This step is shown in table 5.11.

TABLE 5.11 EIGENVALUE AND TRACE STATISTICS TEST FOR COINTEGRATING VECTORS

Co-integration with restricted intercepts and no trends in the VAR
Co-integration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
****
44 observations from 1964 to 2007. Order of VAR = 4.
List of variables included in the co-integrating vector:
REAL SIZ ACT EFF SIZE
ACTIVITY EFFECI Intercept
List of Eigenvalue in descending order:
.85521 .82299 .72351 .48979 .27077 .21263 .17105
****

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	85.0274	46.4700	43.4400
r<= 1	r = 2	76.1879	40.5300	37.6500
r<= 2	r = 3	56.5656	34.4000	31.7300
r<= 3	r = 4	29.6089	28.2700	25.8000
r<= 4	r = 5	13.8934	22.0400	19.8600
r<= 5	r = 6	10.5186	15.8700	13.8100
r<= 6	r = 7	8.2541	9.1600	7.5300

****
Use the above table to determine r (the number of co-integrating vectors).

From the above test for the number of co-integrating vectors using the Eigenvalue statistics we have that the test statistics of 85.0274 is greater than the 95% critical value of 46.4700 we therefore reject the null hypothesis of no co-integrating vector.

Co-integration with restricted intercepts and no trends in the VAR
Co-integration LR Test Based on Trace of the Stochastic Matrix
****
44 observations from 1964 to 2007. Order of VAR = 4.
List of variables included in the co-integrating vector:

REAL	SIZ	ACT	EFF	SIZE
ACTIVITY	EFFECI	Intercept		

List of Eigenvalues in descending order:
.85521 .82299 .72351 .48979 .27077 .21263 .17105
****

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	280.0560	132.4500	127.2400
r<= 1	r>= 2	195.0286	102.5600	97.8700
r<= 2	r>= 3	118.8407	75.9800	71.8100
r<= 3	r>= 4	62.2751	53.4800	49.9500
r<= 4	r>= 5	32.6662	34.8700	31.9300
r<= 5	r>= 6	18.7727	20.1800	17.8800
r<= 6	r = 7	8.2541	9.1600	7.5300

****
Use the above table to determine r (the number of co-integrating vectors).

From the above test for the number of co-integrating vectors using the Trace statistics we have that the test statistics of 280.0560 is greater than the 95% critical value of 132.4500 we therefore reject the null hypothesis of no co-integrating vector.

From the above analysis we can therefore confirm that there is at least one co-integrating vector amongst the variables under study.

5.3.5 The Granger Causality Test

The Granger Causality test is designed to predict how well one time series is capable of predicting future values of another. Because the test is designed to handle only a pair of variables, there is the tendency when multiple variables are used in the test to produce erroneous results. The Granger Causality test was carried out on all the variables in our data set including the dummy variables as shown in table 5.12 below.

TABLE 5.12 GRANGER CAUSALITY TEST

Pairwise Granger Causality Tests
Date: 04/18/10 Time: 19:28
Sample: 1960 2007
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
ACTIVITY does not Granger Cause ACT	46	0.73926	0.4837
ACT does not Granger Cause ACTIVITY		1.14601	0.3279
CIVWAR does not Granger Cause ACT	46	0.15075	0.8605
ACT does not Granger Cause CIVWAR		0.03546	0.9652
EFF does not Granger Cause ACT	46	259.024	5.E-24
ACT does not Granger Cause EFF		25.5143	6.E-08
EFFECI does not Granger Cause ACT	46	0.34525	0.7101
ACT does not Granger Cause EFFECI		0.16900	0.8451
ETHNIC does not Granger Cause ACT	46	NA	NA
ACT does not Granger Cause ETHNIC		NA	NA
MILGOV does not Granger Cause ACT	46	0.29611	0.7453
ACT does not Granger Cause MILGOV		1.05738	0.3566
REAL does not Granger Cause ACT	46	16.8125	5.E-06
ACT does not Granger Cause REAL		5.55716	0.0073
SIZ does not Granger Cause ACT	46	6.79846	0.0028
ACT does not Granger Cause SIZ		10.6510	0.0002
SIZE does not Granger Cause ACT	46	0.89002	0.4184
ACT does not Granger Cause SIZE		1.07618	0.3503
CIVWAR does not Granger Cause ACTIVITY	46	2.89596	0.0666
ACTIVITY does not Granger Cause CIVWAR		0.28978	0.7499
EFF does not Granger Cause ACTIVITY	46	5.58241	0.0072
ACTIVITY does not Granger Cause EFF		0.88737	0.4195
EFFECI does not Granger Cause ACTIVITY	46	1.71173	0.1932
ACTIVITY does not Granger Cause EFFECI		1.23274	0.3021
ETHNIC does not Granger Cause ACTIVITY	46	NA	NA
ACTIVITY does not Granger Cause ETHNIC		NA	NA
MILGOV does not Granger Cause ACTIVITY	46	2.61885	0.0850
ACTIVITY does not Granger Cause MILGOV		0.66191	0.5213
REAL does not Granger Cause ACTIVITY	46	2.20165	0.1235
ACTIVITY does not Granger Cause REAL		0.33144	0.7198
SIZ does not Granger Cause ACTIVITY	46	0.33022	0.7207
ACTIVITY does not Granger Cause SIZ		0.40893	0.6670
SIZE does not Granger Cause ACTIVITY	46	2.94792	0.0637
ACTIVITY does not Granger Cause SIZE		0.58204	0.5633
EFF does not Granger Cause CIVWAR	46	0.02492	0.9754

CIVWAR does not Granger Cause EFF		0.14892	0.8621
EFFECI does not Granger Cause CIVWAR	46	2.05922	0.1405
CIVWAR does not Granger Cause EFFECI		0.54454	0.5842
ETHNIC does not Granger Cause CIVWAR	46	NA	NA
CIVWAR does not Granger Cause ETHNIC		NA	NA
MILGOV does not Granger Cause CIVWAR	46	0.46655	0.6304
CIVWAR does not Granger Cause MILGOV		0.31427	0.7321
REAL does not Granger Cause CIVWAR	46	0.10210	0.9032
CIVWAR does not Granger Cause REAL		0.00138	0.9986
SIZ does not Granger Cause CIVWAR	46	0.03957	0.9612
CIVWAR does not Granger Cause SIZ		0.35825	0.7011
SIZE does not Granger Cause CIVWAR	46	0.32794	0.7223
CIVWAR does not Granger Cause SIZE		1.47511	0.2406
EFFECI does not Granger Cause EFF	46	0.80591	0.4536
EFF does not Granger Cause EFFECI		0.64971	0.5275
ETHNIC does not Granger Cause EFF	46	NA	NA
EFF does not Granger Cause ETHNIC		NA	NA
MILGOV does not Granger Cause EFF	46	1.22128	0.3054
EFF does not Granger Cause MILGOV		0.63618	0.5345
REAL does not Granger Cause EFF	46	17.2517	4.E-06
EFF does not Granger Cause REAL		3.05872	0.0578
SIZ does not Granger Cause EFF	46	18.9649	1.E-06
EFF does not Granger Cause SIZ		274.870	2.E-24
SIZE does not Granger Cause EFF	46	0.35782	0.7014
EFF does not Granger Cause SIZE		0.42302	0.6579
ETHNIC does not Granger Cause EFFECI	46	NA	NA
EFFECI does not Granger Cause ETHNIC		NA	NA
MILGOV does not Granger Cause EFFECI	46	2.25307	0.1179
EFFECI does not Granger Cause MILGOV		0.44037	0.6468
REAL does not Granger Cause EFFECI	46	0.02952	0.9709
EFFECI does not Granger Cause REAL		0.16433	0.8490
SIZ does not Granger Cause EFFECI	46	0.08505	0.9186
EFFECI does not Granger Cause SIZ		1.20592	0.3098
SIZE does not Granger Cause EFFECI	46	0.21763	0.8053
EFFECI does not Granger Cause SIZE		1.71755	0.1922
MILGOV does not Granger Cause ETHNIC	46	NA	NA
ETHNIC does not Granger Cause MILGOV		NA	NA
REAL does not Granger Cause ETHNIC	46	NA	NA
ETHNIC does not Granger Cause REAL		NA	NA
SIZ does not Granger Cause ETHNIC	46	NA	NA
ETHNIC does not Granger Cause SIZ		NA	NA

SIZE does not Granger Cause ETHNIC	46	NA	NA
ETHNIC does not Granger Cause SIZE		NA	NA
REAL does not Granger Cause MILGOV	46	1.25331	0.2963
MILGOV does not Granger Cause REAL		0.59849	0.5544
SIZ does not Granger Cause MILGOV	46	1.00246	0.3758
MILGOV does not Granger Cause SIZ		0.36813	0.6943
SIZE does not Granger Cause MILGOV	46	0.02307	0.9772
MILGOV does not Granger Cause SIZE		1.58181	0.2179
SIZ does not Granger Cause REAL	46	4.39716	0.0186
REAL does not Granger Cause SIZ		41.7666	1.E-10
SIZE does not Granger Cause REAL	46	1.27153	0.2912
REAL does not Granger Cause SIZE		0.80274	0.4550
SIZE does not Granger Cause SIZ	46	0.03233	0.9682
SIZ does not Granger Cause SIZE		0.49362	0.6140

From the test result above, we see that there is no causality amongst any pair of variables. Most importantly is that no variable appears to cause the change in GDP which is very significant to our overall investigation of how well financial development can predict economic growth given the character of a state.

5.4 SUMMARY OF RESULTS

The econometric analysis involved five key stages as follows, the test for unit roots, the test for co-integration (long-run relationship), the error correction mechanism (short-run) relationship, the Johansen full information maximum likelihood test and the Granger Causality test.

5.4.1 Snapshot of Results

In the foregoing analysis, five main results were generated:

1. The unit root tests: These tests demonstrated that correlations between the proxies of financial development and economic growth analyzed did not have spurious relationships implying that a valid macroeconomic relationship did actually exist between them.

SERIES	**AIC**	**SBC**	**TEST STATISTICS**	**95% CRITICAL VALUES**
GDP (Intercept & Trend)	-684.1283 -679.5300	-687.7856 -682.2400	5.0817 -2.5006	-3.5088 -3.5112
Size of Stock Mkt. (Intercept & Trend)	180.7547	178.0117	0.85502	3.5088
Activity of Stock Mkt. (Intercept & Trend)	150.7298	147.9869	2.9703	3.5088
Efficiency of Stk .Mkt. (Intercept & Trend)	-458.6114 -461.6998 -467.2186	-462.2687 -464.4098 -469.8948	-5.8696 -11.4118 -14.8934	3.5088 -3.5112 -3.5136
Size of Fin. Int. (Intercept & no Trend)	88.5205	88.6919	-1.9457	-2.9256
Activity of Fin Int. (Intercept & no Trend)	101.5434	99.7147	-1.7295	-2.9256
Efficiency of Fin. Int. (Intercept & no Trend)	93.9636	92.1349	-1.7177	-2.9256

2. The test for co-integration: This test confirmed the existence of a long run relationship between the independent variables of financial development and the dependent variable of economic growth indicating that in the long run, financial development (either intermediary or market) has a potential to grow the Nigerian economy irrespective of the adverse characters of the state highlighted in the historical analysis. The interpretation of this long run relationship is that error terms constituted by disturbances such as ethnically motivated civil unrest and public policy interventions occasioned by unexpected regime change (as shown by the value of the DW statistics below less than “2”) has the propensity to be reversed in the long run. This may no doubt stem from the fact that a renewed attempt at reform and reorganization of the financial and real sectors of the economy as highlighted in Ayadi, Adegbite and Ayadi (2008) and Nzotta and Okereke (2009) will see the economy reaping the dividends of financial liberalization such as increased efficiency and liquidity of the financial system (Fitzgerald 2006) channelled to the real sector of the economy (Nzotta and Okereke 2009).

R^2	0.95273
DW Statistics	1.9930

3. The Error Correction Mechanism test: This test was adopted to test the short run relationship between variables. The test revealed that in the short run, successive readings did not resemble each other as shown by the value of the DW statistics below significantly greater than “2” implying that the adverse characters of the state highlighted in the historical analysis do have an impact on the short run growth mechanism of the Nigerian economy causing relative instability in spite of the propensity for a positive long run relationship.

R^2	0.83317
DW Statistics	2.8494

4. The Johansen Full Information Maximum Likelihood Test: Two tests (Eigenvalue Vector test and Trace Statistics Test) were employed here to test for a significant co-integrating relationship from the proxies of financial development to the proxy of economic growth. From the tables below, we see that for both tests, at least four of the six series (size, activity and efficiency of both stock market and financial intermediary) are co-integrated with the GDP series as a result of the test statistic exceeding the critical value at 95% significance. Two deductions can be immediately made here, the first being that both financial intermediaries and financial markets can contribute to economic growth in Nigeria in the appropriate policy environment and the second being that financial structure is irrelevant in Nigeria at its current growth stage. The second deduction conforms with Demirguc-Kunt and Levine (1999), Allen and Gale (2000) and Levine (2002) who argue that financial structure is irrelevant.

5. The Granger Causality Test: Here, a Pairwise test was conducted amongst the dependent proxy for economic growth, the six independent proxies for financial development and the three dummy variables representing the adverse socio-political characters of the state highlighted in the historical review. Causality was found not to exist between any pair tested which confirms the lack of autocorrelation shown in the short run relationship test carried out using the Error Correction Mechanism. The policy implication of this is that unless these characters are dealt with decisively by policy makers, the objectives of macroeconomic policy in the Nigerian economy may continue to be eluded.

5.4.2 Evaluation and Interpretation of Results

The Unit root test revealed that the data series for Real GDP Per Capita was stationary at first difference and therefore contained one unit root while all other data series were stationary at Level except the data series for efficiency of stock market which remained non-stationary after second differencing indicating the presence of more than one unit root. The implication of the non-stationarity of the efficiency of the stock market series may be a confirmation of the fact that stock prices highlighted on the web site of the Nigerian Stock Exchange (NSE) do not reflect the full impact of publicly available information making the market weak form efficient as specified by the Efficient Market Hypothesis. This data series was however used in the analysis to determine its effect on Real GDP Per Capita. In all the analysis carried out with this non-stationary data series however it was observed that R-Squared was consistently less than DW-Statistic indicating that regressions were not spurious (Asteriou and Hall, 2007).

When the ADF Co-integration test was carried out to determine the long run relationship amongst the variables, the results showed the presence of long-run economic structures amongst the variables with statistically significant coefficients and an R-Squared value of 95.273% an indication that the regression line was closely fitted to the data set. The DW-Statistic showed a weakly positive autocorrelation indicating that future values of the series can be predicted by its past values. The fact that the coefficients generated for the variables of the long run relationship mostly showed large standard error terms, an indication of large standard deviations around the mean value, imply large variances in investor behaviour possibly as a result of instabilities related to the characters of the state earlier highlighted. A further implication of the presence of positive autocorrelation is that on the long run (sufficient time to eliminate the retrogressive characters highlighted, financial development will have a causal effect on economic growth.

The short run relationship of the variables was measured using the error correction mechanism employing lagged values of the variables. In this analysis it was revealed that the R-Squared was 83.317 (a strong fit), the DW-Statistic was 2.8494 (above the mid-value of 2) an indication of negative autocorrelation which implies that in the short-run, successive lag values will not carry forward their error terms to the next period. This incidence of negative autocorrelation can be related to the historical review which demonstrated that Nigerians are quick to move from one situation to another speedily putting aside their differences for short run economic gains but quickly returning to their differences as soon as their initial economic desire was satisfied.

A further test was conducted to observe the number of co-integrating vectors amongst the variables. The Johansen Full Information Maximum Likelihood Test revealed that at least one co-integrating vector was in existence which enabled the rejection of the null hypothesis of no co-integrating vector using both the Eigenvalue statistics and the Trace statistics. The presence of an underlying macroeconomic structure lends credence to the validity of the finance-growth theory as evidenced in the literature review.

The final test carried out was the Granger Causality test which used a pair wise analysis to show that there was no causality amongst any pair of the seven variables and three dummies used in this analysis. Of vital and significant importance was the fact that none of these variables seemed to cause the change in value of Real GDP Per Capita in spite of the presence of an underlying macroeconomic.

5.4.3 Relevance of Results

In sum, this analysis revealed the presence of long-run macroeconomic structures within the Nigerian financial system but suggested that GDP per Capita is currently driven by other factors outside of the financial system such as crude oil revenue bringing a reflection on the oil exportation capacity of the Nigerian economy and the natural resource trap highlighted in Collier (2008) and elaborated in Moyo (2009). Collier argued that resource rich under developed countries tend to leave other sectors under developed while governments concentrate their effort on the prebendalistic extraction of resource spoils.

The foregoing results are particularly relevant as this study set out to investigate how the character of a state could serve as an impediment to financial structure driven economic growth. By integrating the characters of the state revealed in the detailed study of the political economy of Nigeria into a cointegration and causality analysis it becomes apparent that in spite of steady growth in GDP per capita figures and financial intermediary and market figures causality has been impeded contrary to existing theory by factors peculiar to the state under review. Eliminating ethnicity, the core character of the state highlighted in the historical review would enable more nationally focused government driven development initiatives which will draw investments from across all ethnic groups; this is demonstrated by the result of positive autocorrelation in the test for cointegration (long run relationship). Following Schumpeter's analysis on funding of innovative thinking, it can be argued that a faster growing banking sector and financial market driven by higher and sustainable investments such as can only be driven by a government focused on a balanced national development agenda as opposed to a regional agenda will see the financial sector acting as the lead indicator in economic growth.

CHAPTER SIX

ANALYSIS AND DISCUSSION OF PRIMARY DATA, TRIANGULATION OF FINDINGS, SELECTIVE ANALYSIS AND DEVELOPMENT OF THEORY

6.1 DISCUSSION OF QUESTIONNAIRE RESULTS

In this section, a thorough analysis of the data gathered during the questionnaire survey was carried out. The data was analyzed by batching questions with similar themes together for ease of analysis and development of thematic trends. Each theme was identified using a unique sub-heading.

The Northern Hegemony and Role of the Erstwhile Colonial Regime

Questions one and twenty six sought to clarify the views of respondents on the issue of the origin of a perceived northern national political dominance expressed in Osaghae (1998). The average view was (2.5) for question one and (2.3) for question twenty six which according to the Likert scale employed showed that respondents agreed to the view that a Northern Political hegemony was indeed in place and had been in place since the exit of the colonial regime. For question one which sought to verify the view of respondents on the role of the erstwhile colonial government in the institution of northern hegemonic rule, respondents agreed that the colonial government at independence gave the north a political advantage over the rest of the country causing the current north-south political imbalance. Breaking down the response showed that ten respondents strongly agreed with the view, three agreed with it, two were neutral and seven disagreed while two strongly disagreed. All the respondents from the South East and South West strongly agreed as well as two of the four respondents from the South-South while the other two agreed to the view. In the north east, one respondent was neutral, one strongly disagreed, and one respondent disagreed while one agreed with the view giving an average view of disagreement in the North East. In the North West, one respondent strongly disagreed while the other three respondents disagreed. In the North Central, one respondent chose to remain neutral while the other three disagreed.

When asked in question twenty six if there was increasing concern over Northern hegemonic rule during the Babangida led military government (1985-1992). On average, respondents agreed (2.3) with this view. The key concern from the eastern bloc was over the fact that since the Gowon led military junta ousted the Ironsi led military regime, Ironsi himself an easterner, Gowon and successive rulers (1966-1992) had all been northerners with the exception of General Obasanjo (a Yoruba) who succeeded General Mohammed in military hierarchy after he was assassinated. All the respondents from the South East, South-South and South West strongly agreed with this view while in the North East one respondent agreed while three respondents chose to remain neutral. In the North West three respondents strongly disagreed while the fourth respondent chose to remain neutral. In the North Central one respondent disagreed while three remained neutral. In all, twelve of the respondents strongly agreed, one agreed, seven remained neutral; one disagreed while three strongly disagreed.

The implication of this polarized view ultimately gives a reflection of the polarized political situation that has been in existence in the country since independence expressed in the historical review (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008).

Political and Ethnic View of the Military Governments in Nigeria (1966-1979) and (1983-1998)

The views expressed in this section are indeed very pertinent to the understanding of the Nigerian identity which contrary to popularly held views is deeply diverse and indeed polarised.

Questions two to five and question ten sought to examine the views of respondents regarding the first incursion of the military into governance. Question two sought to justify or reject the first incursion of the military into governance. The average view was (1.7). Respondents agreed that the first republic was doomed for collapse had the military not intervened. Breaking down the response showed that twenty of the respondents strongly agreed with the view while four strongly disagreed. The two views here were polarized to the extreme. One respondent from the North East, two from the North West and one from the North Central strongly disagreed with this view while all other respondents from the South East, South West, South-South, and three respondents from the North East, two from the North West and three from the North Central strongly agreed with this view.

The aim of question three was to seek the view of respondents on the ethnic motive of the January 1966 military coup d'etat. "The January 1966 coup d'etat had an ethnic motive in favour of the East" The average view was (1.9). Respondents agreed that the January 1966 coup was an Ibo agenda (Ibos hail predominantly from the South Eastern region of the country) to hijack federal power from the north. Fifteen of the respondents strongly agreed that the January 1966 coup was indeed motivated by ethnic sentiment. One of the respondents agreed that the coup had an ethnic motive; four chose to remain neutral while another four disagreed with the view. It can therefore be concluded that the 1966 military coup indeed had an ethnic motive in favour of the South East. Two respondents from the South East chose to remain neutral while two disagreed with the view, three from the South West strongly agreed with one agreeing while in the South-South two chose to remain neutral while two disagreed with the view. In the North East, North Central and North West, all the respondents unanimously agreed that the coup had an ethnic agenda.

Question four sought to assess the views of respondents on how the civilian population contributed to an unending spate of military governance by welcoming military coups and even calling for the military to exit civilian governments that had become unpopular. On average, respondents disagreed to the statement "The Jan 1966 military coup should have been rejected by the civilian population". The question was ambiguous because according to the historical review, the civilian population applauded the military for ousting a democratically elected civilian government whose landmark had become chaos, disorder and near anarchy. All four respondents from the South East chose to remain neutral on the question, in the South-South, one respondent was neutral, one agreed and two disagreed. In the South West, three respondents disagreed while one chose to remain neutral. The North East showcased three respondents strongly agreeing to the premise that the civilian population should have rejected the coup while one respondent chose to remain neutral. In the North West, all four respondents strongly disagreed with the view while in the North Central one respondent disagreed while three respondents strongly disagreed. In general, three of the respondents strongly agreed to the statement that civilians should have rejected the July 1966 military coup d'etat, one agreed; seven chose to remain neutral while eight disagreed and five strongly disagreed. The response here clearly shows that respondents from the northern geopolitical zone were in favour of the premise that civilians should have rejected the first military coup while their southern counterparts mostly chose to remain neutral. Two inferences can be drawn from here, the first being that the coup ousted a very popular northern led government and even resulted in the assassination of key northern rulers such as the Sardauna of Sokoto. The second inference however is a more nationalistic view of looking at the rejection of military coups which would have ensured that the military returned to their barracks and remained subordinate to the civilian population had they enforced their electoral right; once again, the ethnic divide in the country drove a deep wedge not only between civilians but also between the military thereby enhancing the ability of the junta that had seized federal power to perpetuate itself illegally in governance.

Question five sought to ascertain the credibility of General Aguiyi Ironsi's nationalistic policies; General Ironsi Nigeria's first military ruler (an easterner) made attempts to balance the national political equation but his involvement in the January 1966 military coup d'etat was not immediately clear (Osaghae, 1998). On average, the respondents agreed to the premise that General Ironsi truly had a national agenda at heart. All four of the respondents from the South East strongly agreed to the premise that General Ironsi a fellow easterner only meant well for the country, the respondents from the South-South all chose to remain neutral while two respondents from the South West agreed to this premise leaving the other two in disagreement. In the North East however, the view was slightly different with two respondents strongly disagreeing, one agreeing and one choosing to remain neutral. In the North West, two respondents strongly agreed to the premise, one agreed and one strongly disagreed. Two respondents in the North Central agreed to the premise, while one strongly disagreed and one chose to remain neutral. Overall, seven of the respondents strongly agreed, six agreed, six chose to remain neutral, two disagreed while three strongly disagreed with this premise. Evidence from the historical review (Madiebo 1980 and Osaghae 1998) demonstrates that General Ironsi's nationalistic views were the immediate source of his demise; leaning on this premise, a fairly balanced response was generated from the respondents in consenting to the fact that Ironsi as a military leader had a broad national development agenda at heart.

Question ten looked at the north-south political balance in the country with respect to the July 1966 coup d'etat that brought General Gowon (a northerner) to power as being essential to return federal power to the north. The ambiguity in this question was desired so as to clarify the views held in the secondary data sources adopted in the historical review that General Gowon was part of a deliberate ploy by northerners to murder General Ironsi (an easterner) and top members of his government particularly of eastern origin in order to avenge the murder of Sir Ahmadu Bello, the Sardauna of Sokoto and Leader of the Northern Peoples Congress (NPC) as well as other key members of the NPC led Federal government by perpetrators of the January 1966 coup which evidence showed was of an eastern motive. On average, respondents strongly agreed (1.1) to this view. Three respondents from the South East strongly agreed while one chose to hold his view by remaining neutral; in the South-South, three respondents strongly agreed while one agreed and in the South West and entire northern political hemisphere (North East, North West and North Central) all sixteen respondents strongly agreed. In other words, twenty two of the respondents strongly agreed, one agreed while one chose not to offer an opinion on this. Madiebo (1980), Osaghae (1998) and Falola and Heaton (2008) however argued that the military operation that brought General Gowon (a northerner) to power was intended to be a northern secessionist movement (operation Araba) targeted at vindicating the assassination of key northern rulers such as

Sir Ahmadu Bello, the Sardauna of Sokoto and Sir Abubakar Tafawa Balewa, the Prime Minister during the Chukwuma Kaduna Nzeogwu led military coup d'etat of January 1966.

The views generated under the foregoing theme demonstrated a broad polarization of opinion across ethnic groups. Contrary to widely held views particularly amongst Nigerians, the north ordinarily viewed as a homogenous entity demonstrated a clear divide in opinion across the three geopolitical zones which surprisingly stood in conflict with views generated from the secondary data (Madiebo 1980 and Osaghae 1998). Falola and Heaton (2008) however pointed out that frequent tensions were experienced amongst northerners who in spite of the common Islamic faith binding them resisted the Fulani Hegemonic rule instituted in Northern Nigeria by the Jihadist movement (early nineteenth century) of Usman Dan Fodio, a northern Fulani (ethnic) warrior. Falola and Heaton therefore showed that Fulanis and Hausas, the dominant ethnic groups in the north were not always in one accord, a view that was well amplified in the primary data.

The Return of the Military to Power (1983-1998)

Questions sixteen, twenty to twenty three and twenty seven examined the perception of the respondents towards the return of the military to politics after only four years in their barracks.

Question sixteen sought views of respondents on if they were surprised at the December 31st 1983 ousting of the second republic by the military.

Respondents returned a strongly disagree opinion (4.6). All the respondents from the South East disagreed with this view while in the South-South and South West three respondents strongly disagreed while one disagreed. In the North East three respondents strongly disagreed while one agreed. In the North West three respondents strongly disagreed while one disagreed and in the North Central, all the respondents strongly disagreed. Overall, sixteen of the respondents strongly disagreed; seven disagreed while only one agreed. The views expressed here demonstrate that military interventions in democratic politics was welcome by Nigerians but following evidence from the historical review, they soon found out that the military could not improve their standard of living and clamoured for a return to civilian rule. This clamoured was always based on the fact that successive military governments never delivered on their entry promises and often took a dictatorial approach to governance to the detriment of the governed.

Question twenty sought to differentiate between the economic performances of the ousted Shagari led civilian government and the Buhari led military government that ousted it; the premise here was that the military government performed better than the civilian government. On average respondents strongly agreed (1.3). Two of the South East respondents strongly agreed while two agreed. In the South-South, all four respondents strongly agreed. In the South West three respondents agreed while one strongly agreed. In both the North East and North West, all four respondents strongly agreed while in the North Central two respondents strongly agreed while the other two agreed. Overall, seventeen of the respondents strongly agreed while seven agreed.

Question twenty one probed into the quality of social life under the Buhari led military regime (1983-1985), General Buhari a northerner had a Yoruba, General Olatunde Idiagbon as his second in Command. The question posed was “The Buhari regime brought relative order to the Nigerian social, political and economic order”. All twenty respondents from the six geopolitical zones strongly agreed. The regime is clearly remembered for its “War Against Indiscipline” (WAI) programme which viciously stamped out all forms of public disorder in the Nigerian society.

Question twenty two looked into how well the public perceived the ousting of a military government that was viewed to have brought some sanity into public disorder situations. “The Babangida led military government was perceived to have interrupted the nation building work of the Buhari led military government”. General Babangida a fellow northerner led the military operation that ousted the government of General Buhari another northerner. On average, respondents strongly agreed (1.3). All four respondents from the South East strongly agreed while three respondents from the South-South strongly agreed and one agreed. All four respondents from the South West strongly agreed. In the North East, three respondents strongly agreed while one agreed. In the North West three respondents agreed while one strongly agreed and in the North Central three respondents strongly agreed while one agreed. The Buhari led military regime had woken the country up with a jolt and had proceeded to instil harsh disciplinary measures in all areas of public life; the Babangida military regime however allowed public discipline to wane once again.

Question twenty three investigated the level of sincerity of the military government led by General Babangida regarding their return of power to civilian rule programme. “The Babangida led military government was carried away with their claim of returning the country to civilian rule”. All twenty four respondents across the six geopolitical zones strongly agreed to this premise. General Babangida was better known as ‘Maradona’ after the popular Argentine footballer Diego Maradona as friends and foes, home and abroad admired his never depleting arsenal of political dribbling skills (public view). He referred to himself as Nigeria’s first Military President as he chose not to use the title of Head of States which perhaps had stigmatized the military institution as a result of the less than wholesome performance of past military Heads of State.

Clarification for the following view was sought from question twenty seven “There was growing concern over the perpetuity of military rule during the Babangida led military government”. All twenty four respondents across the six geopolitical zones strongly agreed to this premise. This unanimous view across the six geopolitical zones may not be unconnected with the frequent change to the transition to civil rule agenda under the Babangida military government demonstrated in the historical review.

General Babangida's transition to democratic governance resulted in an annulled election, a hurried hand over to an interim national government and a return to military governance by General Abacha.

Questions thirty two to thirty four and thirty six to thirty nine explored how the military sustained power and eventually exited governance.

Question thirty two sought the following view "The return to military governance by the Late General Sani Abacha led military junta was very welcome across the country". General Abacha a northerner had quietly taken over power in what he claimed was an invitation from the Interim National Government led by Chief Ernest Sonekan a Yoruba who hailed from the same ethnic group and local government area as Chief Moshood Abiola, the winner of the annulled June 12^{th}, 1992 Presidential elections. The General Babangida led Military Government had annulled the June 12^{th} election on undisclosed grounds of national security. All twenty four respondents strongly disagreed.

Question thirty three sought the following view "The Abacha led military government had a clear cut focus towards national development and economic growth". On average, the respondents returned a strongly disagreed opinion (4.6). In the South East, two of the respondents disagreed while the other two strongly disagreed. In the South-South three respondents strongly disagreed while one remained neutral. In the South West all four respondents strongly disagreed. In the North East, two respondents were neutral while the other two strongly disagreed. In the North West and North Central, three respondents strongly disagreed while one agreed. In general, seventeen of the respondents strongly disagreed, three agreed while four were neutral.

Question thirty four sought the following view “The Abacha led military government was committed to return the country to civilian rule”. On average, respondents strongly disagreed (4.4). All twelve respondents in the Southern geopolitical zones strongly disagreed. In the North East, two respondents were neutral while two strongly agreed. In the North West, two respondents were neutral while the other two agreed and in the North Central two respondents strongly disagreed while the other two were neutral. Seventeen of the respondents strongly disagreed, two agreed while five were neutral. General Abacha was reputed for his fierce regime and was intolerant to all forms of opposition regardless of ethnic origin (Osaghae 1998)

Question thirty six sought the following view “The sudden demise of General Sani Abacha was a huge loss to the nation due to his nationalistic developmental policies. All twenty four respondents strongly disagreed. General Abacha ran a very repressive and dictatorial regime (1993-1997) which saw inflation sky rocketing to intolerable heights (Website of the Central Bank of Nigeria).

Question thirty seven sought the following view “General Abacha’s successor, General Abdusalami Abubakar (a northerner) had a very different leadership style from other military rulers since the country's independence". On average respondents agreed to this view (2.2). One respondent from the South East strongly agreed, one agreed and two were neutral. In the South-South three respondents agreed while one strongly disagreed. In the South West all the respondents agreed. In the North East, two respondents agreed while two were neutral. In the North West one strongly disagreed while three agreed. In the North central, all the respondents agreed. Overall, two of the respondents strongly agreed, seventeen of the respondents agreed, four were neutral while one disagreed.

Question thirty eight sought the following view "The fact that General Abubakar kept to his word and returned the country to civilian rule came to the nation as a shock as the military was not known to keep to their word". Previous military regimes particularly those of Generals Gowon and Babangida continued endlessly to redesign their popular transition to civil rule programmes until they were forced out of power. The average opinion was strongly agreed (1.5). In the South East, three respondents strongly agreed while one agreed. In the South-South and South West, all eight respondents strongly agreed. In the North East, two respondents were neutral while the other two agreed. In the North West, two respondents strongly agreed while one agreed and one was neutral. In the North Central, three respondents strongly agreed while one agreed. Overall, sixteen of the respondents strongly agreed, five agreed and three were neutral.

Question thirty nine sought the following view "The 1998 handover by General Abdusalami Abubakar (a northerner) to retired General Olusegun Obasanjo (democratically elected civilian President, a Yoruba from the same ethnic group as Alhaji Moshood Abiola, winner of the annulled 12th June election) was perceived by Nigerians to be a continuity of military rule in disguise". On average, respondents strongly agreed (1.2). Respondents from all the Southern geopolitical zones strongly agreed with this view. In the North east, three respondents strongly agreed while one agreed. In the North West, three respondents agreed while one strongly disagreed and in the North Central, all four respondents strongly agreed. Overall twenty respondents strongly agreed while four agreed. The military had not been known to keep their word so Nigerians were cautious in jubilation when a military government handed over power to a civilian government led by a former military General; the average perception was that the military was still in power.

The foregoing section sometimes showed a strong measure of unity amongst respondents from various ethnic groups such as views expressed about the continuation of military rule in disguise by the election of Rtd General Obasanjo as a civilian ruler, the surprise at General Abdusalami Abubakar keeping to his word and handing over power to the civilians. Between 1966 and 1998, Nigeria had experienced twenty eight long years of Military governance with no clear cut evidence of development to show for it; respondents across all ethnic groups were found to be fairly united on the view that the military should quit governance.

A new Agenda for the Return to Democratic Governance

Questions twenty nine to thirty one and question thirty five investigated the views of the respondents on the eventual return to civilian governance after the military had unceremoniously ousted the Shagari led civilian regime (1979-1983).

Question twenty nine sought the following view “The annulment of the June 12th 1992 presidential election won by the late Alhaji Moshood Kasimawo Abiola, a Yoruba (ethnic group from the South West) was received across all ethnic groups as a wave of political unity and hope for economic welfare”. Respondents on average agreed (1.8) to this view. In the South East, two respondents strongly agreed while the other two agreed. All four respondents from the South-South agreed while all four respondents from the South West strongly agreed. In the North East one respondent strongly agreed while the remaining three remained neutral. Three respondents from the North West agreed while one strongly agreed and all four from the North Central agreed. In general, thirteen respondents agreed while eight strongly agreed leaving three neutral. The view expressed in this question resonates the fact that Nigerians routinely set aside their ethnic differences when economic issues are involved. Because of the structural adjustment programme the Babangida led military government had adopted, standards of living had dropped significantly affecting people from all ethnic groups and causing a nationwide clamour for the military to exit governance. The election of Moshood Abiola was therefore a demonstration of how effectively indications of a better life could bond Nigerians from all ethnic groups.

Question thirty sought the following view "The annulment of the 12^{th} June 1992 election was the best thing the Babangida military government could have done". Respondents returned a strongly disagree (4.9) opinion. All the twelve respondents from the Southern geopolitical zones strongly disagreed with this view while in the North East and North West, three respondents strongly disagreed and one disagreed. In the North Central, all four respondents strongly disagreed. Twenty two of the respondents strongly disagreed while two disagreed. In the wake of the annulment of the 12^{th} June 1992 elections, nationwide strikes and riots against the Federal Military Government of General Ibrahim Badamasi Babangida became common place leading to the military temporarily handing over power to an Interim National Government headed by Chief Ernest Sonekan, a Yoruba (ethnic group in the South West) originating from the same local government area as Chief Moshood Kasimawo Abiola whose mandate the military had annulled. Compared to the view in question twenty nine, it is clear that all Nigerians, northerners and southerners inclusive were fed up with military governance and in that political instance had jettisoned ethnic sentiments to receive a democratically elected civilian government without consideration for ethnicity preferring economic welfare above any other sentiment. A similar welcome was accorded the 1979 handover of power by General Obasanjo to Alhaji Shehu Shagari a northerner democratically elected to power.

Question thirty one sought the following view "The Ernest Sonekan led Interim National Government was very relevant to maintain national unity in chaotic times resulting from the annulled June 12^{th} 1992 Federal election". On average, respondents were neutral (3.0). In the South East, two respondents agreed, one was neutral and one disagreed. In the South-South one respondent agreed, one disagreed and two strongly disagreed. In the South West, Moshood Abiola's ethnic origin all four respondents strongly disagreed. In the North East, two respondents were neutral and two agreed while in the North West, all four respondents strongly disagreed. In the North Central, two respondents agreed, one disagreed and one was neutral. It is worthy to mention that Ernest Sonekan was detested by fellow Yoruba's as he was viewed as a traitor to the Yoruba solidarity front for accepting the role of Head of the Interim National Government which technically deflated and divided the Yorubas in their fight to uphold Moshood Abiola's landslide victory. A similar tactic was employed by the Northern Peoples Congress (NPC) in 1963 to weaken the Awolowo led Action Group (AG) by offering his political ally, Chief Ladoke Akintola a platform to form an opposing political party, the Nigerian National Democratic Party (NNDP) giving the NPC an inroad into the Yoruba heart land. In general four of the respondents strongly agreed, seven agreed and four were neutral, three disagreed and six strongly disagreed. After the annulled June 12th 1992 elections, the Babangida led military government faced open confrontation and criticism which was not typical of Nigerians as Babangida's secret agents were well known to lurk in the most unexpected places. The total rejection of this government necessitated its quick exit from power leaving in its place the civilian face of Ernest Sonekan a Yoruba supposedly in power.

Question thirty five sought the following view “There was widespread hope under the Abacha junta that the people’s mandate of June 12th 1992 would be restored”. This hope was justified as Ernest Sonekan had purportedly not been forced out of power at least in principle because he had announced in a public broadcast that he had decided to hand over power to the Chief of Defence Staff, General Sani Abacha as in the view of Senior members of the Interim National Government, the military was best disposed to restore peace and calm and return the country to democratic governance. The respondents returned a disagree opinion (3.9). Three respondents from the South East strongly agreed while one agreed. In the South-South one respondent was neutral; two disagreed while one strongly disagreed. In the South West two respondents strongly agreed and two agreed. In the North West, one respondent agreed, two disagreed and one strongly disagreed. In the North West, three respondents strongly disagreed and one disagreed while in the North Central one respondent was neutral and three strongly disagreed. In general two of the respondents strongly agreed, three agreed, and two were neutral, six disagreed and eleven strongly disagreed.

The 12th June, 1992 election was a landmark in Nigerian political history as it saw Nigerians from all ethnic groups across all six geopolitical zones coming out en masse to vote for a South Westerner. All ethnic reservations had been put on hold after twenty eight years of decadent northern hegemonic military governance, a sure sign that the entire country had united in diversity for a common purpose, the return of the people’s mandate that the military had unceremoniously withdrawn returning nothing of significant value in its place but poverty, underdevelopment, insecurity and a deplorable standard of living.

The Nigerian Civil War (1967-1969)

Questions eleven and twelve sought to gather views on the Nigerian civil war and Eastern Nigerian secessionist movement. The questions here were brief as issues around the civil war are still considered not to have been fully resolved as demonstrated in the agenda of the Movement for the Actualization of the Sovereign State of Biafra (MASSOB) a predominantly Eastern Nigerian socio-political movement currently campaigning for the Eastern Nigerian Sovereign State of Biafra.

Question eleven sought to draw a further insight into the views of respondents regarding the Eastern secessionist movement led in July 1967 by the then Military Governor of the Eastern region, Lt. Col. Odumegwu Ojukwu (South Easterner). The premise here states that secession was not necessary at the time. On average, the response was neutral (3.1) however it is important to note that all the eight respondents from the South East and South-South strongly disagreed with this view. Two respondents from the South West chose to remain neutral while the other two agreed. In the North East, all the respondents strongly agreed while in the North West two respondents disagreed, one agreed and one returned a neutral opinion. In the North Central all four respondents agreed that the movement wasn’t necessary. Overall, four of the respondents strongly agreed with this view while seven agreed with it. Three chose to remain silent on the issue while two disagreed leaving eight strongly disagreeing. The polarized view expressed here was not unexpected as Nigerians outside of the east to date are of the opinion that Colonel Ojukwu led the war to aggrandize his military career but evidence from Madiebo (1980) and Osaghae (1998) illustrates how officers and civilians of eastern Nigerian origin were brutally murdered by northerners. Easterners to date therefore still feel alienated and marginalized from mainstream national politics.

Question twelve sought to examine efforts made by the Yakubu Gowon led military government to reconcile the eastern bloc (South East and South-South) with the rest of the country after the bitter civil war, were there real efforts to reconstruct the war damaged eastern region? Gowon was a northerner and was perceived according to the historical review to have been instrumental to the return to northern hegemonic rule by the brutal murder of General Ironsi (an easterner) at the time, Head of States. On average, respondents disagreed (3.5) with this premise. In the South East and South-South, all eight respondents unanimously disagreed with the premise while three respondents from the South West chose to return a neutral opinion leaving one respondent agreeing with the premise. In the North East, one respondent strongly agreed that General Gowon's military regime made frantic effort to reconstruct the eastern bloc after the civil war while the remaining three respondents chose not to offer an opinion. Again in the North West, one respondent strongly agreed while the remaining three agreed. The North Central saw one neutral opinion, one agree and two strongly disagree.

Overall, two of the respondents strongly agreed with the view, five agreed and seven chose to remain neutral while ten strongly disagreed.

From the above analysis, it is clear that forty years after the Nigerian civil war, the stigma of the war still hangs heavily over Eastern Nigerians thereby preventing them from participating fully in the Nigerian agenda.

The Nigerian Military in Financial Development and Economic Growth

Questions six to nine as well as question thirteen sought the views of respondents on how well they perceived that the military institutions at the helm of political power from 1966-1979 and from 1983-1998 performed in fostering financial development and economic growth.

Question six looked at the extent of financial development and economic growth in the first republic (1960-1966) with a view to insinuate decadence in economic growth trends during the life of the republic. The view was technical for some of the respondents hence the researcher had to further discuss the question further drawing on inferences from the historical review to enable a response; on average, the respondents agreed to the premise (2.0). All four of the respondents from the South East agreed to it, three respondents from the South-South agreed to it while one strongly agreed to the premise. Two respondents from the South West agreed while the other two chose to remain neutral. In the North East, all four respondents agreed to this premise while in the North West three respondents agreed leaving one respondent who chose to remain neutral. Three respondents in the North Central strongly agreed while one chose to remain neutral. In this question none of the respondents disagreed or strongly disagreed; sixteen agreed while four strongly agreed leaving the remaining four neutral.

Question seven sought to confirm that the country experienced sporadic growth in the banking sector during the first stretch of military rule (1966-1979). Respondents were able to link growth in the banking sector to the time frame when access to savings products and investment credit was most available. They however also pointed out that during the 70's, bank lending was heavily collaterized and only those who had real estate investment could access bank loans as banks only accepted real estate as collateral for loans. The average view was (2.3) agreed. All twelve respondents from the three southern zones agreed while in the North East, two chose to remain neutral, one disagreed and one agreed. In the North West, two agreed and two chose to remain neutral. In the North central, three agreed while one disagreed. A total of eighteen of the respondents agreed that the banking sector experienced sporadic growth from 1966-1979 while four chose to remain neutral leaving two in disagreement.

Question eight sought to confirm that the country experienced sporadic growth in the financial sector during the first stretch of military rule (1966-1979). The average view was (4.5) strongly disagreed. All the twelve respondents from the three southern zones strongly disagreed while in the North East, the views were fairly spread out with one strongly disagreeing, two disagreed and one chose to remain neutral. The distribution of response in the North West was the same in the North East. In the North Central, two chose to remain neutral, one agreed and one strongly disagreed. A total of fifteen respondents strongly disagreed that the banking sector and stock market experienced sporadic growth from 1966-1979 while four chose to remain neutral leaving five in disagreement. Even though respondents agreed in question seven that the banking sector did experience growth from 1966-1979 when asked about the financial sector in general, respondents on the average strongly disagreed about growth in the same period. This is an indication no doubt that respondents considered the stock market to be an essential part of the financial sector where they felt they could express significant ownership and which they felt they had not been given the opportunity to express until the Obasanjo led civilian government embarked on its privatization programme promoting the sale of private equity.

Question nine sought to analyse the opinion of respondents regarding the national economy under the military regimes that ruled the country from January 1966 to October 1979. On average, respondents strongly agreed (1.2) that the country experienced strong economic growth during that period. This view was also held by Brown (1985). It is however worthy of note that the oil boom of the 70’s occurred mid-way through this period thereby providing funds for expansionary government spending mostly on consumer products (Madiebo 1980, Osaghae 1998, Falola and Heaton 2008). All twelve respondents from the Southern political hemisphere (South East, South-South, and South West) strongly agreed to the fact that Nigerians particularly in the early 70’s experienced an upsurge in their standard of living. In the North East, three respondents strongly agreed while one agreed, in the North West, the case was similar with three respondents strongly agreeing while the four agreed. In the North Central, two respondents agreed while the other two strongly agreed. In general, twenty of the respondents strongly agreed to this premise while four agreed.

Question thirteen was targeted at appraising the effect that a very popular military government (1975-1979) had on economic and social welfare. Respondents were asked if “The Murtala Mohammed/Olusegun Obasanjo led military government ousted the Gowon led military regime on grounds of gross economic mismanagement”. This question sought views of respondents on the premise that the Murtala Mohammed/Olusegun Obasanjo government met the economic growth expectations of Nigerians. On the average respondents were neutral (3.1). In the South East, three respondents agreed while one strongly disagreed. In the South-South, one respondent strongly agreed, two agreed and one remained neutral. In the South West, one agreed, one chose to remain neutral, one disagreed and one strongly disagreed. In the North East, two respondents agreed, one disagreed and one strongly disagreed. In the North West, all the respondents disagreed while in the North Central two respondents agreed, one disagreed and one strongly disagreed. Overall, one of the respondents strongly agreed, ten agreed, two chose to remain neutral, seven disagreed while four strongly disagreed.

Further views on financial development and economic growth upon return of the military to power (1983-1998) were drawn from questions twenty four, twenty five and twenty eight.

Question twenty four posed the following view “The economic hardship was most severe under the Babangida led Military Government”. On average, respondents disagreed with this view (3.9). In the South East, two respondents strongly disagreed, one disagreed and one strongly agreed. In the South-South, one respondent strongly disagreed while three disagreed. In the South West one respondent strongly disagreed while three disagreed. In the North East, three respondents strongly agreed and one strongly disagreed. In the North West, two respondents strongly disagreed while the other two disagreed. In the North Central, three respondents strongly disagreed while one disagreed. The views expressed here were strongly polarised with no neutral answers. Four of the respondents strongly agreed with the view while ten disagreed with the remaining ten strongly disagreeing. From personal recollection and evidence from the historical review, the Babangida led military government was a government of consensus which thrived in paying the right price for its popularity. Kick backs were legitimized and compromise was the norm; those who consented to compromise lived well from illicit gains while those who chose to remain principled bore the brunt of hardship.

Question twenty five posed the following view “Stock market investment was depressed during the Babangida military government due to the Structural

Adjustment Programme (SAP)". On average, respondents agreed (2.5) with this view. In the South East three respondents were neutral while one agreed, in the South-South all four respondents were neutral while in the South West one respondent was neutral, two agreed and one strongly agreed. In the North East, two respondents strongly agreed, one agreed and one disagreed. In the North West, one respondent strongly agreed, one agreed, one strongly disagreed and one remained neutral. In the North Central one respondent strongly agreed, one agreed, one strongly disagreed and one was neutral. In general, five of the respondents strongly agreed with this view while six agreed and ten remained neutral, one disagreed and two strongly disagreed.

Question twenty eight posed the following view "The Babangida government was concerned about financial development and economic growth". Respondents on average disagreed (4.2) with this view. Three respondents from the South East strongly disagreed and one disagreed. One respondent from the South-South strongly disagreed, two disagreed and one remained neutral while all four respondents from the South West disagreed with this view. In the North East, three respondents strongly disagreed while one disagreed. In the North West two respondents strongly disagreed, one agreed and one was neutral. In the North Central three respondents strongly disagreed and one strongly agreed. In general, twelve of the respondents strongly disagreed, eight disagreed, two remained neutral, one agreed and another one strongly agreed.

Respondents on the average did not consider that the military governments in power from 1966-1979 and from 1983-1998 made any positive impact on financial development and economic growth. There was however an indication that respondents felt that under the first stretch of military governance (during which the oil boom took place), growth was experienced however during the second stretch (during which the structural adjustment programme took place), immense hardship was the order of the day.

Democratization, Financial Development and Economic Growth

Questions fourteen, fifteen, seventeen eighteen and nineteen looked at the role of the civilian regime (in power between 1979 and 1983) in financial development and economic growth.

The view expressed in question fourteen was “The Shehu Shagari Civilian government was welcome because Nigerians no longer wanted to be governed by the military”. On average respondents strongly agreed (1.3). All four respondents from the South East strongly agreed two respondents from the South-South and South West strongly agreed while the remaining two agreed, in the North East, three respondents strongly agreed while one agreed while in the North West, three agreed and one strongly disagreed. All the respondents in the North Central strongly agreed. Overall, sixteen respondents strongly agreed while eight agreed to the view that the nation was fed up with military governance. Osaghae (1998) suggests that General Obasanjo (a Southerner) who took over power in line with military hierarchy from General Mohammed (a northerner who was assassinated) may have been under pressure from the Kaduna Mafia a northern elite pressure group to return power to the north as compensation for the murder of General Mohammed a purported ardent member.

In question fifteen the issue here was "The Shagari administration Focused Strongly on Recovering the Ailing Economy". On average, the response was strongly disagree (4.9). All the respondents except two from the North Central Strongly disagreed. The other two disagreed.

Question seventeen sought to verify respondent's perception of development in the banking sector under the Civilian Administration that was in power between 1979 and 1983 "Under the Shagari Administration, sporadic growth was experienced in the banking sector". On average respondents were neutral on this view (3.2). Three respondents from the South East returned a neutral opinion while one agreed with the view. Two of the South-South respondents chose to return a neutral opinion while the other two strongly disagreed. In the South West, all the respondents remained neutral. In the North East however, two respondents agreed, one went neutral and one strongly disagreed. In the North West, one respondent disagreed while the remaining three chose to be neutral. In the North Central like in the South West, all four respondents were neutral. Seventeen of the respondents chose not to air their opinion on this; it is however remarkable because the Shagari administration was reputed to have been severely corrupt and had grossly mismanaged the economy (Osaghae 1998). Three respondents both agreed and strongly disagreed to the premise while one disagreed.

Question eighteen sought to verify respondent's perception of development in the stock market under the Civilian Administration that was in power between 1979 and 1983 "Under the Shagari government, sporadic growth was experienced in the financial/stock market". On average respondents were neutral regarding this view (3.5). In the South East, three respondents disagreed with this view while one strongly disagreed with it. In the South-South one respondent disagreed, two strongly disagreed and one was neutral. In the South West, all four respondents were neutral. In the North East one respondent was neutral; one strongly disagreed while two agreed. In the North West, one disagreed while three were neutral and in the North Central all four respondents were neutral. Overall thirteen of the respondents were neutral, five disagreed, four strongly disagreed and two agreed

Question nineteen sought to verify respondent's perception of how well the economy thrived under the Civilian Administration that was in power between 1979 and 1983 "Under the Shagari government, sporadic growth was experienced in the economy" All twenty four respondents across all six geopolitical zones returned a strongly disagree point of view. This was found to be remarkable. The respondents clearly recalled the harsh standard of living under the Shagari led civilian government mostly attributable to the expansionary fiscal policy of the Gowon led military regime in the oil boom years of the 70's which manifested in a deep recession during the Shagari era.

Even though respondents acknowledged that the Shagari led civilian government was weak in economic achievements, there was a strong sense from the respondents that they preferred a poorly run civilian government to a military government. When the military finally exited power in 1998, it handed over power to a former military Head of State turned civilian, General Olusegun Obasanjo (Rtd), the popular perception was that the new civilian government was a military government in civilian drag. The new civilian government however proceeded to privatize government concerns, a move that opened up newer economic opportunities. Questions forty to forty three shed more light on how the civilian population received this new political trend.

Question forty sought the following view “Retired General Obasanjo’s privatisation programme resulted in financial development and economic growth. On average the respondents strongly agreed. All twelve Respondents from the Southern geopolitical zones strongly agreed with this view. In the Northern geopolitical zones eleven respondents strongly agreed while one respondent from the North West agreed. In general twenty three respondents strongly agreed while one agreed. The privatization programme provided a platform for Nigerians at home and in Diaspora to invest in the stock market. In order to capture the Diaspora market, Nigerian banks and stock brokers inevitably improved on their internet trading facilities to remain competitive leading to a huge reduction in information asymmetry and in Schumpeter’s view, financial development, economic growth and economic development.

Question forty one sought the following view “Nigerians participated more in the stock market as a direct consequence of the privatisation programme”. All twenty four of the respondents strongly agreed to this view.

Question forty two sought the following view “Consumer loans from Nigerian banks formed a major part of the investment in the stock market”. All twenty four respondents strongly agreed to this view.

Question forty three sought the following view “Under previous military governments opportunities to invest in the stock market were restricted and reserved (by economic forces) for the elite”. On average respondents strongly agreed. Respondents from all the Southern geopolitical zones (twelve respondents) strongly agreed with this view. In the North East, all four respondents strongly agreed. In the North West three respondents strongly agreed while one agreed. In the North Central, two agreed while two strongly disagreed. Overall twenty one of the respondents strongly agreed while three agreed. This premise strongly relates to the evidence in the historical review relating to the Nigerian enterprises indigenization programme of the Gowon led military government which was purportedly turned into a rent seeking exercise by the elite.

Evidence from the privatization programme demonstrates strong evidence of financial development and economic growth under the new civilian dispensation which was very welcome by Nigerians. The stock market has clearly demonstrated that Nigerians in spite of being diverse in ethnic origin are clearly unified by economic forces.

The Military/Civilian Balanced Score Card

Questions forty four and forty five investigated the preference of respondents to military or civilian rule as a means of balancing the views expressed throughout the questionnaires.

Question forty four sought the following view "The military governments on balance have shown better skills at national development and economic growth initiative than civilian governments". On average respondents view was neutral (3.3). One respondent from the South East strongly agreed, two agreed and one was neutral. In the South-South three respondents disagreed while one agreed. In the South West one respondent agreed, one was neutral and two strongly disagreed. In the North East one was neutral, one disagreed and two strongly disagreed with the view. In the North West one respondent agreed, one was neutral and two strongly disagreed. In the North Central, one respondent strongly agreed, two respondents agreed and one disagreed. Overall two respondents strongly agreed, seven agreed, four remained neutral, five disagreed while six strongly disagreed.

Question forty five sought the following view "Nigerians prefer military governance to civilian governance". On average respondents disagreed (4.0). In the South East one respondent strongly agreed, one was neutral and two strongly disagreed. In the South-South all the respondents strongly disagreed while in the South West three respondents strongly disagreed while one disagreed. In the North East one respondent agreed, two were neutral and one strongly disagreed. In the North West one respondent strongly agreed, one disagreed and two strongly disagreed. In the North Central, all four respondents disagreed. Overall two of the respondents strongly agreed, one agreed three were neutral, six disagreed and twelve strongly disagreed.

Comparing questions forty four and forty five, it can be deduced that although Nigerians acknowledged that past civilian regimes had been less than wholesome in economic development, they vastly preferred democratically elected civilian regimes to military regimes and expressed more hope for national development under civilian regimes.

6.2 INTEGRATION OF QUESTIONNAIRE FINDINGS AND HISTORIC CASE REVIEW ANALYSIS

The historical review revealed facts relating to Nigerian life and identity. The questionnaires on the other hand demonstrated that even though Nigerians broadly agree with these facts, reasons attributed to them as well as the interpretation and perception of their effects was found to be at variance not only across ethnic groups but even so within ethnic groups. This section looks at how the perceptions of respondents varied from the facts outlined in the historical analysis.

Pre-independence, the average view was that the colonial government contributed to the political imbalance that ensued from the early sixties to date by giving the North an unfair advantage at independence; this was found to agree with the facts highlighted in the historical review. The critical question that this brings to mind is that of fair play, had the colonial government not acted in favour of the North, would a Southern hegemonic imbalance have emerged as a result of Northern unpreparedness for independence at the time and would this have led to a similar set of crisis? What then could have been done to avert these crises? Can it not be argued that the crisis therefore in view of this line of argument can not be blamed on the colonial government's initiative but on Nigerians and Nigerian politicians who inevitably succumbed to prebendalism and ethnicity to their own detriment?

The entire incidence of the Military Coup D'etat of January 1966, the civilian regime that occasioned it, the first attempt at Military governance, the subsequent seizure of power by Northern officers and the Eastern led civil war from the historical case review and the questionnaires show ample evidence of ethnicity and a divided nation leaving no room for a clearly focused national development plan either by a democratically elected civilian government or a professionally driven military government. It is a fact as revealed in the historical review that the January 1966 coup was more resounding in the North and West than in the East more so, the coup was led by an officer of Eastern origin and the succeeding government was led by an officer of Eastern origin; it was however not clear from the historical review that the coup was an eastern assault but on average in the midst of disagreements respondents were of the view that the coup was a deliberate attempt by Eastern politicians and officers to regain control of the Federal government. A critical argument put forward by the officers involved was that their intention for carrying out the coup d'etat was to forestall the ongoing ethnic crisis engineered by the northern dominated NPC; if the armed forces as critically argued in Madiebo (1980) and Osaghae (1998) was a uniform apolitical institution, why was it the sole initiative of eastern officers to step forward to cleanse the political class of ethnicity? was it not the politically motivated ethnic strive between the NCNC and the NPC that had found its way into the armed forces causing it to be no less politically motivated than the civilian populace it sort to heal? In the face of these ethnically motivated political imbalances, this research and analysis has clearly demonstrated that economic growth and no less financial development took a back seat as prebendalism and regional politics, products of ethnicity were the key focus of government officials whose principal ambition was to enrich themselves as well as their kind once in power. The controversial first national development plan largely refuted by southern politicians as a northern development plan clearly demonstrates this. The civil war that ensued as a result of ethnic cleansing of easterners by northerners unleashed a period of economic and financial down turn on the federation. Respondents generally agreed with the views of the historical review that the banking sector, financial markets and general infrastructural growth were non-existent under military governance but that the economy experienced its biggest boost under the military as a result of the hike in international crude oil prices that occurred just after the end of the civil war in the early 70's. Even though easterners disagreed with the view that the civil war was not necessary to regain national stability, it was the general view that the east will not consider a war in the present time to secured their position in the country as they were of the view that economic power was sufficient for the common man and that could not be secured in a warring environment.

In terms of economic growth and an improved standard of living, the Mohammed/Obasanjo led Military Government did not fulfil the needs of Nigerians as evidenced both in the historical case review and the questionnaires but delighted Nigerians by handing over power to a civilian government; this level of delight simply goes to show that Nigerians were indeed fed up with military governance an indication that the general quality of life under the military was unsatisfactory. The same level of delight was however recorded in the historical review and questionnaires each time the military ousted a civilian or military government pointing to the fact that there was a continuous spree of bad governments irrespective of if they were military or civilian driven by the key characters of the state identified viz prebendalism, ethnicity, civil war and military governance.

Upon return of power to the civilians in 1979, both primary and secondary data agree that the civilian era paid little or no attention to the development of the financial sector and management of the economy was not only poor but nearly non-existent. Under the Shagari led civilian regime, standard of living experienced a free fall as the government not only inherited a decadent economy devoid of structure from the military but also itself was ignorant of what to do to rebuild the economy; government officials therefore concentrated on salvaging the remains of the military dinner in a prebendalistic free for all spree until the military deemed it essential to step back on the scene to re-assert their control and self acclaimed expertise at nation building.

There was a general consensus between primary and secondary data once again that the return of the military in 1983 was nationally cheered as the civilian regime had speedily lost its glee. As military governance continued up to 1998, Nigerians became fed up with life under the military as the quality of life was in fast descent more so the unpopular Structural Adjustment Programme (SAP) introduced by the military with its devastating impact on standard of living.

The Obasanjo led civilian administration from the evidence gathered opened a new era of privatisation and wealth generation for Nigerians by modifying the banking sector to provide loan capital for Nigerians who invested these funds in the stock market. The privatisation exercise under this government increased the volume of trade in the stock market causing a proportional increase in the generation of wealth for ordinary citizens.

Respondents disagreed with the proposition that military governance had any good for the populace and preferred to be governed by civilians no matter how corrupt civilian governments were perceived to be arguing that they could speak out more openly under an elected civilian government forcing change to occur over a reasonable time period. This they argued could not occur under the military whose mandate was self acquired.

The various answers to the questionnaires not only reflected the intense diversity of the country but also called into view the question of national integration for the sole purpose of development and economic growth of a forward thinking people. Both the historical review and the questionnaire demonstrated that Nigerians across all ethnic groups were always unified by government change which served as an indication of an improved standard of living (Asteriou and Price 2001). It can therefore be insinuated at this point that positive economic factors served to unite Nigerians from all ethnic groups.

The problem of ethnicity from the foregoing analysis has dwindled over the years amongst ordinary Nigerians who are seemingly more united in their day to day activities. Lessons learnt particularly from the 60's demonstrate that the ordinary Nigerian is today more concerned about his personal welfare than the ethnic nature of the federal government. Ethnicity however still remains a tool in the hands of politicians in an attempt to play on old sentiments to secure mandates used for their personal aggrandizement. Having realised that irrespective of the fact that a fellow clans man is at the helm of affairs his personal life remains much the same, the ordinary Nigerian has since de-linked himself from active politics. The privatization programme of the Obasanjo led government in spite of the fact that Obasanjo himself is a Yoruba brought immense livelihood to all Nigerians and continues to open economic avenues for members of all ethnic groups. Economic forces inadvertently have proven potent in national unity.

6.3 DISCUSSION OF INTERVIEW RESULTS

The analysis process is a discussion of the output of each question and looks at their relative implications to financial development and economic growth. The data generated has been grouped into themes to facilitate the analysis as well as to draw a sharp focus on underlying perceptions relating to different aspects of the review process.

The Relative Importance of Financial Markets versus Financial Intermediaries in the Nigerian Context

Questions one to four looked into the role of the Nigerian stock market and banking sector as vehicles for economic growth and welfare of average Nigerians.

In question one, respondents were asked if they invest in the stock market.

Of the twenty four respondents, twenty two had invested in the stock market at one time or the other while two had never invested in the stock market but expressed their interest in doing so in the near future. They said why they had not done so until now was because of the political instability that loomed over the country from the return to civilian rule in 1998 to date; they said they felt the military will likely seize power at some point but also expressed surprise that they had remained in their barracks for eleven years saying that this was a good sign for the more sceptical domestic as well as foreign investor. One of these two hailed from the South-South geopolitical zone while the other hailed from the North East geopolitical zone. The wealth of this dialogue can be related to McKinnon's financial repression hypothesis which states that savers move funds directly to investors using the stock market as a transmission mechanism rather than using financial intermediaries as Shaw (1973) argued.

Five of the twenty two respondents no longer had investment portfolios as they claimed to have lost or sold their stock to invest in other assets such as the real estate market which they claimed gave a more guaranteed return on their investment. They had held their portfolios under military regimes. They also expressed that returns then were low and unattractive. The Nigerian stock market during the first era of military governance was not very popular going by the outcome of the questionnaires as respondents indicated that they knew very little of the dealings of the stock market.

The seventeen respondents that currently had investment portfolios were full of praise for the stock market saying that in their opinion it was a money spinner. One of them said he strongly wished the stock market had been this viable twenty years ago which was approximately during the General Ibrahim Badamasi Babangida led Federal Military Government.

The irony of moving to the real estate market as against investing in the stock market lay in the fact that investors still preferred generally to invest in real estate only in their own geopolitical/ethnic zones viewing such investments made outside of their ethnic geopolitical zones as risky but worth venturing into for instance in high rent areas like Lagos, Abuja and Port Harcourt. The stock market however completely eliminates this perceived risk of regional investment as respondents were comfortable to invest in companies whose locations and directorships were predominantly from another ethnic group/geopolitical zone from theirs. This inherently demonstrates that although economic activities seemed to unite Nigerians from different ethnic groups the stock market completely wiped out all forms of ethnic fears and created a fertile ground where all Nigerians irrespective of ethnicity, religious believes or cultural values found common solace.

Question two stated “Approximately when was the first time you invested in the stock market?”

The intention here was to track the trend in stock market investment to either a civilian or military era. Only twenty two of the twenty four respondents gave an answer to this question as two of them had never invested in the stock market. Thirteen of the twenty two indicated that they were drawn to stock market investment after the Chief Olusegun Obasanjo (Yoruba from the South West) civilian administration embarked on a privatisation programme in 1998.

The remaining nine respondents had their first experience of the stock market in the early 70’s under the General Yakubu Gowon led Federal Military Government but five of the nine had decided stock market investment was not worth their while. Asked if they will consider investing again in the stock market, four of the five felt that the current stock market situation had a better appeal than it used to have but were currently indifferent while the fifth was apparently uninterested. The general feeling about the stock market from this question was found to be two part; some respondents viewed the stock market as an evil machinery prone to loss generation following the experience of the 2007 housing market bubble while some viewed it as an extension of the lottery prone to delivering sudden fortunes.

Four respondents of the seventeen who currently invest in the Nigerian stock market said they had started stock market investing during the Gowon regime as the oil boom of the 70’s created a pool of excess funds at the time. One of them said trading then was through a broker and they knew nothing about what the brokers did and accepted the profit figures they gave them on face value as they had no means of checking their validity. Another expressed that because of information asymmetry at the time, they incurred regular losses to the point that they decided to shrink their investments to the barest minimum they could afford to loose. The historical review demonstrates coherence with these views as the Gowon led Military Junta was in power during the oil price shock of the 70’s when apparently stock market investing became appealing and during the structural adjustment years of the Military Juntas of General Buhari and General Babangida, respondents indicated a loss in interest in stock market investing. Overall, the return to civilian rule and the privatization programme of the Obasanjo led civilian government no doubt jump-started a new era of stock market investing which has led to further sophistication of the financial system to accommodate the increased volume of trade. The boost experienced during the Gowon led military regime can be argued to be artificial as it had no macroeconomic fundamental, occurring as a result of positive demand shocks in the oil industry. With the increased institution of the telecommunication industry and the internet in Nigeria, it can be argued more so from the point of view of respondents who attempted stock market investment in the 70's that a higher incentive exists today for Nigerians to invest in the stock market as information asymmetry has been strongly diminished and continues to be reduced with the influx of more sophisticated technology. A core argument of Schumpeter (1911) is that investment in technology will lead to economic development which will result in further economic growth. Schumpeter further argued that because of the high volumes of capital required for the increased investment in technology, savers alone could not be expected to fund this increase thereby necessitating government to support this new activity either by favourable policies to allow foreign direct investment or by directly capitalizing such entrepreneurial initiatives. The privatization of the telecommunications industry, allowing the influx of private GSM mobile phone providers to compete with the government owned Nigerian Telecommunications Plc (NITEL) was an initiative of the Obasanjo led civilian regime. These GSM providers launched into the Nigerian economy have broadened the market for investment to date but still have room to expand far into the future.

Question three stated "What is the source of your investment funds?"

This question came across as being sensitive as people were not willing to openly discuss their livelihood in a society where security of life and property is not readily guaranteed. The level of insecurity in present day Nigeria is no doubt a direct off-shoot of an under developed society demonstrated succinctly in the historical review. Under development implies unemployment which implies lack of a means of livelihood which impacts directly on security of lives and property in the event of increased levels of crime.

Ten of the twenty two investors said they used purely bank loans and overdrafts for their stock market investments. They mostly expressed that they felt secured doing this because they were not exposing themselves to a high level of risk by not using their personal savings. They expressed a national cake attitude to bank funds in accordance with Ekeh's theory of two publics (Ekeh, 1975) and said that in the event that they lost the funds should some sort of crisis engulf the stock market, they will simply present the worthless share certificates to their banks as evidence that they did not covet the banks funds. This attitude to investment was at variance with classical finance theory which recognises a higher level of risk when a potentially risky investment is carried out using leverage (Markowitz 1952 in the Portfolio Theory). In the Nigerian climate however, investors did not perceive a high level of risk under this circumstance. Interestingly enough, Ekeh (1975) relates this national cake attitude to the manner of colonial socialization Nigerians received under the colonial era that ended as far back as 1960. All Nigerian banks are currently privately owned but Nigerians continue to see them as an extension of the public sector which by default is a national cake to be scooped from and perhaps the left overs returned for others to consume. With borrowers holding such views, there is little doubt that the credit culture of Nigerian banks and other financial intermediaries will be skewed towards mitigating against such risky lending by putting in place measures which may seemingly narrow down the flow of investment capital with resultant adverse effects on economic growth (Schumpeter 1911).

Seven of the twenty two said they used a mixture of bank loans, overdrafts and personal savings to invest in the stock exchange. They expressed that using some personal savings minimised their exposure to their banks. Two of them said they included their personal savings to their bank acquired investment funds only because they saw a higher potential for return on the stock market and couldn’t secure more loans from their banks who felt they had reached their safe lending limits in line with prudential lending policies. These policies from the foregoing discussion are obviously in place to guard against the national cake attitude with its obvious investment shrinking effect.

The five who had invested in the early 70’s said they used purely savings as they did not have the potential to secure bank loans then. In the 70’s, the country was under military governance an indication that access to investment capital may have been stifled during this era as the vast amount of spending was public sector spending from excess oil revenue.

Question four stated “Do you think the Nigerian stock market is as developed as the stock market in other parts of the world?”

One of the investors who currently holds a portfolio of the FTSE 100 index readily acknowledged that the investment climate on the London stock exchange was much more advanced in form. The vast majority of investors acknowledged that the Nigerian stock market may not be as advanced as stock markets in other parts of the world but their primary concern was that it works and they could make a good deal of money from it. Their primary drive was however geared at making as much money as they could preferring a less sophisticated stock market as instrumental to achieving this aim as in their view the margins in more sophisticated markets may be thinner than in the domestic market. One respondent from the south east emphasized that "a mans worth is measured by the size of his pocket", the size of his pocket referring to his wealth while another stressed that "money made from cleaning toilets has the same value as money from other more dignifying sources as money never carries a label to identify its source", this refers to their lack of diligence towards system sophistication considering it to be subordinate to the value of money. The view expressed here demonstrates that as long as information asymmetry was not in the way, investors preferred a reasonable level of financial development beyond which they did not appreciate. The general opinion expressed here was that investors did not want a highly sophisticated level of financial development in order to maintain reasonable margins. Beyond the views expressed on market sophistication, it was interesting to note that Nigerians from all walks of life demonstrated a strong level of unity towards the stock market as a 'money making' machine and all seemed to be united by money setting aside deep rooted ethnic differences.

Ethnicity, Military versus Civilian Governance and National Development

Questions five to seven was an attempt to seek views on how respondents perceived ethnicity as a determinant of the nature of government in power and government priority towards national development goals.

Question five stated “There are a lot of decadent structures in the Nigerian socio-economic arena, what would you say about the success or failure of previous military and civilian governments, precisely looking at financial development with respect to banking services and stock market investment?”

Nine respondents were unable to discuss technically to any extent about developments in the financial sector relating to economic growth. The two respondents who had never invested in the stock market were part of these Nine. They however felt that under civilian government life thrived better than under military government. This view was classified as overly general.

The remaining fifteen respondents held near similar views. They expressed that in terms of the banking sector, the highs and lows occurred under military governments. The days of just three government controlled banks (the United Bank for Africa Plc, the Union Bank Plc and the First Bank Plc) occurred through military governance. The failed bank crisis of 1994 was a turning point in Nigerian banking history as it caused a huge contraction of the banking system resulting from the failure of seventeen private banks; this also occurred under military governance. Respondents also felt that as a result of the failure of seventeen banks, Central Bank Supervision had tightened and a new banking culture had emerged from the sale of the failed banks. The privatisation of the United Bank for Africa Plc, the sale of Crystal Bank Ltd which re-opened for business as Standard Trust Bank Ltd etc are examples of the new culture highlighted. Standard Trust Bank Ltd set out to do business from a liability position of approximately N500, 000,000.00 (GBP 2,500,000) and with an aggressive lending strategy managed to pay off its acquired creditors in record time. The aggressive product marketing strategies introduced by Standard Trust Bank led to an increase in use of bank credit by Nigerian businesses as other old generation and new generation banks discovered the new market for corporate and consumer lending. Respondents identified that due to the new lending culture that emerged after the failed bank crisis, bank funds were available for investment in the stock market when the Olusegun Obasanjo led civilian government embarked on a massive privatisation programme to release government owned establishments to private investors. A respondent from the south eastern geopolitical zone who engages in importation of commodity from China expressed how his business grew aggressively as a result of overdraft facilities from Standard Trust Bank Ltd; in his words, he said "*Standard so anyi okwu okwu*" which interpreted to the English language means "Standard Trust Bank came after us heatedly with credit facilities" Respondents were therefore of the view that more financial development and economic growth occurred under the civilian era (the fourth republic) than under any previous military governments. In summary, before the failed bank crisis which occurred under the watchful eyes of the military, commercial banks carried out selective lending but when new generation banks emerged as a result of the sale and purchase of the failed bank structures, the culture of selective lending had to take a back seat as only those banks that were keen to lend to investors were patronised. It can therefore be argued that the crisis which occurred under the military was the direct reason for an increase in investment lending by banks which led to improvements in the financial system by improving on credit monitoring techniques and infrastructure. The views here ultimately support the views of the questionnaire respondents about preference for civilian regimes to military regimes in spite of the fact that civilians were not particularly excellent at governance. Credit must also be given to the military as they indirectly enhanced a new credit culture.

Question six stated “Would you say there is a balance of political power amongst the ethnic groups in the country?”

Respondents from the South East expressed that easterners were still being marginalised in national politics as a direct consequence of the civil war, they expressed that they could not envisage an easterner becoming Commander-In-Chief of the Armed Forces any time soon.

Respondents from the South-South which constitutes minority ethnic groups were not very emphatic about national political power balance and were pleased that the current Vice-President (at the time of the interview) hails from the South-South geo-political region. They were however deeply concerned about the economic struggle and oil politics in which the geo-political zone had been engulfed in and emphasised that they looked forward to an urgent political solution to the regions problems.

Respondents from the South West felt that the country was under Northern hegemonic rule but were however pleased that Chief Olusegun Obasanjo a Yoruba had been Commander-In-Chief of the Armed Forces for an eight year period. They however felt ridiculed about the national mandate given to Chief Moshood Abiola another Yoruba in 1992 which was subsequently annulled by the General Ibrahim Babangida led military government. Babangida being a northerner they claimed had acted in the interest of the north.

Respondents from the North East and the North Central where federal political power currently resides were of the opinion that political power currently resides or revolves around their political zones because the national choice was constantly being made in their favour as a result of their being more prepared for governance.

Respondents from the North West felt that it was essential for political power to be evenly distributed across all ethnic groups in order to maintain stability and a sense of belonging across the country. One of the respondents expressed disgust at the level of insincerity in the political process and stressed that change was inevitable in the political process.

A strong sense of ethnocentricity was perceived amongst the respondents which was in strong consonance with Nnoli (1978) and Anugwom (2000).

These views again agreed with views generated by the questionnaire respondents and the historical review.

Question seven stated “Can you elaborate further on your views regarding ethnicity, the Federal Government is Supposed to have a fair distribution of membership across the six geo-political zones, do you consider that any ethnic group has been unfairly marginalised in the current dispensation and how would you relate this to economic growth?”

This question proved not only technical but also sensitive as the researcher hails from the South East region of the country. Respondents did not feel very free to express views against the South East even after repeated assurances from the researcher that the exercise was purely one of academic interest.

Respondents from the South East two of whom are traders who regularly import goods into the country expressed their disgust against the Obasanjo led civilian government which imposed higher import duties on certain imports and stressed that this was an ethnically motivated political decision directed at crippling the South East where trade and commerce was the mainstay. They also pointed out that the South East was grossly under-developed in terms of transport network (roads, airports etc), and public services which they considered essential for economic growth. One of the respondents said quite frankly that this was a direct government strategy to ensure that the east would be hindered from a future possibility of secession, a repeat occurrence of 1966. Asked about business relations, they expressed that they would be more comfortable doing business with northerners to doing business with the South West, the indigenes of whom they claimed were sly and untrustworthy one of the respondents making a direct reference to the Late Chief Obafemi Awolowo former leader of the Action Group, the Yoruba political party which had a very strong clout in the early 60's; he condemned Chief Awolowo's role against the Eastern secessionist movement of Lt. Col Odumegwu Ojukwu as being typical of Yorubas. A direct quote by one of the eastern respondents was "if you find yourself between a two headed king cobra and a Yoruba man, it will be safer to kill the Yoruba man who is not only dangerous but unpredictable rather than the King cobra who you can predict to harm you only if you constitute a danger to it". The northerners in their view, even though not entirely trustworthy they felt were a lower risk than the South Westerners. It was observed that the respondents from the South East did not distinguish between the three geo-political zones in the north as in their view all northerners were one and the same.

Respondents from the South-South re-emphasised the incidence of oil politics which they claimed left their region marginalised because as they explained the federal government was controlled by the north which had no natural resources to fund its acquired high level of spending. They clamoured for political intervention into the zones decadent socio-economic structure. They stressed that even though the region was adequately represented in the Federal Executive in the person of Dr. Goodwill Jonathan, the then Executive Vice-President, one respondent expressed that this representation was a political strategy aimed at pulling the wool over their eyes as in his opinion Dr.

Jonathan was in power for his personal gratification and not the interest of the region. Another respondent sympathised with Dr. Jonathan stressing that there was so much he could do alone to change a situation that had come so long. In terms of economic growth, they all felt that the South-South region was receding faster than one could keep track of and hoped that change would come to them soon enough. Mafeje (1971), Nnoli (1978) and Anugwom (2000) all argue that ethnic marginalization is not only an ingredient for political and social instability but a direct impediment to economic growth of any kind.

Respondents from the South West were critical of the east and the north claiming that they were uncomfortable doing business with easterners who in their words were obsessed with making quick gains. Because of the eastern origin of the researcher, there was some inhibition with the respondents from the South West who it was suspected had more to express about the east. They ultimately claimed that a business relation with easterners was high risk. They felt that the current federal government was dominated by northerners.

Respondents from the North East acknowledged that federal power had returned to the North after eight years in the South West and that the return of federal power to the north was based on a fair zoned rotationary system which in the first place was the reason why it was rotated to the South West. Asked if the current federal government gave a good reflection of the federal character principle (Osaghae 1998), three respondents said they felt it was duly represented but the fourth simply said he felt the best hands got the jobs.

They acknowledged that the economy was not running at full speed but did not think this was due to any ethnic draw back. One of the respondents said “even Britain and America are having economic problems, I think the current federal government is doing a good job protecting Nigeria from the global economic downturn but if countries like Britain and America are affected, we are not magicians, we will also feel some pain”.

In the North West, one respondent acknowledged that the South East had been unduly marginalised since the end of the civil war and he expressed that this character was a hindrance to nationally oriented financial and economic development plans; he was very emphatic of the fact that all Nigerians should unite and see themselves first as Nigerians before they made reference to their ethnic groups; he expressed sympathy for the Niger Delta indigenes and stressed that they were a people so poor in the midst of so much wealth. One of the respondents declined to comment on the ethnic status of the federal government but stressed clearly that economic growth was not the main agenda of the current federal government as the incidence of unemployment and crime was as high as he had ever known it and did not see that the current government had a direct plan to reverse the economic land slide. The other two respondents felt that the current constitution of the federal government was skewed towards the north but also emphasised that during the Obasanjo led civilian government (1998-2006) that more Yorubas served in the federal government than any other ethnic group and that if an Igbo emerged as the Executive President that the tendency of Igbo’s dominating the federal executive was also high and that it was simply a case of looking after your kind and not northern hegemony.

Respondents from the North Central shared near similar views with respondents from the North East, they felt that power had rotated back to the North in what they considered a fair arrangement and that power was bound to rotate to another region when the time was ripe. They acknowledged that ethnic differences had been a problem in Nigeria from independence and that such differences would inadvertently lead to various socio-economic problems in the long run. They however were of the opinion that the current ethnic disparity was not as severe as it was in the early 60's and that Nigerians had become more tolerant of each other and were more willing to hold investments across the country than they had been in the past. One respondent emphatically stressed that the stock market had provided a strong vehicle for nationally focused investment and had summarily stamped out fears of ethnic upsurge leading to destruction of life and property. This view of the stock market creating an exit route for ethnocentric investment strategies demonstrates the fact that higher levels of development in the financial system would have the tendency to stamp out ethnicity as investors could securely invest in corporate stock without fear of loosing their life long savings or being exposed to ethnically motivated strives that could possibly erupt while moving around the country. With this in mind, it can therefore be argued that advanced forms of financial development is capable of eliminating certain characters of a state that hitherto hindered financial development from driving economic growth.

This once again takes us back to the views of Schumpeter (1911) which argues that advances in the technologies that support better ways of living cannot be achieved only by savers investing their savings but require a higher level of infusion of development capital by high net worth corporate entities and government agencies. The Obasanjo led civilian government actually raised import duties as a disincentive to importation of commodities which had an adverse effect on the country’s balance of payment but was misinterpreted as being ethnically motivated to stifle economic activity in the east. What the government failed to do however was to communicate to the easterners who were most affected that its intention was to strengthen domestic manufacturers and also to demonstrate this intention by creating avenues for the affected traders to go into government backed manufacturing schemes as an alternative source of livelihood.

The Stock Market as a Transmission Mechanism for Global Financial Crisis

Questions eight and nine were directed towards understanding the risk aversion of investors who had found new solace in the stock market as a money spinner free of the well known ethnic risk which had been the hallmark of investment in Nigeria over several decades.

Question eight stated “During the last dispensation of civilian rule, there has been a strong wave towards stock market investment; do you see this as a positive development?”

Respondents from all the six geo-political zones clearly agreed on the premise that the stock market was a positive development to the Nigerian economy; one of the respondents from the South East said “for more than twenty years I drove the same Toyota Super Saloon car which even though I bought brand new I had difficulties replacing but after three years trading on the stock market, I currently drive a Honda Jeep and can afford now to change it every year”. In summary, the respondents applauded the Obasanjo led civilian government for their initiative in carrying out the privatization programme. One respondent from the North West stressed that even though Nigerians had greatly benefited from the programme, he claimed that top government officials had looted away the bulk of the benefits of privatization. The response here again resonates loudly the impact of advanced forms of financial development in eradicating hitherto retrospective characters of a state and allowing for secure and nationalistic investment strategies to grow. Following Schumpeter (1911), economic development occurs as a result of a higher level initiative facilitating the execution of entrepreneurial venture which hitherto was not possible due to the limitation in ability of the governed. By privatizing government concerns and providing the enabling environment for investors to secure credit, the stock market as a vehicle for financial development performed the dual role of smoothening out ethnocentric type investment strategies and by so doing providing investable funds for corporate businesses solely on their ability to generate shareholder value with no reference whatsoever to ethnic origin.

The response from this question has again re-affirmed just like the response from the questionnaires that Nigerians can be united by economic ties enforced by a nationally focused federal government initiative. Such ventures as demonstrated lower ethnic barriers and allow development to thrive.

Question nine stated “Do you consider that the Nigerian stock market may be exposed to adverse financial consequences leading to a decline in the economy due to recent liberalization of the financial system?”

Only seven respondents contributed positively to this question as the rest claimed they were not experts in this area and only traded the market through brokerage companies. Of the Seven, two were from the South East, two from the South West, one from the South-South, one from the North West and one from the North Central. The general view was that from the history of stock markets there were bound to be ups and downs. One of the respondents from the South East who had earlier stated how the stock market had helped him improve on consumer spending informed the researcher that he had lost a sizeable amount of money in the wake of the recent global financial and economic downturn but that his net position was a positive one. He also identified that in the event of losses which occurred in the stock market due to a depression of stock prices he had identified a few choice stock that had the potential to strongly appreciate when conditions in the market improved but were currently selling below their true value. He stressed that he had acquired a huge portfolio of these shares and was lying in wait to recoup all his losses. Other respondents felt that risk was an intrinsic part of business and that in business one couldn’t always make a profit, losses were bound to be expected. Some respondents felt that liberalization would help improve the functioning of the stock market in terms of volume of traded securities, capitalization and sophistication of processes and regulation.

On average, the deduction from the views in questions eight and nine indicate that even though Nigerians had discovered a new found love for stock market investing, at the risk of generalizing, it can be said that the vast majority of Nigerian investors still do not clearly understand the nature of risk the stock market poses as an investment vehicle even though due to market imperfections extra-ordinary profits have continued to be generated.

The Balanced Score Card

Question ten stated “Please clearly state if you consider that financial development and economic growth have a better chance under military governance than under civilian governance”.

Respondents were critical of the Nigerian situation stressing that the only government that clearly subdued the socio-economic excesses of Nigerians was the Federal Military Government of Generals Mohamadu Buhari and Olatunde Idiagbon who ruled with an arm of steel curtailing all forms of public disorder and corruption. In terms of the economy however, respondents felt that a civilian regime was better disposed at economic management than the military. One respondent from the North East however pointed out that the Nigerian Armed forces was a professional force and therefore embodied the technical knowledge members of a civilian regime had; he further stressed that the ability of a government (military or civilian) to deliver on economic commitments was based on the focus of that particular government to improve the lives of its citizens; he used the military government in Libya as an example and compared their developmental output to the civilian government in Zimbabwe. Zimbabwe has been under civilian rule for over twenty nine years and has continued to recede in terms of economic development while Libya had continued to experience economic growth under the military government that has been in power over the last forty years. This view prompted another respondent in the North East forum to compare the military government of General Yakubu Gowon (1966-1975) to the civilian government of Alhaji Shehu Shagari (1979-1983); Nigerians experienced an upsurge in standard of living during the oil boom of the early 70’s (Gowon era) and harsh recession during the early 80’s (Shagari era). The reality of the situation was that the short lived welfare of the Gowon era was as a result of increased and uncontrolled government spending from excess oil revenue which saw the real sector of the economy in deep decadence but which was compensated for by huge importation of basic commodities for the continuance of livelihood; the fiscal bubble bust in the late 70’s and early 80’s which saw the economy (under the watch of the Shagari led civilian government) in a deep recession. The Shagari government however contributed to deepening this recession due to prebendalistic practices which the government was associated with (Osaghae 1998).

Following the view of respondents, evidence gathered shows that Nigerians prefer to by ruled by a democratically elected civilian government not because they felt that the military institution in government was incompetent but because the arm of steel and the usurpation of freedom of speech and expression most commonly experienced under military governance was not a desirable way of life for them. Significant highs and lows have been recorded under the military as it were and the civilians also had a significantly bad record in government. Further evidence shows that ethnicity, which often led to prebendalism and corruption (as demonstrated in the historical review), always the reason the military establishment gave for its national call to order duty of governance could possibly be stemmed by government centred initiative to drive nationally oriented investment policies such as the privatization programme that was experienced during the Obasanjo led civilian government. Once again, the views expressed in this survey regarding preference between military and civilian rule clearly demonstrated that civilian rule was preferred while acknowledging some positive attributes of military rule.

6.4 DISCUSSION OF THE OUTCOME OF THE CAUSALITY TEST

The causality test carried out using macroeconomic time series data from the Nigerian economy invariably demonstrated that causality does not run from size, activity and efficiency of financial intermediaries and markets to economic growth in the Nigerian economy. From the Real GDP Per Capita data shown in the appendix, it can be seen quite explicitly that the Nigerian economy experienced a steady rise in Gross Domestic Product from 1960 to

2007. It can also be seen that the size, activity and efficiency of financial intermediaries and markets were also steadily increasing but not quite at the rate of Real GDP Per Capita; why then was causality not shown amongst these variables towards economic growth? The co-integration analysis demonstrated the presence of at least one co-integrating vector, evidence of the existence of macroeconomic structures.

From the historical case review and both aspects of the phenomenological study, evidence was found that the country both under military and civilian governance paid very little emphasis to the development of a manufacturing sector paying attention only to the importation of consumer goods particular under the Gowon Led military government. What then was responsible for the growth figures recorded in the GDP time series and can these figures be sustained in the long term?

Being a major oil exporter, Nigeria has maintained a strong oil export capacity on the average of two million barrels per day giving the country a strong macroeconomic outlook built on decaying political structures. Collier (2008) argued that most resource rich under-developed countries tend to neglect the development of other sectors such as the financial sector as successive governments preferred to concentrate their efforts on exploitation of natural resource driven wealth. This argument supported De Soto (2000), Moyo (2009) and elaborated by the foregoing analysis demonstrates that the character of a state plays a key role in the development of its financial intermediaries and markets and therefore the views originated by Schumpeter

(1911), developed by Goldsmith (1969) and given empirical evidence by a host of researchers such as Levine (2003) cannot hold as true without bringing into perspective the character of the state as an endogenous variable.

6.5 TRIANGULATION AND SELECTIVE ANALYSIS OF FINDINGS

The research data was gathered under three major categories of secondary data (historical case review), primary data or phenomenological study (questionnaires and interviews) and time series data. These three datasets were triangulated (form a triangle) following which selective deductions were made. The original problem was stated before thematic analysis took place. This research set out to investigate how the character of a developing state could alter the financial development process thereby causing the finance-growth theory to hold false or somewhat untrue in relation to the causality of the development of financial market and intermediary structures on economic growth. Using the Nigerian economy as a case study for developing economies, it was found during the processes of the historical review that Nigeria as a state embodies characters such as ethnicity, prebendalism, civil unrest and military governance, characters not readily found in Western socio-economic arenas. How then has these characters been detrimental to financial development and economic growth? The historical case review showed strong evidence of all these characters and more but emphasis was laid on ethnicity (prebendalism being held as an outcome of ethnicity), civil war and military governance as sufficient evidence was found relating to disturbance of social and political structures as a result of these three characters. Validation was sought for the historical review using evidence from the questionnaires. The macroeconomic analysis demonstrated that even though real gross domestic product per capita had been on the increase over the years, it was not due to the development, increased sophistication or increased trust in the financial system by the citizenry but due to an over reliance by successive prebendalistic military and civilian governments on a sole source of revenue from crude oil reserves which the country has in vast quantities. This dependence even though has led over the years to an increase in real GDP per capita contributed to the neglect of the banking sector and stock market, evidence of which was clearly shown in the causality test result of no causality. This finding is completely in accord with the ‘Dutch Disease Syndrome’ stressed in Collier (2008) and Moyo (2009). This syndrome states that countries with large deposits of natural resources tend to leave other sectors of its economy under-developed as a result of over reliance on the natural resource. This syndrome is further accentuated in an economy run by a bad government. Collier also argued that under such circumstances of bad governance, the natural resource had a tendency over time to lead to civil unrest while foreign aid often led to military coup d’états. Moyo (2009) gave further evidence to support Colliers hypothesis showing how a culture of aid has consistently enabled despots such as Zimbabwe’s President Robert Mugabe to cling on to power. While Collier’s view was right, he failed to recognise the root cause of civil unrests and military coup d’états as being primarily ethnicity which this research unveiled as contributory to the mass ethnic struggle for control of natural resource facilities through the vehicle of state power control evidently displayed in the historical analysis.

6.6 DEVELOPMENT OF THEORY

Having closely followed a detailed mixed method research design, this research has found that causality of financial markets and/or financial intermediaries on economic growth for developing economies can only be correctly determined if in addition to the usual endogenous variables used in the OLS regressions, dummy variables are introduced to reflect the true socio-political character of the country/state under review.

The historical case review of the Nigerian political economy revealed characters of the Nigerian State that have been shown to promote a disconnect between size, activity and efficiency of financial markets and financial intermediaries and Gross Domestic Product, the proxy for economic growth. Evidence from the phenomenological study further resonates the findings revealed by the historical review but most importantly demonstrated that as a community, Nigerians were readily united by economic forces casually discarding ethnic differences when an opportunity for monetary gains arose, ethnicity being a major drawback for most nationally focused development endeavours. Nigerians were found not to strongly resent military governance as they found civilian governments to be as corrupt and unfocused in terms of national development goals as their military counterparts but preferred to be ruled by civilians as they felt that under civilian governments they had the freedom to criticise excesses by government officials, a freedom not guaranteed under military governance. The data however showed that during the twenty eight years of military governance, the country recorded a high level of decadence including a civil war the effects of which continues to be significant in present day politics.

On the basis of the above findings, the theoretical outcome of this research is that the character of a state determined by an analysis of the states socio-political history is a key variable in understanding the nature of financial and economic structures in operation within the country as well as the direction of causality from financial development to economic growth or vice versa. The result obtained in this analysis of no causality in the presence of co-integration further validates this claim.

CHAPTER SEVEN

CONCLUSION AND RECCOMENDATION

7.1 OVERVIEW

The Borderline between Economics and Politics has been an area many researchers in Political Economics have frequently shied away from (elaborated on by the Nobel Laureate Joseph Stiglitz during a visit to Burma), most preferring to concentrate on Economics while others on Politics (Collier, 2008). This research however has explored the borderline terrain drawing inferences from both fields to analyse contemporary issues unique to both fields using the Nigerian Economic and Political platform as an empirical example.

Following the findings of this research, it can be emphatically stated that the basis for heaping the blame of a failed state at the door step of the colonial master has long become obsolete (Mafeje 1971, Nnoli 1978 and Brown 1995). As a matter of fact, Nigeria was last colonised by her own military against the popular connotation that the country's last experience of colonial rule was under Her Majesties Armed Forces (Madiebo 1980, Osaghae 1998, Falola and Eaton 2008). Military colonialism a term coined by this researcher is used to define how the numerous occurrences of military rule (not only in Nigeria and Africa but across the entire developing world) has contributed significantly to shaping the current political, social and economic landscape in Nigeria as it were. Decalo (1986) has in fact described military governance as a means of curbing the excesses of a developing nation and carving a path of development which a democracy with its various rights and privileges to citizens of the country would inevitably find difficult to enforce. Various writers have aligned European colonial errors such as geographic boundaries (Brown 1995, Collier 2006, 2007, 2008), economic extraction (Mafeje 1971, Nnoli 1978 and Brown 1995), political and ethnic favouritism (Mafeje 1971, Nnoli 1978, Madiebo 1980, Ojukwu 1989, Osaghae 1998, Falola and Heaton 2008) as well as the divide and rule mechanism of government (Mafeje 1971 and Madiebo 1980) as the root cause of Africa's decadent economic and socio-political demise (Crowder 1962, Obilade 1979, Madiebo 1980, and Osaghae 1998). Nigeria has indeed been a giant on the African landscape but according to Osaghae (1998) one crippled in many ramifications. After years of independence and considering the wealth of intellectual capital of Nigerians both at home and in Diaspora, early European colonisation as a topic should no longer form a focus in discussions on the way forward for a failed state. Nigerians of all walks of life should be held accountable and are indeed responsible for the countries current economic, social and political climate. Should there then be any relevance to the theory of two publics to today's Nigerian society (Ekeh, 1975)? Should there not be reference to three publics to include the Nigerian Military? Answers to northern political dominance, Federal revenue allocation, minority upheavals and other socio-economic and socio-political problems in the country should form the fore front of intellectual and nationalistic dialogue rather than attempting to heap the blame offshore.

This research brought into perspective a historical review of the Nigerian political economy from independence to date employing documented literature and questionnaire survey to extract historical landmarks and personal view points in Nigeria and amongst the Nigerian people. A key finding of this research was that the military as a homogenous institution has been wholly responsible often directly by military rule and indirectly by setting the pace of civilian rule through a handed down constitution for the process of nation building.

Furthermore, this research examined the nature of causality of economic growth between financial intermediaries and financial markets in Nigeria following the laid down principles of the finance growth theory (Schumpeter 1911, Goldsmith 1969, King and Levine 1993). The essence of this examination was to determine the efficacy of the finance-growth theory in predicting causality of financial development on economic growth in developing economies using Nigeria as a case study. The key factor highlighted here was the character of the state which in the case of most African countries with decadent economies has been built around the nature and character of military intervention, rule and handover. Following the various elements of the mixed method research design employed, the character of the state was analysed using data from a historical review of the Nigerian Political Economy, questionnaire and interview data to determine the casual effect of ethnicity, prebendalism, the civil war and military intervention and governance on financial development and hence economic growth to deduce that the finance-growth theory as it currently stands is not applicable to developing economies such as Nigeria where the scar of long years of military governance occasioned by various socio-political characters of the state has marred the process of financial development thereby causing the financial sector to experience retardant development giving results of non-causality on economic growth even though the time series data and co-integration test suggest otherwise.

The finance-growth theory as it currently stands may be applicable in the United Kingdom, United States and European Union where the possibility of a military intervention and governance may be strongly remote. In most developing countries such as Nigeria, the possibility of the military feeling a new round of offence from civilian detractors may not be far fetched. Following the analysis of the nature and character of military intervention and governance prevalent in the developing world (Decalo 1986), it is the view of this research that the finance-growth theory as it currently is postulated is not applicable to developing economies without some modification to bring into bearing the character of the state. An addition to theory would then be to include the character of the state as a condition for applicability of the theory in developing economies in future studies.

7.2 RECOMMENDATIONS

7.2.1 Policy Recommendations

A key observation of this research is that ethnicity in the political system has been a key detractor in nationally focused developmental plans. This view is supported by a wide range of researchers such as Nnoli (1978), Madiebo (1980), Osaghae (1998), Anugwom (2000) and Falola and Heaton (2008) to mention a few. Developmental plans have often been skewed towards ethnic preferences in a bid to favour the ethnic group controlling Federal Executive Power (Ekeh, 1975). This protracted developmental strategy has been amplified by the multi-party system in Nigeria which has allowed various ethnic groups to consolidate power in different political parties (Madiebo 1980, Joseph 1981, Osaghae 1998, Falola and Heaton 2008). A key policy recommendation will be to introduce a two party state, each party driven by a political ideology (left and right wing). The extent of deviation from the centre in each party will then be left to the preference of individual politicians. The advantage of this system is that it will genuinely draw politicians with similar ideologies from the six geo-political regions of the country to the same political party thereby enhancing the Federal Character Principle postulated by the military. Earlier worries of marginalization in a two party state by minorities who claim that the majority ethnic groups will dominate their interests in a two party state (Osaghae 1998) can be mitigated by incorporating into law the premise that the structure of the executive arm of each of the two parties should include equal representation from each geo-political region of the country. A rotational system would also be in place to ensure that each region has an opportunity to occupy each office within the executive arm of the political party over a period of time. Developmental strategies will therefore be a prerogative of party executives as opposed to ethnic groups in power. The opposition acting as a shadow government will be in a better position to monitor accountability and adherence to democratic values by the incumbent government.

Various efforts have been made by politicians evidenced by the historical review to curb the threat of the Nigerian military feeling a new round of offence to support truncating the growth of the country's budding democracy. Madiebo (1980:9) shows that of the nineteen strategic military facilities in the country, three are located in the South West, one in the South East and fifteen in the North (as follows: one in Kano, two in Zaria and three in Kaduna). The military has traditionally attributed the reason for their seizure of power directly to ethnicity or at best prebendalism and corruption, themselves off shoots of ethnicity. A policy recommendation that has the potential of permanently keeping the military in their barracks and out of government is to redistribute strategic military facilities across all six geopolitical zones ensuring each zone has only one-sixth of the existing strategic military facilities in the country. Currently, a military junta parading itself as representing the homogenous interest of the entire armed forces only needs to take over Kaduna city in Northern Nigeria alongside all the inherent military facilities in a bid to effectively hold the country and its government to ransom. Under the proposed redistributed system, a military junta will need a broader nationwide coordination to take over the government of the country; such a level of coordination may well be difficult to achieve under a fairly decentralized system.

The Federal Revenue Allocation Formula adopted under the Gowon Military Regime currently draws all State generated revenue to the Federal government and a proportion of the bulk sum is redistributed to State and Local Governments using a fixed and equal percentage. This current formula naturally causes an ethnic drive to control the Federal Government (Military or Civilian) in a bid to exploit prebendalistic opportunities represented in the burgeoning Federal purse as a result of the country's vast reserve of natural resources. Revenue distribution should therefore follow Mills Law of Federalism where the State contributes a portion of its revenue to the Federal Government. Apart from mitigating this unhealthy ethnic drive for Federal supremacy, the natural resource trap emphasized by Collier (2008) will also be subdued as the prevailing revenue allocation structure currently encourages States (formed predominantly along ethnic lines) to become complacent in terms of developing other job and revenue creation incentives for their indigenes as they stand to be in receipt of Federally distributed revenue flowing mostly from the South South oil rich Niger Delta. With the termination of revenue flowing from the Federal Government, State governments will be forced to hone their skills towards creation of industries of key strength such as manufacturing and agriculture, in which the country currently has a very high capacity for but which has been neglected since the country found itself in the natural resource trap. Such growth in other sectors will see a rise in Real GDP per Capita as the Federal economy will experience a broader magnitude of diversification away from an economy dependent on crude oil and susceptible to macroeconomic shocks such as seen in the 70's.

Finally, facilities of national interest such as airports, seaports, crude oil refineries and stock exchanges should be located in each of the six geopolitical zones to create a sense of egalitarian national development. Of key necessity would be to locate at least one modern and functional stock exchange in each of the six geopolitical zones in addition to the currently existing Abuja Stock Exchange. The advantage of this will be to create a balanced development across all geopolitical zones in the country by so doing killing the ethnic incentive by one ethnic group to out do the other bearing in mind that all the characters of the Nigerian State highlighted in this study were built directly or indirectly around ethnicity.

With the above recommendations in place, the essence of a bi-cameral legislature would be defeated as a result of a weak federal government thereby leading to a uni-cameral structure or the Senate at the top and stronger local and state governments acting as profit centres accountable for their own pace of growth.

Evidence from Levine (2004) amongst others suggests that financial development drives economic growth; going by the findings of this research of the presence of macroeconomic structures in the Nigerian economy but no causality from financial development proxies to economic growth, creation of the additional six stock exchanges highlighted above in addition to the already concluded capital consolidation of the banking sector will see a huge flow of investment capital into the stock market and the banking system with its resultant ripple effect across other sectors of the economy. The opening of the stock market is therefore strongly recommended for sporadic economic growth. In order to improve corporate and consumer lending by banks, it is further recommended that a post code system similar to that in the United

Kingdom be implemented to enable banks improve on credit control hence minimizing the downside of lending

7.3 INFERENCES AND OBJECTIVE DEDUCTIONS

It can be recalled that in the 1964 elections the AG and the NCNC formed an alliance to tackle the NPC led hegemonic Federal government each party (AG and NCNC) with its own separate interest, AG to regain control of the Western region from the Akintola led NNDP and NCNC to wrench Federal power from the Ahmadu Bello led NPC. The Ibos (predominant ethnic group in the NCNC) felt strongly that Chief Awolowo, leader of the AG failed to play his agreed role in the secessionist agenda which was purportedly planned to isolate the North as a separate country in a joint action plan between the East and the West; instead they are of the view that Chief Awolowo sold out to the North by accepting the position of Federal Commissioner of Finance as a result of which the Ibos suffered massive casualties during the civil war (1967-1969). In retaliation for this, the Ibos refused to support the Awolowo led Unity Party of Nigeria (UPN) in the second republic elections by so doing opening the scars of the deep rooted tribal and ethnic wound of contempt and distrust that continues to exist between the Ibos and the Yorubas of Southern Nigeria facilitating the perpetuation of Northern hegemonic rule in the country as each tribe openly flirts with Northern Political and Military elites to seek high powered government favours. In a national television commentary at the funeral of the Late Chief Obafemi Awolowo, the erstwhile Head of States and Commander in Chief of the Biafran Armed Forces, Rtd Lt. Col. Chukwuemeka Odumegwu Ojukwu (who joined the Conservative Northern Hegemonic second republic political party, the National Party of Nigeria, NPN upon his return from exile) stated that Chief Obafemi Awolowo was the best President Nigeria never had. This statement perhaps as intended was pregnant with meaning. Chief Awolowo was well known to be an ideological politician, the core reason for the split of the AG in the early sixties by factions led by Chief Akintola to form another party which believed more in power at all cost at the expense of ideological politicking; could he have been referring to his skills as a politician or was he speaking idiomatically in mockery of the Late Chief? Many Yorubas and Awolowo fanatics were of the later opinion. This not only further strained the already fragile peace existing between the East and the West but also served to strengthen the North in its bid for political hegemony.

7.4 CONCLUSIONS

This research set out to review two major questions as follows:

1. Is the Finance-Growth theory as normally applicable relevant to developing economies?

2. What Impact does the essence or character of the state have on causality of financial development on economic growth?

This research has ambitiously located the contemporary theory of financial development and economic growth within the character of the state and has as a result developed a hypothesis that the character of a state as an endogenous variable can ultimately redefine the limits of applicability of the existing theory of financial development and economic growth. Financial and economic phenomena much as have been observed and documented may still be incomplete as they may not yet completely have taken into consideration seemingly non-existent behavioural characters like those observed in the Nigerian state. As a result of this study, the wholesomeness of financial development and economic growth theories (as well as other financial and economic behavioural theories) are strongly disputed and contested going by evidence provided by this research. The historical review used to gather data for the mixed method research adopted in the study demonstrates a significant divergence of the Nigerian state from other Western States whose researchers studied and documented phenomena upon which these theories were developed. It is therefore no gain say to recommend that a detailed study of the political economy of African states should be carried out, analysed critically and documented to improve our understanding of how the past and present trends in Africa has managed to sustain crippling levels of poverty, disease, corruption and decadence when the whole world has moved several poles ahead in a leap towards globalization and middle level income brackets (Collier, 2008).

A further finding of this research based on the interview data is that the Nigerian financial system complies with the views expressed in McKinnon (1973) and Shaw (1973). According to McKinnon, savers will supply their savings directly to investors via the stock market investing mechanism as most respondents agreed that they do invest directly in the stock market. While this research did not directly seek information from corporate organisations relating to their source of capital, the researcher having had nearly a decade’s experience in the Nigerian banking industry is aware that corporate businesses regularly seek loans from banks to invest in their businesses. Individual interview respondents also indicated that they regularly finance their stock market investment via funds raised from financial intermediaries. This action is consistent with Shaw (1973) which lays emphasis on the role of financial intermediaries in transmitting savings to investors either directly by bank loans or indirectly by investors who invest in the stock market in the equity of these companies.

APPENDIX A

QUESTIONNAIRE AND INTERVIEW QUESTIONS

QUESTIONNAIRE ASSOCIATED WITH NIGERIAN SOCIAL, POLITICAL AND ECONOMIC HISTORY

Dear respondent, this questionnaire is designed as part of a data collection process towards the completion of a doctoral degree research at the University of Leicester in the United Kingdom. The title of the research is ‘The Character of The State in Financial Development and Economic Growth’. The research seeks to understand the trend towards financial development as a driver for economic growth in the Nigerian market. For your comfort the researcher will not ask for your name or identity but will appreciate if you will disclose your ethnic group. The ethnic group disclosure is targeted at ensuring that views of respondents are balanced across the country’s six geopolitical zones.

Below are a set of questions. Provide an answer to each question by making a choice between numbers 1 to 5, number 1 indicating that you strongly agree and number 5 that you strongly disagree. If your view on the question is not to the extreme (1 or 5) please use 2, 3 or 4 using 3 for a neutral view.

1. The Colonial government gave the North an unfair political advantage by ensuring that the North had a measure of political dominance over the South leading to an unfair national political arena in Nigeria to the present time.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

2. Even if the Military did not intervene, the First Republic would never have survived due to ethnic polarity and high level corruption by government officials.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

3. The January 1966 coup d'etat had an ethnic motive in favour of the East.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

4. The coup should have been rejected by the civilian populace with an insistence on upholding of their mandate.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

5. General Aguiyi Ironsi attempted to reconcile the warring ethnic groups by his transparency and attempt at confederacy.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

6. The period from October 1960 to January 1966 saw no development in the financial system and economic growth was depressed.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

7. Under the Military government(s) that ruled from January 1966 to October 1979 the country experienced sporadic growth in the Banking system.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

8. Under the Military government(s) that ruled from January 1966 to October 1979 the country experienced sporadic growth in the financial/stock market.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

9. Under the Military government(s) that ruled from January 1966 to October 1979 the country experienced sporadic growth in the national economy.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

10. The second coup d'etat in 1966 that brought General Gowon to power was necessary to regain Northern control of political power.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

11. The civil war occasioned by the eastern secessionist movement under the command of Lt. Col Odumegwu Ojukwu, then Military Governor of the Eastern Region was not necessary under the prevailing political dispensation at the time.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

12. The Gowon regime made frantic effort to reconstruct the Eastern region after the civil war.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

13. The Murtala Mohammed/ Olusegun Obasanjo Military government met the expectations of the Nigerian people in terms of economic growth and general welfare.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

14. The Shehu Shagari Civilian government was very welcome because Nigerians no longer wanted to be governed by the military.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

15. The Shagari administration focused very strongly on reviving the ailing Nigerian economy.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

16. The return of the military in December 1983 came as a huge surprise to Nigerians.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

17. Under the Shagari government (second republic) sporadic growth was experienced in the banking sector.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

18. Under the Shagari government (second republic) sporadic growth was experienced in the financial/stock market.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

19. Under the Shagari government (second republic) sporadic growth was experienced in the economy.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

20. The Mohamadu Buhari military regime performed far better than the ousted second republic in terms of economic growth and general welfare.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

21. The Buhari government brought relative order to the Nigerian social, political and economic arena.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

22. The Babangida military government was perceived to have interrupted the nation building and restoration work of the Buhari military government.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

23. The Babangida military government was carried away with their claim of returning the country to civilian rule.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

24. The economic hardship was most severe under the Babangida military government.

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

25. Stock market investment was depressed during the Babangida government due to the Structural Adjustment Programme (SAP).

    1. ( ) strongly agree
    2. ( ) agree
    3. ( ) neutral
    4. ( ) disagree
    5. ( ) strongly disagree

26. There was increasing concern about Northern hegemonic rule during the Babangida era.

1. ( ) strongly agree
2. ( ) agree
3. ( ) neutral
4. ( ) disagree
5. ( ) strongly disagree

27. There was growing concern over the perpetuity of military rule during the Babangida era.

1. ( ) strongly agree
2. ( ) agree
3. ( ) neutral
4. ( ) disagree
5. ( ) strongly disagree

28. The Babangida government was concerned about financial development and economic growth.

1. ( ) strongly agree
2. ( ) agree
3. ( ) neutral
4. ( ) disagree
5. ( ) strongly disagree

29. The annulment of the June 12th 1992 election won by the Late Alhaji Moshood Kasimawo Abiola, a Yoruba (ethnic group) was received across all ethnic groups as a wave of political unity and hope for economic and social welfare.

1. ( ) strongly agree
2. ( ) agree
3. ( ) neutral
4. ( ) disagree
5. ( ) strongly disagree

30. The annulment of the June 12, 1992 election was the best thing the Babangida government could have done.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

31. The Ernest Sonekan led Interim National Government was very relevant to maintain National Unity in chaotic times resulting from the annulled June 12th 1992 elections and subsequent pressure from the electorate and king makers (that the military exit power) in view of the fact that Ernest Sonekan was not only a Yoruba but hailed from the same local government area as the jailed electoral victor, Moshood Abiola.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

32. The return to military governance by the Late General Sani Abacha led military junta was very welcome across the country.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

33. The Abacha led military government had a clear cut focus towards national development and economic growth.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

34. The Abacha led military government was committed to return the country to civilian rule.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

35. There was widespread hope under the Abacha Junta that the people's mandate of June 12th 1992 would be restored.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

36. The sudden demise of General Sani Abacha was a huge loss to the nation due to his nationalistic developmental policies.

1. ( ) strongly agree
2. ( ) agree
3. ( )neutral
4. ( ) disagree
5. ( ) strongly disagree

37. General Abacha's successor, General Abdusalami Abubabkar another northerner had a very different leadership style from other military rulers since the countries independence.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

38. The fact that General Abdusalami Abubabkar kept to his word and returned the country to civilian rule in a spectacular hand over event to an ex military ruler turned civilian, General Olusegun Obasanjo, a Yoruba came to the nation as a shock as the military was not known to keep to their word.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

39. The 1998 hand over by General Abdusalami Abubabkar to Retired General Olusegun Obasanjo (elected civilian) was perceived by Nigerians to be a continuity of military rule in disguise.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

40. General Obasanjo's privatisation programme resulted in financial development and economic growth.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

41. Nigerians participated more in the stock market as a direct consequence of the privatisation programme.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

42. Consumer loans from Nigerian banks formed a major part of the investment in the stock market.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

43. Under previous military governments opportunities to invest in the stock market were restricted and reserved (by economic forces) for the elite.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

44. The military governments on balance have shown better skills at national development and economic growth initiatives than civilian governments.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

45. Military governance is preferred by Nigerians to Civilian governance.

1 ( ) strongly agree
2 ( ) agree
3 ( ) neutral
4 ( ) disagree
5 ( ) strongly disagree

SEMI-STRUCTURED INTERVIEW

Dear respondent, the following questions form part of a semi-structured interview to seek views on how you think financial development has affected economic growth in Nigeria. The interview is part of a data collection process for a doctoral degree research into how the character of the State impacts on financial development and economic growth in Nigeria. The title of my thesis is 'The Character of the State in Financial Development and Economic Growth'. I seek to understand your views on how the character of the state has supported or impeded the development of the financial sector. A well known economic theory certifies that financial development leads to economic growth; I seek to validate this theory in the Nigerian economy.

1. Do you invest in the stock market?

2. Approximately when was the first time you invested in the stock market?

3. What is your source of investment fund?

4. Do you think the Nigerian stock market is as developed as the stock market in other parts of the world?

5. There are a lot of decadent structures in the Nigerian socio-economic arena, what would you say about success or failure of previous military and civilian governments in national development , precisely looking at financial development with respect to banking services and stock market investment?

6. Would you say there is a balance of political power amongst the ethnic groups in the country?

7. Can you elaborate further on your views regarding ethnicity in Nigeria, the federal government is supposed to have a fair distribution of membership across the six geopolitical regions, do you consider that any ethnic group has been unfairly marginalised in the current dispensation and how would you relate this to economic growth?

8. During the last dispensation of civilian rule, there has been a strong wave towards stock market investment; do you see that as a positive development?

9. Do you consider that the Nigerian stock market may be exposed to adverse financial consequences leading to a decline in the economy due to recent liberalization of the financial system?

10. Please clearly state if you consider that financial development and economic growth have a better chance under military governance than under civilian governance.

APPENDIX B

QUESTIONNAIRE ANALYSIS

RES/QUE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	VIEW	REMARK
1	1	1	1	1	1	1	1	1	1	1	2	2	5	3	4	2	5	4	4	4	3	4	4	4	**2.5**	**A**
2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	5	5	1	1	1	1	1	5	**1.7**	**A**
3	3	3	4	4	1	1	1	2	3	4	4	3	1	1	1	1	1	1	1	1	1	1	1	1	**1.9**	**A**
4	3	3	3	3	3	2	4	4	4	4	3	4	1	1	1	3	5	5	5	5	5	4	4	4	**3.5**	**DA**
5	1	1	1	1	3	3	3	3	4	4	2	2	5	5	2	3	1	1	2	5	3	2	2	1	**2.5**	**A**
6	2	2	2	2	2	2	2	1	3	2	2	3	2	2	2	2	2	2	2	3	3	1	1	1	**2.0**	**A**
7	2	2	2	2	2	2	2	2	2	2	2	2	3	3	4	2	2	3	3	2	2	4	2	2	**2.3**	**A**
8	5	5	5	5	5	5	5	5	5	5	5	5	5	4	4	3	3	4	5	4	4	5	3	3	**4.5**	**DA**
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	2	2	2	1	1	**1.2**	**SA**
10	1	1	1	3	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.1**	**SA**
11	5	5	5	5	5	5	5	5	3	3	2	2	1	1	1	1	3	2	4	4	2	2	2	2	**3.1**	**N**
12	5	5	5	5	5	5	5	5	3	3	3	2	3	3	3	1	1	2	2	2	3	2	5	5	**3.5**	**DA**
13	2	2	2	5	3	1	2	2	5	3	4	2	5	2	2	4	4	4	4	4	4	5	2	2	**3.1**	**N**
14	1	1	1	1	1	2	2	1	2	2	1	1	1	1	1	2	2	1	2	2	1	1	1	1	**1.3**	**SA**
15	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	4	5	4	5	**4.9**	**SDA**
16	4	4	4	4	5	4	5	5	5	4	5	5	5	5	2	5	5	5	4	5	5	5	5	5	**4.6**	**SDA**
17	3	3	3	2	3	5	5	3	3	3	3	3	3	5	2	2	4	3	3	3	3	3	3	3	**3.2**	**N**
18	4	4	5	4	4	5	5	3	3	3	3	3	3	5	2	2	4	3	3	3	3	3	3	3	**3.5**	**N**
19	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	**5.0**	**SDA**
20	2	2	1	1	1	1	1	1	2	2	2	1	1	1	1	1	1	1	1	1	1	1	2	2	**1.3**	**SA**
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.0**	**SA**
22	1	1	1	1	1	1	1	2	1	1	1	1	1	1	1	2	2	2	2	1	1	2	1	1	**1.3**	**SA**
23	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.0**	**SA**
24	5	5	4	1	5	4	4	4	4	4	5	4	1	1	5	1	5	5	4	4	4	5	5	5	**3.9**	**DA**
25	2	3	3	3	3	3	3	3	3	2	2	1	2	4	1	1	1	5	3	2	1	5	2	3	**2.5**	**A**
26	1	1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	5	5	5	3	3	4	3	3	**2.3**	**A**
27	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.0**	**SA**
28	4	5	5	5	5	4	4	3	4	4	4	4	5	4	5	5	5	5	3	2	5	5	1	5	**4.2**	**DA**
29	1	2	2	1	2	2	2	2	1	1	1	1	1	3	3	3	2	2	1	2	2	2	2	2	**1.8**	**A**
30	5	5	5	5	5	5	5	5	5	5	5	5	5	5	4	5	5	5	5	4	5	5	5	5	**4.9**	**SDA**
31	2	2	4	3	4	2	5	5	5	5	5	5	3	3	2	2	1	1	1	1	4	3	2	2	**3.0**	**N**
32	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	**5.0**	**SDA**
33	4	5	4	5	5	5	3	5	5	5	5	5	5	5	3	3	4	5	5	5	5	5	5	4	**4.6**	**SDA**
34	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	3	4	4	3	3	3	5	5	3	**4.4**	**SDA**
35	5	5	5	4	3	4	4	5	2	1	1	2	2	4	4	5	5	5	5	4	3	5	5	5	**3.9**	**DA**
36	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	**5.0**	**SDA**
37	3	3	2	1	2	2	4	2	2	2	2	2	2	2	3	3	1	2	2	2	2	2	2	2	**2.2**	**A**
38	1	1	2	1	1	1	1	1	1	1	1	1	3	2	2	3	2	3	1	1	1	1	1	2	**1.5**	**SA**
39	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	2	2	2	1	1	1	1	**1.2**	**SA**
40	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	**1.0**	**SA**
41	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.0**	**SA**
42	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	**1.0**	**SA**
43	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	2	1	2	**1.1**	**SA**
44	1	2	2	3	4	4	4	2	5	5	3	2	3	4	5	5	5	5	3	2	2	2	4	1	**3.3**	**N**
45	1	5	5	3	5	5	5	5	5	5	5	4	5	3	3	2	5	1	5	4	4	4	4	4	**4.0**	**DA**

Respondent 1 to 4 = South East
Respondent 5 to 8 = South South
Respondent 9 to 12 = South West
Respondent 13 to 16 = North East
Respondent 17 to 20 = North West
Respondent 21 to 24 = North Central

SA = STRONGLY AGREE
A = AGREE
N =
NEUTRAL
DA = DISAGREE
SDA = STRONGLY DISAGREE

APPENDIX C

MACROECONOMIC DATA SET

COMBINED DATABASE

YEAR	REAL GDP PER CAPITA	SIZE OF SMKT	ACTIVITY OF SMKT	EFFICIENCY OF SMKT	SIZE(LL/GDP)	F/INT ACTIVITY CTPDMBOFI/GDP	EFF = CTPSDMB/TFA
1960	2400.00	0	0	0	0.115	0.046166667	0.050598228
1961	2378.00	0.0004836	0.000967199	0.473344	0.126156434	0.049705635	0.053276841
1962	2516.00	0.000413135	0.001788553	1.078557596	0.13227345	0.069395866	0.07479438
1963	2946.00	0.001004965	0.003496266	0.843380909	0.122776646	0.070739986	0.087109179
1964	3145.00	0.000574205	0.00445151	1.895463328	0.136979332	0.078600954	0.099532936
1965	3360.80	0.000197201	0.004731016	6.106400096	0.139401333	0.082539871	0.108208074
1966	3614.40	-0.000143975	0.004537406	-8.798905341	0.143813634	0.08728973	0.118653086
1967	2951.00	-0.00057419	0.004201965	-1.967040773	0.153846154	0.096780752	0.10983288
1968	2878.00	7.97515E-05	0.004447533	14.91845442	0.181410702	0.078735233	0.085529322
1969	4738.80	0.000242678	0.003460792	4.202390912	0.139824428	0.049759433	0.08424011
1970	8961.50	-0.00011472	0.001852368	-5.412734822	0.109278581	0.038855102	0.109214263
1971	10375.40	-5.57034E-05	0.001744511	-12.17803228	0.100420225	0.048778842	0.152300257
1972	11034.70	0.000383978	0.002464951	2.582554053	0.109128477	0.055760465	0.168535546
1973	12251.60	0.002600904	0.007541872	1.229573666	0.111830292	0.060775735	0.190473708
1974	19604.00	-0.001362248	0.002586207	-0.907050618	0.132228117	0.047566823	0.197943052
1975	22945.40	-9.19546E-05	0.002776156	-19.32339687	0.175856599	0.067909036	0.256742874
1976	28611.40	0.000571816	0.003911028	5.441509193	0.199490413	0.074928175	0.280868274
1977	33585.00	0.000762494	0.005359536	6.435832165	0.228533572	0.09062379	0.314704368
1978	36053.00	-0.000410181	0.005256151	-14.28002996	0.208609547	0.111635648	0.353315276
1979	42912.00	0.000585039	0.006103188	12.98671169	0.229511559	0.106287286	0.328317991
1980	50270.00	0.002228776	0.01018699	6.257379447	0.286252238	0.127471653	0.351702876
1981	50751.00	-0.002823403	0.006543713	-3.833331748	0.300267975	0.168713917	0.39141486
1982	51953.00	-0.001374942	0.004134506	-5.356382299	0.321319269	0.200019248	0.386873527
1983	57144.00	0.001165833	0.006963111	13.1084715	0.333091838	0.189543959	0.354526609
1984	63608.00	-0.000397816	0.006574645	-42.73624846	0.333962709	0.182013269	0.320271476
1985	72355.00	-0.00089624	0.00441711	-13.69203708	0.319991708	0.175698984	0.31528972
1986	73062.00	0.001068463	0.006761381	18.58555576	0.323084504	0.23590649	0.399878285
1987	108885.00	-0.000926545	0.003196033	-11.27460427	0.265375396	0.17874271	0.374700763
1988	145243.00	-0.001377343	0.000947378	-3.47374116	0.264424447	0.161725522	0.391800509
1989	224797.00	0.000699648	0.002320316	25.20137903	0.192933625	0.121541569	0.432587685
1990	260637.00	-0.000564986	0.001018658	-14.70983725	0.220818993	0.130771341	0.401345538
1991	324010.00	-0.000252822	0.000420357	-15.32946048	0.244027345	0.121847782	0.427705674
1992	549809.00	0.00010601	0.000570198	71.7026593	0.234781533	0.15605092	0.467425156
1993	701473.00	-6.44454E-05	0.000573507	-186.4490766	0.282946029	0.124380126	0.401487333
1994	914939.00	-3.39037E-05	0.000622664	-604.237648	0.29176262	0.154544729	0.422416556
1995	1977740.00	0.000216057	0.000929748	244.5866276	0.161175382	0.101722673	0.467688767
1996	2823930.00	0.000829644	0.002501018	221.4890209	0.131141353	0.088998311	0.445104488
1997	2939650.00	0.000579466	0.003766435	518.2975437	0.14618441	0.10541493	0.46290866
1998	2881310.00	0.000241835	0.004710496	1708.450094	0.182430214	0.126889852	0.461026735
1999	3320640.00	-6.67437E-05	0.004224306	-5918.776178	0.210722933	0.134600258	0.406228758
2000	4980960.00	0.001320492	0.005652445	428.0560616	0.208008095	0.116532154	0.39663478
2001	4864450.00	0.002484217	0.011848657	566.9783056	0.270507457	0.168095057	0.442881938
2002	5602570.00	-0.000443568	0.010725203	-3244.411661	0.285492194	0.166198191	0.396376165
2003	7191050.00	0.003628252	0.01678517	707.8658672	0.276063996	0.164504488	0.427622855
2004	8553280.00	0.005086733	0.026401626	913.2680472	0.264645843	0.174741152	0.412314078
2005	14572200.00	-0.000110834	0.018043236	-33761.77774	0.180556127	0.132898258	0.42463967
2006	18222800.00	0.005094163	0.025805793	1137.145894	0.201650679	0.13511096	0.401374458
2007	22848900.00	0.034421362	0.090531388	622.1695754	0.210587381	0.206253693	0.430421034

ALL MONETARY DATA IN =N= MILLIONS OF NAIRA
NAIRA IS THE DOMESTIC CURRENCY IN NIGERIA

DATA SOURCE: IFS INTERNATIONAL FINANCIAL STATISTICS DATABASE

COMBINED DATABASE WITH DUMMY VARIABLES

YEAR	REAL	SIZ	ACT	EFF	SIZE	ACTIVITY	EFFECI	ETHNIC	CIVWAR	MILGOV
1960	2400.00	0	0	0	0.115	0.046166667	0.050598228	1	0	0
1961	2378.00	0.0004836	0.000967199	0.473344	0.126156434	0.049705635	0.053276841	1	0	0
1962	2516.00	0.000413135	0.001788553	1.078557596	0.13227345	0.069395866	0.07479438	1	0	0
1963	2946.00	0.001004965	0.003496266	0.843380909	0.122776646	0.070739986	0.087109179	1	0	0
1964	3145.00	0.000574205	0.00445151	1.895463328	0.136979332	0.078600954	0.099532936	1	0	0
1965	3360.80	0.000197201	0.004731016	6.106400096	0.139401333	0.082539871	0.108208074	1	0	0
1966	3614.40	-0.000143975	0.004537406	-8.798905341	0.143813634	0.08728973	0.118653086	1	1	1
1967	2951.00	-0.00057419	0.004201965	-1.967040773	0.153846154	0.096780752	0.10983288	1	1	1
1968	2878.00	7.97515E-05	0.004447533	14.91845442	0.181410702	0.078735233	0.085529322	1	1	1
1969	4738.80	0.000242678	0.003460792	4.202390912	0.139824428	0.049759433	0.08424011	1	1	1
1970	8961.50	-0.00011472	0.001852368	-5.412734822	0.109278581	0.038855102	0.109214263	1	1	1
1971	10375.40	-5.57034E-05	0.001744511	-12.17803228	0.100420225	0.048778842	0.152300257	1	1	1
1972	11034.70	0.000383978	0.002464951	2.582554053	0.109128477	0.055760465	0.168535546	1	1	1
1973	12251.60	0.002600904	0.007541872	1.229573666	0.111830292	0.060775735	0.190473708	1	0	1
1974	19604.00	-0.001362248	0.002586207	-0.907050618	0.132228117	0.047566823	0.197943052	1	0	1
1975	22945.40	-9.19546E-05	0.002776156	-19.32339687	0.175856599	0.067909036	0.256742874	1	0	1
1976	28611.40	0.000571816	0.003911028	5.441509193	0.199490413	0.074928175	0.280868274	1	0	1
1977	33585.00	0.000762494	0.005359536	6.435832165	0.228533572	0.09062379	0.314704368	1	0	1
1978	36053.00	-0.000410181	0.005256151	-14.28002996	0.208609547	0.111635648	0.353315276	1	0	1
1979	42912.00	0.000585039	0.006103188	12.98671169	0.229511559	0.106287286	0.328317991	1	0	0
1980	50270.00	0.002228776	0.01018699	6.257379447	0.286252238	0.127471653	0.351702876	1	0	0
1981	50751.00	-0.002823403	0.006543713	-3.833331748	0.300267975	0.168713917	0.39141486	1	0	0
1982	51953.00	-0.001374942	0.004134506	-5.356382299	0.321319269	0.200019248	0.386873527	1	0	0
1983	57144.00	0.001165833	0.006963111	13.1084715	0.333091838	0.189543959	0.354526609	1	0	0
1984	63608.00	-0.000397816	0.006574645	-42.73624846	0.333962709	0.182013269	0.320271476	1	0	1
1985	72355.00	-0.00089624	0.00441711	-13.69203708	0.319991708	0.175698984	0.31528972	1	0	1
1986	73062.00	0.001068463	0.006761381	18.58555576	0.323084504	0.23590649	0.399878285	1	0	1
1987	108885.00	-0.000926545	0.003196033	-11.27460427	0.265375396	0.17874271	0.374700763	1	0	1
1988	145243.00	-0.001377343	0.000947378	-3.47374116	0.264424447	0.161725522	0.391800509	1	0	1
1989	224797.00	0.000699648	0.002320316	25.20137903	0.192933625	0.121541569	0.432587685	1	0	1
1990	260637.00	-0.000564986	0.001018658	-14.70983725	0.220818993	0.130771341	0.401345538	1	0	1
1991	324010.00	-0.000252822	0.000420357	-15.32946048	0.244027345	0.121847782	0.427705674	1	0	1
1992	549809.00	0.00010601	0.000570198	71.7026593	0.234781533	0.15605092	0.467425156	1	0	1
1993	701473.00	-6.44454E-05	0.000573507	-186.4490766	0.282946029	0.124380126	0.401487333	1	0	1
1994	914939.00	-3.39037E-05	0.000622664	-604.237648	0.29176262	0.154544729	0.422416556	1	0	1
1995	1977740.00	0.000216057	0.000929748	244.5866276	0.161175382	0.101722673	0.467688767	1	0	1
1996	2823930.00	0.000829644	0.002501018	221.4890209	0.131141353	0.088998311	0.445104488	1	0	1
1997	2939650.00	0.000579466	0.003766435	518.2975437	0.14618441	0.10541493	0.46290866	1	0	1
1998	2881310.00	0.000241835	0.004710496	1708.450094	0.182430214	0.126889852	0.461026735	1	0	1
1999	3320640.00	-6.67437E-05	0.004224306	-5918.776178	0.210722933	0.134600258	0.406228758	1	0	1
2000	4980960.00	0.001320492	0.005652445	428.0560616	0.208008095	0.116532154	0.39663478	1	0	0
2001	4864450.00	0.002484217	0.011848657	566.9783056	0.270507457	0.168095057	0.442881938	1	0	0
2002	5602570.00	-0.000443568	0.010725203	-3244.411661	0.285492194	0.166198191	0.396376165	1	0	0
2003	7191050.00	0.003628252	0.01678517	707.8658672	0.276063996	0.164504488	0.427622855	1	0	0
2004	8553280.00	0.005086733	0.026401626	913.2680472	0.264645843	0.174741152	0.412314078	1	0	0
2005	14572200.00	-0.000110834	0.018043236	-33761.77774	0.180556127	0.132898258	0.42463967	1	0	0
2006	18222800.00	0.005094163	0.025805793	1137.145894	0.201650679	0.13511096	0.401374458	1	0	0
2007	22848900.00	0.034421362	0.090531388	622.1695754	0.210587381	0.206253693	0.430421034	1	0	0

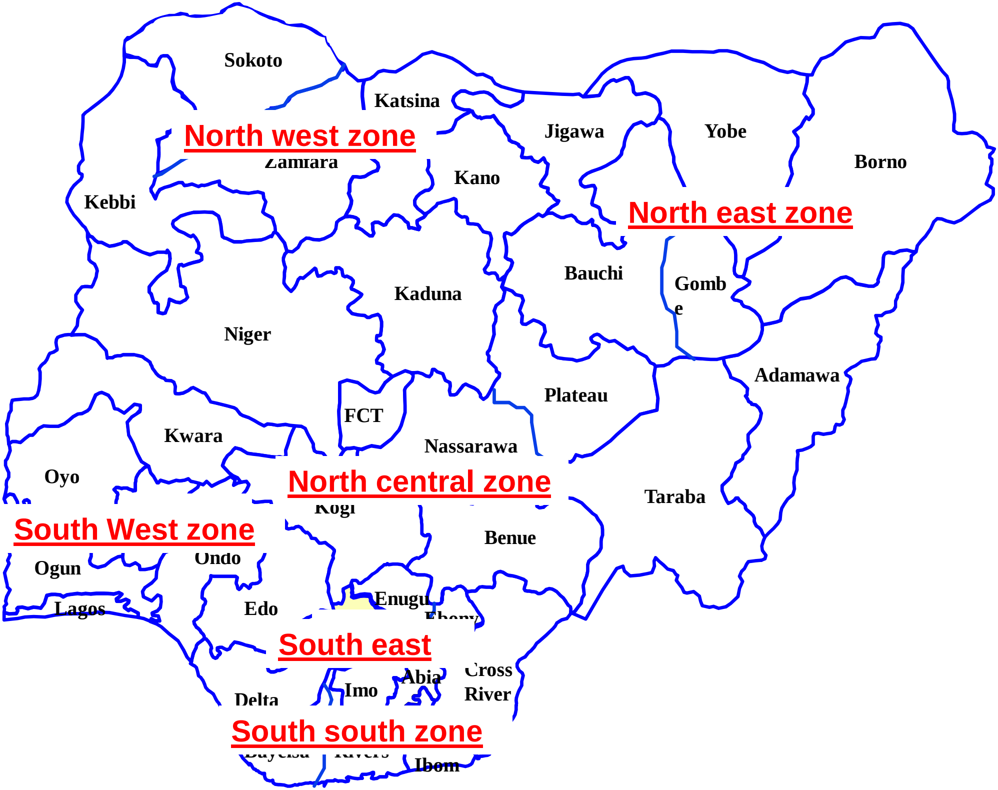
ETHNIC = 1 INDICATES YEARS OF ETHNIC POLITICS OR APPARENT EFFECT OF ETHNICITY
CIVWAR = 1 YEARS OF CIVIL WAR AND POST CIVIL WAR EFFECT (POST CIVIL WAR EFFECT CONTINUES AFTER THE CIVIL WAR (COLLIER 2008)
MILGOV = 1 INDICATES YEARS OF ACTIVE MILITARY GOVERNANCE
REAL = REAL GDP PER CAPITA
SIZ = SIZE OF FINANCIAL INTERMEDIRIES
ACT = ACTIVITY OF FINANCIAL INTERMEDIARIES
EFF = EFFICIENCY OF FINANCIAL INTEMEDIRIES
SIZE = SIZE OF STOCK MARKET
ACTIVITY = ACTIVITY OF STOCK MARKET
EFFECI = EFFICIENCY OF STOCK MARKET

ALL MONETARY DATA IN =N= MILLIONS OF NAIRA
NAIRA IS THE DOMESTIC CURRENCY IN NIGERIA

DATA SOURCE: IFS INTERNATIONAL FINANCIAL STATISTICS DATABASE

APPENDIX D

MAP OF NIGERIAN GEOPOLITICAL ZONES



Sokoto
Katsina
North west zone
Zamfara
Kebbi
Kano
Jigawa
Yobe
Borno
North east zone
Bauchi
Gombe
Kaduna
Niger
Adamawa
Plateau
FCT
Kwara
Nassarawa
Oyo
North central zone
Kogi
Taraba
South West zone
Benue
Ogun
Ondo
Lagos
Edo
Enugu
South east
Abia
Imo
Cross River
Delta
South south zone
Ibom

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