

An Empirical Assessment of Banking Sector Reform and Unemployment in Nigeria

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Abstract

Since the attainment of full employment is a desirable economic goal which has proved difficult for African countries, Nigeria inclusive, the objective of this research is on modeling banking sector reform and unemployment in Nigeria. The co-integration approach was used to assess the data that covered the period between 1980 and 2011. Both the result of the static long run model and the short run dynamic model indicate that the banking sector reform in Nigeria has actually increased the level of unemployment in Nigeria. This has cast some doubts on the overall effectiveness of the banking sector reforms in Nigeria. The ECM result showed a satisfactory speed of adjustment. The results thus recommend that banking sector reform should be tailored towards workers welfare and interest rate policy should encourage aggregate investment which will reduce the level of unemployment.

Key Words: Banking sector reform, co-integration, variance decomposition, unemployment

Introduction

In the 1980s, the Nigerian economy experienced a great deal of challenges. Part of the challenges was the problem of unemployment in the economy. At the inception of the 4th republic, a general overhaul of the Nigerian economic engine was embarked upon. The financial sector being the hub around which all economic activities revolves was a focal point of reformation. In literature, there exists avalanche of materials connecting the role of robust financial system in economic development of an economy (see Mackinnon (1973) and Shaw (1973). Emenuga (2005) explained the benefits accruable from a healthy and developed financial system in relation to savings mobilization and efficient financial intermediation roles. The benefits include mobilizing savings for investments in productive ventures which ordinarily should enhance employment opportunities. Among macroeconomic goals of any economy, the attainment of full employment is crucial. Therefore when the Nigerian Government embarked on banking sector reform, one of the issues that the reformation programme was to address was unemployment. Unemployment in Nigeria is multi- dimensional.

There are cases of unemployment in which there is a mismatch between pay and meeting basic human needs of food, clothing and shelter. We also have cases of disguised unemployment where people take up jobs that are below their academic attainment and experience. Another dimension is the situation in which people looking for employment could not find either in the public or private sector. Taking a look at emphasis laid on entrepreneurial skills; some people are willing to engage in one form of economic activity and are vastly hampered by the macroeconomic atmosphere which is quite challenging. Since the adoption of the Structural Adjustment Programme (SAP) in 1986 and subsequent economic reform policies and programmes, the latest being National Economic Empowerment and Development Strategies (NEEDS). The main policy thrust of the government remains the transformation from an inefficient state dominated economy with substantial rigidities to a more competitive market – oriented economy, with more diversified production base and rising employment opportunities, Iwayemi (2006). In spite of these strategic and insightful economic reformations unemployment is still on the increase.

The objective of this paper is to assess a policy question; is banking sector reform an instrument to reduce unemployment rate in Nigeria? Following this introductory section, the rest of the paper is structured as follows: Section 2 presents the theoretical frameworks and review of literature.

A review of banking sector reform forms the content of Section 3. The methodology is presented in Section four. Section five presents analysis of the results of the model and Section six concludes the paper.

Theoretical Framework and Literature Review

There is a plethora of literature on theoretical foundations of unemployment. These literature spans the classical and neo-classical, the neo-Keynesian and neo classical schools, as well as the theories of endogenous growth. The various types of unemployment discernable in literature are demand-deficient or cyclical unemployment, seasonal unemployment, frictional unemployment and structural unemployment. Onwioduokit (2006) explained that unemployment in Nigeria can be broadly divided into two main groups. Open unemployment and underemployment or disguised unemployment. Lambo (1987) as cited in Onwioduokit (2006) opines that open unemployment is mainly associated with the urban areas of the country, while disguised unemployment applies to the rural agricultural zone. People are classified as unemployed if they had no employment during the reference period and they make specific efforts to find employment and were not able to secure one.

The theoretical foundation is the neo-Keynesian concept of potential output, which is the same as natural output. This framework espoused that inflation depends on the level actual output and the natural rate of employment. This paper explores three theories in literature that explains unemployment. These are classical, Keynesian and the new macroeconomic models. The theories attempt to explain the causes of unemployment and theory offer policy options that can help to solve the problems. Adebayo and Ogunriola (2006) asserted that the classical theory of unemployment is closely linked with the writing of Pigou. It rests implicitly on the basic microeconomic foundation of Walras' general equilibrium model (Huges and Perlman, 1984). The classical school of thought illuminates unemployment in terms of institutional market impediments while the Keynesian school links unemployment to the deficiency in aggregate demand. The new-macroeconomists suggested poor information flow on attainable wage rates as the output for unemployment. Fourier (1989) as cited in Adebayo and Ogunriola (2006) argued that the macroeconomic theories concentrate on cyclical and voluntary unemployment while completely neglecting structural unemployment.

There are already a good number of studies on unemployment in Nigeria, (see Adebayo, 1999, Oni, 2006, NISER, 2005, Iwayemi, 2006). These studies have either looked at the nature, characteristics and causes of unemployment in Nigeria, but the uniqueness of this study lies in the fact that it examines the impact on banking sector reforms on unemployment.

Overview of Reforms in Nigeria Banking Sector

Ever since banking became a business in Nigeria, it has been evolving and reforming. At independence in 1960 to 1985, the banking sector was highly regulated. Comprehensive financial sector began in 1987, prior to this time, the sector was highly repressed (Onwioduokit and Adamu ,2005). The financial system was characterized by interest rate controls, selective credit guidelines, ceilings on credit expansion, use of reserve requirements and other direct monetary control instruments. Access to banking business was limited and government owned banks dominated the industry. In 1986, the government came with reforms in the general economy and banking sector reforms formed a major component. Part of the financial sector reforms policies include deregulation of interest rates, exchange rates and access into banking business. Others include establishment of Nigeria Deposit Insurance Corporation, strengthening the regulatory and supervisory institutions, upward review of capital adequacy standards, capital market deregulation and introduction of indirect monetary policy instruments. The Central Bank of Nigeria liquidated some distressed banks and took over the management of others. The government sold her shareholding to the private sector.

The procedure for licensing new banks was streamlined and liberalized. This was done to promote money market competition. The resultant effect of the above was that the number of banks increased from 50 in 1987 to 120 in 1993 and dropped to 115 in 1996. By 1998, the number surged to 155 and the number dropped to 89 in 2004 as confirmed from the Central Bank of Nigeria's publications. During the period of universal banking, there were some noticeable weaknesses in the industry, which were detrimental to the growth of the Nigerian economy. Such weaknesses include the fact that there were too many small ineffective players in the industry. This was a source of systemic risk to the economy since the dominant positions of the small players inhibit competition and innovation in products and business models. Those banks had little or no impact on the industrial and other sectors of the economy (Campbell 2006).

Available statistics from the Central Bank of Nigeria revealed as at June, 2004 that only ten banks out of eighty nine account for 53.20% of total assets, 56.2% of total deposits liabilities and 43.3% of total credits. A whole lot of the banks were family owned and thus exist primarily because of their close connections to Nigeria's political elite. Research findings attest to the fact that an effective banking industry is necessary for every economy through its intermediation mechanism. Therefore strengthening and consolidating the banking industry will enable the industry to overcome all its weaknesses and improve on its financing rate to the real sectors of the economy. It was against this background that the CBN embark on a reform of the banking system. The CBN announced a 13-point reform agenda that was designed to transform the banking industry. The reforms include the consolidation and recapitalization policy of the banking industry in Nigeria and this reduced the number of banks from eighty nine to twenty five. This was achieved through mergers and acquisition some of the banks were able to raise funds on sole efforts without merging with any institution. Such banks include Zenith Bank, GT Bank, Standard Chartered Bank and Ecobank Nig. Ltd. Five years after consolidation was effected in the industry, there were still pockets of distress in the system. The CBN intervened again, some of the banks went under while others were taken over by the CBN in collaboration with Asset Management Company of Nigeria, (AMCON) and the Nigeria Deposit Insurance Corporation (NDIC) on August 2011. The reform of Central Bank has averted systemic failure the industry is less competitive because of its oligopolistic structure. It was the hope and aspirations of stakeholders that recent reforms in the industry would get the banks to increase lending to the manufacturing sector, thereby propelling economic growth.

However, The industry is still unstable, though some level of discipline has been infused into the system in the form of sound corporate governance. In terms of strength, an industry average of capital adequacy ratio of 4% was achieved in 2010. This has improved to 17.9% in 2011 and has gone up to 19.3% in February, 2012. Another measure of strength of the banking industry is the liquidity ratio, which mirrors the capacity of the banks to meet short-term obligations. This ratio rose from 47.5% in 2010 to 67.8% in 2011. Also, the non-performing loan, (NPL) as a ratio of total loan portfolio has decreased drastically. The ratio decreased from 15.47% in 2010 to 4.95% in 2011.

Basically, a nation development is largely influenced by the economic activities of her population. The country has been facing monumental unemployment problems. The unemployment problem cannot be viewed to have suddenly emerged. Efforts by various governments have not yielded the desired result because the problems began many years back and that proffering solutions require more than the knee-jacks approach being applied. At the conceptualization stage of banking sector reform, it was envisaged that it will help in ameliorating the unemployment problem in Nigeria.

Econometric Procedure VAR Modeling and the Cointegration Approach

Vector autoregression (VAR) modeling and the cointegration approach provide not only an estimation methodology but also explicit procedures for testing the long-run relationship among variables suggested by economic theory. According to the Granger Representation Theorem (Engle and Granger, 1987), if a $P \times 1$ vector, X_1 , generated by $(1-L) X_1 = d + c(L) e_t$, is cointegrated, then there exists a vector auto-regression (VAR), an error correction, as well as a moving average (MA) representation of X_1 . A set of variables X_1 , which is cointegrated, refers to the existence of long-run equilibrium relationship among economic variables (Mungule, 2004). That is though each series may be non-stationary, there may be stationary linear combination of the variables. The idea is that individual economic time series variables wander considerably, but certain linear combination of the series do not move too far apart from each other in economic term, there is long-run relationship among the variables. The most common test for cointegration is the two-step procedure of Engle and Granger (1987) which performs well for univariate tests. The first step is to fit the cointegration regression, an ordinary least squares (OLS) estimation of the static model. The second step is to conduct a unit root test on the estimated residuals. To test for cointegration is just to test for the presence of a unit root in the residual of the cointegrating regression. If the null of a unit root is rejected, then cointegration exists. However, the long-run parameter of the cointegrating vector estimated from this approach can be severely biased in finite sample. An improved procedure of cointegration test is that which allows for more than one cointegrating vector, as suggested in Johnansen and Juselius (1990).

Following Johnansen and Juselius (1990). Let the p variables under scrutiny follow a vector autoregression of order p (VAR) as below.

$$X_1 C + P_1 X_1 + \dots + P_p X_{1-p} + e_t \quad (1)$$

Where $X_t = n \times 1$ vector of economic variables in the model, $c = n \times 1$ vector of constants of drift terms are innovations of this process and are assumed to be drawn from p – dimensional independently, identically distributed (i.i.d) Gaussian distributions with covariance G ; and $X_{p+1} \dots X_0$ are fixed.

Where:

$P_i = n \times n$ matrixes of time invariant coefficients, $11 \dots p$, and $e = n \times 1$ vector of i.i.d errors with a positive covariance matrix.

Let Δ represent the first difference filter. The equation can be reparameterised into the equivalent form presented below.

$$\Delta X_t = c + PX_{t-p} + \sum_{i=1}^{P-1} \tau_{i\Delta X} + \tau \quad (2)$$

Where $t_i = \sum_{j=1}^i P_j$ for, $i=1, \dots, P-1$, $\tau = \sum_{j=1}^p p_j$

The coefficient matrix P contains information about the long-run relationship among variables. Since e_t is stationary, the number of ranks for matrix P determines how many linear combination of X_t are stationary. If $0 < \text{Rank}(P) = 1 < p$, there exists r cointegrating vector that make the linear combinations of X_t to become stationary. In that case P can be factored as ‘ a ’ and ‘ b ’, with ‘ a ’ and ‘ b ’ being matrixes. Here ‘ b ’ is a cointegrating vector has the property that bX_t is stationary even though X_t itself is non-stationary and a then contains the adjustment parameters.

Based on an unrestricted estimation that is parameterized in terms of level and differences, Johansen (1998) proposed likelihood ratio statistics for testing the number of cointegrating vectors. First we must solve the eigenvalues of $|e S_{pp} - S_{po} S_{oo}^{-1} S_{op}| = 0$ where S_{oo} is the moment matrix of the residuals from the ordinary least squares (OLS) regression of ΔX_t on $\Delta X_{t-1} \dots \Delta X_{t-p}$; S_{oo} is the residuals from ordinary least squares (OLS) regression of $\Delta X_{t-1} \dots \Delta X_{t-p}$; S_{pp} is the residual from matrix from the OLS regression of $\Delta X_{t-1} \dots \Delta X_{t-p+1}$; S_{op} is the cross product moment matrix. The cointegrating vector, b is solved out as the eigenvectors associated with the r largest statistically significant eigenvalue derived using two test statistics, ‘‘maximum eigenvalue statistics’’ and ‘‘trace statistics’’. The first statistics tests hypothesis that are $r=s$ cointegrating vectors against the alternative of $r = s + 1$ by calculating the maximum likelihood test statistics as $-T \ln(1 - \lambda_{s+1})$, where T is the sample size and 1_{s+1} is an vectors. If the test is performed by calculating trace statistics.

$$-T \sum_{i=r+1}^p \ln(1 - \lambda_i^*) / (1 - \lambda_i)$$

Where λ_i^* are eigenvalues obtained from cointegration analysis assuming there is no linear trend.

The equation estimated to model banking sector reforms and unemployment in Nigeria is shown in below:

$$\text{UNEM} = b_0 + b_1 \text{MCBASE} + b_2 \text{INT} + b_3 \text{BINV} + b_4 \text{REFDUM} + u_t$$

Where

- MCBASE = Minimum Capital base
- UNEMP = Unemployment
- INT = Interest Rate
- BINV = Bank investment
- REFDUM = during variable optioning the effect or of banking sector reforms.

The result of the long-run static relationship is shown in table 1 below:

Table 1 Summary of long-run Static Result: Modeling LUNEMP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LMCBASE	0.061772	0.012435	4.967694	0.0000
LINT	0.103853	0.030688	3.384101	0.0019
LINBINV	0.322087	0.108432	2.970398	0.0056
REFDUM	0.115734	0.037814	3.060595	0.0050
C	2.822687	0.126794	22.26195	0.0000

$R^2 = 0.96$, Adjusted $R^2 = 0.96$, t-statistics = 178.72 Prob (t-statistic) = 0.0000. Dw = 2.11

The long run result shows that the minimum capital base has significant and positive relationship with the level of unemployment in Nigeria. The results shows that the increase in minimum capital base which is the core of the banking sector reforms has increased the level of unemployment by about 6 percent. The interest rate has a positive sign which is an indication that high interest rate that characterizes the banking sector reforms and has reduced the level of investment, which has increased the level of unemployment in Nigeria. The positive and significant sign of banks investment is an indication that the banks are shifting investment from human capital which creates employment to other forms of investment. The statistical significant of the dummy variable for banking sector reform is an indication that the banking sector reforms has significant influence on the level of unemployment in Nigeria.

The result of the unit root test which precedes the cointegration representation is shown in table 2 below:

Table 2: Summary of ADF Unit Root Test Result

Variables	level data	1 st diff.	1% CV	5% CV	10% CV	order of integration
MCBASE	-0.31	-3.84*	-3.68	-2.97	-2.62	1 (1)
UNEMP	0.29	-3.61**	-3.68	-2.97	-2.62	1 (1)
INT	-2.14	-5.04*	-3.68	-2.97	-2.62	1 (1)
BINV	1.67	-6.62*	-3.68	-2.97	-2.62	1 (1)

NB: * Indicate significance at 1% level and ** indicates significance at the 5% level

The result of the Augmented Dickey fuller (ADF) unit root test result shows that all the variables were non stationary at the levels. They however became stationary after the first difference was taken. This permits us to estimate the cointegrating relationship:

Table 3: Summary of Johansen Cointegration Test Result

Hypothesized No. of CE(s)	Eigenvalue	Trace statistic	5 percent critical value	1 percent critical value
None **	0.581587	67.35879	47.21	54.46
At Most 1 **	0.5355457	42.09150	29.68	35.65
At Most 2*	0.377605	19.85716	15.41	20.04
At Most 3*	0.18961	6.105917	3.76	6.65

Hypothesized No. of CE(s)	Max- Eigen Statistics	Trace statistic	5 percent critical value	1 percent critical value
None **	0.581587	67.35879	47.21	54.46
At Most 1 **	0.5355457	42.09150	29.68	35.65
At Most 2**	0.377605	19.85716	15.41	20.04
At Most 3*	0.18961	6.105917	3.76	6.65

The result shows a long run relationship among the variables

The summary of the over parameterize ECM result is shown in table 3 below:

Table 4: Over Parameterize ECM Result. Modeling DLUNEMP

Variables	Coefficient	Std. Error	t-Statistic	Prob.
DLUMCBASE	4.709084	0.608709	7.736177	0.0000
DLUMCBASE(-1)	0.011464	0.006625	1.730372	0.0998
DLUMCBASE (-2)	0.009009	0.005724	1.573862	0.1320
DLINT	0.002951	0.015721	0.187702	0.8531
DLINT (-1)	1.035993	0.186431	5.556977	0.0000
DLBINV	-0.017610	0.009976	-1.765257	0.0936
DLBINV (-1)	3.693405	1.272644	2.902150	0.0069
DLBINV (-2)	-0.009554	0.008318	-1.148539	0.2650
ECM	-0.0694378	0.057300	-12.11823	0.0000
C	0.026175	0.004671	5.604295	0.0000

$R^2 = 0.63$, F-statistics = 19.09, AIC = 5.19 SC = 4.7 DW = 2.06

The parsimonious ECM result shown in table 4 was gotten by deleting insignificant variables from the overparameterize ECM result.

Table 5: Parsimonious ECM Result: Modeling DLUNEMP

Variables	Coefficient	Std. Error	t-Statistic	Prob.
DLUMCBASE	0.951970	0.118147	9.057535	0.0000
DLINT (-1)	0.453696	0.077109	5.883822	0.0000
DLBINV (-2)	0.278391	0.107894	2.580236	0.0139
ECM (-1)	-0.396659	0.141286	-2.807485	0.0109
C	0.022341	0.003468	6.441126	0.0000

$R^2 = 0.77$, t-statistics = 22.16, AIC = -5.31 SC = -5.07 DW = 2.18

The results of the short run dynamics did not deviate from the long run static result. The result shows that the minimum capital base which forms the core of the banking sector reforms has actually increased the level of unemployment in Nigeria.

The high elasticity which is almost unity is symptomatic of the significant role played by the banking sector reform in determining the level of economic growth in Nigeria. The result also indicated that banking sector investment which is another key aspect of the banking sector reform has not improved the employment level in Nigeria. The high interest rate has not also facilitated investment and this has worsened the unemployment situation in Nigeria. The negatively signed ECM which is also statistically significant is an indication of a satisfactory speed of adjustment.

The result of the Vector Error Correction (VEC) is shown in table 6 below:

Table 6: Vector Error Correction (VEC)

Cointegrating Eq	CointeEq 1
LUNEMP (-1)	1.000000
LMCBASE (-1)	-0.057804 (0.02766) (-2.09009)
LINT (-1)	-0.025865 (0.04262) (-0.60687)
LBINV (-1)	-0.017565 (0.04506) (-0.38978)
C	-2.976860

Error Correction	D(LUNEMP)	D(LUMCBASE)	D(LINT)	D(BINV)
CointEq 1	- 0.048809 (0.06102) (-0.79991)	-5.432033 (2.38435) (-2.27821)	-1.517359 (0.82075) (-1.84874)	-0.631739 (1.50108) (-0.42086)

The VEC result indicates that the minimum capital base and interest rate equations constitute the time cointegrating equation. The others are statistically flawed because they are not significant.

The diagnostic test result is shown in table 7 and figure 1 below:

Table 7: Diagnostic Test Result

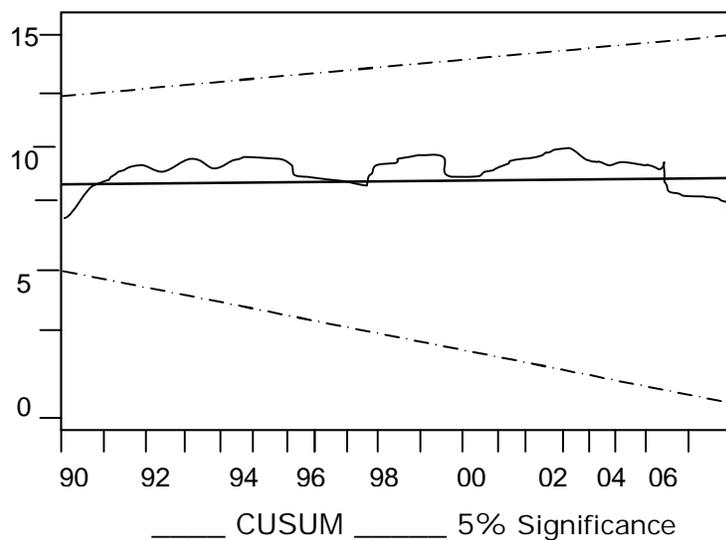
	Brensch – Godfrey	Serial Correction CM
f-statistic	1.02	Probability 0.14
	white Heteroskedasticity	
f-statistic	0.38	probability 0.91
	jarque – Bara normality	
jarque Bera	1.12	0.94

The Brensch – Godfrey serial correlation Cm test indicates the acceptance of the null hypothesis that the errors are not serially corrected.

The Jarque- bera normality indicates the validation of the null hypothesis that the errors are normally distributed, while the white heteroskdasticity test indicates the acceptance that the errors are homoskedastic..

The stability of the model was done with the cumulative sum of square (CUSUM) test. The result of the CUSUM test is shown in figure I below:

Figure 1: CUSUM Stability Test



The CUSUM test indicates that the model is stable since the line falls in-between the two five percent lines.

The variance decomposition forms the next part of this study.

Table 8: Variance Decomposition Result**Variance Deposition of LUNEMP**

Period	S.E	LUNEMP	LMCBASE	LINT	LBINV
1	0.017430	100.0000	0.000000	0.000000	0.000000
2	0.022573	96.56920	1.805119	0.020287	1.515393
3	0.027866	95.96347	2.954033	0.01559	1.066982
4	0.031758	94.62085	3.695396	0.694962	0.988789
5	0.036266	94.17530	4.134608	0.536586	1.133502
6	0.039623	94.11725	4.233764	0566728	1.082259
7	0.042866	93.98743	4.378127	0.592162	1.042283
8	0.046150	93.94612	4.456682	0.523063	1.074132
9	0.048924	93.95818	4.465151	0.512783	1.063890
10	0.051629	93.97251	4.475171	0.507506	1.044814

Variance Deposition of LMCBASE

Period	S.E	LUNEMP	LMCBASE	LINT	LBINV
1	0.681083	14.80124	85.19876	0.000000	0.000000
2	0.816583	10.74505	85.70574	2.847837	0.701361
3	0.892919	13.98568	80.75402	4.159297	1.100998
4	0.951222	19.09169	75.50421	4.012877	1.391321
5	1.007052	24.86759	69.88837	3.592754	1.651281
6	1.045452	29.01298	65.78379	4.335941	1.867294
7	1.082627	33.20696	61.64865	3.131739	2.012648
8	1.118802	37.00784	57.79889	3.033735	2.159537
9	1.153028	40.29817	54.42168	3.018144	2.261998
10	1.186109	43.18365	51.43575	3.043722	2.336875

Variance Deposition of LINT

Period	S.E	LUNEMP	LMCBASE	LINT	LBINV
1	0.234446	9.048331	1.450969	89.50070	0.000000
2	0.279064	7.660188	9.498078	82.00577	0.835966
3	0.341534	6.388656	16.11678	76.52925	0.965310
4	0.409942	4.435097	19.84236	74.87671	0.845836
5	0.469292	4.259989	23.76179	71.04779	0.930428
6	0.524864	3.655247	26.05970	69.26503	1.020020
7	0.578162	3.258642	27.69995	68.06115	0.980265
8	0.628436	3.048949	29.13188	66.81678	1.002384
9	0.674743	2.887477	30.29045	65.79156	1.030517
10	0.719502	2.714390	31.07167	65.19472	1.019223

Variance Deposition of LBINV

Period	S.E	LUNEMP	LMCBASE	LINT	LBINV
1	0.428780	7.321539	49.82309	4.070965	38.78441
2	0.583198	4.649563	67.97758	4.305269	23.06758
3	0.633285	4.384066	71.99289	3.725701	19.89735
4	0.698514	5.114044	65.41691	6.961870	22.50718
5	0.743461	4.602029	67.17916	6.614439	21.60437
6	0.774673	4.357730	68.59717	6.204066	20.84103
7	0.809453	4.69449	66.62006	6.732892	21.95260
8	0.836882	4.400197	66.93615	6.449293	22.21436
9	0.858557	4.191270	67.42758	6.129601	22.25155
10	0.881722	4.148863	66.77600	6.053447	23.02169

Cholesky Ordering LUNEMP LMCBASE LINT LBINV

Other than shocks to unemployment which explains about 100 percent of shocks to itself on the first period, shocks to minimum capital base explains about 4 percent of the change in the unemployment level in the 4th period and remained unchanged till the last period. Shocks to interest rate and bank investment did not explain significant percentage of the unemployment level. Other than shocks to itself shocks to unemployment explained about 14 percent of changes in the minimum capital base in the first period which increased to 43 percent in the last period. Minimum capital base also explained 31 percent of shocks in interest rate in the last period and 80 percent of shocks to bank investment in the 3rd period.

Conclusion

The banking sector reform has brought about numerous transformations across countries. The Nigerian experience of the banking sector reform has been quite tasking, arduous and a bag of mixed results. Though it seems that the banks are stronger as regards their capital base and investment portfolios, however, an important issue that has been overlooked is the impact of the banking sector reform on the level of unemployment. Both the long run static result and the short run dynamic result shows that the banking sector reforms have actually increased the level of unemployment as bank workers have been at the receiving end of the cost reduction strategies that accompanied the banking sector reform. The result also shows a long run relationship among the variables. The result thus recommends that the banking sector reforms should be streamlined to accommodate workers and that the interest rate policies of the banks should be such that will increase the level of aggregate investment which will increase the demand for labour and hence create more jobs.

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