Recapitalisation and Real Sector Performance in Nigeria: An Ardl Analysis of the Service Sector

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ABSTRACT: *The purpose of this study is to investigate the impact of banking sector reforms on the overall performance of real sectors in Nigeria, with a particular emphasis on how such changes will affect the service sector. The statistical bulletin, annual report, and statement of accounts of the Central Bank of Nigeria (CBN) were the sources of the aggregate time series data that were used in this study, which covered the period from 1981 to 2020. The ARDL technique was utilised in the analysis of the data. The recapitalization policy is positive and statistically significant both in the short run and in the long run, indicating that the Nigerian real sector did perform better after the introduction of the recapitalization policy in Nigeria; and the relationship between banking sector recapitalisation and real sector performance. Capital base of banks, credit to private sector, and mobilisation of savings all have a favourable effect on the performance of the service industry. Based on the findings of the analysis, the study concludes that the capital base of banks, credit to the private sector, and mobilisation of savings all have a favourable effect on the performance of the service industry. According to the findings of the study, it is recommended that credit be made continuously available in a financial market economy that is unregulated, as this has the potential to stimulate the outputs of the national real sector, which would ultimately lead to economic expansion and development in Nigeria.*

KEYWORDS: services sectors, performance, recapitalisation, ARDL, real sector

INTRODUCTION

Economies are often broken down into four different yet interconnected sectors. The actual, the external, the fiscal or government, and the financial sectors make up this category. Agriculture, manufacturing, building and construction, and service provision are all examples of activities that fall within the "real sector." Many different factors contribute to the sector's strategic importance. To begin, it is responsible for the production and distribution of tangibly useful products and services (Mensah, & Onumah, 2020). This is necessary in order to meet the aggregate demand in the economy. Therefore, a gauge or an indirect assessment of the level of living of the population may be derived from its performance. Second, according to Mensah and Onumah 2020, the performance of the real sector may be utilised as a measurement tool to determine how successful macroeconomic policies have been. If government policies have a favourable influence on the production and distribution of products and services that enhance the welfare of the populace, then those policies can be deemed successful and deserve praise. Third, a robust real sector, particularly one that is comprised of agricultural and industrial activity, generates more links in the economy than any other sector, which in turn minimises the strains that are placed on the economy's external sector.

The importance of the real estate industry can also be seen in the role it plays in constructing capabilities, as well as in the significant employment and revenue generation potentials it possesses. According to Okotori and Ayunku's research in 2020, economic reforms are often defined as the process of adjusting policy incentives and/or reorganising key institutions responsible for execution. As a component of economic reforms, reforms of the financial sector primarily concentrate on reorganising the institutions and markets of the financial sector via the use of a variety of policy tools (Nwanna, & John, 2016).

Following the presumption that the banking sector plays a significant role in the financing of the real sector, successive administrations in Nigeria have introduced institutional innovations and carried out reforms in the banking sector. The overarching goal of these reforms has been to guarantee financial stability in order to have an effect on the expansion of the economy and also to strengthen banks' ability to play an important part in the process of financial intermediation in Nigeria. In particular, the practice of bank recapitalization has radically changed and positioned the sector to play the critical function of financing the real sector in order to bring about growth in the Nigerian economy. This role is essential for the nation's economic development. The overarching goal of institutional changes in the banking sector in Nigeria is to reposition the sector

to play the crucial function of financial intermediation. This goal is intended to be accomplished through repositioning the industry to fulfil this role. In point of fact, the Nigerian banking sector is now in a position to offer the resources required for long-term growth and development, thanks to its collaboration with the real sector in the effort to expand the Nigerian economy.

As the capital bases of banks continue to expand, investors in the real sector will have access to an increased amount of liquid cash, which they may lend and advance to the private and public sectors for the objectives of investment. These loans and advances targeted exclusively towards the manufacturing industry will result in higher investment within that sector, increased productivity, and a boost to employment, exports, and overall economic growth across the nation, assuming that all other factors remain unchanged. If more credit is made accessible to the private sector, there will be a corresponding rise in the amount of net investment. This, in turn, will lead to an increase in the amount of total production, all other things being equal. If these loans and advances are directed only towards agricultural objectives, then the result will be a rise in agricultural sector investment, an expansion of agricultural production, the creation of job, and an improvement in the general welfare of the population.

LITERATURE REVIEW

In their study, Yua, Upaa, Adiga, and Haruna (2020) conducted an examination of the performance of commercial banks in relation to credit provision and the manufacturing sector within emerging economies, specifically focusing on Nigeria. The study utilised secondary data sourced from the statistical bulletin of the Central Bank of Nigeria for the purpose of analysis using the Vector Error Correction framework. The study's results indicated a significant impact of credit from commercial banks on the performance of the manufacturing sector. The research findings indicate that the provision of credit by commercial banks has a positive impact on the manufacturing performance of emerging economies. This paper additionally proposes several strategies to enhance employment and manufacturing outcomes in Nigeria.

The study conducted by Okotori and Ayunku (2020) examined the impact of banking reforms on the profitability of Nigerian Deposit Money Banks (DMBs). The annual data spanning from 2006 to 2018 is subjected to domestic and international analysis. The derivative panel data is then analysed utilising the dynamic econometric GMM method. The profitability of Nigeria's Deposit Money Banks (DMBs) is a significant metric. The results of the calculations indicate that a 10% increase in risk for banks will result in a decrease of approximately 9% in return on equity. Additionally, the findings indicate that a 10% increase in the inflation rate is associated with a corresponding decrease of approximately 1.4% in the return on equity. Similarly, a 10% increase

in the exchange rate is linked to a decline of approximately 1.4% in the profit on equity, with no significant impact observed on the latter in the case of a 0% change in the exchange rate. The findings indicate that the implementation of financial reform has the potential to mitigate the credit risk associated with deposit money banks (DMBs), enhance their profitability, and augment the income generated through the recapitalization of credit currency banks. The implementation of the reform appears to have enhanced the efficacy of the assumptions regarding market concentration and structural performance as posited by the structural behaviour hypothesis (SCP). The depreciation of the naira has been attributed to several factors, including the rise in national debt, the decrease in currency reserves, and the decline in revenue generated from crude oil sales. Consequently, this depreciation has resulted in an upward trend in inflation rates.

The study conducted by Nwajiaku, Ananwude, and Obi-Nwosu (2020) explored financial deepening and entrepreneurial growth within the context of Nigeria. Based on the application of the Granger Causality test with ARDL technique for model estimation. The study revealed that there was a substantial impact of entrepreneurial growth on the expansion of financial services, specifically in the banking and insurance sectors. Therefore, it is imperative that the CBN takes measures to incentivize commercial banks to increase their lending for entrepreneurial endeavours, thereby fostering a positive impact on GDP. This initiative is expected to facilitate a significant proportion of the alumni from these educational institutions in fostering an entrepreneurial mindset, thereby enabling them to establish small and medium-sized enterprises across various regions of the nation.

In their study, Imoughele, Ehikioya, Ismaila, and Mohammed (2013) conducted an investigation into the influence of the accessibility of commercial bank credit on the performance of sectoral output in the Nigerian economy. The study spanned from 1986 to 2010 and employed ordinary least squares (OLS) techniques for analysis. The research revealed development to the significance of credit facility as a factor of production and continuous influx into the manufacturing, agriculture, and services sectors. The study provides additional support for the importance of maintaining ongoing access to credit in a deregulated financial market economy. This access has the potential to stimulate the production of goods and services in the national economy, leading to overall economic growth and development.

In a study conducted by Obilor (2013), the author empirically examined the effects of commercial banks' credit on the agricultural sector within the context of the Agricultural Credit Guarantee Scheme Fund in Nigeria. The research showed that a number of factors have a big effect on agricultural production in the country. These include the way commercial banks work together to

give credit to the agricultural sector, how agricultural credit guarantee loans are given out and for what purposes, how much money the government gives to the agricultural sector, and how the prices of agricultural products change. The study suggests that it would be beneficial to incentivize farmers to seek loans from participating financial institutions in order to enhance agricultural activities and increase productivity.

METHODOLOGY

Annual data covering the period 1981-2020 were used for the analysis in this study. These data were from the CBN in 2009, 2019, and 2020 bulletin editions. In order to explore the effect that banking sector changes have had on actual sector performance in Nigeria, the study utilised a wide variety of statistical and econometric analysis methodologies. The outcome of the unit root test, which is the primary test that served as the foundation for the selection of a particular approach, serves as the reason for the technique of data analysis that is considered to be suitable. Therefore, the autoregressive distributive lag has been decided upon as the method of analysis that is most suitable.

Model Specification

This study's model is based on the financial repression theory, Anyanwu (2010)'s theoretical review, Kyari (2015)'s use of income as a proxy for real sector performance, and Okowa, Vincent, & Okeke (2018)'s use of agriculture and manufacturing output as proxies. However, models were slightly changed to include the factors of the present investigation since this study used disaggregate actual sector performance to evaluate each component sector in Nigeria.

$$SERV = f (PSCR, SMB, CBB, LDR, DUM) \qquad\qquad 1$$

Where: SERV = Service sector performance (measured by ratio of the contribution service sector to GDP); CPSR= Credit to Private Sector; CBS=Capital Base of Banks; SMB=Savings Mobilization by Banks; LDR=Loan-to-Deposit Ratio; f = Functional notation The OLS multiple regression equation based on the above mathematical form equation is expressed as:

$$SERV = \gamma_0 + \gamma_1 CPSR + \gamma_2 SMB + \gamma_3 CBB + \gamma_4 LDR + \gamma_5 DUM + \mu \qquad\qquad 2$$

Where: μ = Error term; γ_0= Constant term/ Intercept; $\gamma_1, \gamma_2, \gamma_3, \gamma_4, \gamma_5$, are the coefficients of the individual parameter estimates. All the other variables are as earlier defined.

A priori Expectation

This tells us whether or not the explanatory variables conform to the postulations of economic theory in terms of their signs and magnitudes. Base on the stated models the apriori expectation are states thus;

$$\partial SERV/\partial PSCR \begin{array}{c}<0\\>0\end{array}, \; \partial SERV/\partial SMB \begin{array}{c}<0\\>0\end{array}, \; \partial SERV/\partial CBB \begin{array}{c}<0\\>0\end{array}, \; \partial SERV/\partial LDR \begin{array}{c}<0\\>0\end{array} \; \partial SERV/\partial DUM \begin{array}{c}<0\\>0\end{array}$$

RESULTS AND DISCUSSION

Service sector GDP contribution trended at N66.20 billion in 1981. Service contribution to GDP rose from N207.98 billion in 1990 to N1,146.45 billion in 1995. It jumped again from N27736.9 billion in 2010 to N55319.41 billion in 2015. It reached N71551.68 billion in 2020 and N77100.63 billion in 2021 (CBN, 2022).

1981 private credit was N8.57 billion. From 1990 to 1995, private sector lending rose from N33.55 billion to N180 billion. Private sector credit climbed to N530.37 billion in 2000 and N1838.39 in 2005. In 2010, it reached N10518.17 billion, and in 2015, N18688.42 billion. 2018 and 2021 had N22646.33 and N32868.49 increases. 1981 bank capital was N19.48 billion. Bank capital base rose from N82.96 billion in 1990 to N385.14 billion in 1995. Bank capital climbed to N1558.84 billion in 2000 and N4515.12 in 2005. In 2010, it reached N17331.56 billion and in 2015, N28173.26 billion. N37206.99 and N42054.5 followed in 2018.

1981 savings mobilisation was N1.98 billion. Savings mobilisation rose from N13.01 billion in 1990 to N62.14 billion in 1995. Savings mobilised to N164.62 billion in 2000 and N401.99 in 2005. In 2010, it reached N1589.18 billion, and in 2015, N3048.88 billion. It reached N4696.26 in 2018 and 5602.38 in 2021. The 1981 loan-to-deposit ratio was 74.50%. The Nigerian loan-to-deposit ratio dropped from 66.50% in 1990 to 73.30% in 1995. The loan-to-deposit ratio decreased to 51% in 2000 and increased to 70.80% in 2005. 2010 saw 74.20% and 2015 69.58%. 60.48% in 2021.

Table 4.2: Descriptive Statistics Results

Variables	SERV	CBS	CPS	SMB	LDR	DUM
Mean	18918.49	10291.42	6571.297	1149.558	66.81512	0.463415
Median	3806.190	2247.040	764.9600	216.5100	66.90000	0.000000
Maximum	77100.63	42054.50	32868.49	5602.380	85.66000	1.000000
Minimum	66.20000	19.48000	8.570000	1.980000	37.97000	0.000000
Std. Dev.	25476.36	13450.15	9588.541	1672.080	12.07707	0.504854
Skewness	1.133284	1.007388	1.297453	1.392719	-0.526414	0.146735
Kurtosis	2.767423	2.562281	3.388889	3.610422	2.765105	1.021531
Jarque-Bera	8.868681	7.261991	11.76149	13.89094	1.987858	6.834125
Probability	0.011863	0.026490	0.002793	0.000963	0.370120	0.032809

Source: E-view 10.0

Another proxy for actual sector economic performance, service sector contributions to GDP (SERV) has a maximum value of 42,054.5, a minimum value of 66.2, and a standard deviation of 25476.36. The value can range anywhere from these extremes. The range of possible values for "credit to the private sector" (CPS) is from a low of 19.85 to a high of 32,868.49, with a standard deviation of 19588.5. In the same vein, the capital base of banks (CBS) has a range that goes from a minimum of 19.48 to a maximum of 42054.5, with a standard deviation of 13450.15. The greatest values for saving mobilisation by banks (SMB), loan-to-deposit ratio (LDR), and dummy variable (DUM) are respectively 5602.3, 85.6, and 1.0, whereas the minimum values for these variables are respectively 1.98, 37.97, and 0.0. The mean, the median, and the standard deviation are respectively 1672.0, 12.07, and 0.5.

Table 4.2: Phillip-Perron (PP) Unit Root Stationary Test

Variables	PP Stat. at Levels	1% Crit. Value	5% Crit. Value	PP Stat. at first Diff.	1% Crit. Value	5% Crit. Value	Order of integration
D(SERV)	-4.717166***	-4.211868	-3.529758				I(0)
D(CPS)	-4.920659	-4.211868	-3.529758				I(0)
D(CBS)	-14.31892***	-4.211868	-3.529758				I(0)
D(SMB)	-8.579354***	-4.211868	-3.529758				I(0)
D(LDR)	-7.903126***	-4.211868	-3.529758				I(0)
DUM	-2.109829	-4.205004	-3.526609	-6.160753***	-4.211868	-3.529758	I(1)

Source: Computed from E-view 10.0

According to the findings of the unit root, the dummy variables remained unchanged following the application of the first difference, while the capital base, credit to private sector, loan to

deposit ratio, and savings mobilisation all remained unchanged at the same level. As a result, the use of ARDL as a suitable method of analysis is given support by this.

ARDL Bound Test for Service Sector Performance Model

The null hypothesis is tested for the existence of cointegration using the ARDL bound test, and the result is shown in table 4.10 below.

Table 4.3   F-Bound Test for Service Sector Performance Model

ARDL Bounds Test		
Test Statistic	Value	k
F-statistic	7.194075	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: E-view 10.0

The results for the computed Wald test (F-statistics) are provided in table 4.3, and it can be seen that the estimated F-statistics of 7.194075 is more than the upper bound critical values of 4.68 and 3.79 at the 1% and 5% significant levels respectively. As a result, the predicted ARDL models display signs of a co-integration connection over the long term. Therefore, the alternative hypothesis—that there is co-integration—is accepted.

Table 4.4:   ARDL Long Run Regression Estimates for Service Sector Performance Model

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(CBS)	0.047141	0.017018	2.770097	0.0100
LOG(CPS)	5.583315	2.268987	2.460708	0.0205
D(LDR)	-7.770470	1.831597	-4.242455	0.0002
LOG(SMB)	0.316613	0.111407	-2.841945	0.0084
DUM	0.009558	0.003864	2.473707	0.0200
C	-4.232201	1.597241	-2.649696	0.0133

Cointeq = D(SERV) + (0.047141*D(CBS) + 5.583315*D(CPS) − 7.770470 *D(LDR) + 0.316613*D(SMB) + 0.009558*DUM − 4.232201)

Source: E-view 10.0

In table 4.4, you can see the result of plugging the long-run regression estimates into the inflation model. At the 5% level of significance, the positive coefficient of 5.583 for the credit granted to the private sector (CPS) is statistically significant. The positive coefficient of 5.583 for the capital base of banks (CBS) is statistically significant at the 5% level of significance. There is a statistically significant positive coefficient of 0.316 for savings mobilisation by banks (SMB), or the process of savings being put to use by financial institutions. The loan-to-deposit ratio (LDR) has a negative coefficient of -7.77 at the 5% significance level, which is not statistically significant. The dummy variable is statistically significant at the 5% level, with a coefficient of 0.009 pointing in the right direction. Short-term predictions of the model's dynamics are the next phase.

Table 4.5: ARDL-ECM Test for Service Sector Performance Model

Selected Model: ARDL(1, 3, 4, 2, 4, 4)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOG(SERV(-1))	0.681469	0.219321	3.107174	0.0100
LOG(SERV(-2))	-0.545968	0.271290	-2.012487	0.0693
LOG(CBS)	0.059413	0.126334	0.470287	0.6473
LOG(CBS(-1))	0.292398	0.129764	2.253312	0.0456
LOG(CPS)	0.011156	0.107894	0.103394	0.9195
LOG(CPS(-1))	0.413937	0.172019	2.406340	0.0348
LOG(CPS(-2))	0.032112	0.113191	0.283697	0.7819
D(LDR)	0.001391	0.001291	1.076731	0.3046
D(LDR(-1))	-0.000879	0.001039	-0.846337	0.4154
D(LDR(-2))	-0.000872	0.001009	-0.864202	0.4059
LOG(SMB)	0.091915	0.178206	0.515777	0.6162
LOG(SMB(-1))	0.404280	0.194293	2.080774	0.0616
LOG(SMB(-2))	0.127740	0.209124	0.610834	0.5537
D(DUM1)	0.336100	0.102266	3.286539	0.0072
D(DUM1(-1))	0.109035	0.076339	1.428304	0.1810
D(DUM1(-2))	0.086795	0.079553	1.091033	0.2986
CointEq(-1)	-0.132248	0.059697	-2.247796	0.0319

R-squared	0.868654	Mean dependent var		2139.215
Adjusted R-squared	0.846073	S.D. dependent var		2336.910
F-statistic	386.9576	Durbin-Watson stat		1.885309
Prob(F-statistic)	0.000000			

Source: E-view 10.0.

Table 4.5 contains the findings of the short-run dynamic for inflation modelling that was performed. According to the regression analysis for the ARDL-ECM equation that lies beneath it, the adjusted R2 value is 0.84. This suggests that around 84% of the variance in inflation can be attributed to the independent variables, while the remaining 16% may be attributed to factors that were not incorporated into the model. This suggests that there is a good match. With a value of 1.88 for the DW-statistic, we may conclude that there is no serial correlation. A gradual adjustment to the short run may be deduced from the anticipated value of -0.1322 for the co-efficient of the error correction term. According to this ECM coefficient, the speed of adjustment is around 32%. In the short term, credit to the private sector (CPS) has a positive coefficient in the present period, the first period to lag period, and the second period to lag period; however, the t-stat and probability values suggest that this positive coefficient is only statistically significant in the first period. In the short run, the capital base of banks (CBS) has a positive coefficient at period one, and this coefficient is statistically significant according to the probability values and t-statistics. The coefficient for savings mobilisation by banks (SMB) is positive throughout all time periods, although it is only statistically significant for the present period, the first period, and the fourth period. In the short run, the loan to deposit ratio (LDR) has a negative coefficient, although this difference is not statistically significant.

Credit to the private sector (CPS) has a positive relationship with real sector performance in Nigeria, according to the long run estimate, as a unit increase in private sector credit will bring about 5.583 percent increase in real sector performance through the service sector, with a significant t-stat of 2.46 and a probability of 0.020 adjudge statistically significant at 5% significant level. This estimate is based on the assumption that an increase in private sector credit will bring about an increase in real sector performance through the service sector. Similarly In the long term, the capital base of banks (CBS) has a positive impact on the performance of the real sector in Nigeria, as indicated by its coefficient (0.047), which has a significant t-stat value of 2.246 and probability values of 0.024 and 0.024 respectively. There is also a clear link that exists between the mobilisation of savings by banks (SMB) and the performance of the real sector in Nigeria. A unit increase in the mobilisation of savings will, all other things being equal, translate to a 0.316 percent rise in the performance of the real sector in Nigeria through the service sector. The t-stat and probability values, which came out to be 2.712 and 0.008 respectively, both point to the fact that this influence has a considerable bearing on the data.

The loan to deposit ratio (LDR) in Nigeria has an inverse association with the performance of the real sector, although this link does not reach the level of significance required to be considered

significant (5%). If all other variables remain the same, a percentage rise in the loan to deposit ratio would result in a 0.009 reduction in the performance of the real sector as measured by the service sector in Nigeria.

The value of the dummy variable is found to be positive in both the long run and the short run. This demonstrates that recapitalization has a beneficial effect on real sector performance in Nigeria. As a result, the Central Bank of Nigeria (CBN) should continue its reforms in the financial industry, putting extra focus on providing precedence to priority activity sectors such as industry, agriculture, and service, and also on growing and upgrading the social volume of the economy based on new possibilities and problems. The CBN's banking sector changes should be prioritised, with an emphasis on providing assistance to the prioritised sectors, such as industry, agriculture, and service, and expanding the economy's human capacity in response to new possibilities and challenges.

Table 4.6 Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	0.216281	Prob. F(2,32)	0.8067
Obs*R-squared	0.533491	Prob. Chi-Square(2)	0.7659

Source: E view 10

The conclusion that can be drawn from the data presented in Table 4.6 is that the estimated model suffers neither from serial/autocorrelation problems. This is shown by the fact that the observed value of R^2 is 0.533491 and the corresponding value of Chi^2 is 0.7659, neither of which is statistically significant at the 0.05 level. As a result, we can conclude that there is no evidence of serial correlation in the model's residuals, which refutes the null hypothesis that they are. This means the model's projections are robust, allowing for precise forecasting and the creation of sound economic strategy.

Table 4.7 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.691850	Prob. F(5,34)	0.1632
Obs*R-squared	7.969287	Prob. Chi-Square(5)	0.1579
Scaled explained SS	8.095800	Prob. Chi-Square(5)	0.1178

Source: E view 10

Table 4.7's output reveals that the model's estimation of the presence of homoscedasticity (constant variance of the error term) as observed R-squared (bs*R-squared) value of 7.969287 and its corresponding probability Chi-Squared (Prob. Chi-Squared (5)) of 0.1579 are not statistically significant at the 0.05 level. This can be seen by looking at the table. Therefore, the alternative hypothesis of the residuals having a constant variance is the one that is accepted, and the null hypothesis of the residuals having a nonconstant variance is rejected.

Table 4.8 Ramsey RESET Test

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.537259	11	0.6018
F-statistic	0.288647	(1, 11)	0.6018

F-test summary:

	Sum of Sq.	df	Mean Squares
Test SSR	0.000831	1	0.000831
Restricted SSR	0.032481	12	0.002707
Unrestricted SSR	0.031651	11	0.002877

Source: E view 10

Results reported in Table 4.8 show a t-statistic of about 0.537259 and a corresponding p-value of about 0.60182. Since the correct/linear specification null hypothesis is not rejected at the 5% significance level, the findings of Ramsey's RESET test indicate that the linear model is correctly specified. This is due to the fact that before powers are calculated, the anticipated value is normalised so that it falls within the range 0–1. If the regression model is set up properly, there should be no statistical significance between any of the coefficients on the powers of the predicted variable.

Figure 4.1: Normality Test
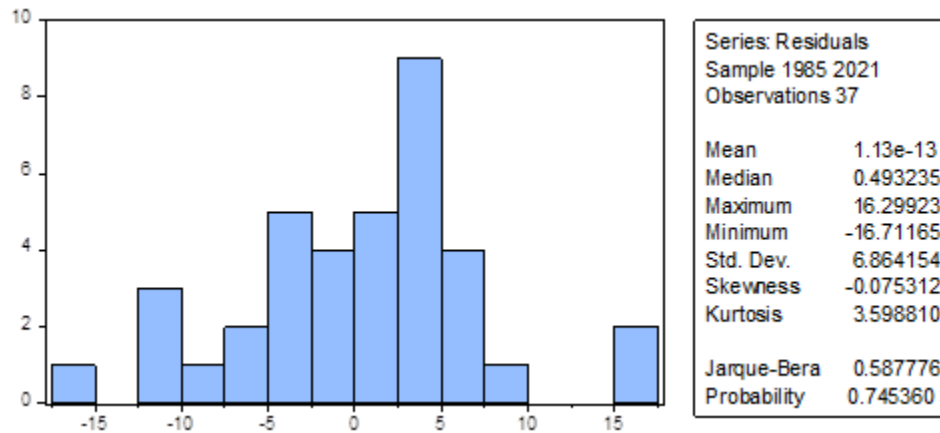
Source: E view 10

As can be seen in Figure 4.3, the residuals of the estimated model used in this investigation follow a normal distribution. This is due to the fact that the Jarque-Bera statistic value of 0.587776 and its related probability value of 0.745360 do not meet the criteria for statistical significance at a level of 5%. Therefore, we may conclude that the hypothesis stating that the residuals do not follow a normal distribution is incorrect. As a result, we are forced to the realisation that the variables in model one have a normal distribution.

CONCLUSION AND RECOMMENDATIONS

According to the findings of this study, the capital basis of banks, loans to private sector, and mobilisation of savings all have a favourable influence on the performance of the service industry. Although the ratio of loans to deposits has a negative influence, it is not substantial on the functioning of the service industry in Nigeria. The study suggests that there should be strict implementations of the reform policies in order to adequately strengthen the banking sector in Nigeria. This is so because the national real sector outputs could be stimulated by unrestricted access to credit in a financial market economy, leading to expansion and progress for Nigeria's economy. In addition, the study suggests that there should be no restrictions placed on the availability of credit. Because of this, the performances of the banks will improve, particularly in terms of expanding credits to private sectors of the economy to enhance investment and real sector performance.

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