

Regulatory Institutions and National Economic Development in Nigeria

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ABSTRACT

The financial sector is the epicenter of productive activity of an economy as it performs the vital role of financial intermediation, provider of payment services and the arbiter of monetary policy communication and implementation. Therefore, the objective of the study is to examine the effect of CBN as a regulatory institution on national economic development in Nigeria. The study used ex-post facto research design and the study covered a period of ten years (2011 – 2020). The study employed ordinary least square (OLS) method of estimation to establish the importance of the independent variables on the dependent's variables. The findings revealed that Monetary policy Rate (MPR) has insignificant positive (202.2958/0.2296 ? 0.05) effect on the National Economic Development in Nigeria; Credit to Private Sector (CPS) has insignificant negative (-208.6998/0.1319 ? 0.05) effect on the National Economic Development in Nigeria; Liquidity Ratio (LQR) has significant negative (-57.09290/0.0503 = 0.05) effect liquidity ratio on the National Economic Development in Nigeria; and Interest rate (INT) has insignificant negative (-274.8069/0.1717 ? 0.05) effect liquidity ratio on the National Economic Development in Nigeria. The study concluded that the CBN current policies has been anti-people and over the years not having significant effect on economic development in Nigeria. The study recommended among other things that CBN should critically re-examines its regulatory policies to focus more on visionary policies that would cause the financial deepening indicators, monetary policy rate and exchange rate to positively and significantly engender development of the financial system. Central Bank of Nigeria should check mate their policy rates to ensure the prevention of inflation in the economy.

Keywords: Financial Regulations, Economic Development, Monetary Policy, Credit to Private Sector, Liquidity Ratio, Interest Rate.

INTRODUCTION

The center piece of contemporary economic policies is predicated on growth and development. In Sub-Saharan Africa (SSA), the various economic adjustment programs were aimed at enhancing growth and development. Economic growth is defined as an increase in per capita real income sustained over time, economic development, on the other hand, is the process whereby the real per capita income not only increase over time but includes qualitative and quantitative improvement in political, social and economic institutions as well as the distribution of income. This implies that if the traditional production function expands due to the growth of the variable inputs, then development could be attained. In particular, therefore, development implies not only growth of per capita income but also its distribution, the sources of growth, the development of infrastructure and administrative institutions. Hence, it can be said that economic development is a much broader concept than economic growth.

Nigeria, the heartbeat of Africa and the most populous black nation has been economically bedridden for a while now. Even before the official declaration that the economy is in recession from the second quarter of 2016, many things had gone wrong with the economy. Structurally, the economy is mostly primary product oriented, highly import dependent, consumption driven and undiversified. Agriculture accounts for 40% of GDP and employs about 70% of labour force, crude oil accounts for more than 90% of exports and foreign exchange earner, while manufacturing accounts for less than 1% of total exports. Although the country is well endowed with varied natural resources including oil and gas, 68% of her population of over 170 million people are living below international poverty line of US\$ 1.25 a day. Also, majority of the populace are under the burden of inequality and unemployment (African Development Bank, 2014; Ministry of Budget and National Planning, 2017; The World Bank, 2010).

The financial sector is the epicenter of productive activity of an economy as it performs the vital role of financial intermediation, provider of payment services and the arbiter of monetary policy communication and implementation. The development of the financial system in an economy promotes efficient allocation of savings in an optimal way to investment opportunities that propel economic development. There are empirical evidences that affirm the overarching importance of financial system development to economic growth and the absorption of various types of shocks as shown by the works of Calderon and Liu (2003), Nnanna (2004), Aderibigbe (2004), Abu (2009), Adeoye (2007), Dabla-Norris and Narapong (2013). Indeed, countries with well-developed regulatory institutions seem to grow faster, especially the size of the banking system and the liquidity of the stock markets tend to have strong positive impact on economic development (Adekunle, Salami & Adedipe, 2013).

Regulatory bodies in Nigeria are empowered by Acts and charged with the supervision and regulation of financial institutions to certain regulations, constraints and guidelines geared towards the maintenance of the integrity and stability of the economic system. These regulating bodies thrive to maintain confidence and enhancing the stability of the financial system. Furthermore, consumers of the services of institutions are protected by these financial regulatory bodies by maintaining an appropriate degree of consumer protection. These regulatory bodies are the Central Bank of Nigeria (CBN), Security and Exchange Commission (SEC), Nigerian Stock Exchange Commission (NSE), Financial Reporting Council of Nigeria (FRCN), Nigerian Deposit Insurance Corporation (NDIC), Monetary Policy Committee (MPC), Federal Mortgage Bank of Nigeria (FMBN), Federal Inland Revenue Service (FIRS), Financial Services Regulation Coordinating Committee (FSRCC), National Insurance Commission, and National Pension Commission (PENCOM) (Agbo & Nwankwo, 2018).

Central Bank of Nigeria as the basic discussion in this study is empowered by the Central Bank of Nigeria Act and the Bank and other financial institution act. CBN oversees the activities of banks and other financial institutions in Nigeria. As a financial regulatory body, the Central Bank of Nigeria controls and manipulate the national money supply to facilitate a sound financial system in the country. It is the central body regulating finance and the apex monetary authority in Nigeria. It is responsible for the promotion and maintenance of fiscal stability; it provides credits, manages debt, serves as a national reserve, and helps to balance inflation in the country. As a regulator of financial institutions such as banks, the Central Bank directs the Nigerian Deposit Insurance to step in when banks are failing to effect control. The Central Bank safeguards the international value of the Naira, ensues monetary and price stability, and also acts a bank and financial advisor to the Federal Government of Nigeria in order to enhance economic development (Agbo & Nwankwo, 2018).

The regulatory reform agenda in emerging economies is closely tied to their financial development transformation, because financial instability in some of these economies is caused less by unfettered innovation than by incomplete and underdeveloped financial markets. This dynamic creates its own set of regulatory challenges, but it is worth turning directly to the relationship between two main priorities—

regulatory institutions and national economic development (Kawai & Prasad, 2011). These statements give rise to the need for carrying out more studies on the effect of regulatory institutions on economic development, while this particular study focuses majorly of CBN regulations.

The effect of the existing financial regulations on the structure of the Nigerian banking sector which dominates the Nigerian financial system are regarded as very necessary to present and future stability of the financial system which itself is necessary for enhancing economic development.

As coined out in the study of Ogwumike and Salisu (2012), that financial development can bring about economic development by raising savings, improving allocative efficiency of loanable funds and promoting capital accumulation, though the findings of their studies has been outdated because lots of policies have been implemented later which might give a different result or opinion.

Nnanna et al. (2004), also maintained that lack of adequate coordination and harmonization of fiscal and monetary policies are albatross to the performance of the Nigerian financial sector which has affected the economic development negatively. This study also was conducted in year 2004, the findings is not suitable for current economic conditions in Nigeria.

According to different findings and research work, regulation no doubt is needed to bring sanity into the economy as well as putting it in an internationally competitive status. The recapitalization policy as a form of financial regulation of the economy aims among others at the development of more resilient, competitive and dynamic economic system that supports and contributes positively to national economic development with the aim of achieving strong and forward-looking institutions that are technology driven and ready to face the challenge of regulation (Anyawu, 2013).

There has been many research work on this subject matter, while some focus on other regulatory bodies and few of them have focus on CBN regulatory tools such as monetary policies, credit to private sector, liquidity ratio and interest rate as this study intend to factor in. Another major concern about previous studies is that fact that the CBN review their interest very often, for example, the loan interest rate for last year will not be the same with what we have in this year. Therefore, relying on the previous result by researchers would be false to compare to its effect on national economic development.

Since economic development is looking at the effect of the increase in national income on the standard of living of citizen within the country, that is, considering their access to education, health and basic needs. Unstable changes in monetary policies, credit to private sector, liquidity ratio and interest rate have left people to be affected negatively and has over time have an effect on national economic development. Most people now prefer to even approach cooperative societies to get fund instead of approaching financial institutions because of high interest rate and unfavourable polices.

Meanwhile, previous studies (Nwokediuko, Ikeora, & Atueyi, 2019; Ajao & Natufe, 2019; Agbo & Nwankwo; 2018; Olushola & Uzoma, 2018; Ndubuaku et al., 2017; Fapohunda & Eragbhe, 2017; Igbiosa, Ogbeide & Akanji, 2017; Aliyu, Saidu & Zubair, 2017; Okafor, Onwumere & Ezeaku, 2016), and Chukwu, 2016) have carried out research in this area but their result cannot be generalized due to the fact that some findings are majorly and certainly outdated because policies are reviewed frequently and also, some of these studies didn't even focus on CBN as their major regulatory institution amidst many regulation institutions. The above have created a knowledge gap and justify this study to bridge the gap. On account of the foregoing, this study investigates the impact of Regulatory Institutions on the National Economic Development in Nigeria by focusing on CBN as a major regulatory body out of many.

LITERATURE REVIEW

Conceptual Review

Financial Regulations and Regulatory Institutions in Nigeria

Financial regulation refers to the creation of guidelines pertaining to a specific investment for the protection of consumers or investors, to ensure the solvency and financial soundness of financial institutions, to encourage fairness, efficiency, and transparency in the securities markets, and to support a stable financial system (Botha & Makina, 2011). According to Ekene (2014), the financial system's significant role necessitates regulation of financial institutions in order to safeguard consumers, maintain the financial system's stability, and increase efficiency. Financial systems have been discovered to produce instability and a contagion effect when left to their own devices. Between the late 1970s and the end of the 20th century, 93 nations had 112 systemic banking crises (World Bank, 2001; Botha & Makina, 2011). According to Eichengreen and Bordo (2002), the incidence of financial crises has a tendency to increase as financial markets become more liberalized since they are more common now than they were in the pre-1914 era of financial globalization.

Making sure that regulations are reviewed and that there is a balance between them and inclusive growth, particularly for emerging economies, is the key objective of preserving financial stability. Insufficient regulation, in accordance with Spratt (2013), resulted in financial instability, which wrecked certain countries' real estate markets before eventually evolving into the global financial crisis owing to cascade effects.

Channels through which regulations could impact on economic growth and financial stability are firstly, by directly affecting the day-to-day actions of participants in the financial system in the context of credit demand and supply, laws may have an influence on economic development and financial stability. The second is through indirect impacts depending, for instance, on the banking system's structure, which affects the sector's lending pattern (Spratt, 2013). Therefore, a review of the rules that have been molded by recent reforms in the Nigerian financial sector is essential. Despite changes in legislation, the structure of the Nigerian financial sector has not undergone significant alteration in the previous two decades or more. The banking and non-banking financial sectors may be widely separated from the structure. The two sectors consist of the operations units and the regulatory authorities. The banking sector has commercial banks, merchant banks, development or specialized banks, Microfinance banks and their regulatory authorities (e.g. Central Bank of Nigeria and Nigerian Deposit Insurance Corporation) while in the non-bank financial institutions (NBFIs) are insurance companies, pension fund and the stock exchange with such regulatory institutions as the Security and Exchange Commission (SEC), the National Insurance Commission (NAICOM) and National Pension Commission (PENCOM). However, the physical and operational structure of the banking sub-sector had witnessed structural expansion and contraction in tandem with changing reforms. The reforms, involving regulation, deregulation and re-regulation of the sector were basically carried out to ensure stability, instill confidence in the banking system and improve efficiency.

The financial system is made up of numerous institutions, markets, tools, and operators that collaborate to offer financial services inside an economy (Uffot, 2003). Deposit money banks dominate the Nigerian financial system, with active participation also coming from insurance businesses that are subject to NAICOM regulation, finance houses, specialized/development banks, securities companies, fund managers, and mortgage banks. The institutions are governed by the Federal Ministry of Finance, the Security and Exchange Commission, the National Insurance Commission, the Central Bank of Nigeria (CBN), the Nigeria Deposit Insurance Corporation, and the Federal Mortgage Bank of Nigeria (FMBN). In reaction to the collapse of regional banks, Nigeria initially enacted banking regulation in the early 1950s. The 1952 Banking Ordinance imposed minimum requirements for paid-up capital and the establishment of reserve funds. This was followed by the enactment of the 1958 Central Bank Act and the Banking Ordinance of 1959. The banking legislation was further strengthened with the enactment of the Banking Decree of 1969.

This consolidated previous banking legislation; raised minimum paid-up capital requirements and empowered the Central Bank of Nigeria (CBN) to specify a minimum capital/deposit ratio (Nwankwo, 1980; Ekundayo, 1994; Uzoagu, 1981). It also empowered the CBN to impose liquidity ratios and placed restrictions on loan exposure and insider lending (Oloyede, 1994).

The 1991 Banking and Other Financial Institutions Decree replaced the 1991 CBN Decree as the regulatory framework for the prudential management of banking for the following 22 years (BOFID). The NDIC was established in 1988 to provide deposit insurance for all deposit money banks up to a limit of ₦50,000 per account, which was increased to ₦500,000 per account in 2010. The NDIC is funded by a premium equal to 15/16 of 1% of each bank's total deposit liabilities as of the 31st of December of the previous year (NDIC, 2014). Together with the CBN, the NDIC oversees financial institutions through on- and off-shore monitoring and handles the liquidation of insolvent banks.

The events of 2004–2012 (banking consolidation, skyrocketing growth in the market capitalization of the Nigeria Stock Exchange (NSE), corporate collapse, and ultimately market crash have shown that the SEC is not alone in carrying out this crucial task. The SEC is the principal or apex regulator of the capital markets in Nigeria. Over 70% of activity on the NSE and the capital market are carried out by the banking subsector (Central Bank of Nigeria, 2014). Therefore, the CBN is a crucial organization that is at the forefront of regulating the financial industry in Nigeria as the apex regulatory agency of this sub-sector.

Without a doubt, information asymmetry leads to corporate and market misbehaviors in the absence of proper financial regulation protections that could have avoided such occurrences. However, neither legal nor economic literature provides a clear meaning of the word “regulatory.” Some academics analyze numerous meanings and compare them in an effort to categorize the phrase so that it may be further analyzed (Baldwin & Cave, 1999; Morgan & Yeung, 2007; Ogus, 2004). Others nearly totally avoid defining regulation in detail (Joskow & Noll, 1981; Spulber, 1989; Train, 1997). However, there are two distinct categories of economic regulations: structural regulation and behavior regulation (Kay & Vickers, 1990). While conduct regulation is employed to control participant behavior, structural regulation deals with the regulation of market participants and structure. Economic regulation is mainly exercised on so-called natural monopolies and market structures with imperfect or excessive competition. The aim is to counter the negative welfare effects of dominant firm behavior and to stabilize market processes. Nonetheless, the economic literature distinguishes between positive and normative economic theories of regulation. The positive variant aims to provide economic explanations of regulation and to focus on an effect-analysis of regulation. The normative variant investigates which type of regulation is the most efficient or optimal. The latter variant is called normative because there is usually an implicit assumption that efficient regulation would also be desirable (Hennipman, 1993).

Regulatory Policies of Government on Economic Development

Some regulatory policies of government through the Central Bank of Nigeria (CBN) as it relates to national economic development are discussed as follows:

Monetary Policy Rate

The Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) has the important responsibility of finding a policy rate that can support price stability and economic growth without necessarily having a negative influence on other macroeconomic indicators. The Monetary Policy Rate is this policy rate (MPR). The MPR is a useful signaling tool that allows banks to lend and borrow within a range of this rate, from +100 basis points to -700 basis points. The broad money supply to GDP ratio (M2/GDP), for example, has a direct impact on economic growth even though the MPR itself has a negligible direct effect, Lending interest rate (LIR), open market operation (OMO) also has effect. It is the rate that controls the amount of money in circulation at any given time. However, the current tendency by monetary authorities globally is to

increase policy rates towards the level of inflation in order to prevent negative consequences of generated cycles of economic bubble originating from reducing interest rates (Okey et al., 2022).

In general, the monetary authorities' policy of changing short-term interest rates affects aggregate consumption and investment and is conveyed to the real sector through a variety of channels, including wealth, credit, and interest rate channels (Schmidt-Hebbel & Luis, 2002). To maintain stable prices and production, monetary authorities often utilize monetary policy tools, such as interest rates (Alade, 2015). Although achieving stability in the economy through monetary policy rates is not a straightforward task; Central Banks do not only set these monetary policy rates (MPRs) by merely manipulating banking system reserves, but they do this through announcement effects.

The fact is that, often, when Monetary Policy Committee (MPC) desires to notify the market about a surge in prices, it adopts the communique technique. A communique is issued to keep rates on hold rather than raising the headline Monetary Policy Rate (MPR) itself. This is done in a bid to keep the growth path of the economy unhindered. On conviction that the economy's growth is continuing, the rates are eventually raised. The prevailing anchored money market interest rate known as Monetary Policy Rate (MPR) replaces the Minimum Rediscount Rate (MRR) due to the latter's failure to serve as an appropriate anchor for other interest rates. An increase in MPR by the Central Bank is an indication of a contractionary monetary policy, while a decrease implies an expansionary monetary policy. An adjustment in the Monetary Policy Rate (MPR) is of great significance to the economy because it impacts growth, credit and price developments, as well as money market interbank interest rate.

Monetary authority in Nigeria, through the Central Bank of Nigeria's Monetary Policy Committee should identify the monetary policy Rate (MPR) threshold that is suitable for price stability, investment and output growth in Nigeria, given that the main aim of monetary policy that cuts across the mandate of most Apex Banks is to keep prices relatively stable, which is the driving force to achieving sustainable growth. In addition to the maintenance of price stability, it is within the purview of the Central Bank in an increasing number of economies to maintain a stable exchange rate between countries' currencies (Iyoha, 2004). However, despite regular meetings of the monetary policy committee (MPC) and different monetary policy rates (MPRs) over the years, inflation and exchange rates, in Nigeria have been increasing astronomically.

Credit to Private Sector

Production levels over a certain measure of chronology are one of the key metrics for assessing an economy's performance. As a macroeconomic policy goal, economic development is a crucial determinant of how healthy or unhealthy an economy is. Economic growth is one of the most crucial methods used to raise living standards generally and lower poverty rates, especially in emerging nations. Economic growth is positioned as a necessary component of economic growth. Economic growth changes societies through reducing inequality, generates employment possibilities that raise the demand for labor, and propels human progress by enabling more people to afford basic goods and services. It is indomitably presumed sure-enough that the preeminent antecedents arousing economic aggrandizement are capital, labour and technology which is exogenously determined (Okwo, Mbajaku, & Ugwunta, 2012).

The financial intermediation function which involves mobilizing financial resources from the surplus sectors and channeling it to productive sectors of the economy makes finance a crucial discuss in achieving economic growth. Financial institutions such as the deposit money banks are responsible for the facilitation of financial transactions that ignites the taking-part rate of the private sector in economic growth and development. Banks in Nigeria are the key players in the financial intermediation space and are majorly responsible for financial intermediation activities in the Nigerian financial system.

A financial system is not just a system for facilitating payments or extension of credit facilities, it is the core of a market driven economy that consists of several inter-related parts which are critical to effective

resource allocation (Isibor, Ojo, & Ikpefan, 2017).

Credit as a whole, is a vital link to money redistribution as household and individual consumption is financed, production is facilitated and capital is formed, which will invariably result to the facilitation of economic activities. By so doing, it is expected that as economic conditions shrink, demand for credit will follow suit as businesses will reciprocate by cutting down output levels and households will reduce their consumption patterns, thereby causing the demand for credit to diminish. Martin and Douglas (2013) opined that the booster of economic activities is credit as it allows businesses to obtain loans for expansion of production and households to purchase homes and other assets then pay back at agreed instalments. It also enables governments to engage in building more infrastructural projects.

Evidences drawn from more recent empirical findings on the subject of finance and growth tend to agree with the Schumpeterian postulation that finance is a necessary condition for growth, though a few contrary empirical evidences still exist. Studies show that efficient provisioning of loans and advances by banks and other financial institutions have valid and indicative impact on levels of productivity and it also generates employment chances while an underdeveloped private sector credit system hampers economic growth. Emmanuel, Abiola and Anthony (2015) observed that economic research all over the world has been inconclusive on the subject of finance and growth. Notwithstanding, they noted that, there were more results in favour of the affirmative interconnection between credit and growth than the contrary.

Liquidity Ratio

It is generally recognized that regulatory policy, by “leaning against the wind,” may support macroprudential policies in the quest of financial stability (Svensson, 2017). Curiously, the opposite also existed, but it is far less well known. Although monetary policy is primarily responsible for stabilizing production and inflation, macroprudential instruments have occasionally been employed to affect money market rates. From the 1930s until the 1980s, numerous nations employed liquidity controls as monetary policy tools, including the Basel III Liquidity Coverage Ratio (LCR). They took the form of minimal holdings of liquid securities or required deposits at the central bank (together known as “cash reserve requirements” or “securities reserve requirements”). As with the LCR, these two types of liquidity requirements (cash and securities) were computed as a percentage of short-term deposits. While the history and theory of “cash reserve requirements” are well known (Carlson (2015) and Bech and Keister (2017)), we are not aware of any study on “securities reserve requirements.”

Reinhart and Sbrancia (2015) opined that Securities-reserve requirements were typically used in a period when banks held a large share of government bonds, and they reinforced such phenomenon. Central banks increased liquidity ratios during times of restrictive monetary policy in order to prevent banks from selling government securities, which were the main type of assets eligible to fulfill the requirement. As such, banks were discouraged to shift their assets from government securities to corporate loans. Third, we build a theoretical model, and show that the mechanisms previously described can be rationalized with a simple model of the interbank market.

Greenwood et al. (2016) argues that the LCR will fundamentally affect monetary policy. It will force central banks to maintain a large balance sheet to provide banks enough liquidity to comply with regulation. In the only formal model of interaction between the LCR and monetary policy, Bech and Keister (2017) show that a binding LCR decreases the overnight interbank rate relative to term interest rates. Taking stock of how liquidity ratios were used in history, we present a new mechanism, where liquidity ratios work as a collateral constraint for banks, preventing them from borrowing at the central bank. Thus, an increase in liquidity ratios has a contractionary effect, raising the interbank rate. It is akin to a quantity rationing effect, where the central bank imposes a limit on how much banks can borrow.

The potential tightening of monetary condition induced by liquidity requirement has been identified as a key

risk by European Central Bank (ECB) and Federal Reserve (Fed) officials (Quarles, 2018). The proposed policy response involves keeping the central bank's balance sheet at elevated level or to expand liquidity provision in a way or another. It is consistent with our result that securities reserve requirements have less contractionary effects when the central bank balance sheet is large (because excess reserves are large). This policy response however leads to a key paradox: although the LCR was introduced to limit the role of central banks as liquidity providers (BCBS (2013) and Carlson et al. (2015), central banks may in fact have to increase their liquidity provision to offset the contractionary effects of liquidity regulation. Greenwood et al. (2016) and Bech and Keister (2017) reach similar conclusions although their mechanisms act through different channels. This paradox seems therefore to be fairly general.

Reserve requirements is probably one of the most complex policy tools at the disposal of central banks. Reserve requirements are sometimes hard to understand due to the fact that they can be used for very different reasons, and that these reasons vary substantially across time and countries. Reserve requirements can be used either as a banking regulation, a monetary policy tool, a tax or a "Financial repression" instrument. The LCR can be used in the following manner:

1. Banking regulation: Reserve requirements intend to force banks to keep a minimum amount of liquid assets to withstand bank run (Carlson, 2015).
2. Monetary policy tool: Reserve requirements can be used to constrain credit, and to control interest rates (either to control the demand of banks for central bank money or to stabilize interest rates (Huberto & Todd, 2008).
3. Tax: Reserve requirements can be used as a direct tax on banks (Romer (1985)), for pure fiscal reasons. The tax can also be used as a pigouvian tax on issuance of short-term deposits Kashyap and Stein (2012). The tax can also be used on foreign deposits to discourage inflows, or on foreign currency deposit, to discourage financial dollarization and/or penalize currency risk.
4. "Financial repression" instrument: Reserve requirements have sometimes been used as a mean to force banks to lend to the government or to some defined sector of the economy (Monnet, 2018).

Interest Rate

The investment activity and consequent economic growth of a nation are greatly influenced by interest rate trends. Investment is influenced by the rate of interest paid when borrowing money from the capital market, whereas the volume of investment has a significant impact on economic growth.

Prominent among the preferred sectors by the monetary authorities were the agricultural, manufacturing and solid mineral sectors which were accorded priority and deposit money banks were directed to charge preferential interest rates on all loans to encourage the upsurge of small-scale industrialization which is a catalyst for economic development (Udoka, 2000).

The objectives of interest rate policy in Nigeria include but not limited to the moderation of inflation, financial savings and investment, encouragement of reduction of pressure in the balance of payments achieving favourable exchange rate stability and the promotion of macroeconomic and financial sector stability. Interest rate in Nigeria has been affected by the incidence of oligopolistic structure of Nigeria banking systems (Ajayi, Oladipupo, Ajayi, & Nwaji, 2017).

Interest rate management has passed through two main approaches in Nigeria namely direct and indirect approaches. The direct approach entails the administrative adjustment of lend ingrate and saving rates, while the indirect approach relies on the mutual effect of market forces, all the above approach tends to have its own way of inducing economic growth. The Central Bank of Nigeria retains the discretionary power to intervene in the money market to ensure orderly development in interest rates.

The Nigerian government has since 1987 been pursuing a market-determined interest rate which does not

permit a direct state intervention in the general direction of the economy (Nyong, 2007). In January, 1994 there was another policy reversal, this time the government had rightly introduced some measures of regulating interest rate management. It was claimed that there were wide variation and unnecessarily high rate under the complete deregulation of interest rate. Immediately, deposit rates were once again set up at 12 percent per annum from the previous 8 percent while a ceiling of 21 percent per annum was fixed for lending.

On the other hand, the economic growth of any country reflects its capacity to increase production of goods and services. The simplest definition of economic growth can be stated as the increase in the gross domestic product (GDP) of that country. Nominal GDP is usually adjusted for inflation factor to reflect real GDP. Interest rate is one of the macro-economic growth factors; it's up and down volatility is closely related to inflation rates. Its high or low-rate also impact economic boom (high GDP) thus extending to influence economic growth rate. In business fields, it is very important to accurately predict interest rate trends. Many previous studies have assumed that the time series data is stationary and they ignored that non-stationary could exist in the data. This study is a contribution to the existing literature on real growth applied to Nigeria's economy; it will examine the effect of interest rate on the GDP (Ajayi, Oladipupo, Ajayi, & Nwaji, 2017).

Since the late 1980s, when interest rates were deregulated, there have consistently been complaints about the high interest rates in the nation. This problem has persisted for a number of decades. So far, the government has not been able to address the issue (Ajayi, Oladipupo, Ajayi, & Nwaji, 2017). It is evident that high interest rate is detrimental to the development of the real sector since it creates serious barrier to indigenous investors in their inability to access funds. The deregulation of interest rate that was introduced in the 1980s was expected to tackle the issues of discouragement of savings in financial assets, which in-turn limited the supply of loanable funds while lending rates reduces excessive demand for credit resulting in the rationing of funds that had an adverse effect of depriving the economy from long term development (Ajayi, Oladipupo, Ajayi, & Nwaji, 2017).

Economic Development

A country may enhance its citizens' economic, political, and social well-being through economic development. It is sometimes referred to as the primary goal of all countries in the globe, and it is very straightforward: to increase national wealth. Although the living standards of the majority of the population have not improved, per-capita income growth rates have increased in several developing nations in recent years. According to Seers (2009), the goal of development is for citizens' per-capital income to rise, but this hasn't happened because inequality, poverty, and unemployment are continuously becoming worse. Seers have recently drawn attention to the necessity for modifications in the definition of economic development goals, which should focus more on reducing inequality, poverty, and unemployment rather than solely focusing on growth.

Stiglitz (2008) notes that it is the kind of life people are living that determines whether people are from developed, developing or underdeveloped country. Stiglitz further observed that the kind of death, diseases, sickness, mal-nourishment that happens day-in-day-out mostly in developing and underdeveloped nations has changed the developmental goal dramatically. Stiglitz further concluded that a shift in developmental goal is needed by governments of developing countries so as to widen the objectives to include improvement in income distribution, environment, health and education, and broadly to ensure improvement in the general quality of life of the citizen. Sen (2009) observed that the very main goal of development is to improve human capabilities, which means the freedom that a person has in terms of choice of performing functions, giving personal characteristics into functioning and commands over commodities.

Elkan (2005) was of the opinion that the changes in the development goal give rise to the need to construct alternative composite indices which reflects the quality of people's standard of living. This developmental

goal according to Elkan (2005) is the one that must put into consideration not only the money indicators side (economic growth) but also non-monetary indicators so as to reflect the developmental level achieved. These indicators should therefore be that which attempt to improve living standard and quality of life that focus on both qualitative and quantitative aspect in terms of education, health, environmental and material well-being.

Economic growth is a narrower concept than economic development. It means increase in a country's real level of national output which can be as a result of the increase in both quality and quantity of resources, improved technology and increased value of goods and services produced by the economic sector while economic development on the other hand is a normative concept which pertains to people's morality (good and bad, right and wrong). It is the improvement in the standard of living, increase in self-esteem and state of being free from oppression as well as greater choice (Todaro & Smith, 2012).

Haller (2012) in his write up on these two factors, note that economic growth is in national income per capital which involves analysis basically quantitatively, and it entails focusing on the functional relationship between endogenous variables. It involves improvement in the Gross Domestic Product (GDP), Gross National Product (GNP) and National Income (NI) and therefore increasing the national wealth, production capacity and encompassing all structural modifications of the economy. It can therefore be concluded that growth is the increase in the national economies and the macro-economic indicators while economic development indicates how growth impacts the society as a whole by improving the standard of living.

Owolabi and Okwu (2011) note that economic development is a policy that is targeted at improving the economic and social wellbeing of individual in a country. They said it is mainly concern about improving the quality of people's life by introducing goods and services using modern technologies, reducing risk, increasing dynamism of innovations and entrepreneurial skills. While they also posit that economic growth connotes the improvements in the general value of goods and services produced by a country over a period of time. Owolabi and Okwu point out that it is possible to have economic growth without necessarily developing economically because there could be increase in GDP and even foreign reserve without necessarily having any effect on citizen's standard of living. Therefore, it can be conclusively noted that it is possible that an economy grows without developing if there is no positive effect of this growth in the standard of living.

Economic development has different dimensions of variables as a concept because over some decades there has been no single measure of economic development that fully captures the process. These economic development measures should clearly be valid and easily be able to influence various comparisons. Over the years, income per capita has been one of the earliest, most reliable and also popular measures of economic development. Haller (2012) have emphasized on certain social indicators as a measure of economic development which involve literacy level, health and employment, while others centered their argument on reduction in poverty as a germane indicator of development. With this, it becomes a usual practice to measure economic development in form of composite indices such as Human Development Index (HDI), Gender Development Index (GDI), and Human Poverty Index (HPI) and so on but in all, income per capita has been the most reliable and widely used indicator for measuring economic development. It has been seen as a primary indicator in the measurement of a country's economic performance.

Measuring national economic development, assessing a country's economic performance and to measure the people's standard of living per capita, GDP per capita income has over the years been the most reliable indicator in monitoring this economic growth trends (Haq, 1995). It also helps in plans and policies for further economic development because GDP per capita indicates whether a country's economy is improving or not in a way that is more comprehensive. Therefore, to access the level of economic development of a country, GDP per capita or per capita income is the most frequently and widely used reliable measure.

THEORETICAL REVIEW

The theoretical postulation underpinning this study are the Agency theory and the public interest theory.

Agency theory

The fields of institutional theory and economics were joined to create the agency (principal and agent) theory in the 1970s (Stiglitz, 1987). It is a framework for creating controls and governance in a company or organisation. It investigates how the business's agents and principals interact. The idea centers on how the two relate to one another and the problems that can arise as a result of their various business objectives and risk management strategies. In this study, the government's regulatory agencies (CBN, NDIC, SEC, and NAICOM) serve as the primary, while the different financial market entities serve as the agents (banks, capital market and the insurance firms).

The regulatory institutions which are acting on behalf of the government are needed for efficient financial service delivery in the financial sector which is the powerhouse of the economy. The main trust of the agency theory is that, government agencies must be present to supervise, guide and limit the excesses of institutions toward safety and protection of any kind. So regulatory institutions must from time to time intervene to check the activities of the financial institution to see that the public is not defrauded by some sharp practices of the institutions in the financial system. Also, the theory focuses attention on the problems of hidden actions and hidden information, what Sinkey (1992) called "moral hazard" and "adverse selection" respectively, to set strategies and guidelines in order to circumvent the problems and ensure safety and confidence of depositors and investors in the system.

Public Interest Theory

According to the public interest theory of regulation, which was first put out by Pigou (1932), the public's demand for the rectification of unfair or inefficient market processes leads to the supply of regulation. The necessity to avoid or repair unwanted market outcomes is explained in terms of imperfect competition, imbalanced market operations, and missing markets. According to Posner's (1974) more expansive interpretation of the public interest approach, regulation is meant to address unfair or inefficient market behaviors. The fundamental tenet is that regulation serves society as a whole, not just one entrenched interest. Other presumptions include the possibility of inefficient or unfair market functioning and the notion that regulatory agencies act in society's best interests.

EMPIRICAL REVIEW

Numerous empirical studies have demonstrated the influence of financial regulations on financial development in various contexts, reflected or assessed as a function of economic growth. We will now analyze a few of these studies, starting with the research of Odi, Abdulkadir, and Idachaba (2018). They examine the implication of regulatory agencies on the development of capital market in Nigeria and their sample time series data span the period 2000 – 2014; using ordinary least square regression (OLS) technique to analyze their data, they find that the quantity of money in circulation and foreign exchange rates are positively correlated. This indicates that effective regulation of foreign exchange policies impacts positively on money supply and in turn promotes capital market development. They also find that an increase in interest rate causes a decline in capital market development whereas a decrease in interest rate engenders capital market development. It is therefore obvious that regulations of monetary policies in the areas of foreign exchange rate determination and interest rates have direct bearings on capital market development.

Agbo and Nwankwo (2018) investigate the effect of financial sector development on Nigeria's economic growth during the period 1981-2013, with the use of both correlation and multiple regression analysis on

collated data, their results show that the development of the Nigeria's financial sector has insignificant effect on her economic growth for a 33-year period (1981-2013). The results of their correlation matrix are quite revealing. A critical look at the results indicates that minimum rediscount rate (MRR) which is a regulatory tool of the Central Bank of Nigeria (CBN) is negatively correlated with the ratios of credit to the private sector to gross domestic product (CPS/GDP) and that of market capitalization to credit to the private sector (MC/CPS). The ratios: (CPS/GDP) and MC/CPS) when multiplied together – $CPS/GDP \times MC/CPS$, gives a measure of financial development indicator of: MC/GDP. This draws out the hidden salient result from the work, which is, that the MRR under the control of the regulatory authority is negatively correlated with MC/GDP, suggesting that financial regulations have not developed the Nigerian financial system for the studied period.

Olushola and Uzoma (2018) study of financial sector development and economic growth in Nigeria, spanning 1981-2017, with the use of ordinary least square regression analysis and parsimonious error correction model, they find that Nigeria's financial institutions (proxied by the ratio of deposit money banks' asset to gross domestic product) and capital market (proxied by the ratio of total stock market capitalization to gross domestic product) have not grown neither developed to cause significant growth to her gross domestic product. The study however fails to show the interactions between financial institutions and the capital market to the gross domestic product for deeper understanding of the direction of causation.

Ndubuaku et al. (2017) investigate impact of monetary policy (interest rate) regimes on the performance of the Banking Sector in Nigeria for the period: 1986 – 2013 which is split into two periods – structural adjustment programme (SAP) period:1986-1999 and post SAP period: 2000 -2013, the two periods are coincidentally fourteen (14) years apiece. With the use of correlation and regression analysis, they find that the Nigerian central bank's monetary policy interest rate (MPR) has no significant impact on banks' performance during the SAP period, it however has significant impact on banks' performance during the post SAP period. Nevertheless, a critical study of their various regression results during the post SAP period, show that the MPR which is a regulatory tool of the Nigerian central bank (CBN) has negative relationships with deposit mobilization (DM), loans and advances (LA), and credit to the private sector (CPS) but evidences from table (6) in their appendices, show that the CBN's regulation of the MPR indeed caused a continuous increase in DM, LA, and CPS save LA that dropped by 13.53% in 2010 and 5.11% in 2011 respectively but its rise to 11.45% in 2012 and 22.77% in 2013 respectively more than compensate for its earlier drop. It can be deduced that the CBN's regulation of the MPR (expanded credit, encouraged both loans and advances as well deposits mobilization) undeniably developed the Nigerian financial system during the study's post SAP period.

Fapohunda and Eragbhe (2017) investigate regulation, financial development, financial soundness and banks performance in Nigeria for the period 1985 – 2015. The study employs the use of cash reserve ratio and monetary policy rate as measure for regulation while the ratio of broad money supply to Gross Domestic Product (M2/GDP) as measure of financial development. With the use of multivariate ordinary least squares (OLS) analysis, they find that both regulation and financial development impact on bank performance but the impact is not statistically significant.

Similarly, Igbinsosa, Ogbeide and Akanji (2017) examine financial regulation and banking sector performance in Nigeria for the period 1993 – 2014. Using capital adequacy ratio and monetary policy rate as variables for measures of regulation while dummy variable of one (1) for the period banking reform occurs and zero (0) for the period of no banking reform respectively. Subjecting their variables to the statistical analysis of error correction model (ECM) and ordinary least squares (OLS) regression techniques, contrary to Fapohunda and Eragbhe (2017), they find that financial regulation has significant impact on the performance of the banking sector. Interesting outcomes of both studies (Igbinsosa et al., 2017; and Fapohunda and Eragbhe 2017) which are within the same time frame (1993 – 2014 is within 1985 – 2015) is that, their respective error correction models' estimate of 30.5% and 39.5% both indicate slow speed of adjustment of the error generated in the past period and a sluggish movement from disequilibrium towards

equilibrium. Perhaps, the variable set could be the reason for their ECMs' outcomes.

Aliyu, Saidu and Zubair (2017) analyzed whether a change in MPR has effect on gross domestic product in Nigeria. The study makes use of CBN data from 2006-2016 to examine the effect of Monetary Policy Rate on short term and long-term rates in Nigeria. In Nigeria however, there seem to be disconnection between MPR and the direction of interest rates. Since 2016 the Monetary Policy Committee (MPC) had retained MPR at 14% for a long period but stability in Monetary Policy Rate is barely reflected in the movement of short term and long-term interest rates. The choice of the scope of the study lies in examining the response of interest rates to changes in MPR. Result obtained from this study will be used to gauge the effectiveness of MPR in an economy like Nigeria where financial infrastructure is not fully developed. The study concludes that the MPR influences the 91-Day Treasury Bills rate to the greatest extent followed by the Inter-Bank Call rate.

Okafor, Onwumere and Ezeaku (2016) adopt a causality and impact analysis approach in studying financial deepening indicators and economic growth in Nigeria for the period: 1981 – 2013. The study estimates a dynamic panel model using the Johansen cointegration test, error correction model and the Granger causality test in order to establish a long run relationship between economic growth, broad money supply and private sector credit. They find that neither broad money supply nor private sector credit is Granger causal for economic growth and vice versa. A further look at their Granger causality test results, show that the study's conditioning variable of the ratio of market capitalization to gross domestic product (MC/GDP) also does not Granger cause economic growth. It is therefore apparent, that, if the appropriate regulatory monetary policies on broad money supply (liquidity ratio) and credit to the private sector (loan to deposit ratio) were in force, capital market development would have caused economic growth.

Chukwu (2016) analyzed the effect of monetary policy innovations in Nigeria from 1980- 2010. The study used a Structural Vector Auto-Regression (SVAR) approach to trace the effects monetary policy stocks on output prices in Nigeria. The study also analyzed three alternative policy instruments, that is, broad money (M2), minimum rediscount rate (MRR), and the real effective exchange rate (REER). The study found evidence that monetary policy innovations have both real and nominal effect on economic parameter depending on the policy variable selected.

Gap in Literature

As noted above, different empirical work has been conducted on this subject matter but the findings of these researchers reflect conflicting results, while some are of the view that financial regulation of various institutions has positive effect on economic development in Nigeria others observed that financial regulation of institutions has negative effect on economic development in Nigeria. The conflicting results and conclusions among the studies may have also been due to the methodologies adopted on data analysis by the authors.

Also, the time series (that is, most previous studies are outdated) of the studies in Nigerian context as reviewed in the course of this study were rather short and may not have reflected the current effect of regulatory bodies on economic development in Nigeria due to the fact that policies and interest rate varies and changes per time. Therefore, it will be misleading to draw conclusion on the effects of the subject matter from previous studies without considering current research.

Also, none of the studies above have only focus on Central Bank of Nigeria (CBN) regulatory policies as a major area of concentration which is makes it a point of digression from previous studies.

METHODOLOGY

This study used Ex-post facto research design. In other words, data are collected after the event or

phenomenon under investigation. Ex-post facto design usually involves the study of independent and dependent variables. Therefore, it gives no room for manipulation of any variables. The study involves largely the use of secondary data (Sohil, 2019). The data from Central Bank of Nigeria (CBN) statistical bulletin was used for this study and it covered a period of ten years from 2011 to 2020 in other to get precise, relevant and reliable information in this research work. Ordinary least square (OLS) was used for the data analysis because it gives the best linear unbiased estimate (Halbert & Jin, 2012).

Description and Measurements of Variables

The model aims to regress a number of selected financial regulation variables on economic growth in Nigeria. Economic development is proxied by gross domestic product per capita (GDPC) which is the dependent variable (Y) while monetary policy rate, credit to private sector, liquidity ratio and interest rate are the independent variables(X).

SYMBOL	VARIABLES	APRIORI EXPECTATION
GDPC	Gross Domestic Product Per Capita at a point in time	Positive (+)
MPR	Monetary Policy Rate at a point in time	Positive (+)
CPS	Credit to private section ratio gross domestic product at a point in time	Positive (+)
LQR	Liquidity Ratio at a point in time	Positive (+)
INT	Interest Rate at a point in time	Positive (+)

Source: The Researcher

Model Specification

Given the novelty of the data set, the model for this study is presented thus:

$$GDPC = f(MPR, CPS, LQR, INT)$$

The model was adapted and modified as follows.

$$GDPC = f(MPR, CPS, LQR, INT)$$

$$GDPC_{it} = \beta_0 + \beta_1MPR_{it} + \beta_2CPS_{it} + \beta_3LQR_{it} + \beta_4INT_{it} + \mu_{it} \dots \dots \dots 1$$

Where:

GDPC = Gross Domestic Product Per Capita;

MPR=Monetary Policy Rate at a point in time;

CPS=Credit to Private Sector ratio at a point in time;

LQR = Liquidity Ratio at a point in time;

INT = Interest Rate at a point in time. μ = error term

β_0 and μ are the constant and error term respectively while β_1 , β_2 , β_3 and β_4 are the coefficients of financial regulation of the regulatory institutions, Monetary Policy Rate, credit to private sector, Liquidity Ratio and Interest Rate respectively. The model was adapted and modified from the work of Nwokediuko, Ikeora, & Atueyi (2019)

RESULTS AND DISCUSSION OF FINDINGS

Descriptive Statistics

Table 4.1: Descriptive Statistics

	GDPC	MPR	CPS	LQR	INT
Mean	2446.000	12.46000	12.05500	52.78809	16.32700
Median	2359.000	12.60000	11.83000	47.97672	16.75500
Maximum	3099.000	14.00000	14.61000	75.91000	17.55000
Minimum	1969.000	8.900000	10.25000	38.26655	13.64000
Std. Dev.	404.6128	1.469845	1.384367	12.66315	1.106647
Skewness	0.349305	-1.346956	0.411448	0.656434	-1.537104
Kurtosis	1.689104	2.593898	2.130959	2.066671	3.570134
Jarque-Bera	0.919376	4.082362	0.596829	1.081136	4.965031
Probability	0.631481	0.129875	0.741994	0.582417	0.083533
Sum	24460.00	124.6000	120.5500	527.8809	163.2700
Sum Sq. Dev.	1473404.	19.44400	17.24825	1443.197	11.02201
Observations	10	10	10	10	10

Source: Author’s computation from E-View 9.5

Table 4.1 shows the descriptive statistics of the financial regulation and national economic development in Nigeria. The mean scores of the data displayed the level of consistency as they are within the minimum and maximum scores. The means values of Gross Domestic Product Per Capita (GDPC), Monetary Policy Rate (MPR), Credit to Private Section (CPS), Liquidity Ratio (LQR) and Interest Rate (INT) stood at 2446.000, 12.46000, 12.05500, 52.78809 and 16.32700 respectively. The median values of Domestic Product Per Capita (GDPC), Monetary Policy Rate (MPR), Credit to Private Section (CPS), Liquidity Ratio (LQR) and Interest Rate (INT) stood at 2359.000, 12.60000, 11.83000, 47.97672 and 16.75500 respectively. Moreover, they had maximum values of 3099.000, 14.00000, 14.61000, 75.91000 and 17.55000 accordingly; and the minimum values of 1969.000, 8.900000, 10.25000, 38.26655 and 13.64000 respectively.

The standard deviation measuring the spread of the distribution stood at values of 404.6128, 1.469845, 1.384367, 12.66315 and 1.106647 for Domestic Product Per Capita (GDPC), Monetary Policy Rate (MPR), Credit to Private Section (CPS), Liquidity Ratio (LQR) and Interest Rate (INT) respectively. The result indicated that the standard deviation of GDPC is higher than all that of the independent variables. This economically mean that the economic development in Nigeria suffer a setback for all these periods while that of economic regulations increases but has had a declining effect on the economic development.

Some of variables used are negatively skewed and to the left of the mean as shown by the coefficient of skewness of -1.346956 and -1.537104 for Monetary Policy Rate (MPR) and Interest Rate (INT) respectively while some are positively skewed to mean, these include Domestic Product Per Capita (GDPC), Credit to Private Section (CPS) and Liquidity Ratio (LQR) with values of 0.349305, 0.411448, and 0.656434 respectively. The skewness and kurtosis statistics of the variables were normally distributed as are close to 0 and ± 3 respectively. According to their Jarque-Bera (JB) statistics and their corresponding probabilities, all the variables are normally distributed at 0.919376, 4.082362, 0.596829, 1.081136 and 4.965031 respectively. There are 10 observations in all.

Correlation Analysis

Correlation analysis is carried out to detect any autocorrelation between the financial regulation and national economic development in Nigeria. Correlation coefficients are used to examine the required relationships in order to allow for the non-normality of the variable in question. In addition, correlation coefficients are intended to check for multicollinearity (Patrick, Christa & Lothar, 2018). The correlation matrix is shown in the table 4.2.

The Table shows the Pearson correlation matrix for the variables as contained in the analysis. The correlation coefficients demonstrated a positive relationship between Domestic Product Per Capita (GDPC), Monetary Policy Rate (MPR), Credit to Private Section (CPS), Liquidity Ratio (LQR) and Interest Rate (INT). As expected, the result in the correlation matrix is an indication that regulatory institutions policies supposed to have a positive relationship with economic development of any country. This is consistent with the findings Okafor, Onwumere and Ezeaku (2016) that concluded that if good regulations are in force, it would result into improve economic development.

Table 4.2 Pearson correlation matrix

	GDPC	MPR	CPS	LQR	INT
GDPC	1.000000				
MPR	-0.452558	1.000000			
CPS	0.038594	0.142957	1.000000		
LQR	-0.674019	0.549596	-0.428020	1.000000	
INT	0.189358	0.171305	0.160773	-0.517974	1.000000

Source: Author’s computation from E-View 9.5

Regression

Table 4.2: Simple Regression Output

Dependent Variable: GDPC				
Method: Least Squares				
Date: 02/01/23 Time: 12:20				
Sample: 1 10				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
MPR	209.2958	153.0085	1.367870	0.2296
CPS	-208.6998	115.9899	-1.799293	0.1319
LQR	-57.09290	22.25043	-2.565923	0.0503
INT	-274.8069	172.3237	-1.594713	0.1717
C	9854.648	3383.136	2.912874	0.0333
R-squared	0.690391	Mean dependent var	2446.000	
Adjusted R-squared	0.442703	S.D. dependent var	404.6128	
S.E. of regression	302.0528	Akaike info criterion	14.56593	
Sum squared resid	456179.6	Schwarz criterion	14.71723	
Log likelihood	-67.82967	Hannan-Quinn criter.	14.39997	
F-statistic	2.787347	Durbin-Watson stat	2.300880	
Prob(F-statistic)	0.145398			

Source: Author’s computation from E-View 9.5

Table 4.2 shows that financial regulations exhibited an insignificant positive effect on National Economic Development in Nigeria at F-statistics 2.7873 with Prob(F-statistic) 0.1454. This is not in agreement with *a priori* expectation and similar to study carried out by Olushola and Uzoma (2018) Ndubuaku *et al.* (2017), Fapohunda and Eragbhe (2017) but contradicting studies conducted by Igbiosa *et al.* (2017) Thus there was positive effect of Monetary Policy Rate (MPR) on Gross Domestic Product Per Capita. Similarly, Credit to Private Sector ratio (CPS) exhibited negative effect on Gross Domestic Product Per Capita. In addition, Liquidity Ratio (LQR) has negative effect on Gross Domestic Product Per Capita. The simple regression result is also fit with 69% at R^2 . This indicates that the coefficient of determination R^2 of 0.6903 shows that financial regulations (MPR, CPS and LQR) account for 69% of Gross Domestic Product Per Capita. The remaining 31% is uncounted for by other factors included in the disturbance term. Furthermore, the presence of unit root in the residual series usually drives Durbin-Watson test towards zero, but the value of this statistic for OLS (2.3) of approximately 2, is within the acceptable limit for zero autocorrelation and it reinforces the acceptance of the null hypothesis of no serial correlation in the residual model (King & David, 1995). Therefore, there is no serial correlation in the data used for both dependent and independent variables.

The decision rule in regression analysis is that if the calculated P-value is lower than 5% significant level, the alternate hypothesis is accepted and the null hypothesis is rejected. The restatement of the hypotheses and their results are as follows:

Monetary Policy Rate (MPR) has an insignificant positive effect of monetary policies on the National Economic Development in Nigeria at the probability level (p-value) of 0.2296 and t-statistic of 1.3678 at 5% significant level.

Credit to Private Sector (CPS) has insignificant negative effect on the National Economic Development in Nigeria at the probability level (p-value) of 0.1319 and t-statistic of -1.799 at 5% significant level.

Liquidity Ratio (LQR) has significant negative effect liquidity ratio on the National Economic Development in Nigeria at the probability level (p-value) of 0.05 and t-statistic of -2.5699 at 5% significant level.

Interest rate (INT) has insignificant negative effect liquidity ratio on the National Economic Development in Nigeria at the probability level (p-value) of 0.1717 and t-statistic of -1.5947 at 5% significant level.

DISCUSSION OF FINDINGS

Monetary policy Rate (MPR) has insignificant negative effect on the National Economic Development in Nigeria at the probability level (p-value) of 0.1319 and t-statistic of -1.799 of the simple regression technique that were greater than 5% significant level. Based on this, the null hypothesis (H_{01}) in relation to MPR is supported but contrary to the alternate hypothesis. The result basically implies that MPR has insignificant negative effect on the National Economic Development in Nigeria. This finding is in conformance with the existing research results of Ndubuaku *et al.* (2017), but not in agreement with the study examined by Aliyu *et al.* (2017), Chukwu (2016).

Credit to Private Sector (CPS) has insignificant negative effect on the National Economic Development in Nigeria at the probability level (p-value) of 0.1319 and t-statistic of -1.799 at 5% significant level. This indicates that the null hypothesis should be accepted while alternate hypothesis rejected. This finding is in conformance with the existing research results of Ajao and Natufe (2019); and Agbo and Nwankwo (2018).

Liquidity Ratio (LQR) has significant negative effect liquidity ratio on the National Economic Development in Nigeria at the probability level (p-value) of 0.05 and t-statistic of -2.5699 at 5% significant level. This indicates that the alternate hypothesis should be accepted while null hypothesis rejected. This finding is in conformance with the existing research results of Nwokediuko, Ikeora, & Atueyi (2019) but not in agreement with the study examined by Uremadu (2014).

Interest rate (INT) has insignificant negative effect liquidity ratio on the National Economic Development in Nigeria at the probability level (p-value) of 0.1717 and t-statistic of -1.5947 at 5% significant level. This indicates that the null hypothesis should be accepted while alternate hypothesis rejected. This finding is in conformance with the existing research result of Odi, Abdulkadir, and Idachaba (2018) but not in agreement with the study examined by Nwokediuko, Ikeora, & Atueyi (2019), where interest rate result revealed a positive significant effect on economic development.

CONCLUSION AND RECOMMENDATIONS

Conclusions

This study carefully examined the effect of Regulatory Institutions on the National Economic Development in Nigeria from 2011 to 2020 (10 years). We found that generally, the most CBN regulations of the financial deepening ratios have negative impacts on the economic development and the development of financial system in Nigeria; a situation whereby it is the development of the financial system that appears to be guiding the policy direction of the CBN. Also, finding also revealed that there is failure in CBN's monetary policies for those years under consideration, as it has failed to engender significant impact on the development economy and that of the financial system. And lastly, the general findings of the study have revealed that CBN regulatory policies has not significantly influence the development of financial system and Nigeria economy. The findings of this study is evidently clear and have revealed the current state of this nation as average people are living in hardness, poverty, and not having access to a good standard of living which is the bane of economic development of any country. The CBN current policies has been anti-people and over the years not having significant effect on economic development in Nigeria.

Recommendations

Based on the findings from this study, the following recommendations are provided:

1. CBN should critically re-examines its monetary policies to focus more on visionary policies that would cause the financial deepening indicators, monetary policy rate and exchange rate to positively and significantly engender development of the financial system. Central Bank of Nigeria should check mate monetary policy rate to ensure the prevention of inflation in the economy.
2. It is also important that they improve in their credit to private sector in order to cause positive influence on the development of the financial system while policies that will continue to boost savings for investment purposes should be pursued by the regulatory institutions.
3. Credit to the private sector should be directed at priority sectors for its impact to be felt in the economy. Government regulation should be tilted towards encouraging private sector lending, with greater incentives for banks that lend to them. Government should also endeavor to provide a stable macroeconomic environment. A stable macroeconomic environment is crucial for the development of the financial markets and provision of efficient services needed to support the real sector for economic development.
4. The monetary authorities should always take liquidity ratio of banks into consideration as it has the capacity to trigger economic development of Nigeria.
5. Effort should be made to reduce interest rates to encourage investors to borrow and invest, this will increase the productive capacity of the economy.

Contributions to Knowledge

This research work has contributed to knowledge by combining the most recent data to ascertain the effect of CBN regulatory policies and the national economy development. The findings of this study are most needful for policy makers in this current dispensation where the standard of living of Nigerian citizen is reduced to nothing.

Suggestions for Further Studies

In the light of the limitations encountered in this research, further studies should focus on the following suggestions:

1. The years under consideration can be extended beyond 10 years to have more robust findings.
2. Some more CBN regulatory variables could also be added in order to limit the omitted variable bias.

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APPENDIX 1

GDPC	MPR	CPS	LQR	INT
2,488	8.9	11.04	42.02	16.02
2,724	12	10.6	49.72	16.79
2,962	12	11.53	46.23	16.72
3,099	12.1	13.3	38.27	16.55
2,687	12.7	13.08	42.35	16.85
2,176	12.8	14.61	45.95	16.87
1,969	14	12.85	54.79	17.55
2,028	14	10.25	65.04	16.9
2,230	13.6	11.16	75.91	15.38
2,097	12.5	12.13	67.60	13.64

APPENDIX 2

	GDPC	MPR	CPS	LQR	INT
Mean	2446.000	12.46000	12.05500	52.78809	16.32700
Median	2359.000	12.60000	11.83000	47.97672	16.75500
Maximum	3099.000	14.00000	14.61000	75.91000	17.55000
Minimum	1969.000	8.900000	10.25000	38.26655	13.64000
Std. Dev.	404.6128	1.469845	1.384367	12.66315	1.106647
Skewness	0.349305	-	0.411448	0.656434	-
Kurtosis	1.689104	1.346956	2.130959	2.066671	1.537104
Jarque-Bera	0.919376	4.082362	0.596829	1.081136	4.965031
Probability	0.631481	0.129875	0.741994	0.582417	0.083533
Sum	24460.00	124.6000	120.5500	527.8809	163.2700
Sum Sq. Dev.	1473404.	19.44400	17.24825	1443.197	11.02201
Observations	10	10	10	10	10

	GDPC	MPR__	CPS__	LQR__	INT__
GDPC	1.000000	-	0.038594	-	0.189358
MPR	0.452558	1.000000	0.142957	0.549596	0.171305
CPS	0.038594	0.142957	1.000000	-	0.160773
LQR	0.674019	0.549596	0.428020	1.000000	-
INT	0.189358	0.171305	0.160773	0.517974	1.000000

Dependent Variable: GPC				
Method: Least Squares				
Date: 02/01/23 Time: 12:20				
Sample: 1 10				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.

MPR	209.2958	153.0085	1.367870	0.2296
CPS	-208.6998	115.9899	-1.799293	0.1319
LQR	-57.09290	22.25043	-2.565923	0.0503
INT	-274.8069	172.3237	-1.594713	0.1717
C	9854.648	3383.136	2.912874	0.0333
R-squared	0.690391	Mean dependent var		2446.000
Adjusted R-squared	0.442703	S.D. dependent var		404.6128
S.E. of regression	302.0528	Akaike info criterion		14.56593
Sum squared resid	456179.6	Schwarz criterion		14.71723
Log likelihood	-67.82967	Hannan-Quinn criter.		14.39997
F-statistic	2.787347	Durbin-Watson stat		2.300880
Prob(F-statistic)	0.145398			