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Banking sector reform and the challenge of unemployment in Nigeria

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Abstract
One of the paramount targets of any government all over the world is attaining high growth and employment rates. However, these constitute major challenges in Nigeria as economic growth has either remained stunted or stagnant and unemployment rate very high. The financial sector is expected to push up the real sector thereby lowering unemployment rate. Thisresearch work titled, "Banking sector reform and the challenges of unemployment in Nigeria", seeks to recommend measures towards positioning the banking sector for employment creation. In carrying out this research work, data related to financial and macroeconomic activities were gathered, while OLS method of statistical analysis was also employed to analyze the data collected. The results showed that ROI and M2 are statistically significant on unemployment, but personal consumption expenditure and gross domestic product are not statistically significant. However, rate of interest, money supply and exchange rate were significant to influencing the rate of unemployment in Nigeria. The work therefore suggests that rate of interest; money supply and exchange rate should not be left absolutely to the dictate of the market forces as a means of reducing unemployment. It is therefore recommended that Government should initiate policies to foster the monetization and growth of financial transactions through the banks for stronger real sector of the economy to enable it solve the issue of unemployment among others.

Introduction

Background of the study

Reform in Nigeria banking sector has gone through rapid changes over the years, as a result of various challenges posed by developments in the system such as systemic crisis, globalization, technological innovation, and banking crisis. These changes are built upon the recent banking sector reforms, which started in Nigeria in July 2004, and climaxed in August 2009 and beyond. Priorto the reforms, developments in the banking sector indicated a mixed trend in the performance of banks. About 10 banks dominated the industry and accounted for about 50 percent of the industry's total assets/liabilities. Also, most of the banks operating in the country had capitalization of less than $10million (Okafor, 2013). In fact, the largest bank in Nigeria as at then had a capital base of about $240m compared with $526m for the smallest bank in Malaysia during the period.

As observed by (Akanbi and Oso, 2005; Okwe, 2006; Okafor,2013), the smaller banks had expensive headquarters, separate investment in software and hardware, heavy fixed cost and operating expenses, and with bunching of branches in few commercial centres led to high average costs for the industry. This, in turn, had implications for the cost of intermediation and the spread between deposit and lending rates. It also put undue pressure on banks to engage in sharp practices as a means of survival (Okafor, 2013). These challenges earlier explaineddefinitelycallfor the reform of the Nigerian banking sector.

Ajayi (2005), opined that Nigerian banking reforms are predicated upon the need for reorientation and repositioning of an existing status-quo in order to attain an effective and efficient state. Banking reform is that aspect of socio-economic reforms which focuses essentially on getting conditionalities right for the banking sector to take the leading role in

empowering the private sectorand to contribute more to economic growth via reduction in unemployment (UgwuandOnyeabor, 2012).

Hitherto, the banking sector in Nigeria had undergone four phases of reforms since the commencement of Structural Adjustment Program (SAP).These include: financial systems reforms of 1986 to 1993, which led to deregulation of the banking industry; the 1993-1998financial systems reforms, with the re-introduction of regulations; the 1999 financial systems reforms that saw the return to liberalization ofthe financial sectors,accompanied with the adoption of certain regulation programs; and the 2004 banking sector reforms crystallized by Prof. Charles Soludo in which he claimed that the Nigeria banking system was characterized by structural and operational weaknesses and that their catalytic role in promoting private sector led growth could be further enhanced through a more pragmatic reform, hence, the 2004 bank reform exercise.

The Nigeria’s 2004 bank reforms wereguided by the provision in theCountry’s National Economic Empowerment and Development Strategy (NEEDS) 2004. Thedocumentstated that the Nigerian financial sector was in dire need of massive reform that bothered on the implementation of monetary and fiscal policies. The document further argued that there is a strong case for ensuring the efficiency of the financial system and for dealing with the contradiction, inherent in the fact that despite high profit levels, the sector does not appear to be playing a catalytic role in the real sector. In a detailed exposition of this adopted monetary policy,NEEDS program recommended several policy thrusts for the efficient functioning of the Nigerian financial sector.Banking sector reforms emphasizes the notions of bank capitalization through consolidation. According to Idowu (n.a), capitalization is a move of setting the capital base upon which a player can set upand be licensed to operate banking functions. It is setting a capital base, which was given as twenty five billion naira (N25b) as at 2005.

Ajayi (2005), states that a bank with a strong capital base has the ability to absolve losses arising from non-performing liabilities (NPL). The essence of banking consolidation is to reposition the nation's banking industry for global competitiveness and also to ensure a strong and reliable banking sector that will guarantee the safety of the depositors’ money. The current banking sector reform was triggered by the need to address the combined effects of the global financial and economic crises, as well as banks’ huge exposures to oil/gas and margin loans, which were largely non-performing; corporate mis-governance and outright corruption, among operators in the system (Anyanwu, 2010). This round of reform, therefore, seeks to substantially improve the banking infrastructure, strengthen the regulatory and supervisory framework, and address the issue of impaired capital and provision of structured finance through various initiatives, so as to provide cheap credit to the real sector, and financialaccommodation for small and medium-scale enterprises (SMEs), having known that SMEs is the engine of every economy.

Statement of the Problem

However, it was discovered among others that various reforms through which the Nigerian banking sector had gone has not reflected proper attention of the real sector of the economy because of series of its shortfalls, such as inadequate policy framework for financial development, weak regulatory supervision in a highly liberalized financial environment, allowing banks become over confident, audacious, less transparent and less accountable in the handling of their diverse portfolios of services. There is undue preference by banks for financing general merchandise rather than manufacturing, agriculture, power, and importation of finished goods rather than raw materials, plants and equipment as it is known that real sector

is a vibrant part of the economy, which needs special attention to resolve issue of unemployment.

Hitherto, various studieshave never examined the impact of banking reform relatively on unemployment situation in Nigeria.

Objective of the study

Based on the above scenario, the researcher drew the objective of this work to investigate if banking reform could be used to resolve unemployment challenges in Nigeria and to determine the effect of banks'minimum capital base on unemployment in the country.

Related Literature Review

Generally, the banking system is unarguably the engine of growth in any economy of the world, either developed or underdeveloped, through its function of financial intermediation (Oladejo&Oladipupo, 2011). Banking system occupies an essential position as a financial system base that supply customers' medium of exchange such as cash, cheque, checking accounts, credit cards, and to accept funds from depositors and a fall back house for stakeholder borrowers to solve their capital need requirement for production and services purposes.In addition, the banking system serves as important agents of the development process.Also, they play roles of intermediaries between people with surplus and shortages of capital by assisting in increasing the amount/portion of investments and hence, national output, (Afolabi,2004).

Therefore, the sustainability of transformation in banking sector, in any environment, is critically dependent on reforms success in promoting higher degree of depth and efficiency in financial intermediation process by effective resource (deposit) mobilization and channeling these resources to productive sectors at competitive pricing, thus playing a critical role in promoting economic growth; strengthening the financial performance and soundness of banks; and extending the outreach of financial services to under-served/un-banked segments of the society.

Ebong (2006), represented banking reforms, as "deliberate policy response to correct perceived or impending financial crises and subsequent failure. Reforms in the banking sector are aimed at addressing issues such as poor corporate governance, risk management andoperational inefficiencies. The vortex of most financial reforms is around firming up capitalization. Ajayi (2005), stated that reforms are predicated upon the need for reorientation and repositioning of existing status quo in order to attain an effective andefficient state. Specifically, financial reforms are primarily driven by the need to achieve the objective of consolidation, competition and convergence in the financial architecture, (Deccan 2004).

Idowu (2005), examined the extent to which the banking sector meets consolidation objective using post development approach and noted that the process of recapitalization and the consequent merger and or acquisition engendered many of the banks to get registered with the Nigerian Stock Exchange (NSE) and therefore get listed (publicly quoted). According to him, ownership of the banks became widened and is made public. The reforms have made many Nigerians to own some stakes in the banking sector rather than private ownership that were the pictures of many banks in the pre consolidation era.

Abdullahi (2007),noted that the Mega banks that evolved through consolidations would have stronger base for big risks and therefore better able to finance key growth sector of the Nigerian economy. Furthermore, Bello (2005), outlined the prospect of banking reforms in Nigeria to include: (i) initial public offering by banks through the capital market, (ii) attraction of more

foreign investment inflows like portfolio investment to boost the level of economic activity, (iii) reduction in interest rate for increasing lending to the real sector, and (iv) attraction of foreignbanks entrance into Nigeria. Fadare (2010), reports that banks were able to shore up their shares, boosting both individual and corporate investments. Locally and internationally; about $652million of foreign direct investment (FDI) was attracted.

Prior to reforms, operators in the banking sector seemed not to think that banking demands circumspection and adherence to rules (Oyewale and Tokede, 2006; Nelson, 2013).Challenges of Banking ReformsDespite the fact that banking sector reforms have shown positivecontributions in some cases, but in some cases, it's resulting to a negative contribution.Okafor (2013), found out that reforms in the Nigerian banking sector had unemployment challenges. Matanmi (2005), cited in Idowu (2005), identified a yawning gap between the immediate or short term effects of economic reforms and the necessary ideals of job security. He concluded that the ability of reforms to create employment in the last one decade had been very few and far between. Adeyemi (2007) added that banking reforms in Nigeria resulted in job loss, variance level of compensation and remuneration package for different merging groups and board room squabbles among cliques of the merging banks.

Banking Reform and employment

The reduction of banking institutions in Nigeria from 89 in 2014 to 25 in 2005 brought mixed reactions of social change. While it may be termed positive form of social change to banking managements and the government, it is mixed for bank employees, (Ninalowo 2004), who counted their losses and the gains, (Siyanbola 2013), after the consolidation exercise. Siyanbola (2013), noted that the experiences of staff training, promotion among others were perceived as gains while work overload and stress among others, were perceived as losses. Akinde (2013),noted perception of increased leadership capacity with rights abuses at the same time. Several crises were generated by the reform exercise affecting both managements and employees. Studies have highlighted several perceptions of consolidation crises. For example, Williams, Etuk&Inyang (2014), stressed that banks' productivity and performance were affected as part of outcomes of job losses.

Some perception of the reform by employees smacks a justification of board's action against the excesses of the executive managements in some banks, who indulged in uneconomic practices such as granting loans without due diligence, perpetration of corporate governance abuses and outright official corruption. Post-consolidation perceptions in some quarters suggest that the method adopted by the Central Banking of Nigeria (CBN) in executing the reform agenda was rash. For example, it is argued that the deadline stipulated by CBN was rather too short given the nature of tasks involved in mergers and acquisitions (M&As) operations, (Ogunleye, 2010).

According to the report of a study sponsored by World Economic Forum (WEF), the World Bank, and the African Development Bank (ADB) on banking reforms in the four largest economies in Sub-Saharan Africa (SSA), comprising, South Africa, Nigeria, Egypt and Algeria, the researchers, Kadekende, Milameo, Movinde and Zhao (2009), found out that South Africa adopted a 20-year gradual approach which began in 1991; while Nigeria was found to have implemented "a shock – treatment type of banking sector reform" which amounts to a ''big-bang'' (Kadekende et al. 2009:15).

Actually, the Nigerian shock treatment could achieve results very quickly, according to the study, the gradual but comprehensive approach adopted by South Africa, which carefully

structured its reform over a long period; scored South Africa higher on the aggregate. Aside adopting a radical approach, the CBN was perceived as being full of personal sentiments and vendetta especially in its handling of nationalization of certain banks, arrests and prosecution of some banks chief executives (William, Etuk&Inyang, 2014).

The perception of the organized labourconcerning the reform found fault with the CBN in its approach to retrenchment exercise by banks, (Akinde, 2013). Labour unions perceived that the apex bank did not do enough to restrict the banks, but at a time directed them (banks) to reduce operating costs including staff emoluments between 30% and 40% from October 2009 all through February 2010, (Smith, 2010). Issues of perceived hardship by employees are well documented in the reform and organizational restructuring literature. Fear of retrenchment, palpable feelings of job insecurity, cases of organizational commitment crises, job stress and rights abuse are highly perceived by employees and stakeholders in the industry, (Akinde, 2013).

Redefinition and reclassification of jobs in the face of postconsolidation realities in the industry bolstered the budding practice of casualization/outsourcing and other forms of temporary engagements. Temporary employment arrangements include casual, part-time, contract and seasonal in order to meet with the challenges of the time,Adeleye, (2011). Jobs are divided into ‘core’ and ‘peripheral’ groups in order to know which category to outsource or not. Outsourcing of workers through a sister company or an independent consultancy firm became the order of the day. Low-end, peripheral, non-core jobs like security, drivers, telephone operators, bank tellers, back office operators, were largely outsourced (Adeleye, et al). In all the arrangements above, reduced conditions of service, which gave rise to relative deprivation syndrome between temporary and permanent staff resulted in commitment and employee satisfaction crises (Akinde, 2017). As consequence, the banking industry is perceived currently as a haven for job dissatisfaction.

The three dimensions of organization justice are identified as follows:

1. Distributive Justice --this concerns perception of fairness employed by the management in the allocation of resources to victims, as held by survivors.
2. Procedural Justice – Perceptions of fairness or otherwise held by both survivors as well as victims about the processes involved in effecting retrenchment exercise.
3. Interactional Justice -- This refers to perceptions about the nature of the interpersonal relationship in action between management and employees. It answers the questions like: Were the employees aware of the plans to execute the retrenchment procedures? Are there adequate post-excise plans to support victims? The perception of justice and fairplay in the processes of retrenchment and other labour-related issues in the post-consolidated Nigerian banking reforms is not strongly stressed.

During and after the exercise, what was uppermost in the minds of both survivors and victims of the exercise is job security. The perennial fear of losing the scarce job beclouds any other consideration that could have been strongly contested under normal circumstances. So, the timing of the issue and the general employment circumstances in the country determines to a large extent the latitude to embark on any labour agitations.

Theoretical Framework

This research work is backed by the Theory of Financial Intermediation. The theory according to Daramola (2012) explains a situation in which an institution (which takes deposit) mobilizes idle funds from savers and channelsame to those in need of the funds for investment purposes. This role is played by financial institutions (banks) in an economy. Thus, the proper functioning and performance of these institutions will facilitate economic development of the country.

Empirical Review

Imoughele et al (2013), carried out a study on the impact of commercial bank credit accessibility and sectoral output performance in Nigeria economy for period of 1986 to 2010, using OLS techniques. The study found that cumulative supply and demand for credit in the previous period has direct and significant impact on the growth of agriculture, manufacturing and the service sector output. The study attributed the development to the importance of credit facility as an input in the production process and persistent inflow to the manufacturing, agriculture and services sectors.

The study further encourage continuous credit accessibility in a deregulated financial market economy as it has the capacity to induce the national real sector outputs, which would subsequently result to economic growth and development.Omankhanlen (2012),examined the financial sector reforms and its effect on the Nigerian economy from 1980 –2008, using OLS method. Financial intermediation was found to be necessary condition for stimulating investment, raising productive capacity and fostering economic growth.

Fadare (2010), investigated the effect of banking sector reforms on economic growth in Nigeria over the period of 1999 –2009, using OLS regression technique. The study found that interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate, size of banking sector, capital and cash reserve ratios account for a very high proportion of the variation in economic growth in the country.

The study established that lending rate impedes growth, and recommends the need for more financial market development that favours more credit to the private sector to stimulate economic growth. Bhusal (2012), investigates the impact of policy reforms on financial development and economic growth in Nepal, using exogenous break test, and time series data ranging from 1965 to 2009. The study could not establish positive relationship between bank domestic credit and economic growth. The study suggests that the finding might be due to some problems which inhibit the banking sector in the country, such as inadequate expansion of commercial banks and their branches in the rural non-monetized sector, non-performing loans that discouraged credit allocation, among others.

The Effects of Banking Sector Reforms on labor and the Economy

Banking sector reform has these attendant economic benefits:
(1) The process of recapitalization and the consequent merger and or acquisition engendered many of the banksto get registered with the Nigerian Stock Exchange (NSE) and therefore get listed (publicly quoted). Ownership of the banks became widened and public. Many Nigerians can now own some stakes in the banking sector rather than private ownership, which obtained prior to the consolidation era. This demands that the various boards become more responsive and alive to their responsibilities.
(2) Banks were able to shore up their shares, boosting both individual and corporate investments. Locally and internationally; about $652million of Foreign Direct Investment (FDI) was attracted (Fadare, 2010).

(3) Real sector financing especially the financing of Small and Medium Scale Enterprises (SMEs). GTBank for instance sets aside ₦2 billion for this purpose, though this is not adequate.
(4) Competitiveness: Narrowing down the numbers of the existing banks evokes creativity, innovativeness in service delivery, creating strategy to make the banks stay afloat in the competitive environment. The net-worth of banks grew by +403.73% between 2004 and 2006.
(5)Banking culture is gradually expanding all over the country as the banks are expanding their point of presence.

Banking Sector Reforms and its Challenges
Different policies emerged as a result ofbanking sector reforms in Nigeria, among which arerecapitalization, consolidation, deregulation, liberalization, among others. To this end, emphasis is laid on recapitalization and consolidation era to examine critical challenges facing the banking sector reform in Nigeria. The era of recapitalization and post consolidation in Nigeria brought in its trail mergers and acquisitions. The following became unresolved issues. The issues can be categorized as pre and post consolidation.

Pre-Consolidation
(1) Unemployment: Rationalization during mergers created unemployment. While it was not possible to confirm the number of workers disengaged as a result of the exercise (as atthe time of writing this paper), the unconfirmed number has been said to be high. It is not possible though to have two Chairmen or two Managing Directors, etc. Efforts couldbe made to retrain workers for other challenges. The disengaged workers are burdens to the society, lowers national productivity, increased poverty, stress, and other psychological problems, (Idowu, 2006).

(2) Reneging on Collective Agreements: Many banks' managements reneged on their collective agreement with the Unions. First Bank of Nigeria (FBN) for instance, sacked 1,200 workers (New Age April 7, 2005).
Also, the merger arising fromUBA and Standard Trust promised that no members of the two banks would be retrenched. This has not been so. Many Higher National Diploma HND holders and contract staff had not been given full employment among others.
Post Consolidation
(1) Perceptions of uncertainty and insecurity of tenure pervade banking landscape among the workers. This is because rationalization exercise is still on. The consequence of this is less commitment and higher propensity to quit. The fraud in Nigerian banks had been correlated with high level of job insecurity.Omoife (2012), found that disengaged workers vent their anger on the banks using their knowledge of the workings of the banking hall to defraud banks.

(2) Unethical/Moral question. At both the pre and post merger era, some banks engaged unqualified and inexperienced young ladies as marketers to woo big clients so as to meet the 25 billion Naira target and to shore up their capital base. Targets were given and management cared less how those targets were met.Marketers who fail to meet the near-impossible targets have their jobs terminated.

Method of analysis
The method adopted on this research is qualitative research method with the aid of Ordinary Least Square (OLS) method where multiple regression techniques are meant to establish the effect of various variables such as gross domestic product, return on equity, unemployment, Bank total asset, Return on asset, Prime Lending Rate and export respectively. Regression

analysis is concerned with the study of the dependence of one variable on other variables. This work appliesOrdinary Least Square by using E-view version 10.

Model Specification
$UNEMP = a\ ROIb_1 + M_2b_2 + EXRb_3 + GDPb_4 + PCEb_5 \ldots\ldots\ldots\ldots.. + U$

Where:
UNEMP = unemployment
ROI = Rate of Interest
M_2= Money Supply
EXR = Exchange Rate
GDP = Gross Domestic Product
PCE = Personal consumption Expenditure

Data Presentation and Analysis

Unit Root Test
Analytical technique was applied on the models of the study and the results are presented thus: Since empirical analysis based on time series data would be biased if the underlying data are non-stationary, the unit root test is therefore necessary to check for the stationarity of the variables. As it was noted, the test used for observing the stationarity of the time series data used for analysis in the study is Augmented Dickey-fuller (ADF) test. The results are as follows:
Table 1
Series: UNEMPL, ROA, PCE, M2, GDP, EXCH

Method	Statistic	Prob.**
ADF - Fisher Chi-square	9.51484	0.6584
ADF - Choi Z-stat	2.10780	0.9825

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

Intermediate ADF test results UNTITLED

Series	Prob.	Lag	Max Lag	Obs
UNEMPL	0.8050	6	8	29
ROA	0.0146	4	8	31
PCE	0.8082	0	8	35
M2	0.9675	7	8	28
GDP	0.9566	6	8	29
EXCH	0.9802	0	8	35

From table 1, it was noted that each cross-section, the autoregression coefficient, variance of the regression, the selected lag order, maximum lag, and the number of observations used are displayed. Autoregressive revealed that if lag polynomial has one root equal to one, we say it has a unit root. Therefore, the result revealed that the Lag valuesis difference, which indicate any stationary at difference level that provide strong criterion for cointegration.

Cointegration Test

The unit root test earlier conducted showed that the variables are stationary at first difference. Stationarity of the residuals is potent evidence that there is evidence of convergence to long-run equilibrium among the integrated variables.

Table 2

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.783695	140.5420	95.75366	0.0000
At most 1 *	0.723766	88.48570	69.81889	0.0008
At most 2	0.460867	44.74450	47.85613	0.0952
At most 3	0.303707	23.73955	29.79707	0.2116
At most 4	0.235695	11.43205	15.49471	0.1863
At most 5	0.065224	2.293246	3.841466	0.1299

Trace test indicates 2 cointegratingeqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

From table 2 above, it was discovered that there are two cointegrating equations at 0.05 levels at trace test and Max-eigenvalue test in the series. Hence we reject the null hypothesis and accept alternative hypothesis.

Multiple Regression Result Analysis

Recall our model for analysis shown in the equation below:

$UNEMP = a\ ROIb_1 + M_2b_2 + EXRb_3 + GDPb_4 + PCEb_5 \ldots\ldots\ldots\ldots + U$

Table 3: Summary of Multiple Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROI	0.021724	0.530629	0.040940	0.9676
PCE	-1.277479	0.989212	-1.291411	0.2064
M2	0.007988	0.004415	1.809207	0.0805
GDP	-0.001736	0.000902	-1.924679	0.0638
EXCH	0.117271	0.090045	1.302361	0.2027
C	40.97645	11.46092	3.575320	0.0012

R-squared	0.253867	Mean dependent var	27.86842
Adjusted R-squared	0.129512	S.D. dependent var	11.74338
S.E. of regression	10.95657	Akaike info criterion	7.776767
Sum squared resid	3601.392	Schwarz criterion	8.040687
Log likelihood	-133.9818	Hannan-Quinn criter.	7.868882
F-statistic	2.041462	Durbin-Watson stat	1.023691
Prob(F-statistic)	0.101125		

Interpretation

From the above table 3, the estimated coefficient of 0.021724 of ROI, means an increase in the index of rate on interest by 1 unit lead to increase in unemployment by about 2%. With -1.277479 PCE, means that if Personal consumption Expenditure increases by 1 unit will result to 13% decrease in unemployment. However, with 0.007988 of M2, means an increase in the index of money supply by 1 unit lead to increase in unemployment by about 8%. In other words, the value of -0.001736 of GDP means, if gross domestic product on Nigeria economy increases by 1 unit, it will result to 2% decrease in unemployment. However, the value of 0.117271 of EXCH means, if exchange rate in Nigeria increase by 1 unit will result to 12% increase in unemployment respectively.

It was discovered that all variables examined contribute significantly to unemployment. By implication, they are capable of increasing or decreasing unemployment depending on various parameters that influence them.

In conclusion, Personal consumption expenditure and gross domestic product,recorded negative effect on Unemployment, while rate of interest, money supply and exchange rate recorded positive effect on unemployment. However, it must be stressed that the growth of the personal consumption expenditure and gross domestic product had marginal effects on unemployment in Nigeria,while that of rate of interest, money supply, exchange rate and gross domestic product deregulation hindered the realization of the macroeconomic objectives of increasing growth and reducing unemployment. However, it was difficult to establish which of the financial variables used in this workhasthegreatest impact on unemployment.

Coefficient of Determination (R^2)

The R-squared measures the overall goodness of fit of the entire regression. The value of the R-squared is 0.253867 approximately 25 indicating that the independent variables account for about 25% of the total variation in the dependent variable. While value of adjusted R^2 is 0.253867 indicating that all variables under measure haveweak relationship of about 25% capable of influencing the level of unemployment.

Economic Criteria

Test of Hypotheses

This involves checking the estimated tool of analysis like the t-statistics, f-statistics.

Table 5: Summary of t-test

Variable	(t-value)	F-value/Decision rule	Remark
ROI	0.040940	0.04090 > 0.05	Not Significant
PCE	-1.291411	-1.291411 > 0.05	Not Significant
M2	1.809207	1.809207 > 0.05	Not Significant
GDP	-1.924679	-1.924679 > 0.05	Not Significant
EXCHR	1.302361	1.302361 >0.05	Not Significant
C	3.575320	11.46092 > 0.05	Not Significant

Source: Researcher's compilation (2020)

This shows the theorized relationship between the modeled regressors and regresses. It also serves as a basis for evaluating our estimated model to ensure conformity with economic theory.

F-statistics

If F-statistics is used to test for simultaneous significance of all estimated parameters:

Ho: $\beta_1 = \beta_2 = \beta_3 = 0$

Ho: $\beta_1 = \beta_2 = \beta_3 \neq 0$

Decision Rule

At 5% level of significance, accept the null hypothesis, if P-value > 0.05, otherwise reject the null hypothesis and accept the alternative hypothesis. From our regression result, the F-statistics is 2.041462 while P-value is 0.101125. However, 2.041462 > 0.101125. Hence, we reject the null hypothesis and accept alternative hypothesis that our independent variables are simultaneously significant and the overall regression model is statistically significant and as such, the regression is very robust with a high predictive power.

Economic Criteria

Reject null hypothesis, if chi-square calculated value is greater than critical chi-square at 5% level of significance or the P-value < 0.05. Accept if otherwise.

The heteroscedasticity table is given below:

Table 6: Heteroscedasticity test

				Decision
F- statistics	2.041462	Probability	0.101125	Accept
Obs* R-Squared	0.253867	Probability	0.129512	Accept

Source: Research Computation (2020).

From the above table 6, it was observed that P value of 0.101125 > 0.05. Hence, we reject the null hypothesis and conclude that there is homoscedasticity in the series. To this case, P value is greater than 0.05. Null hypothesis is rejected while alternative hypothesis is accepted.

Test for Autocorrelation (Durbin – Watson) D-test)
From the regression result, the Durbin – Watson test for autocorrelation was used to examine if variables on the model are auto correlated.
The hypotheses to be tested are:
Ho: There is no autocorrelation
Hi: there is autocorrelation
Decision Rule: Using the rule of thumb, at 5% level of significance, we reject the null hypothesis if the value of the Durbin – Watson statistics is 2 or approximately 2. From the result, the Durbin Watson stat is 1.023691 which is below 2. Therefore there is presence of no autocorrelation in the model.

Evaluation of Research Hypothesis

Having carefully examined various econometric tests employed in the study and based on our results, we now proceed to validate the hypothesis of this study.

Test of Hypothesis

Ho: Banking reform could be use to resolve unemployment challenges in Nigeria.

From the regression result, it was observed that all variables within the model could be used to predict unemployment. This assertion is based on the various value of t-test from the result as follows:ROI = 0.040940, PCE = -1.291411, M_2 =1.809207, GDP = - 1.924670 and EXCH =1.302361 respectively. By implication all variables under measure are significant and capable of measuring the level of unemployment in Nigeria.

However, the P-value test signifies the level of individual contribution of variables on unemployment. Therefore, an increase on interest rate with 0.040940 will result to an increase in unemployment by 0.9676, and increase in personal consumption expenditure of -1.291411 will result to a reduction in unemployment by 0.2064, while an increase with the value of 1.809207of money supply will result to an increase in unemployment by 0.0805 in another view an increase in the value of GDP of - 1.924670 will result to decrease will result to decrease in unemployment by 0.0638 while an increase in exchange rate of 1.302361 will lead to 0.2027 increase in unemployment respectively.

Summary

This research study attempted to investigate thelinkage between banking sector reform and unemployment in Nigeria, using various monetary and macro economic variables. The deductions from the empirical findings are predicted on the sizes andmagnitude of the slope coefficient of the variables adopted in the study relatively on unemployment level in Nigeria.

The positive significance of interest rate on unemployment signifiesrise in interest rate leading to permanently higher unemployment and vice versa.While that of exchange rate with positive significance also will result to appreciating in imports, that is imports will be cheaper, and exports become less competitive, so the domestic demand falls. Local companies try to reduce costs and might cut jobs, causing unemployment rise.

In another effect, positive significance in money supply indicates an increase that resulted in raising the price level more, national output less, lower the unemployment rate of labor and capital. Therefore, a money supply increase will raise national output more and the price level less, and higher is the unemployment rate of labor and capital.

Perhaps, the effect of money supply on unemployment, from the result above was discovered that positive money supply will result to increase in higher volume of capital in theeconomy, and by implication, this equally resulted to a rise in price level more and national output less, the lower is the unemployment rate of labor and capital. An increase in moneysupply will raise national output more and the price level; the higher is the unemployment rate of labor and capital.

In conclusion, when personal consumption was measured, it was discovered that negative sign on it will result to a rise in unemployment, this is as a result of spending less on durables goods, and equally resulted to general fall in demand.

Recommendations

In the light of the above findings, the following recommendations are made in this study:

That government should initiate policies to foster the monetization and growths of financial transactions through the banks for stronger real sector of the economy to enable it solve the issue of unemployment.

Central Bank of Nigeria should embark on expansionary monetary policy which will generally decreases unemployment in their banking reform policies, because the higher money supply stimulates business activities that lead to the expansion of the job market.

Government should adopt fiscal authority through good economic banking reform, by regulating the exchange rates between domestic and foreign currencies, through increase in money supply by issuing more currency. In such a case, the domestic currency becomes cheaper relative to its foreign counterparts, while banking reforms should be targeted at an expansionary policy measure targeted at more reserve by easing monetary policy to reduce the federal funds rate and buying more treasury and mortgage-backed securities on the open market, which increases the supply of money in the economy among others.

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