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Financial Sector Reforms on the Stock Market: Nigerian Experience (1996-2013)

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Abstract: Capital markets in developed economies by undertaking a series of reforms thought to foster development of domestic securities markets. Financial reforms are primarily driven by the need to achieve the objective of consolidation in the financial institution like other emerging economies. This study however assesses the effectiveness of financial sector reforms on the stock market development in Nigeria. Data for the study was collected from CBN statistical Bulletin from 1996 to 2013. Data were analyzed and tested with t-test Paired Samples Statistics. Result shows that there is a significant relationship in the pre and post stock market capitalization. Therefore there is a significant relationship between stock market development, financial sector reform and economic growth. Also that financial sector reforms have improved financial market liberalization to enhance investors' confidence. The researchers recommend that the reforms should be in a form that will restructure the entire financial sector, in order to achieve desired economic goals.

Keywords: Financial Reforms, Stock Market, All Share Index, Foreign Direct Investment and Economic Growth.

INTRODUCTION

There is a consensus in the literature that at the heart of economic reforms is the need to address a two-fold task: restructure or get policy incentives right as well as restructure key implementation institutions. Financial sector reforms is that aspect of economic reforms which focus mainly on restructuring financial sector institutions (regulators and operators) via institutional and policy reforms. There have been other economic reforms since the commencement of SAP. The first is the financial systems reforms of 1986 to 1993 which led to deregulation of the banking industry that was hitherto dominated by indigenized banks that led to over 60 per cent Federal and State governments' stakes. During this period, government at both federal and state levels invested heavily in industry especially in agro- and allied sectors, electricity and petroleum refining. This period saw in addition to credit, interest rate and foreign exchange policy reforms. The second phase began in the late 1993 to 1998, with the re-introduction of regulations. During this period, there was a lot of distress in the financial sector which necessitated another round of reforms, designed to manage the distress. The third phase began with the advent of civilian democracy in 1999 which saw the return to liberalization of the financial sectors, accompanied with the adoption of distress resolution programmes. The fourth phase began in 2004 to date and it is informed by the Nigerian monetary authorities who asserted that the financial system was characterized by structural and operational weaknesses and that their catalytic role in promoting private sector led growth could further be enhanced through a more pragmatic reform.

Among the objectives of financial reforms is to build more efficient, robust and deeper financial systems, which can support the growth of private sector enterprises [1]. The proponents of financial reforms argued that such reform would bring about significant economic benefits through improved bank operational efficiency and effectiveness in order to guarantee a more effective mobilization and efficient allocation of resources among various economic units. If reforms do in fact, lead to efficiency gains, then shareholder wealth could be increased. On the other hand, if reforms do not lead to the promised positive effects, then reforms may lead to a less profitable and valuable banking industry [2].

Hence, this is to build a formidable, transparent, efficient and develop stock market that will supports the investment process by mobilizing household and foreign savings for investment by firms and ensures that these savings are allocated to the most productive ways to promote growth and development in the economy. Indeed, considering the enormous policy reforms in the financial sector of the Nigerian economy, it is expected that the stock market should have done relatively well in terms of market capitalization as a percentage of gross domestic product (GDP) and number of domestic companies listed when compared to South Africa and Egypt stock market. For example, from 1990 to 2011, Nigerian Stock Exchange on average listed only 189.090 domestic companies with 14.323 market capitalization (% of GDP) while South Africa and Egypt Stock Exchange on average listed 535.682 and 689.591 domestic companies with 181.159 and 34.918 recorded market capitalization (% of GDP) respectively. In view of the above, the ability of the stock market, to play its role of accelerating economic growth has been periodically punctuated by its vulnerability to systemic distress, inherent security problems, macro-economic volatility, and weak institutional framework [3].

Institutional frameworks of the capital market to effectively carry out its core purpose of its establishment have to be put in place to ensure that the expectations of both the lenders and users of funds are adequately met to induce savings and optimal investment necessary to economic growth and development. However, some studies have shown that the Nigerian financial system has benefited largely from these reforms, but all the same, the system is still yawning for improvement [4]. [5], for instance believed that the stock market is illiquid and blamed the ownership structure in the Nigeria stock market. He concluded that the stock market is small and has few listed companies, low capitalization and low volume of transactions. [6] contend that the liberalization of the capital market has contributed to the growth of the market, but that it impact has not been felt at the macroeconomic level of the nation.

Every nation view economic growth and development to be the focus of their government as no nation wants to be behind in terms of development pace. This is why all policies including fiscal and monetary centres on resource allocation distribution aiming at improving the channeling process of gearing savings into investment. Since the capital market is the medium for long-term fund acquisition, therefore its activities and performance requires stringent study to enhance improvement and encourage or foster economic growth and development [7]. From the foregoing scenario, this study seeks to determine whether financial sector reforms have improved financial market liberalization thereby enhances investors' confidence.

Review of Related Literature

Conceptual framework

[8] and several financial sector analysis summarized objectives of financial sector reforms to include: market liberalization for the promotion of a more efficient resource allocation; expansion of savings mobilization base, promotion of investment and growth through market-based interest rates. It also means the improvement of the regulatory and surveillance framework; fostering healthy competition in the provision of services and above all laying a basis for inflation control and economic growth.

Capital market is defined as the market where medium to long-term finance can be raised [9]. In another exposition, [10] noted that capital market is the market for dealings (i.e. lending and borrowing) in longer-term loanable funds. [11] described it as a forum through which long-term funds are made available by the surplus to the deficit economic units. It must, however, be noted that although all the surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to it. Companies can finance their operations by raising funds through issuing equity (ownership) or debenture/bond borrowed as securities. Equities have perpetual life while bond/debenture issues are structured to mature in periods of years varying from the medium to the long-term of usually between five and twenty-five years.

[12] observed that besides efforts to attract foreign capital, developing countries also tried to emulate the performance of capital markets in developed economies by undertaking a series of reforms thought to foster development of domestic securities markets. They added that these reforms had their own logic and are easy to understand in the context of logic.

Like other emerging economies, Nigeria has been involved in financial reforms on a regular basis aimed at responding to the challenges posed by some factors and developments such as systemic crisis, deregulation, globalization and technological innovations, or acted proactively both to strengthen the financial system and prevent systemic problems as in the case in the current reforms [13].

[14] posits that it is hard to find an indicator that can directly measure the development of the financial sector. However, from the recent literature, measures of financial development include the ratio of broad money (M2) to GDP, currency outside bank as a ratio of broad money (M2), interest rate spread, real interest rate and gross savings as a ration of GDP.

From the literature, it has been observed that well-spaced and implemented financial reforms have the ability to boost these financial development indicators. Peculiar features of the reform programmes in Nigeria are the associated inconsistencies in policy implementation [15].

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According to Fisher (1993), for the failure of financial reform as the cases of Indonesia and Malaysia clearly demonstrated. However, domestic financial systems in these countries were still heavily regulated in the 1980s. Deregulation and liberalization policies for the domestic financial sector and cautious opening in Korea and Taiwan have over the years avoided widespread financial crisis and major disturbance in economic performance. For the failure of financial opening in the southern cone (Latin American countries), the literature provides two types of explanations: macroeconomic shocks, including exogenous disturbances and policy inconsistencies, and structural weakness of the financial system.

However, Macroeconomic shocks can create high volatility by relative prices that increase proportion of nonperforming bank loans, and lead to failure of those banks where the clients are adversely affected by the relative price change. Exogenous disturbances which were blamed for the failure of the experiments in the southern cone countries in the 1980s include changes in international terms of trade and interest rate, reduction of productivity in key economic sectors and uncertainty on the availability of foreign financing. In addition, these countries suffered under policy inconsistencies, such as using nominal exchange rates as an anti-inflationary instrument, while wages and prices were indexed to past inflation rates: opening the current and capital accounts of the balance of payments without support by adequate macroeconomic policies. In the case of Argentina, the attempt to stabilize domestic prices while running large fiscal deficits was a failure.

Subsequent components of these reforms have included the restructuring of bank portfolios and the enhancement of financial sector competition. It is increasingly recognized that the adoption of a financial liberalization policy has not proved sufficient to generate greater savings mobilization, increased private investment or wider financial sector intermediation. According to [16], 'the objectives of the reform in the banking sector includes taking proactive steps to prevent imminent systemic crisis; Creation of a sound banking system that depositors can trust; Creation of banks that are investors-friendly and that can finance capital intensive projects; Enhancement of transparency, professionalism, good corporate governance and accountability; and Driving down the cost of banks.'

Review of Empirical Studies

Various studies have tried to examine the relationship between financial sector reforms, stock market development, and economic growth persisting in both developed and emerging economies. The relevance of these studies cannot be disputed.

[17] and [18] pioneered the view that financial liberalization and financial sector development are essential for growth. They argued that the deregulation of the capital markets increases economic growth through higher savings rates and improved resource allocation. [19] later redefined the financial sector growth nexus by arguing that capital markets play a crucial role in the processing of information. The ability of financial institutions to select profitable innovations and projects that increase productivity and, hence, growth was seen as the key contribution to capital markets to economic development.

In line with the above arguments on the relevance of the stock markets to economic growth and development, [12] noted that a barrage of reforms have been implemented in emerging economies to foster the development of local capital markets. They, [12] grouped these reforms in four categories, namely:- (a) reforms aimed at creating the enabling environment for capital markets – such as the strengthening of macroeconomic stability and the enforcement of property rights; (b) reforms aimed at enhancing the efficiency and market discipline in the entire financial system through greater competition – such as capital account liberalization; (c) reforms indirectly supportive of capital market development – such as pension reforms and privatization programmes; and (d) capital market-specific reforms – such as the development of regulatory framework and improvements in securities clearance and settlement systems.

[20] study in a similar topic in Bangladesh, established that stock market development strongly influences economic growth using the Engle-Granger causality and ML tests but there was no causation from economic growth to stock market development. Thus unidirectional causality prevailed between stock market development and economic growth in the Bangladesh economy.

[21] empirically examines the short and long run financial growth nexus during post 1997 financial crises in Malaysia. Based on the (2, 1, 2, 1) model, the study documented a long run equilibrium between economic growth, financial depth and inflation. Granger causality test based on VECM further reveals that there is a unidirectional causality running from financial development to economic growth in Malaysia.

[22] examines the relationship between stock market development and economic growth for nine African countries. The results suggest a positive relationship between several indicators of the stock

market performance and economic growth. [23] examines the causal relationship between stock market development and economic growth for the Indian economy over the last decade or so by applying the techniques of unit– root tests and the Granger causality test proposed by Toda and Yamamoto (1995). They tested the causal relationships between the real GDP growth rate and three stock market development proxies. Their results are in line with the supply leading hypothesis in the sense that there is strong causal flow from the stock market development to economic growth. A bi directional causal relationship is also observed between real market capitalization ratio and economic growth.

[24] examines the dynamic causal relationship on the role of financial development on economic growth in Tanzania. The study uses three proxies of financial development against real GDP per capita (a proxy for economic growth). Using the Johansen-Juselius co-integration method and vector error-correction mechanism, the empirical results of this study, taken together, reveal bidirectional causality between financial development and economic growth in Tanzania - although a supply-leading response tends to predominate. When the ratio of broad money to GDP (M2/GDP) is used, a distinct supply-leading response is found to prevail. However, when the ratio of currency to narrow definition of money (CC/M1) and the ratio of bank claims on the private sector to GDP (DCP/GDP) are used, bi-directional causality evidence seems to prevail. The study therefore recommends that the current financial development in Tanzania be developed further in order to make the economy more monetized.

[25] examines the direction of causality between financial development and economic growth in Kenya using a dynamic Granger causality model. The study has been motivated by the current debate on the inter-temporal causal relationship between financial development and economic growth in developing countries. The thrust of this debate has been whether there exists a finance-led growth response or a growth-led finance response between the two variables. To this end the study uses three proxies of financial development against real GDP per capita (a proxy for economic growth). The empirical results reveal that, although the causality between financial development and economic growth in Kenya is sensitive to the choice of measure for financial development, on balance the demand following response tends to predominate. The study, therefore, concludes that the argument that financial development unambiguously leads to economic growth can only be taken with a pinch of salt.

[26] investigates the directional link between stock market development and economic growth in Zambia for the period 2002-2009, using granger causality and Toda and Yamamoto approaches. The Granger Causality test results lend support to the Independent view that stock market development and economic growth are independent of each other while the results of the Toda and Yamamoto approach support the second school of thought ―demand following‖ hypothesis that economic growth causes stock market development.

[27] study investigates the role of stock markets in economic growth with particular interest in macroeconomic determinants such as saving rate, financial intermediary, stock market liquidity and the stabilization variable as important determinants of stock market development. In addition, they found that financial intermediaries and stock markets are complements rather than substitutes in the growth process of Middle Eastern and North Africa (MENU) region countries. However, in Nigeria, reasonable numbers of studies investigates the roles of financial development with particular emphasis on stock market development on economic growth. Some of these studies supported the postulates of the first school of thought (supply leading) while others are in line with the second (demand following), third (bidirectional theory) and the fourth school of thought (independent hypothesis theory) by Mazur and Alexander (2001).

[28] demonstrated his research quest on investigating whether stock market development raises economic growth in Nigeria following error correction approach. The results indicate that stock market development increases economic growth. Following the findings, he suggested the removal of impediments to stock market development such tax, legal, and regulatory barriers and the development of the nation‘s infrastructure to create an enabling business environment and employment of policies that will increase the productivity and efficiency of firms as well encourage them to access capital on the stock market.

Based on these result, the study argues that financial development promote economic growth in Nigeria, Burundi, Cameroon and Mali while economic growth promote financial development in Benin, Bukina Faso, Madagascar and Malawi and the two remaining countries‘ financial development and economic growth are interdependent. [29] findings demonstrated a bidirectional causality between ratios of broad money stock to GDP, growth in net domestic credit to GDP, growth in private sector credit to GDP and growth in banks deposit liability to GDP as proxies for financial development and economic growth variable in their study on financial sector development and economic growth, using Granger causality tests in a VAR framework over the period 1960-2009. Specifically, they found that the various measures of financial development granger cause output even at 1per cent level of significance with the exception of ratio of broad money to GDP. Also, net domestic credit is equally driven by growth in output. The variance decomposition shows that the share of deposit liability in the total variations of net domestic credit is negligible, indicating that shock to deposit does not significantly affect net domestic credit.

[30] investigates the role of stock market development on economic growth in Nigeria using a 15-year time series data from 1994 - 2008. The method of analysis used is Ordinary Least Square (OLS) techniques. Stock market capitalization ratio was used as a proxy for market size while value traded ratio and turnover ratio were used as proxy for market liquidity. The results show that market capitalization and value traded ratios have a very weak negative correlation with economic growth while turnover ratio has a very strong positive correlation with economic growth. Also, stock market capitalization has a strong positive correlation with stock turnover ratio. This result implies that liquidity has propensity to spur economic growth in Nigeria and that market capitalization influences market liquidity and thus boost stock market activity.

[31] examines whether stock market promotes economic growth in Nigeria. To achieve this objective, ordinary least squares regression (OLS) was employed using the data from 1980 to 2000. The results indicated that there is a positive relationship between growth and all the stock market development variables used. With 99 percent R-squared and 98 percent adjusted R-squared, the result showed that economic growth in Nigeria is adequately explained by the model for the period between 1980 and 2000. By implications 98 percent of the variation in the growth of economic activities is explained by the independent variables. The results of the study, which established positive links between the stock market and economic growth, suggests the pursuit of policies geared towards rapid development of the stock market. Also, all sectors of the economy should act in a collaborative manner such that the optimum benefits of linkages between stock market and economic growth can be realized in Nigeria.

[32] examines the long run and causal relationship between stock market development and economic growth for seven countries in sub-Saharan Africa. Using the autoregressive distributed lag (ARDL) bounds test, the study established co-integration between stock market development and economic growth in Egypt and South Africa. Moreover, this test suggests that stock market development has a significant positive long run impact on economic growth. Granger causality test based on vector error correction model (VECM) further shows that stock market development Granger causes economic growth in Egypt and South Africa. However, Granger causality in the context of VAR shows evidence of bidirectional relationship between stock market development and economic growth for Cote D'Ivoire, Kenya, Morocco and Zimbabwe. In Nigeria, there is a weak evidence of growth-led finance using market size as indicator of stock market development. Based on these results, the paper argues that stock markets could help promote growth in Africa.

[33] was designed primarily to examine the nature of relationship existing between stock market development and the level of investment flows in a country with a high degree of macroeconomic instability; and whether the stock market plays a uniform role in attracting both domestic and foreign investments in such economic situation. The Finding shows that development in the Nigerian stock market over the years was able to spur growth in domestic private investment flows, but unable to do so in the case of foreign private investment; and that development in the country‘s banking system rather had some destabilizing effects on the flows of private investments.

[34] appraised the impact of capital market efficiency on economic growth in Nigeria, using time series data on capitalization, money supply, interest rate, total transaction and government development stock that ranges between 1961 to 2004. The result of the study shows that the capital market in Nigeria has the potential of growth inducing, but it has not contributed meaningfully to the economic growth of Nigeria. The study attributed the findings to the low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. The study believed and suggested capital market remains one of the mainstreams in every economy that has the power to influence economic Growth.

The study by [35] on financial liberalization, development and fragility drew from the model used by Dermiguc – Kunt and Detragiche (1998). It also confirmed the result obtained by Dermiguc-Kunt and Detragiache that there is positive correlation between the financial liberalization dummy and the probability of a banking crisis, which gives credence to the hypothesis that financial liberalization is a cause of banking sector fragility.

[36] using time series data from five developed countries and using VAR framework, examine the

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association between stock market development and economic growth, controlling the effects of banking system and stock volatility. They measure output by the logarithm of real GDP and stock market development by the stock capitalization to GDP, banking system development by the logarithm of the ratio of domestic credit to nominal GDP, stock market volatility by the eight quarter moving standard deviation of the end of quarter change of stock market prices. Their results suggest that although both banking and stock market promote economic growth, the effects of the former are more powerful. They support the view that bank based financial system may be more to promote growth than capital market based system. [37] study of reforms in the banking sector over the period 1997-2001 of five major state banks to examine the efficiency changes during and after the banking sector reform. The authors used production function model using labour and capital, banks were supposed to produce output. The author finds that two of the banks improved the technical efficiency over the reform period, while the technical efficiency of the other tends to be fluctuating.

[38] investigate the association between financial development and economic growth for more developing countries in Asia, using data of varying length, and error correction framework. Their result shows that financial development matters for economic growth and that causality runs from the level of financial intermediation and sophistication to economic growth. They conclude that improvement of financial structure in developing countries may benefit economic development and that the policy of financial reform in the selected countries is likely to improve economic growth. [39]) examine the relationship between financial development and economic growth for Pakistan over the period 1971-2004 using autoregressive distributed lag (ARDL) technique. The results of the study suggest that in the long run, financial depth and real deposit rate are important factor contributing to economic growth in Pakistan. Using time series data for Malaysia[40] also discovered that financial liberalization, through removal of repressive policies, had a favorable effect on stimulating financial development.

[41] studied the causal relationship between stock prices and exchange rates, using data from 23 February 2001 to 11 January 2008 for Turkey. Their empirical research found the bidirectional causal relationship between exchange rate and financial all stock market indices. While the negative causality exist from national 100 service, financial and industrial indices to exchange rate, there exists a positive causal relationship from technology sector indices to exchange rate. On the other hand, negative causal relationship from exchange rate to all stock market indices is determined.

Challenges to the Banking Reforms

The Nigerian banking reform, despite its laudable achievements is confronted with certain challenges. First and foremost is the wrong perception of the intent of the reform. The introduction of the new banking model, especially specialized banking (non-interest banking), is intended to broaden the scope of financial services offered by banks in Nigeria. However, this has been given a religious connotation. The wrong perception and stiff resistance to the policy could potentially deter prospective investors in the banking industry [42].

Second, the reluctance of Nigerians to accept positive changes in global dynamics is another challenge. There is incontrovertible evidence that the excessive liquidity in the system measured by broad money (M2), narrow money (M1) and currency in circulation is partly attributable to the high cash transactions for economic activities, which has continued to undermine the efforts to achieve price stability. Yet the cashless policy has faced significant resistance, despite its prospect for economic growth and development and the global trend in the intensity of usage of e-payments.

Third, the cost of doing business in Nigeria is still high when compared with developed economies or some emerging and developing countries owing to the poor state of infrastructure.

Another challenge is that the high growth rates recorded in the last five years have not been inclusive, implying that this has not transcended into sustainable development. This situation is responsible for the high unemployment and poverty levels, which inevitably affect the low banking habit in the country.

Another key challenge is the quality of manpower: real strategic change can only take place with competent and committed workforce that is constantly exposed to training and development. The competitive financial sector environment requires a highly skilled workforce that would effectively contribute to value creation within financial institutions. Hitherto, employee recruitment was merely to comply with regulatory requirements, while training was viewed as a non-revenue function that was costly and unnecessary [42].

Research design

Due to the nature of the study, descriptive design was adopted. Descriptive research involves collection of data in other to found answers to unanswered questions concerning the current status of a subject [43] This involves use of CBN Statistical Bulletin and NSE for the period, 1996-2013.

To obtain reliable information that will help the researcher to ensure the effectiveness of the study in question, data were collected from only secondary sources. This data obtained from CBN Statistical Bulletin and Nigerian Stock Exchange (1996-2013).

METHOD OF DATA ANALYSIS

In analysis of the data collected, [44] will be used to corporate economic variables that might affect stock market development. The study will estimate the following regressions by using a model for the hypothesis formulated.

MODEL

This model is used to analyze and test hypotheses two. The hypothesis will be determined using the parametric statistical paired sample t-test model. Thus the format is:

PRELMKTIND VS POSTLMKTIND …………….(4)

Where:

PRELMKTIND = pre liberalization market index
POSTLMKTIND = post liberalization market index
MARKET INDICES = (All Share Index, Foreign Direct Investment and credit to private Sector).

However, the Statistical Package for Social Sciences (SPSS) will used at 95% confidence at ten degree of freedom (df).

The decision rule is by comparing the paired P-value with 5% level of significance thus;

Decision Rule: Accept null hypothesis if the estimated p-value >0.05

Reject null hypothesis if the estimated p-value <0.05

Test of Hypotheses

Hypothesis

HO: Financial sector reforms have not improved financial market liberalization to enhance investors' confidence.

HI: Financial sector reforms have improved financial market liberalization to enhance investors' confidence.

Fig-Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PREFDI - POSTFDI	45.39	5.413	1.804	19.929	11.607	8.738	8	.000
Pair 2	PRECPS - POSTCPS	8422506.35	5225031.163	1741677.054	12437375.995	4404747.016	4.835	8	.001
Pair 3	PRETALSHIND - POSTALSHIND	42445.48	13733.101	4577.700	-30877.917	9765.525	4.439	8	.002

From the table above, the paired mean difference of foreign direct investment is positive (45.39) and significant at (.000) with a t value of (8.738), greater than > t_t value of (1.812). The credit to private sector a positive paired mean difference of (8422506.35) and significant at (.001), it also has t value of (4.835), greater than > t_t value of (1.812). Finally, all share index has a positive (42445.48) and significant at (.002) with a t value of (4.439), greater than > t_t value of (1.812).

The paired mean difference of the above variables is 8464997.2, being significant at .003 is significant at 0.05 this result shows that there is a significant relationship in the pre and post liberation in stock market capitalization. Therefore, we reject null hypothesis and accept alternative hypothesis which uphold that financial sector reforms have improved financial market liberalization to enhance investors' confidence.

CONCLUSION

This study assesses the effectiveness of financial sector reforms on the stock market development in Nigeria. The analysis from this study used data from pre and post financial reforms in Nigeria from 1996 to 2013. In the test runs for the study, the results shows that foreign direct investment, credit to private sector and all share index had positive impact on those periods of reforms. Therefore, financial sector reforms have improved financial market liberalization to enhance investors' confidence. This finding was in conformity with the result of [45] which revealed that the financial reforms from 1986 upwards had an overall significant impact on the capital market development in Nigeria, also supported by [46] which found that the CBN decision has changed the market structure of the banking sector, increased the efficiency and reliability of the banks, created opportunities for financial institutions and market participants, and raised their intermediation potentials.

Recommendations

Based on the results obtained from the study, the researcher seems it right to make the following suggestions:

- There is the need for the CBN to sponsor training programmers' on post-consolidation integration and corporate culture conflict management. This would assist to mitigate conflicts associated with consolidation, thereby facilitating the sustainability of the financial market.
- The reforms should be in a form that will restructure the entire financial sector, in order to achieve desired economic goals.
- The reforms must collectively aim to achieve investor protection and market stability and efficiency as well as emphasize fully on information disclosure, good corporate governance, and maximum compliance.
- Apex bank should ensure that financial reforms are also on legal and regulatory aspects not only on the financial aspects.

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APPENDIX

Descriptive statistics of financial sector reforms on market liberalization.

Years	FDI=M2/GDP	CPS 2('M)	ALSHIND
1996	5.9	238,596.56	6,992.1
1997	7.5	316,207.08	6,440.5
1998	8.8	351,956.19	5,672.7
1999	9.2	431,168.36	5,266.4
2000	7.9	530,373.30	8,111.0
2001	11.1	764,961.52	10,963.1
2002	11.9	930,493.93	12,137.7
2003	11.1	1,096,535.57	20,128.9
2004	12.5	1,421,664.03	23,844.5
2005	18.10	1,838,389.93	24,085.80
2006	20.47	2,290,617.76	33,189.30
2007	24.88	3,668,657.82	57,990.20
2008	33.05	6,920,498.75	31,450.80
2009	38.14	9,102,049.11	20,827.20
2010	37.78	10,157,021.18	24,770.52
2011	32.50	10,660,071.84	20,730.60
2012	34.30	14,649,276.46	28,078.80
2013	41.51	16,509,472.50	41,329.19