Insurance and Economic Growth: Evidence from Nigeria

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Abstract: *The recent re-awakening that finance has a causal link with economic growth has led to numerous researches on the impact of finance on economic growth and also the channel of impact. However, there seem to be a general consensus these days that the development of the financial sector should have a positive impact on economic growth. It was against the forgoing that we examined the impact of insurance on economic growth in Nigeria for the period 1981-2011. The result from this study indicates that insurance market activity has positive impact on economic growth though it was non-significant. This suggests that increased insurance penetration has the ability to enhance economic growth in Nigeria. We there conclude that since insurance could be a critical factor for economic growth as it has the potential to mobilize investment funds for new and existing businesses, and also provides protection for existing businesses to perpetuate, explore, and flourish. We recommend that proactive measures should be taken by insurance firms to capture the informal sector of the Nigerian economy as the sector can provide a lot of employment and income to majority of Nigerians.*

Keywords: *Economic Growth, Insurance Penetration, Nigeria.*

1. INTRODUCTION:

According to Salvadori (2003) growth is not purely an economic phenomenon. In an ultimate sense, it encompass more than the material and financial side of people's lives. Growth should therefore be perceived as all encompassing process involving the reorganization and reorientation of the entire economic and social systems of nations. This is necessary because in addition to improvements in incomes and output, it involves radical changes in institutional, social, and administrative structures as well as in popular attitudes and, in many cases, even customs and beliefs (Todaro and Smith, 2003)Economist and developmental experts have viewed the process of growth as a series of successive stages of growth through which all nations must pass. A review of literature suggest that economic theory of growth primarily, is that in which the right quantity and mixture of saving, investment, and foreign aid were all necessary to enable developing nations to move along an economic growth path that historically had been followed by the more developed countries.

That finance did not matter in economic growth during the industrial revolution is generally accepted in historical literature, however, contemporary empirical analyses have found evidence that suggest that financial development can be a causal determinant of economic growth (Trew, 2010). This recent re-awakening that finance has a causal link with economic growth has led to numerous researches on the impact of finance on economic growth and also the channel of impact. The question that is often asked therefore has been, whether financial development precedes economic growth? Or does it simply follow economic growth? In spite of these questions, however, there seem to be a general consensus these days that the development of the financial sector should have a positive impact on economic growth.

Most studies on the interaction between the financial sector and economic growth had focused mainly on banks and the stock market however, since the United Nation Conference on Trade and Development in 1964, growing attention has shifted to the interaction between the non-bank financial intermediaries and economic growth (see, Mojekwu, Agwuegbo and Olowokudejo, 2011). The conference in 1964 acknowledged among others suggestions, that the development of a nation's insurance and reinsurance markets is essential in the enhancement of economic growth and development of nations (Kugler and Ofoghi, 2005). The link through which this growth can be achieved according to Arena (2006) is insurance market activity been both a financial intermediary and also a provider of risk transfer and indemnification, hence, it allows different risks to be managed more efficiently through mobilization of domestic savings.

Insurance can be described as a promise to reimburse or indemnify a policyholder by an insurer as a result of a pre-identified potential risk which has been insured against. In simple language, individuals or businesses with similar risks contribute certain amount as premiums to the insurer, the insurer then indemnify the insured persons or businesses if they suffer any loss as a result of the pre-identified potential risks. This mechanism thus ensures that

individuals and businesses are protected from a wide range of risk. Insurance however by nature depends largely on promises between parties, and the abilities of the parties concern to honour their promises (utmost good faith).

The insurance industry in Nigeria has the potential to be the biggest insurance market in Africa given the population of the country, however, over the years systemic weaknesses within the industry have led to dismay performance of firms in the industry. Such weaknesses according to Ujunwa and Modebe (2011) could be attributed to unfavourable macroeconomic environment; poor regulatory framework; market suspicion of insurance companies among others. As suggested by Uche and Chikeleze (2001) for the industry to take its place in enhancing economic growth, government need to create a conducive macro-economic environment for the practice of insurance and reinsurance as it is the lack of these that has led to reduced international interest in the Nigerian insurance industry.

Insurance dwells heavily on the law of large numbers. However, in Nigeria and in most developing economies, the contribution of the insurance sector has been minimal. Theoretical and empirical evidence have shown that insurance market activity contribute to economy growth as it will impact on total factor productivity, which translates into higher long-run development of the economy. It is therefore against the potential impact of insurance on economy growth that this study sought to examine the impact of insurance market activity on economic growth in Nigeria from 1981 to 2011.

The remainder of the paper is organized as follows: Section two contains the review of related literature; section three; the methodology; section four; presentation and analysis of data; while section five concludes and recommends.

2. REVIEW OF RELATED LITERATURE:

The proponents of the finance-growth nexus theory opine that financial development promotes economic growth through channels of marginal productivity of capital, efficiency of channeling saving to investment, saving rate and technological innovation (Curak, Loncar and Poposki (2005). These growths are often realized through the financial intermediation functions in the economy. The functions includes: the provision of means for clearing and settling payments which facilitate the exchange of goods, services and assets within the economy and across national boundaries; the provision of a process of pooling resources and the subdivision of equities in various enterprises; facilitation of the process of resource allocation; risk management; assisting in pricing information which help coordinate decision making in various sectors of the economy, and the means to deal with both information asymmetries and agency problems.

According to Maswana (2008), the endogenous growth literature provides evidence that financial development is a major determinant of economic growth and development and posits that existing theories indicates that financial development spurs economic growth and development by reducing transaction, monitoring and information costs. Therefore, a well-developed financial system performs critical functions that enhance intermediation efficiency. As a result, the financial system through the process of intermediation plays an important role in promoting economic growth and development.

These intermediation functions enable financial institutions to provide value-added linkages to different sectors of the economy thereby enhancing economies of scale in these sectors as well as providing conducive atmosphere for the implementation of economic policies of government (Sanusi, 2011). As suggested by Afolabi (2004), financial institutions are the linchpin of the economy of any country as they occupy a central position in the country's financial system and are also an essential agent in the development process of nations. Therefore, through the process of intermediating between the surplus and deficit savings' units within an economy, funds are mobilized and these funds are allocated into productive uses thereby increasing the quantum of investments which leads to growth and development.

While investigating the impact of financial sector reforms on the performance of the Nigerian economy, Taiwo and Akinlo (2011) found that the means of performance indicators -saving rate, investment ratio and growth of real GDP, were very low relative to pre-reform period and their correlation with financial indicators were mostly low or negative before the reform. Also, their analysis showed that shocks to financial indicators had negative or insignificant positive effect on the saving rate investment and growth during reform and suggested that complementing financial reforms with structural reforms is necessary in promoting growth in Nigeria.

Using newly collected data Demirguc-Kunt and Levine (1999) analyzed how size, activity, and efficiency of financial systems banks, other financial institutions and stock markets differ across different income per capita groups. They defined various indicators of financial structure (financial intermediaries) relative to markets and looked for patterns as countries become richer. Their findings suggest that financial systems across different income groups indicates that banks, other financial intermediaries, and stock markets all get larger, more active and more efficient as countries become richer. Hence, financial sector development tends to be greater at higher income levels.

Demirguc-Kunt and Huizinga (2000) were of the view that countries differ in the extent to which their financial systems are bank-based or market-based. They presented new evidence on the impact of financial development and structure on bank performance using bank-level data for a large number of developed and

developing countries. For countries that have underdeveloped financial systems, they showed that a move towards a more developed financial system reduces bank profitability and margins. Controlling for both bank and market development specifics, they opined that financial structure per se does not have an independent effect on bank performance, thereby not translating to growth.

Beck, Demirgüç-Kunt, Levine and Maksimovic (2000) explored the relationship between different financial structures as well as the degree to which a financial system is market-based or bank-based and economic development. They found that as economies grow faster, industries depending heavily on external finance expand at faster rates, new firms are form more easily, firms' access to external financing becomes easier, and firms grow more rapidly in economies with a higher levels of overall financial sector development. They further found that countries with legal systems effectively protect the rights of outside investors thereby enjoy greater financial development and economic growth. Thus, overall financial development and not financial structure per se is critical for economic progress.

Guzman (2000) was of the opinion that recent events occasion by the global financial crisis have drawn attention to the banking industry because of its important and vital sectors needs the banking sector for efficient market economy, therefore, it was important to understand how the various aspects of the banking system in general and the underlying structure of the banking sector in particular affect economic growth and development. It was against this background that he reviewed the economic impact of bank structure based on existing literature. He concludes that it will be important to develop models that not only are better able to mimic the actual relationships between banks, borrowers, and depositors but, also allow the impact of government policy on the banking system and economy to be explicitly analyzed, hence, enabling policies to have meaningful impact on growth.

Collender and Shaffer (2002) exploredthe relationship between financial structure and job growth and posit that it could be a possible channel through which financial structure impacts on income growth. They found that U.S. nonmetropolitan employment grew faster in 1973-96 where there were fewer locally owned bank offices and a more concentrated initial banking market structure; these linkages were less stable in metropolitan areas. Other findings suggest weak evidence in support of an employment growth channel linking bank structure to subsequent economic growth. Their findings suggest that job creation is not consistently a major channel by which banking structure stimulates income growth and the corollary is that the macroeconomic benefits of banking structure accrue primarily to those already working, rather than new workers.

Contributing to the finance-growth relationship, Rousseau and Wachtel (2007) were of the opinion that although the finance-growth relationship is now firmly entrenched in the empirical literature, increased incidence of financial crises since the 1990s is primarily responsible for the recent reawakening of the finance-growth link, but finds no direct evidence that liberalizations played an important supporting role.

FitzGerald (2006) made four major contributions. First was that the potential contribution of financial development to economic growth isconsiderable, but cannot be taken for granted depending on the construction ofthe appropriate institutional structure. Second, conventional measures of financial 'depth' (in terms of private assets) andfinancial 'development' (defined as moving from banks towards capitalmarkets) are not associated with higher rates of economic growth. Third, financial liberalization leads to more efficient and liquid financialintermediation, but does not appear to raise the rates of domestic savings orinvestment in aggregate and fourth; the efficiency gains from the standard model of financial liberalization interms of investment allocation and corporate governance can be outweighedby news of instability from short-term foreign capital flows.

Irfan, Sulaiman, Hussain and Jalil (2009) explored the long-run relationship between economic growth and financial structure in Pakistan and used the data from the period of 1975 to 2008, and found that the proxy of financial structure is positively correlated with economic growth. The result revealed that the channel of transmission mechanism of financial development to growth is efficient to the financial sector not the volume of investment.

Mitchenerand Wheelock (2011) examined the impact of banking market structure and regulation on economic growth using new data on banking market concentration and manufacturing industry-level growth rates for U.S. States between 1899 and 1929, a period when the manufacturing sector according to them was expanding rapidly and restrictive branching laws segmented the U.S. banking system geographically. They found that banking market concentration generally had a positiveimpact on manufacturing sector growth in the early twentieth century United States, with a somewhat stronger impact on industries with lowers rates of incorporation and less reliance on bond markets.

Contributing to literature on the role of insurance on economic growth, Arena (2006) tested the causal relationship between insurance market activity (life and non-life insurance) and economic growth. Using the generalized method of moments for dynamic models of panel data for 56 countries and for the 1976-2004 periods, he found robust evidence of a causal relationship between insurance market activity and economic growth. Both life and non-life insurance have a positive and significant causal effect on economic growth. High-income countries drive the results in the case of life insurance. On the other hand, both high-income and developing countries drive the results in the case of non-life insurance.

Kugler and Ofoghi (2005) used the components of insurance premia to find a long run relationship between development in insurance market size and economic growth. Their evidence implies that there is a possibility that cointegration analysis does not provide information about possible patterns (demand-following and supply leading). Their results show that in most cases, a long run relationship between insurance market size and economic growth exists rather than a cyclical effect.

Curak, Loncar and Poposki (2005) examined the relationship between insurance sector development and economic growth in 10 transition European Union member countries, in the period from 1992 to 2007. They applied fixed-effects panel model and control for other relevant determinants of economic growth and endogeneity. According to their findings, insurance sector development positively and significantly affects economic growth. The results were confirmed in terms of life and non-life insurance, as well as, total insurance.

In Nigeria, Mojekwu, Agwuegbo and Olowokudejo (2011) examined the impact of insurance contributions on economic growth in Nigeria over a twenty seven year period, between 1981 and 2008 using a dynamic factor model. The proposed technique described a number of methods designed to analyze a functional relationship between the volume of insurance contribution and economic growth in terms of underlying but unobservable random quantities called factors. The factor loadings indicate which common trend is related to a set of time series data. The result obtained through this approach showed that the functional relationship between the volume of insurance contribution and economic growth in Nigeria is a first order vector autoregressive implying that the effect comes after several successive periods rather than immediate.

Omoke (2012) assessed insurance market activities in Nigeria with the view to determining its impact on economic growth in the period 1970- 2008, the study made use of insurance density measures (premium per capita) as a measure for insurance market activity and real GDP for economic growth and also employed control variables such as inflation and savings rate as other determinants of growth. The Johansen cointegration and vector error correction approach was used to estimate the relationship between the variables. All the variables used were stationary at first difference and the result showed a long term relationship existing among the variables. The study found that the insurance sector did not reveal any positively and significant affect on economic growth in Nigeria within the period of study indicating that a low insurance market activity in Nigeria exist in Nigeria. This result reveals that Nigerians have not fully embrace the insurance industry despite its importance in the growth of the Nigerian economy.

Owojori and Oluwagbuyi (2011) investigated the contribution of insurance to economic development in Nigeria. Their findings showed reveals that the major problem affecting most insurance companies in Nigeria is lack of funds which leads to claim avoidance. They suggest that, given the role of insurance in providing financial services to a substantial number of people in the economy as well as helping in capital accumulation through payment of reparation of loses, there should be a cheap means of handling risks to the insured in view of the fact that the principle of large number is brought to bear in the practice and operations of insurance.

Despite these local studies, few studies are available in Nigeria on the impact of insurance market activity on economic growth. It is against the paucity of studies in this area of finance that this study sought to examine the impact of insurance market activity on economic growth given the euphoria that heralded the consolidation exercise in the insurance industry in Nigeria in 2005. Therefore, the expectation from this study is that insurance market activity should have positive and significant impact on economic growth.

3. METHODOLOGY:

This study adopts the *ex-post facto* research design. The study covered the period 1981 to 2011. The choice of 1981 as the base year is based on availability of data. The adoption of this research design hinges on two reasons Firstly, the study relied on historic data obtained from the Central bank of Nigeria statistical bulletin from 1981 – 2011, as such the event under investigation had already taken place and the researcher does not intend to control or manipulate the independent variables. The inability of the researcher to manipulate these variables is a basic feature of *ex-post facto* research design (Onwumere, 2005). Secondly, as described by Kerlinger (1970), the *ex-post facto* research design, also called causal comparative research, is used when the researcher intends to determine cause-effect relationship between the independent and dependent variables with a view to establishing a causal link between them. Data were sourced from the Central Bank of Nigeria Statistical Bulletin.

The endogenous growth theory which assumes away population growth and technological change and states that growth is driven by capital accumulation formed the basis for this study. The choice of the model is based on, theoretical perspectives of the finance-growth nexus, that financial development enhances economic growth, hence, in this case insurance market development enhances economic growth. From empirical literature examined, economic growth is often expressed as a function of insurance market development and a set of control variables. This is expressed as:

$$Y_t = f(PR_t, Z_t) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (i)$$

where:
Y_t = Economic Growth at time t
PR_t = Insurance Penetration at time t
Z_t = Control variables

Modifying Njegomir and Stojic (2010) model, equation (i) was expanded to accommodate indicators of insurance market development as well as other growth determinants such as core credit to the private sector (CCPS), stock market capitalization (Mcap), export growth (ER) and government expenditure (GOV). Therefore, the model equation is estimated as:

$$Y_t = \alpha + \beta_1(PR)\sum_{t=1}^{n=4} Z_t + \mu$$ …………………………………………………………… (ii)

where;
α = Equation Constant
β_1 = Coefficient of Insurance Penetration
β_n = Coefficient of Control Variables
$\sum$ = Sum
μ = Error Term
n = number of control variables

The specific objective of this study is to determine the impact of insurance market development (measured as total insurance premium in percentage of GDP) on economic growth. Arena (2006) was of the opinion that as insurers collect premium for their risk transfer and indemnification services this measure captures the role of insurance in an economy. It is expected that, the coefficients of parameters for insurance penetration to be positive implying a positive impact on economic growth. Following similar studies in previous literature, the growth rate of Nigeria's gross domestic product was adopted as the measure for economic growth.

Core credit to the private sector, market capitalization, export and government expenditure was also introduced as control variables. According to Omoke (2012) it is believed that insurance market activity may not only contribute to economic growth by itself but also through complementarities with the banking sector and the stock market. Therefore, representing the effect of the banking sector on economic growth, core credit to the private sector (proxied as core credit to the private sector in percentage of GDP) which measures financial opportunities available to investor was included as a control variable. Again, stock market activity was represented as market capitalization divided by GDP. It is expected that there will be positive relationship between the both financial variables and economic growth.

Export is one of the factors, considered even in traditional Keynesian theory that can facilitate economic growth (Njegomir and Stojic, 2010). In this study, export rate (ER) was measured as total oil and non oil export (ER) as a ratio to GDP and it is expected that export will have a positive relationship with economic growth. The government has an important role for the establishment of framework for private sector development in any economy, however, numerous theoretical and empirical research suggest that the larger government consumption, the less developed will be financial system, especially insurance Industry (Njegomir and Stojic, 2010). In this study government expenditure (GOV) was measured as a ratio of general government expenditures to GDP, and it is expected that there will be a negative relationship between government expenditures and economic growth.

4. EMPIRICAL ANALYSIS AND RESULTS:

The empirical analysis begins with the descriptive statistic. Table 4.1 presents the results of the descriptive statistic and a graphical presentation of table 4.1 (See Appendix for tables 4.1 and 4.2).

Table 4.1   Descriptive statistics

	GDP	TP	CCPS	MC	ER	GOV
Mean	7334671.	32795555	1659785.	3654316.	2802948.	291411.2
Median	2702719.	11688251	238596.6	262600.0	950661.4	212926.3
Maximum	37543655	1.53E+08	10660072	25810074	14231453	1152796.
Minimum	47619.66	191801.0	8570.050	5000.000	7502.500	4100.100
Std. Dev.	10672643	44970666	3107667.	7422815.	4031594.	337579.5
Skewness	1.543346	1.444314	2.070292	1.980370	1.430496	1.099831
Kurtosis	4.251620	3.993141	5.813568	5.378133	3.822256	3.092216

Jarque-Bera	14.33003	12.05190	32.36993	27.56801	11.44595	6.260734
Probability	0.000773	0.002415	0.000000	0.000001	0.003270	0.043702
Observations	31	31	31	31	31	31

Source: Researcher's E-view Result

Figure: 4.1 Graphical Representation of Model Proxies
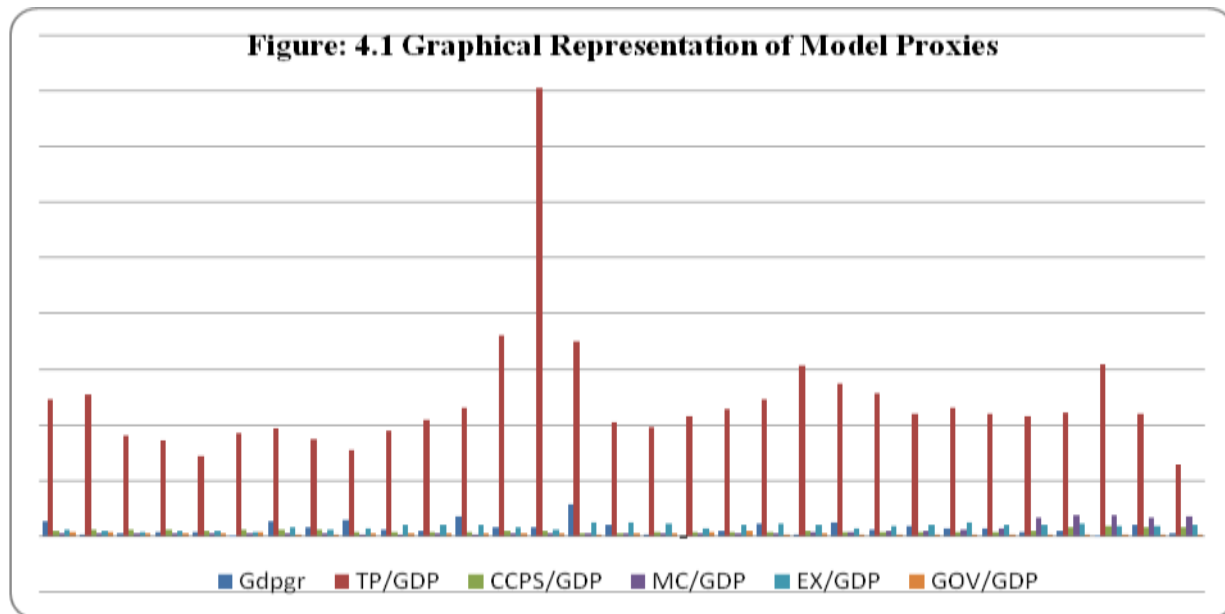
Source: Researcher's Excel Computation

Unit Root Test

Time series data are prone to problems of spuriousness if the data are not stationary. Thus in other to eliminate this problem, the unit root test was carried out. The first stage in the unit root test was to determine the stationarity of the variables under study. Granger and Newbold, 1977; Gujarati and Porter (2009) assert that if a series is non-stationary, then all the usual regression results suffer from spurious regression. Thus, the Augmented Dickey Fuller Unit Root test was used to test the stationarity of the time series data. Table 4.2 presents the results of the unit root test.

Table 4.2   Augmented Dickey Fuller (ADF) Unit Root Test

ADF Test Statistic	-6.486624	1% Critical Value*	-3.6852
		5% Critical Value	-2.9705
		10% Critical Value	-2.6242
*MacKinnon critical values for rejection of hypothesis of a unit root.			

Source: Researcher's E-view Results

The result in table 4.2 shows that all the variables are stationary. This can be seen by comparing the observed values of the ADF test statistics with the critical values of the test statistics at the 1%, 5% and 10% level of significance. The result indicates that at 1%, 5% and 10% all the variables are stationary.

Correlation matrix
Table 4.3   Correlation Result

	GDPGR	IP	CCPS	MCAP	ER	GOV
GDPGR	1.000000					
IP	0.159816	1.000000				
CCPS	-0.397069	-0.072574	1.000000			
MCAP	-0.243136	-0.097146	0.712042	1.000000		
ER	0.294986	-0.015130	-0.368913	0.250890	1.000000	
GOV	-0.196493	0.037302	-0.176568	-0.540406	-0.383567	1.000000

Source: Researcher's E-view Results

As revealed from table 4.3, insurance penetration has a positive relationship with economic growth. This reveals that as the Nigerian economy grows, the insurance industry also grows. Credit to the private sector by banks in Nigeria as revealed from the correlation matrix had a negative relationship with economic growth. This indicates that Nigerian commercial banks have not actually given enough credit to the private sector for investment which will translate into growth of the Nigerian economy. This is quite interesting giving the role that the banking sector is expected to play in economic growth of the country. It was also revealed that market capitalization rate which depicts the liquidity level of the Nigerian stock market had a negative relationship with economic growth. This implies that Nigerian stock market have not grown with the growth of the Nigerian economy. As indicated from table 4.3, export rate had a positive relationship with the revealing that as export increased, economic growth also increases. Government consumption as revealed from the table 4.3 had a negative correlation with economic growth. This supports the general notion that as government increases its consumption expenditure, there is less willing on the part of investor to increase investment which will translate to growth. This may not be unconnected with lazy attitudes of most Nigerians (over-fed babies that enjoy everything without thinking of been productive).

Table 4.4   Regression Results

Variable	Expected Signs	Coefficient	Std. Error	t-Statistic	Prob.
Dependent Variable: GDPGR					
IP	+	0.015925	0.016993	0.937147	0.3573
CCPS	+	0.943792	0.863470	1.093022	0.2844
MCAP	+	-0.757372	0.360484	-2.100988	0.0455
ER	+	1.074219	0.293662	3.658013	0.0011
GOV	-	-2.310860	1.425180	-1.621451	0.1170
R-squared		0.284782	Mean dependent var		0.276674
Adjusted R-squared		0.174748	S.D. dependent var		0.245585
S.E. of regression		0.223098	Akaike info criterion		-0.015725
Sum squared resid		1.294086	Schwarz criterion		0.215564
Log likelihood		5.243733	Durbin-Watson stat		2.171421

Source: Researcher's E-view Result

Model Equation:
$$Gdpgr = 1.000 + 0.0159IP + 0.9437CCPS - 0.07574Mcap + 1.0742ER - 2.3109GOV$$
$$(0.3573)* \quad (0.2844)** \quad (0.0455)*** \quad (0.0011)**** \quad (0.1170)*****$$
Note: * (p-values)

As revealed from table 4.4, the impact of insurance penetration was positive and non-significant at 5% level of confidence. This implies that an increase in insurance market activity in Nigeria has the potential to increase economic growth. Again as revealed from the table the banking sector had positive and non-significant impact on economic growth. The coefficient of core credit to the private sector as indicated from table 4.4 was found to be positive however, its impact was found to be insignificant with the period of this study. Stock market activity proxied by market capitalization was found to have negative and non-significant impact on economic growth in Nigeria within the period of this study conflicting with the *a prior* expectations of this study that it should have positive impact on economic growth.

This is quite puzzling when compared with the relative strength of the Nigeria capital market. The assumption behind the use of market capitalization rate as a measure of stock market activity in this study is that the overall market size should be positively correlated with the market's ability to mobilize capital thus providing liquidity and diversifying risk on an economy-wide basis thereby enhancing growth. However, the result indicates that, the Nigerian stock market have not actually contributed to the growth of the Nigerian economy. One possible reason for this maybe as a result of the buy and hold attitude of Nigerian investors which limits the market ability to provide liquidity. As expected export rate had a positive and significant impact on economic growth while government consumption had negative and non-significant impact on economic growth

5. CONCLUSION AND RECOMMENDATIONS:

Most studies on the interaction between the financial sector and economic growth has focused mainly on banks and the stock market and fewer studies on the relationship between insurance and economic growth. It was against this background that this study examined the impact of insurance on economic growth from 1981 to 2011 in

line with the finance-growth nexus. The result from this study indicates that insurance market activity has positive impact on economic growth though it was non-significant. This suggests that increased insurance penetration has the ability to enhance economic growth in Nigeria. Insurance could be a critical factor for economic growth as it has the potential to mobilize investment funds for new and existing businesses, and also provides protection for existing businesses to perpetuate, explore, and flourish. Insurance firms are serious financial intermediaries in today's financial system thus this study recommends that proactive measures should be taken by insurance firms to capture the informal sector of the Nigerian economy. The informal sector provides goods and services at affordable prices to larger segment of the population outside the reach of the formal sector and by its nature, permeates all sectors of the economy thereby providing a lot of employment and income to majority of Nigerians.

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