

## The Impacts of External Actors and Pressures on the Formulation of Banking Policy in Nigeria

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### Abstract

This research looks into the impacts of various actors and their pressures on the formulation of the banking policy in Nigeria. The analysis adopts a secondary method of data collection to diagnose the contribution of the external actors on the banking policy in Nigeria. It investigates the objectives of the policy and thereby concludes that the banking policy in Nigeria is never done in isolation of the international milieu. Hence, the external actors are very instrumental to the formulation of banking policy in Nigeria.

**Key words:** Banking; Policy; External actors; Formulation; Pressures

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### 1. PREAMBLE TO THE ANALYSIS

First and foremost, the state of Nigeria is a creation of colonialism and this has been the bane to independent policy process in the country (Lasswell & Lerner, 1951). Most of the policies in Nigeria are without element of external intervention. Therefore, the international actors and institutions always use their influence to inject their values, goals and philosophy into our policy making processes. The banking policy in Nigeria is never an

exception. As a student of public policy, it is important that a case study is adopted in the explanation of how the external pressures and actors contribute to the formulation of policy in Nigeria.

Banking policy is a dynamic process. Just like in many countries of the world, the banking industry is put under serious scrutiny through regulatory policy because of the nature of its activities. The role of banks in the mobilization of funds is considered important to the direction and pace of economic growth and development. The failure to provide these services or a breakdown in their efficient provision can be costly for various international financial institutions that are operating in the country and these are why they always strive to influence the formulation of this policy. The nature of state in Nigeria makes the country a mere object for propagating international agenda of especially the Bretton Woods institutions (Paseda, 2012). Any failures of Nigeria's banking sector will have a severe multiplier effect on the inflow of foreign direct investment and development aids.

As a matter of fact, the negative externalities affecting firms whether domestic or multinational is so complex that the national policymakers often request the knowledge and support of the external actors. What this paper is trying to explain here is that banking policy as a case study is never autonomous of external control and pressure. However, banking policy in Nigeria is formulated to protect against a disruption in the provision of those macroeconomic indicators which may impose higher costs that may be dangerous for the economy and the society at large. This paper will endeavour to examine how the external pressures and actors contribute to the formulation of what became "Banking policy" in Nigeria based on the degree of their influence, power and resources.

## 2. CONCEPTUAL DEFINITION OF BANKING POLICY

Policy formulation is a stage of the policy process that has to do with stating clearly the policy goals and objectives as well as establishing the strategies, procedures and legislation necessary for the achievement of policy goals and objectives (Ajekigbe, 2009). This stage deals with enacting some laws and regulations that will serve as a guide to implementing the policy.

The Banking Policy relates to the rules and regulations governing body of documentation that defines and clarifies a bank's policies and procedures (Central Bank of Nigeria, 2017). This policy is generally divided into sections that identify a specific element within an organization and may be assigned a number series for identity purposes. Banking policy, involves (1) changes in the composition of the asset side of the central bank's balance sheet, or (2) regulatory and supervisory actions of the central bank. Simply put, external actors are those international institutions and entities that contribute to the formulation of policy formulation in other countries (Central Bank of Nigeria, 2017).

## 3. SALIENT OBJECTIVES OF BANKING POLICIES IN NIGERIA

Regulation policy in banking, seeking to enhance the net social welfare benefits in the provision of financial services, can be categorized into six:

### 3.1. Safety and Soundness Regulation

To protect depositors and borrowers against the risk of bank failures, for example, by requiring diversification of credits (sectoral credit allocation), specifying minimum capital required for operations, and provision of safety net through deposit insurance schemes.

### 3.2 Monetary policy regulation

For example, the imposition of cash reserve and liquidity ratios on banks to influence the volume of money supply in the economy.

### 3.3 Credit Allocation Regulation

These regulations may require a bank to hold a minimum amount of assets in one particular sector of the economy or to set maximum interest rates, prices, or fees to subsidize certain sectors. For example, Nigerian banks have been encouraged to subsidize agricultural loans in Nigeria.

### 3.4 Consumer protection regulation

For example, to prevent discrimination in lending especially on the basis of race, age, sex or income.

### 3.5 Investor Protection Regulation

This is especially relevant to banks with investment

banking business. Various laws exist to protect investors against abuses such as insider trading, lack of disclosure, outright malfeasance, and breach of fiduciary duties.

### 3.6 Entry Regulation

This exists through licensing and restriction on the types of business that banks may be involved. Licensing will usually specify the minimum requirements to establish a bank (e.g. capital).

## 4. THE IMPACTS OF EXTERNAL ACTORS AND PRESSURES ON THE FORMULATION OF BANKING POLICY IN NIGERIA

Having explained earlier that banking policy in Nigeria is never formulated outside its external environments because of its non-autonomous nature. The Nigeria state is never independent of imperial invention in the formulation of some contingent policies. Without a banking policy that harmonize with international interests and ideologies, Nigeria will either be ostracized from some foreign development investments and/or sociopolitical assistance from the international institutions and partners. Below are some carefully selected external actors who through their influence and pressure contribute to the formulation of the banking policy in Nigeria, viz;

### 4.1 The African Development Bank

This Bank has a handful of contributions to the banking policy in Nigeria. It uses its power and authority to give loans and capital transfer to the member states that harmonize it economic and financial agenda to the formulation of the their banking policy. The use it pool of financial and economic experts and professionals to interpret data and research results that may incorporated or be found helpful in the setting of the objectives of the banking policy in Nigeria. African Development Bank often sends some senior financial experts and economic analysts who will be invited by the national policymakers will put to give their contribution to the formulation of a coherent banking policy for Nigeria economy.

### 4.2 The United Nations

This is the most powerful organization in the world. It uses it various specialized organs to dictate the financial frameworks for global monetary policy. Nigeria's banking cannot be free from intervention by the United Nations owing to the nature of state in Nigeria. The formulation of the banking policy always relies on the policy adopted by the United Nations Economic and Social Council and other specialized organs of the United Nations. Nigeria is a signatory to the charter of the United Nations and this made the decision and policy of the organization binding on the country. As a member state, the United Nations

may impose some certain macroeconomic policy that will be considered in the formulation of the banking policy in Nigeria. Non-compliance by Nigerian policymakers to comply with the macroeconomic policy lay down by the United Nations may lead to sanctions and trade boycotts.

### 4.3 The World Bank

The World Bank is the most reliable source of data and technical aid for Nigeria banking sector and the entire economy. The Bank is instrumental to spreading of neo-liberal and capitalist philosophies which Nigeria must consider in order to assess foreign assistance and financial grants which is pivotal to its national economy. When formulating the banking policy in Nigeria, World Bank specialists are often consulted to contribute their financial ideas and economic insights which may be helpful to creating programmes that be attractive to this global apex bank. The World Bank contributes to the formulation of Nigeria banking policy either by persuasion or imposition because it is the main source of capital loans and economic assistance for Nigeria.

### 4.4 The Multi-national Corporations

There are some corporations that have great stakes in various Nigerian banks especially the Central Bank of Nigeria who only exists to formulate a banking policy that will make Nigeria habitable for the investments of the large multinational corporations (Wikipedia, 2018). Such giant companies as MTN, OANDO, Coca-Cola, Toyota, Honda, and some other ones always deploy every resources at their disposal to influence the national policy actors to formulate a banking policy that will create a platform that will safeguard their capitals. These multinational corporations mostly sponsor candidates into the national political offices to influence the formulation of Nigeria's banking policy in a way that it reflects their interests, values, and economic goals.

### 4.5 Foreign Professional Bodies

There exist some international financial experts and economic professionals such as ACCA, CFA, ACFE, PriceWaterCoopers, KPMG and others that conduct research overseas. These professional bodies contribute to the formulation of banking policy in Nigeria by giving expert ideas, statistical and business analytics which the national policymakers may depend on in the formulation of the banking policy.

### 4.6 The Economic Community of West African States

The ECOWAS wields some level of power and authority which enable it to contribute to the formulation of the banking policy in Nigeria (Wikipedia, 2018). The

organization often works directly with the national policy actors to align the macroeconomic objectives with the banking policy in Nigeria so as to create secure environment for investments in the country. It usually does this through its bodies of financial and economic specialists who have solid knowledge in the interpretation of data and technical information. The means to access any financial benefits from or trade with this organization is for the country policy communities to accept the results of the research conducted by this community and use it to formulate a viable banking policy in Nigeria.

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## CONCLUSION

This paper concludes that the formulation of the banking policy in Nigeria is highly subjected to the effect of globalization which allows public policy in Nigeria to be easily influenced by these imperial pressures. We can see from the foregoing how various external pressures and actors have contributed to the formulation of this policy through their respective influence and importance to the policy under consideration in Nigeria National policy arena. These external actors owing to their power of persuasion or sanction and financial resources frequently have a say in the formulation of the banking policy in Nigeria. The importance of these external pressures and actors in the formulation of the banking policy in Nigeria is fundamental to the determination of the successes and failures of this policy.

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