NEAR EAST UNIVERSITY
INSTITUTE OF GRADUATE STUDIES
BANKING AND FINANCE PROGRAM

IMPACT OF BANKING SECTOR DEVELOPMENT ON THE ECONOMIC GROWTH OF THE GAMBIA.

LAMIN MANNEH

MASTER'S THESIS

NICOSIA

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ASSOC. PROF. DR. ALIYA ISIKSAL

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Thesis defence was held online. The Jury members declared their acceptance verbally which is recorded.

ACCEPTANCE

We as the jury members certify the "**impact of banking sector development on the economic growth of the Gambia"** prepared by the LAMIN MANNEH defended on 04/02/2021 has been found satisfactory for the award of degree of Master.

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DECLARATION

I LAMIN MANNEH, the thesis entitled 'Effects OF BANKING SECTOR DEVELOPMENT ON THE ECONOMIC GROWTH OF THE GAMBIA' has been prepared under the guidance and supervision of 'ASSOC. PROF. DR. ALIYA ISIKSAL 'has been checked for plagiarism and a duplicate of the result can be contained in the Thesis in partial fulfillment of the Near East University, Graduate School of Social Sciences regulations and does not do the maximum of my information infringement and Copyright Law.

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DEDICATION

The thesis is dedicated to my parents Pa Ousman Manneh and Amie Drammeh and to the rest of love ones who had supported me throughout my study.

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ABSTRACT

IMPACT OF BANKING SECTOR DEVELOPMENT ON THE ECONOMIC GROWTH OF THE GAMBIA.

This thesis aimed to studyimpact of banking sector development on the economic growth of the Gambia by using a quarterly time series data from 1991 to 2019 and used the ARDL cointegration and the estimation of the outcome revealed that banking sector development has a negative impact on economic growth in The Gambia, this since banks are not lending to the real sector instead, they are investing in the forex markets and T-bills. Similarly, industrialization and urbanization have a negative relationship with economic growth. On the other hand, financial development was found to positively impact on economic growth. However, as an outcome of this report, it is necessary to suggest that governments and policymakers create or implement sustainable strategies and policies to raise the country's gross domestic product and to have a greater beneficial influence on the economy by minimizing the inflation rate, which in turn would improve economic development.

Keywords: economic growth, bank development, ARDL and The Gambia

ÖZ

BANKACILIK SEKTÖRÜ GELİŞİMİNİN GAMBİYA'NIN EKONOMİK BÜYÜMESİ ÜZERİNE ETKİSİ.

Bu tez, 1991'den 2019'a kadar üç aylık bir zaman serisi verilerini kullanarak bankacılık sektörü gelişiminin Gambiya'nın ekonomik büyümesi üzerindeki etkisini incelemeyi amaçladı ve Kanonik Eşbütünleşen Regresyon, Tam Değiştirilmiş ve Dinamik Olağan En Küçük Kare'yi kullandı. Tahmin sonucu, bankacılık sektörünün gelişmesinin Gambiya'daki ekonomik büyüme üzerinde olumsuz bir etkisi olduğunu ortaya koydu, çünkü bankalar bunun yerine reel sektöre kredi vermediğinden, forex piyasalarına ve bonolara yatırım yapıyorlar. Benzer şekilde, sanayileşme ve kentleşmenin ekonomik büyüme ile olumsuz bir ilişkisi vardır. Öte yandan, finansal gelişmenin ekonomik büyümeyi olumlu etkilediği görüldü. Bununla birlikte, bu raporun bir sonucu olarak, hükümetlerin ve politika yapıcıların, ülkenin gayri safi yurtiçi hasılasını yükseltmek ve enflasyon oranını düşürerek ekonomi üzerinde daha olumlu bir etki yaratmak için sürdürülebilir stratejiler ve politikalar oluşturmalarını veya uygulamalarını önermek gerekmektedir. dönüş ekonomik kalkınmayı iyileştirecektir.

Anahtar Kelimeler: ekonomik büyüme, banka gelişimi, ARDL ve Gambiya

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ABBREVATIONS

CBG: Central Bank of The Gambia

HDM: Harrod-Domar Model

IMF: International Monetary Fund

INF: Inflation Rate

LGA: Local Government Area

OECD: Organization for Economic Cooperation and Development

UNCTAD: United Nations Conference on Trade and Development

UR: Unemployment Rate

VAR: Vector-auto Regression

VEC: Vector Error Correction

WDI: World Development Indicators

WIR: World Investment Report

IMPACT OF BANKING SECTOR DEVELOPMENT ON THE ECONOMIC GROWTH OF THE GAMBIA.

CHAPTER 1

INTRODUCTION

1.1 Background

The net worthiness of the relationship between economic improvement and financial development has gotten much consideration both within the development and fund writing. Early scholars likeAhmed (2016) on banking related framework improvement appear on the interface between economicdevelopment and financial development. Maruta (2019) spearheading work on finance–growth nexus contends that a well–developed economic framework stimulates development in mechanical advancements by redistributing assets from less profitable to more profitable sectors. Seven & Yetkiner (2016) proposes that financial markets as it were started to develop As the market approaches, the middle arrange of the development handle and create once the economy develops. In any case, Bacha et al. (2014)It finds that economic markets are planning and often recently driving genuine financial movement, to begin with, as a result of financial growth. These can be assembled into the so–called supply leading and deems the following hypotheses. This analysis can be seen as a re-examination of the traditional worldview of historical and macroeconomic soundness. It makes two noteworthy commitments to writing. To begin with, this thesis will utilize the unearthly approach in extricating trade cycle and long run components of development instability. Relative to past research about this approach which gives educator outline on instability, to the leading of authors' information has not been utilized in creating nation setting.

The expansion of the entire yield of the economy will be influenced at some stage either sector expands excessively. An order to predict the accumulation of financial precariousness, the sectors that utilize budgetary administrations such as the genuine division ought to develop adequately

quickly to preserve the request for monetary reserves. A country that needs the information utilized to make esteem in a cutting-edge economy endures from thought gap. To total, a country that needs fund to render tangible structures to be erected and create information endures all over crevices. A well-functioning banking segment is adequate to form financial modernization.

1.2 Statement of Research Problem

Banking sector development in The Gambia remains low even though the sectorprofits to develop in later times. Banking sector improvement in The Gambia stay generally immature and shallow within the ECOWAS zone. The comparative backwardness of the bank-related sector in the area has been credited with the need for consistency of organization, familiarity, and fragile governance, political and financial fragility.

1.3 Statement of Research Question

Although the impact of banking sector development on growth is almost resolved, an important question always rings.” Is banking a leading economic development field, or does it simply pursue the real production growth that is produced elsewhere?

1.4 Research Objective

- Examining the impact of the expansion of the banking sector on the economic growth of the Gambia

- To examine whether macroeconomic indicators like urbanization and industrialization have any impact on the economic growth of The Gambia.

1.5 Significance of the Study

This makes valuable additions to the current banking development literature in so many ways: First, it is going to be known of such study in the region and the study will actually concentrate on the Gambia to present the overview of

the growth impact of the biased sectoral growth. The research would therefore address core results of the effects of unsustainable sectoral growth rates through the perspective of emerging economies.The report would have crucial policy consequences based on the study's results. Furthermore, the findings would offer an interpretation of the apparently contradictory and widely disputed outcomes in the literature on banking development and economic growth and provide important advice for successful monetary policy.

First of all, this study would discuss what is going on within the banking sector, how these practices impact economic growth and transformation, and what policymakers might suggest to make the country a financial hub.This study has also provided a direction for future studies relating to this area.

1.6 Limitation of the Study

The drawback of the analysis is that a limitation was the usability of data to collect a larger number of observations for the variables and thus forces the researcher to interpolate the data to quarterly by increasing the number of observations utilizing the quadratic-match average.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The literature review included a collection of published papers from the following countries that served as the foundation for the in-depth literature review:sub-Saharan African countries, UK, United States of America, and The Gambia. A summary of the critical overview of the studies follows at the end of the first three studies and another analytical summary.

'*The initial literature review'* this is an important step in helping to fully understand issues that arises from prior research.It assists in formulating the study goals in depth after the initial analysis is completed. After the initial detailed literature review, it generally gave an idea of drawing a temporary conclusion for the research bearing in mind other researchers to come up with an effectively well planned and presented project.

2.2 Theoretical Basis

In this area, the study endeavor to show a few expository models, without attempting to be thorough, that shows the effect of keeping money on the state yield, cost level and intrigued.A model to evaluate the relations between the banking sector and macroeconomic exercises will be developed for the study. The primary demonstration is the Schumpeter's credit generation circular stream. It explores how banks should initiate the financial revolution and develops an econometric analysis for the competitive management of the banking industry (Madura, 2008). It defines a few criteria for surveying the productivity and expertise of the account management industry and analyzes the intelligent impacts on the endogenous macroeconomic variables of yield, intrigued pace, cost level and exchange costs between financial and money-related approaches and between financial and credit approaches.

2.2.1 Schumpeterian model theory

Schumpeter agrees that banks that conduct unused mixtures of preparations that lead to financial success build business visionaries. He claimed that "the structure of the advanced industry does not seem to have been created

without its credit, and financing as an extraordinary act in the implementation of modern combinations is, in a general sense, essential in hypothesis as in practice."

A business visionary can as it were ended up a business visionary by already getting to be a debtor to banks (Dasgupta et al., 2007). By not as it were exchanging the existing acquiring control to the support clients but too making unused obtaining control for financing generation, banks act as starters of financial development. This contention at that point driven to improvement of circular stream of money related generation. This financial circuit effectively connects the money from the bank to the generation. Banks launch the circuit; if, as Schumpeter acknowledges, the cash inside the circular stream encourages the sale of the goods, for the advantageous speculations to be attempted, banks can therefore render modern acquisition control out of nothing in the event that the credit arrangement under which the unused acquisition control is rendered is strengthened by securities that are And generally, on the off chance of historical success, the ground which new sets are often derived, supported and from which they would be extricated constantly funded did not really exist at the point (Levine, 2005). This has culminated in refining between holding capital and budgetary markets, managing an account allows modern and extra liquidity to help generation results, whereas money-related markets allocate current liquidity to fund customers from financial specialists.

In case extra obtaining control is not made, no alter will be affected within the economy, since in guideline, laborers and proprietors will not credit the administrations of labor and arrive to the business visionary. Credit makes it conceivable for the business visionary to purchase the administrations of labor and arrive. In this way, banks are beginning funding, which is ultimately necessary for generation execution. Inside the Gambia, holding capital is almost the only budgetary intermediation that transfers national investment funds to domestic investment at the side of government assignment and self-financing. At that point, Batabyal & Nijkamp (2012) would be interested to know how the disturbing pressures on the capacity to hold money loaning are conveyed to innovations inside private segment projects. The developments

in private speculation should be thoroughly explained by banks' lending power, bank credit and self-financing. Yet self-finance could be an opportunity that would not be open to multiple company visionaries. In this way, the credit potential of the holding money system and bank credit must explain essential varieties within private segment ventures; and in the event that Schumpeter's credit has unused variations of accounts, bank credit may serve as an exogenous vector for private segment speculation (Dinopoulos, 2006).

The part of banks in financing business people is pivotal particularly when analyzing financial generation of creating nations just like the Gambia, where values markets are nearly nonexistent. In the case that banks cut their credit supply lines to businesses, generation exercises will not be carried out, since there are no elective means of funding, such as bond markets. You're going to ask about self-financing or traditional economies. For the case of self-financing, Schumpeter argues that "the holder of wealth, indeed on the off chance that it was the most prominent combine, must resort to credit in the event that he wishes to make an unused combination, which can not be financed by returns from past production, like an established trade." The individual will profit from self-financing by reserve assets, not from land, since it can not be utilized either immediately for modern combinations or in exchange for essential merchandise and administration (Santy et al., 2018).

In Gambia, the last-mentioned condition is not imaginable where most assets are in terms of actual territories and animals, which can not be easily used inside the generation and can not be exchanged for the goods and administrations that market visionaries want to deliver. In the meantime, considering the amounts of pay and the moo genuine shop prices, self-financing by reserve funds might not be feasible realistic commonsense down to earth viable; with rising swelling rates and declining monetary types, business people might not be willing to buy the lucrative implies through investment funds (Zhang et al., 2012).Conventional markets, spoken to by moneylenders, for the most part back utilization not generation products and administrations. In this way, bank credit is fundamental for generation in a creating nation; be that as it may, the loaning capacity of the bank may be

misled towards utilization products and administrations instead of to profitable speculations, and banks can act like moneylenders instead of proficient investors, giving credits to a clique of companions and tall identities or maybe to depersonalized and well appraised projects (Andreas et al., 2008).

2.3 Review of Earlier Studies

The part of the money related framework is a fundamental point for any economy, basically since reserves are directed to those financial specialists having profitable venture prospects Schumpeter (1912). Prior researchers such as Ahmed (2016), found a positive relationship between financial development and economicgrowth. As of late, comparative comes about were accomplished by (Isiksal et al., 2019). Be that as it may, indeed on the off chance that this relationship exists, a financial framework must perform at the ideal level, on the off chance that not an economy cannot work proficiently, thus preventing financial development. The foremost deterrent to an effective working budgetary framework is topsy-turvy data, which leads to two issues within the monetary framework: antagonistic choice and ethical risk. Be that as it may, endeavors can be made to relieve these issues. With antagonistic choice, Levine (2005) recommends the review of the problem of lemons, requiring policymakers to filter out awful credit hazards for massive credit hazards. Governments must impose confinement on borrowers of the ethical risk problem in order for borrowers not to lock in habits that diminish their probability of loan reimbursement.

Be that as it may, the signaling components needed for successful asset distribution may be mutilated by any government mediation within the activity of a spotlight economy, even if intercession may be required to correct the effects of deviated evidence. In exchange, this mediation can contribute to government dissatisfaction. Encouraging policymakers to participate within the account management system, such as budgetary assistance for banks, could compound ethical threat, as banks can see intercession leading them not to bear the ultimate responsibility of their risk-taking movement. In this way, the intervention can empower risk taking movement.

Seven & Yetkiner (2016) cross nation consider appears a positive relationship between monetary middle person improvement and financial development. Kendall (2012) moreover found comparable comes about.Moreover, as of late, Hassan et al. (2011) consider the creation and creation of countries, as long as the degree of monetary progression of a country is below their cross-sectional midpoints, money-related enhancement emphatically influences progress. This proof is true with Nyamongo et al. (2012) who discovered that success in enhancing the growth of budgetary improvement leads more to prosperity in developed nations than in produced nations. There is also proof that well-developed budgetary division offers assistance hoses that intensify the influence of real financial stuns on the trading cycle and long-term components of uncertainty (Ibrahim & Alagidede, 2018a). Despite the improving results of budgetary change on development, a few creators remain skeptical and claim that success in the money-related sector does not profoundly interpret higher growth and can even mutilate the sponsored way of improvement. Ibrahim & Alagidede (2018b) argue that the cumulative growth influence of financial development is extremely responsive to the collection of indicators.

Hassan et al. (2011), to begin with appraise a semi-parametric show that permits a nonspecific useful frame for the variable that captures money related improvement some time recently counting a quadratic term in a straight development condition. Their finding highlights that the finance-growth relationship turns negative for high-income nations, where back begins having a negative impact when credit to the private division comes to 100% of GDP. Be that as it may, Menyah et al. (2014) consider of creating nations don't find any edge within the finance-growth relationship. Nyamongo et al. (2012) appear that at moo levels of monetary advancement extra advancements in money related markets have a questionable impact on growth. Within the middle region, financial advancement includes an expansive, positive impact on development, and within the tall locale, the impact is positive, but littler.

Ibrahim & Alagidede (2017)to recognize the introductory level of per capita wage as an interceding calculate within the relationship between back and

financial development. They formally show the energetic intelligent between budgetary advancement and development where a nation passes through an improvement cycle from a primitive organize to a created quick developing organize. At early organize, development is moderate and the budgetary division as it were mobilizing investment funds and expands hazard. Be that as it may, as the income levels start to extend, the monetary middle people intermediaries middle people mediators gotten to be more advanced and perform expensive capacities of checking speculation and screening for fetched compelling advancements. At long last, amid the development state, the country's money related framework completely creates with a generally steady and higher development. Additionally, amid the early stages of monetary advancement, as it where many moderately wealthy people have got to money related markets. Be that as it may, with total financial development, higher number of individuals gets to the formal budgetary system, with spill-over impacts on financial development. The most pushed of their results uncovers that the relationship between monetary advancement and development changes depending on the level of per capita income.

Seven & Yetkiner (2016) display straightforward two-period covering eras demonstrate with chance unwilling specialists and exorbitant budgetary exchanges which builds up conceivable nonlinearity in monetary advancement and financial development relationship. They test for the edge impact in connection to countries' beginning per capita salary. After part the test into moo and tall pay bunches and controlling for introductory level of human capital, the creators found that at first tall salary nations develop slower. Advance discoveries moreover recommend that higher levels of monetary advancement are related with higher development rates but as it were hold for nations with higher livelihoods. Reproducing the results about depending on the beginning level of money related advancement appears a non-monotonic relationship between introductory budgetary profundity and financial development in tall salary countries.

By depending on two-stage slightest squares with heteroskedasticity reliable standard mistakes, Maruta (2019) inspected the edge impacts of finance-growth nexus depending on information from 46 created and creating nations

over the period 1980–1995. The author finds a nonlinear unexpected relationship between fund and financial development which, nations with resolute legal framework develop quicker on the back of more bank-oriented monetary framework. Without a doubt, the lion's share of existing considers recommend a nonlinear relationship between back and financial development. As a lack be that as it may, these ponders endure from two vital shortcomings. To begin with, larger part of these thinks about depends on basic limit estimation methods to decide the presence of nonlinearity in finance-growth nexus by counting a square term of fund within the development condition. Moment, past building up the limit impacts, the lion's share of these prior considers have fizzled to thoroughly stem-the tide by observationally exploring whether these edges are interceded by the starting levels of per capita pay, human capital, and monetary advancement.

2.3.1 The Economy of West Africa

All West African nations are united into the Economic Union of West African States (ECOWAS), excluding Mauritania. Togo,Sierra Leone, Senegal,Benin,Cap Verde,Burkina Faso,Côte d'Ivoire,Niger,Guinea Bissau,Ghana, Nigeria,Mali, Guinea,Gambia and Liberiaare the countries in dispute. ECOWAS was founded as a territorial financial economic community in Lagos, Nigeria, in May 1975, to facilitate financial integration in all areas of the financial movement, in particular in the fields of manufacturing, transport, broadcast communications, vitality, agriculture, characteristic properties, trade, money and monetary affairs, social and social concerns, etc. Its priorities are to combat hunger, advance living initiatives, preserve and enhance financial stability, and foster peace among its part-nation nations. In order to accomplish this aim, after preparation, the association has taken over: a professional of heads of state and government, a chamber of priests, a community parliament, and a financial and social council, engagement and growth support, a monetary agency of West Africa. This later institution was established for all ECOWAS participants to develop a shared currency.

Double frameworks containing a structured financial system and a casual financial division are the monetary systems in ECOWAS countries. The structured financial division involves the central bank, the account section manager, and non-banking or other financial educators. Eight West African Financial and Financial Union (WAEMU) member states, which includes:Senegal, Benin, Ivory Coast, Burkina Faso, Guinea Bissau, Togo, Niger and Mali

Share a shared Central Bank, the 'Banque Centrale des Etats de l'Afrique de l'Ouest' (BCEAO) and the 'Franc de la Communauté Financière d'Afrique' common currency (FCFA). Each of the non-WAEMU nations has a central bank and money in their hands. In ECOWAS countries, the banking sector involves commercial, improvement, agreeable and reserve funds institutions, while other monetary teaching includes fund companies of government statutory offices, leasing companies, security companies, etc. Commercial banks govern over the monetary system. There are three stock exchanges in ECOWAS: the Nigerian stock exchange, the Ghanaian stock trade, and the Bourse Régionale des Valeurs Mobilières (BRVM) in Abidjan, Ivory Coast, for WAEMU nations.

2.3.2 Background to the Gambian Economy

Before Gambia became colonized, it had several number of monetary types for the purpose of trade. Pigs, golds, strips of fabric, copper and press poles were predominantly distributed across the free showcase strengths to encourage liquidity and influence exchange in goods and administrations. A dynamic money system within the nation was generated by the concurrent existence of these distinctive monetary principles. Be that as it can, each money has served a few basic purposes. For starters, because they were available in limited categories, copper poles were used to monitor liquidity. Essentially, up to colonial days, fabric cash or money was used for small transactions for its large usability, easy valuations. For their solidity and large valuations, Gold and Cowries were used for hedge funds, widely respected markets, ceremonies and jewelry (Nyumuah, 2018). The monetization and incorporation of the surrounding markets into the industrialized environment were implemented with the arrival of royal missions from France and Britain. The British currency presentation was on the presumption that neighborhood monetary types were not interchangeable into worldwide monetary norms, and had prohibitive shipping costs for a few monetary standards such as cloth cash, which empowered bargain trade with all the nearby monetary standards. Way the by, the presentation produced a few financial torments for the local people owing to the miscounts and the interest in self-interests by the imperial forces. Until 1891, the community monetary norms tended to

remain near the colonial currencies of British silver coins and French Five Francs. The colonial funds had to be legal tenders as early as 1891, with the prohibition of all nearby monetary requirements. At that time, colonial power produced and used a management system for an account to support supply and distribute British currency. Therefore, in the same year 1891, the British Bank of West Africa was founded as the Bank of West Africa to act as both the central and commercial bank for the British colonies within West Africa.

The new Banjul Department of Bathurst was opened on September 8, 1902. This bank performs all the holding money firms for free, except in such indicated situations like settlements, bank overdrafts if needed, and the current account being characterized to below 400, the intrigued allowable at the cheapest price, the bank will charge the most desirable customers within the final two cases (CBG, 2019)This was an agreement reached in 1902 between the banking industry and the Gambia's leadership; it concentrated on monetising the economy and rendering cheap budgetary administrations available. In comparison, the hovel and yard charges presented by the colonial government rendered a distinction inside the Gambia dependent on colonial money. The presentation of British cash and the ban of surrounding monetary types had an extreme impact on the economy of the neighborhood and impeded development. The neighborhood shippers were made destitute because at the British Bank off West Africa they do not seem to recover their neighborhood monetary forms; so too, all traditional citizens who had fabric bits, press or copper poles fair had to devour them, or hold them until they were ruined or misplaced lost misplaced, but never to be recovered for British money (Touray et al., 2017). Worse still, inside the modern currency, the neighborhood shippers and community had to pay all arrangements of charges that were not broadly accessible in their hands. They were, however, compelled to be ranchers no longer because of their argument, but because of the colonial governments who required them to grow groundnuts that the colonial monopolists marketed to buy. At that point, the financial adjustment changed; citizens were compelled to emigrate and settle around the authoritative British central station and branches to induce colonial

occupations and were compensated in the unused money (Sozialwissenschaften, D. D. W. U., & Sillah, 2005).

The ranks of Indian, Lebanese and Haku dealers and directors have grown. These citizens, because they had the European taste and instruction, were brought by the colonial aces and can be relied upon to operate the protectorate. In consequence, Indians and Lebanese locked in exchange; they advanced European products and taste on neighborhood markets; and such favors and opportunities were agreed by the colonial experts as a results of being perceived as a gateway markets for European products and taste (Joof & Jallow, 2020). In this way, no attempts have been made to build trading objects or to develop items of moment replacement. The neighborhood residents, who had to depend almost exclusively on the present merchandise for a few simple subsistence needs, were ruined by this motivation.While demand for surrounding goods began to decline in the face of European products as a result of many with colonial capital were inside the city and across the regulatory regions and these citizens were undergoing social transition and assimilation into the community of their masters from now on, they would choose to purchase the European flavor. The other detrimental effect brought on by the British cash presentation was that, in the middle of the community monetary norms, neighboring traders and traditional individuals were their demand banks, they kept the sum of fabric bits, money, press and copper poles they got; they related the same approach to contemporary cash along these lines, collecting as much as they did. As a result, more wealth was held in the possession of the individual as cash property rather than as shops to be channeled as savings back to the market.Quiet a lot of people ended up as indebted people to the said money banks who paid 100 percent fascinated rate (Nyumuah, 2018). As a results this forces away the showcase of nearby speculators. Indeed, because of the need for community reserve assets, the Gambia Agreeable and Central Holding Resources and Supporting Union Ltd had an immense trouble conducting operations. The Moment Article of the Universal Labor Office, Geneva 1965, on the Co-operative, illustrated this.

2.4 Conceptual Framework

This section explores the speculations on bank growth and the empirical data on the relation between bank growth and finance growth. Data financial concerns argue that banks are evolving owing to the asymmetry in data between the operators of the shortage and the surplus operators. The banks proficiently accumulate reserves from various excess specialists to help one or more specialists in default, who would find it nonsensical to do so on their argument. In this way, the risks of exchanges are reduced for both overflow providers and scarcity specialists. The suggestion of this theory is that the financial markets are empowered or encouraged by the banks; and if a more efficient intermediation may be sought, if not fully disposed of, the role of the banks would disintegrate.

The other theory, dubbed the developmental hypothesis here, argues that buyers were actually big distributors or corporations. They moved from advancing their stores of overabundance to other suppliers and businesses, to marking down exchange bills and issuing their demand bills. To conduct the management of an account process, these shipper financiers relied on their claim worth. Not as empowering the financial exchanges, the dealer investors do, but they still want them to create their own bills for long-standing financial exchanges. At that point, previous research analyzed the four observational data on the financial-growth nexus. According to the financial growth hypothesis (Ibrahim & Alagidede, 2018a), GDP, human resources, and physical resource levels at the start, collection are the most significant determinants of per capita financial progress.

As economies tend to concentrate on their unchanging states with the rate of decrease in the amount of capital obtained, commonly referred to as the convergence effect, and emphatically linked to the level of human capital within the nation, as higher human capital implies more innovative thoughts, per capita financial growth should be counter to the starting level of GDP. In theoretical models of growth in expansion, a variety of other fiscal, political, regulatory, and regional variables have been used.

The past literature examining the impact of money related improvement on financial development bears a control measure. Financial arrangement markers, measures of openness to global trade, and cost steadiness measures Maruta (2019), along with measures of budgetary improvement, are a particular collection of control factors linked to government approach and the financial solidity of the nation. Seven & Yetkiner (2016) recently included a quadratic term of monetary progress within the growth relapse and discovered a non-linear relationship between monetary development and financial development.

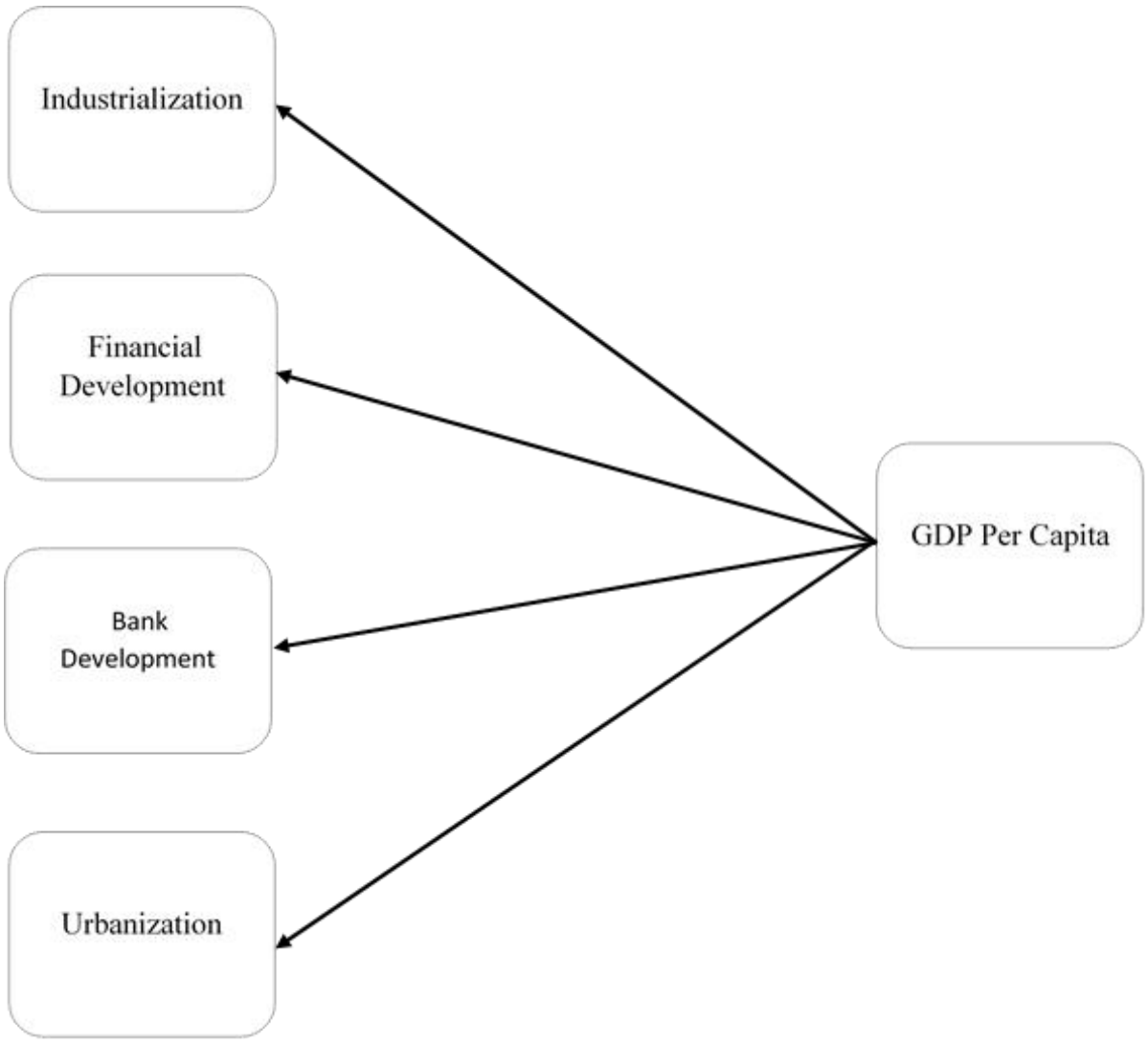


Figure 1: Conceptual Framework

2.5 Hypothesis Development

The potential negative outcomes of urbanization are also noted by Maruta (2019) as in,In equity markets, urbanization and financial frictions combine to produce either investment booms or financial crashes.

An imperative set of creators within the literature concurs that there is a connection between fund and financial development. Be that as it may, they oppose this idea almost the heading of causality. On one hand, a few authors have hypothetically and experimentally appeared that there's causal course from FD to EG. That's, approaches that move toward the advancement of monetary frameworks lead to financial growth. Ductor & Grechyna (2015) and Andrianova et al. (2008) bolster this contention. On the other hand, other creators contend that the direction is from financial development to money related improvement. Since the economy is growing, there is an expanding request for money related administrations that actuates a development within the money related division. This see is (Dorian, 2006). Therefore, the hypothesis is formulated below.

H1 bank development can increase economic growth through urbanization.

A rapid-growing banking sector produces strong returns and savings in reserves that can be used in other divisions in an ideal environment. Problematic wealth distribution ensures that, in the medium and long term, realistic growth rates will not be reached (Bandara, 2014). For instance, if the money-related division also absorbs various talented employees in the absence of adequate human capital, the other sectors can stagnate, slowing down with development and change, which lead to its growth and advancement, what is called 'cream-skimming.'The latter can have a negative effect on the economy's entire yield and yield growth (Batuo et al., 2018).In this way, the proposal considers the hypothesis that the effect of monetary progress on financial development is determined by the growth of monetary administrations in relation to the growth of the genuine division of the economy. To test this hypothesis, the analysis will provide an interaction term between the degree of money-related change and the contrast between the development of the financial and genuine sectors of the economy within

the empirical growth demonstrate considered within the budgetary improvement writing an interaction term between the degree of money-related improvement and the contrast between the development of the financial and genuine sectors of the economy. The interaction term provides a possible channel by which financial growth can have a non-linear effect on development, in addition to the degree of budgetary change included as a regressor: If there is unequal development between the money dependent and genuine divisions, the impact of monetary development on financial development may be hampered or even negative. The research suggested the hypothesis below in the following regions.

H2:Growth of the industrial value added can increase economic growth

2.6 Gaps in Earlier Studies

Extant thinks about within the writing on fund development still stays Inconclusive and a little more is often learned regarding the ultimate effect on growth by the coming together of the division section of the genuine and monetary segment.Experimental thinks about are noiseless on the lopsided sectorial impact on in general financial development. Given the supply–leading speculation, the central topic of this paper is that the degree to which fund makes a difference development depends significantly on the concurrent development of genuine and budgetary sectors. The few extant works, apart from the minimal ponders, relied on standard deviation to degree instability with no specific qualification among the different components of instability. The study would claim that the standard deviation method is far from being enlightening as the progression of money-related division and stuns effects through its exchange duration and long-term components on overall growth uncertainty.

Either because of a shift in the design of stuns or a change in how markets respond to stuns, uncertainty rises. More vitally, the present ponders have fizzled to break down uncertainty through its different components in this way clouding how to return exceedingly interatomic for each part and taking off most of the lavishness of the relations of volatility finance shocks when much of the knowledgeable real world can better be explained through

disaggregated financial shift models. In this course, this clear and noteworthy void in the literature ought to stimulate investigative efforts because it poses a real obstacle to agreement producers in the conduct of money-related and stabilization approaches in the growth of the banking-related market. From the standpoint of scholastics and approach, this study attempts to answer two key questions. Is there more or less volatility in countries with higher levels of banking-related growth involvement? What are the mechanisms by which financial growth impacts elements of volatility?

Ahmed (2016) investigated the yield misfortunes related to crises over a 120-year period with a test of 21 medium- and high-income nations. Moreover, for a shorter duration starting in 1973, the thesis won an expansive test of growing economies. He discovered a misfortune of almost 9 percent of GDP from the usual emergency. This was 1% a year less than the assessment for growing economies and nation-building in the 1980s and 1990s (Ibrahim & Alagidede, 2017). The cash emergency received 3% of the yield per year of their term in moo expansion nations and 6% of the yield per year of their term in tall expansion nations was assessed by Goldstein et al. (2000).

2.7 Remedying the Gaps in Earlier Studies by the Current

Investigate contend that both explanations ought to incorporate the taking after comment: “Financial advancement can increment financial development in the event that it isn't accompanied by advancement within the genuine division of the economy.” By extension, all divisions of the economy should grow at steady rates along the modified way of growth. Specifically, the banking sector can grow at proportionate speeds. Maintained or growing rivalry for budgetary stores implies that the separation of wasteful and less stable undertakings that are funded is moo or reduces higher demand for stores over time raises their relative expense and allows unrewarding less competitive undertakings. Essentially, the efficient and productive sector of the economy can expand rapidlyas much as In order to avoid misallocation of inputs attributable to a fast-growing financial market, it is possible to be able to pay for certain inputs, e.g. by ensuring competitive compensation.

2.7.1 Theories of Economic Growth

Economic growth corresponds to a phase of rising the total national income of a country sustainably. In the past, via different methods, particularly within the free market economy, the process of economic growth as it progresses has been studied. Subsequent portions of this study would present the numerous economic growth models produced by different economists at different periods.

AK MODEL

The "new" growth theory's AK model implies the Harrod-Domar development equation: investment and advancement re-visited. The AK model indicates that learning through doing induces technical advances when individuals pull together capital that tends to raise the marginal production of money, thus compensating for the decreasing marginal output pattern where technology remains unchanged.

THE AK MODEL FUNCTIONS:

$Y=AK$

Where Y, A and K represent the following:

Y = national output,

K = capital stock,

A = a constant on the assumption of constant returns to capital

In the orthodox neoclassical growth philosophy, the simple return on capital theorem excludes the principle of declining returns on capital,implying that spending allows for lengthy growth, despite the fact that growth is not visible in this case. As in neoclassical theory, the exogenously determined rate of labor-force productivity and technical progress does not intrinsically decide overall production. Thus, the K in the above equation is a composite capital measure. Many modern growth theorists are essentially disguised as neoclassical growth theorists but adding new forms of capital such that the idea may retain the neoclassical notion of decreasing physical returns on capital is profitable for them.

Similarly, in the early strain on the neoclassical development model, the percentage of physical capital output stayed comparatively constant in line with a rise in the sum of human labour, such as Kaldor (1957). And, along with all sorts of technical developments, there were many factors that contributed to an improvement in labor productivity in a proportion comparable to the capital-labour ratio. If K is known as physical resources, it is obvious from the above equation that the model produced some 50 years ago was the Harrod-Domar growth equation (Harrods, 1939; Domar, 1947).

Distinguishing the equation totally by dividing it to Y shows:

DY/Y = A (DK/Y) = A (I/Y)

In which,

DY/Y = THE ECONOMIC GROWTH RATE

I/Y = PHYSICAL INVESTMENT RATIO AND

A = THE PRODUCTIVITY OF PHYSICAL CAPITAL

DY/I = THE RECIPROCAL OF THE INCREMENTAL CAPITAL-OUTPUT RATIO

This is analogous to the growth equation g= s / c of Harrod. If the output of capital is identical across countries, the association between the growth rate of the countries and the level of expenditure will be full, where the slope of the correlation is the opposite of the overall ratio of the development of capital. There are, therefore, two main issues that have so far been overlooked by the "new" development hypothesis, including its complexity. Second, how precisely can inequalities in the pace of growth between nations be clarified by discrepancies in the physical expenditure ratio alone?

Second, what tends to explain the labor productivity fluctuations shown as the dependant variable? Modern growth model indirectly addresses the issue of capital production by utilizing factors such as schooling, investment in Research and development, economic variables, trade, political stability, and

projections of growth, but the portion of the cross-section or panel data equation is based on either growth in Gross Domestic Product or per capita.

The issue was never adequately addressed by taking inequality as the factor to be debated in the productive production of capital or the margin of capital sales. If appropriate, the above method would produce even more valuable outcomes. If the traditional approach is supported, the importance of variables such as schooling, research and development spending and the original amount of per capita income will also partly represent interrelationships with investment ratio variations (with the exception that these factors are completely orthogonal), offering false assumptions, especially if the investment ratio was not included in the equation ratio.

Barro's early research (for example, 1991) This is evident when, at the end of his seminal research paper on understanding variations in growth patterns across nations, he eventually enters the expenditure proportion into the model equation (almost as an afterthought) and finds that the predicted class size pattern vector coefficients are significantly reduced. The AK formula transforms into a fixed capital-output ratio in the Harrod-Domar growth equation, which is one reason why the "new" growth hypothesis is no different.Another important explanation is that the post-Keynesian tendency to question the neoclassical expectation of lower returns on capital was common.

The fact that, contrary to neo-classical estimates, the proportion of capital production remained relatively constant or even decreased over time, not as much as Nicholas Kaldor in his multiple growth models, in the midst of major capital accumulation and income formation (Kaldor 1957, 1961). As an example of why the capital-output ratio would remain constant, Kaldor (1961) replaced the neoclassical growth model with the approach of technological advancement. As a result, according to Palley (1996), Kaldor is the true creator of the "new" creation myth.

2.7.2 The Model of Harrod-Domar Growth

Two separate economists, one operating independently of the other but almost simultaneously, established this development model. All the observers were R.F. Harrod, Domar, E.D. Harrod announced his observations before Domar, of course. Harrod's work On a Modern Economy

was written in 1948, Domar's book Essays on the Theory of Economic Development was published in 1957.The content of the Harrod Model and Domar Model differs, but the principles introduced in both models are so interconnected that they have been merged and enforced as a single cohesive model, more widely referred to as the Harrod-Domar Model (HDM).

HDM has also combined classical and Keynesian economic development analysis. Capital spending has been influential within the HDM in the sustainable development period. The crucial position of capital investment in an economy's development has been recognised by both classical economics and Keynesians. Classical economics, though, saw only the opportunity to accumulate resources when they did not take into consideration the demand aspect, if production produced its own market.In the other side, in the opposite direction, the Keynesians deviated. Especially concerned with the short term, they only recognized the adequacy of demand and, in the long run, ignored the problem of capacity expansion by expenditure. HDM has investigated several aspects of the acquisition process.The HDM, which theorized the continued maintenance of the equilibrium, began with the income group of the full employment level, and mandated that the sum of production produced by the investment be able to manage the additional revenue resulting by the investment. Considering the increasing tendency to borrow, the more capital is generated, and the greater the initial national income.

The higher the current volume of net investment would also be, because it would take an ever-expanding sum of net investment to sustain maximum employment. This, in effect, required a gradual raise in real national wages. Resource accumulation and selling development will go hand-in-hand.A capital raise increases the economic capacity of the economy. If wage increases are not pursued, any of the latter could occur, the new capital could remain largely unknown, the new capital will be able to replace the initial capital that frees up the latter from their assets and/or markets, and the new capital must absorb workers (and probably other factors) (and probably

other factors).Consequently, a capital gain that is not balanced by a raise in wages would result in shortages of capital and/or workers. Extreme capital accumulation will lead to overproduction and, eventually, to a depression-driven downturn of investment. The HDM is composed of the following: 1) the tentative degree of full employment of income subsists; (2) the running of the market is not interfered with by the government; (3) exogenous influences do not influence production variables , i.e. the concept of a closed economy; (4) no transformation lags; (5) The average propensity to save (S / Y) and the mean propensity to save (ΔS/ΔY) are relative, i.e. the real save change is relative to the conditional saving change (6) The propensity to save and the capital production ratio are constant. The constant return rule worked regardless of the fixity of the volume of capital out (7) Income, spending, and savings are all represented in the net context.

Harrod is seeking to illustrate in his model how stable (i.e., balance) growth can take place inside an economy. This gap tends to be perpetuated by institutional processes, all leading to economic uncertainty, when steady growth is undermined and the economy is imbalanced. In other words, the architecture model for Harrod is mostly focused on answering the following questions: (1) How will a stable growth rate be accomplished by a fixed proportion of capital output (capital multiplier) and a fixed proportion of investment (propensity to save)? (2) How is the stable pace of growth going to be accomplished, or what are the requirements for sustainable growth? (3) Why can human considerations place a cap on the economy's growth rate? The Harrod model has three rates of growth as its basis. The first is, the actual rate of growth is expressed by G.The savings ratio and the capital-output ratio decide this. It illustrates cyclical, short-run variations in growth rate. Second, there is GR, which represents the pace of growth that is justified. It is the rate of sales of full capacity development within an economy. Thirdly, the usual rate of development, represented by Gn. It is known to be the 'maximum welfare.' It may also be called the rate of full employment growth.

The three growth rates described above are represented by the following equations:

i) Actual Growth Rate (G)

GC = S

G = actual rate of growth

C = the marginal capital output ratio

S = saving income ratio

ii) Warranted Growth Rate (Gw)

Gw Cr = S

Gw = warranted growth rate

Cr = amount of capital required to sustain the warranted growth rate

S = saving-income ratio

iii) Natural Growth-rate (Gn)

Gn Cr = or ≠ S

Gn= natural Growth-rate

Cr = amount of capital required to sustain the warranted growth rate

S = saving-income ratio

The system of Domar is based on the dual nature of investment. Second, spending improves productive potential and, second, benefits from investment. Expenditure on both sides is the remedy for healthy development.

1: The investment's demand side can be associated as shown in below:

Yd = I/d

Yd = Level of national income

I = net investment, which represents change in stock of real capital

d = marginal propensity to save, which is the reciprocal of multiplier

2. The supply side of the investment can be equated as follows:

$Ys = \sigma k$

Ys = Level of productive capacity

σ = productivity of capital

K = real capital

Investment is the HDM's central principle. This assumes a dual function. It increases profits on the one hand and provides economic advantage on the other. The increased ability also results in higher output and, based on the amount of income, higher employmentthe position of sales activity should be represented in terms of growth rates. For both growth rates, parity will guarantee full jobs for workers and maximal capital resources use. However, certain situations allocate just a steady line of progression. The true rate of growth will vary from the rate of growth expected.

The HDM utilizes aggregate parameters. A model built on the basis of these aggregates cannot demonstrate the interconnections between sectors and, as such, it is not intended to demonstrate the systemic improvements that constitute a fundamental feature of an emerging economy's economic growth.The harmonious development of the numerous economic sectors is quite important for sustainable growth. If the conditions for aggregate stability are met, a lack of coherence between the growth of separate sectors can cause deviations from steady growth. As there is no substitution method for various variables, the HDM believed that the manufacturing function was set.

For sustainable growth, the harmonious production of the various economic sectors is very significant. If the requirements for aggregate equilibrium are satisfied, there may be variations from stable growth because of a lack of coherence between the growths of different industries. Although there is no method of replacement for different variables, the HDM assumed the manufacturing feature was fixed. Only the demands of steady progress are given importance by the HDM and the rate of growth is ignored. It is also more beneficial for developing nations where primary focus is sustainability

rather than growth rate. In comparison, developing nations are more focused on development rates. They wouldn't mind adopting policies that create volatility if they increase the growth rate significantly.The HDM, in particular, is a laisse-faire focused solely on the concept of fiscal responsibility and intended to illustrate the conditions for preserving progressive harmony in a developing economy. Thus, the legislative implications are not really important for emerging economies. Despite these constraints, the HDM is an effective concept, since it was an inspiring effort to dynamize and secularize the static short-run saving and spending ideology of Keynes.

2.8 The Solow Model (Neo-Classical Growth Model)

The research begins with the Solow-Swan model, named after Robert (Bob) Solow and Trevor Swan, or also the more common Solow model for the two economists. The Solow model was released in 1956, the same year (Solow, 1956, and Swan, 1956).Two cutting-edge documents were written by these two economists. Other implications and applications of this model were eventually generated by Bob Solow, and the Nobel Prize was commended for these economic achievements. The way we examined this strategy affected not just economic development, but the whole macroeconomic sector.

The Solow model is exceptional in terms of flexibility. Individuals would not realize how much of an academic achievement it was if they looked at it that way, regardless of what had come before. Prior to the implementation of the Solow development model, the most common approach was based on the method created by Roy Harrod and Evsey Domar (Harrod, 1939; Domar, 1946). For example, the Harrod-Domar model showed potentially unstable aspects of economic development, such as how economic growth would be accompanied by rising unemployment. According to Filho et al., the simple Solow growth model posits a stable equilibrium with a long-run constant rate of revenue increase (2005).The neoclassical theory of the analytical concept of the function of the commodity typically consists of constant returns of value,

relevant boundary conditions, and the reduction of yields and some degree of trade between all inputs. Assuming a constant savings rate ensures that by an iso-savings curve, each nation still follows a path. Real research suggested that during the Solow era, exogenous population growth and development rates were useful simplifications. Considering its originality, the Solow concept does have some shortcomings.

Firstly, it is based on the idea of a system that is closed. That is, the convergence theory is carried up by a set of nations that have no interconnections. However, such a dilemma will be overcome if we make the argument, as done by Solow that each model has certain incorrect findings, even if the official findings do not react to the simplifying assumptions used, progress can be achieved. For starters, Barro et al (1995) and several attempts to create a model of growth have been made.The second drawback of the Solow model is that there is no consensus with the national accounting figures on the implied capital gain component. An effort by Lucas (1988) to eradicate this issue requires an expansion to the physical, educational and health theory of wealth. The third restriction is that the average speed of convergence is too small and has implications for this factor, considering the attempts to change the Solow model.For eg, the Ramsey-Cass-Koopmans model's Diamond model and Open economic variants both have greater convergence rates. Finally, the equilibrium growth rates of the driving variables rely on the speed of technological progress, an exogenous effect, so the individuals in the Solow model are unable to produce new innovations.

Despite these limitations, the Solow model was the core of economic literature focusing on the creation of nation-wide income. Indeed, conditional income divergence implies that countries have a negative association between the actual Gross Domestic Product's existing per capita level and the expected growth rates of the same population.This finding is clearly drawn from the fact that the returns for each good would decline, which implies that, as a result, a nation with lower spending plans tends to see better returns and higher growth rates for the Gross Domestic Product. For

instance, in Bernard and Durlauf (1996), Barro (1997), SalaIMartin (1995) and Durlauf (2003), a comprehensive study of the theory of convergence and, in particular, its importance through various methods of measurement.

Mankiw, Romer, and Weil have tested the Solow neoclassical development model (1992). If another aspect, human resources, was used, the neoclassical Solow model was postulated to fit the data better, significantly improving the actual capacity to account for income gaps between nations. In his research, Filho et al (2005) uses new econometric methods to overcome the above-mentioned shortcomings, choosing a collection of nations with time series that have the same stochastic properties to allow accurate physical capital-share calculations.

This experiment has provided the Solow development model with a fresh observational analysis that presents new indices of wealth disparities across nations. From the vast array of exceptional advancements in econometric techniques, a collection of empirical evaluations for the hypotheses of economic growth has been developed.In line with this framework, Islam (1995) made a significant contribution; his paper reports calculated a framework of panel data for the parameters of a neoclassical model. The article admits that in this case, the leveling outcomes act as heterogeneous defined intercepts for the individual nations. Whereas the findings of Mankiw et al (1992) allow us to infer that the role of progress plays an essential part in human resources, Islam (1995) came to a different conclusion if the standard in a given country requires technological advances.Lee, Pesaran, and Smith (1997) placed into practice a random person impact model version developed by Islam (1995), which combines heterogeneity in intercepts and slopes of the production process by implementing a heterogeneous vigorous regression method of the panel. Some scholars have proposed that it is certainly possible to refute the parameter homogeneity argument.

They noticed that different growth rates render the idea of convergence largely useless, since convergence rate knowledge does not offer insight into the nature of cross-national variations in production over time. Most of the

classical econometric theory, in particular, was based on the assumption that stationary structures have measured results.A quick glance at the past of certain economic time series, or indeed the context of economic forecasts, is important to nullify this argument, as economies evolve, expand and alter over time in both practical and theoretical terms. Binder and Pesaran (1999) have demonstrated that there is a way to solve this issue if a stochastic version of the Solow model is replaced by the original edition.

This demands that technology and labor be specifically viewed as root processes of stochastic units and then have a methodological framework for the use of meaningful effects in the panel-data methodology's predicted equations. Binder and Pesaran (1999) argue that convergence feature estimation is described solely in terms of the functional random components measured in the panel data process, without further details of the convergence dynamics, given that these conditions are taken into account. However, Binder and Pesaran (1999) claimed that, given the existence of unit roots, the stochastic neoclassical growth model implemented in the time series of per capita production is not necessarily a conceptual incoherence.

CHAPTER 3

GAMBIA'S PROFILE

This chapter addresses the general awareness and existing economic analysis of the Gambia and its economic background.

3.1 Overall Information aboutthe Gambia

Gambia, with the exception of the Atlantic Ocean, It is a tiny free market found in all parts of western Africa and surrounded by Senegal. Gambia occupies a distance of 320 kilometers downstream and ranges from 24 to 48 kilometers along the Gambia River with relatively limited natural resources and a large rural population density.As of 2018, with its peak value of 87.87 percent in 1960, Gambia's rural population was 38.73 percent, while its lowest value in 2018 was 38.73 percent and an estimated total population density of about 225 persons per square kilometer. As shown in 2015, with a balanced literacy rate of 50.78 percent, the amount of human capital in Gambia is comparatively stable. This is greatly increased from 6 percent prior to freedom in 1962 and 20 percent of people aged 15 years in 1985.

Gambia's overall primary school enrolment rate was 64.6 percent from independence, i.e. 1965 and up to 2018, with a low of 24.33 percent in 1972 and a maximum of 98.01 percent in 2018 and an average value of 18.55 percent for secondary school enrolment, with a minimum of 7.61 percent in 1971 and a high of 50.13 percent in 2010. A military coup d'état took place in July 1994, following 30 years of elected government, placing Colonel Yahya Jammeh at the helm. From 1994 to 1996, he headed the transitional governing council and was voted President in the 1996 election. But, after 22 years of service, in the December 2016 presidential race, President Yahya Jammeh, generally viewed as an oppressive dictator, lost to President Adama Barrow.The December 2016 presidential election culminated in the declaration of the first Gambia presidency for political transition, which remained from 1965 to 2021. Gambia has experienced a degree of economic transformation in recent years, but the country has not significantly expanded the manufacturing sector's reach in the economy (15 percent in 2013, up from 12 percent in 2004) or increased the value added of exports.Bad regional coordination, interference and military assistance from other West African nations, which led to the democratic overthrow of former President Yahya Jammeh after he allegedly declined to give up power, are barriers to economic growth.Therefore, the economic picture relies entirely on the new administration's ability to promote a seamless and quick change, align

investments, restore participants' confidence, Boosting the economy and welcoming tourists, and setting the basis for economic development.Because of the lack of fair and low-cost power connections and the lack of optimal housing, entrepreneurship has clearly not taken form. Weak entrepreneurship capacities and limitations, including constraints on financial and capital access, high taxes and sub-optimal operational processes in the institutional market environment, are restricted. Gambia is sometimes referred to as the French-colonized CFA franc zone, as one of the few West African nations which are not members of the West African Monetary Union. Gambia's currency is dalasi, exchanged through the floating central bank of Gambia against foreign currencies. At the end of the 19th century, Bathurst, a tiny former slave settlement now named Banjul, the capital of Gambia, started its rule over the Gambia River, creating an outpost of the nation in Senegal.

3.2 Statical Analysis of Gambia’s Economy

Gambiahas comparatively little natural resources and a gross domestic product of roughly D 35.084 per capita, which correlates to US $ 716. Agricultural development in the region itselfis a significant source of revenue for the government, while its contribution to the actual total GDP has fallen from 35 percent to 19% throughout the past 8 years, from 2010 to 2018. The service sector is a core component of Gambia's gross domestic product, growing from 49.20 million to 56.51 percentage points between 2010 and 2018, or around 14 percentage points. While the first ten years of independence were governed by increasingly secure conditions and a series of adverse external shocks and ineffective domestic policies, total economic performance fell dramatically. Likewise, the public sector's size has expanded enormously, resulting in ever-increasing fiscal imbalances. Starting in the middle of the 1980s, Gambia implemented significant structural reforms in financial and stabilization schemes funded by the International Monetary Fund and the World Bank (PSD) under the Economic Recovery Program (ERP) and Sustainable Development Plan (SDP). The aim was to break the cycle of economic stagnation and pave the way for long-term economic development. The loosening of the exchange rate, which included

a fall in the value of the Dalasi and a liberalization of the exchange market, has been a key tool of recent reforms.

It can be remembered that the PSD's aim has been enhancing the relationship between the actual and the financial sectors of the economy, to facilitate growth and modernisation. About the International Monetary Fund (1999) carried out a global sub-category listing, which reveals Gambia's economic history in four major sub-periods, and they are: the stream in between 1964 and 1978 that grew gradually before the economic recession in sub-Saharan region of Africa, the period between 1979 and 1986 that included both the economic slowdown and the beginning of the 1987-1994 transformation. In neighboring countries,the research would address the different times under review since the elimination of the CFA franc overvaluation and for the aim of this analysis. The era between 1979 and 1986, which included the period of economic depression and structural change under research, saw actual economic growth decline rapidly. In general, internal and external disparities resulted from a drastic increase in import prices, especially for crude oil, primarily in the 1970s.

A dry spell, comparatively low peanut market rates, decreased funding assistance and inadequate peanut prices have greatly led to this growth in the Sahel. The exchange rate was the sterling pound benchmark and was considered to be overvalued and the economic indicators were declining. And then the unsuccessful military revolt in 1981 with the intention of taking the reign of his Excellency president Jawara, derailed as they encountered the intervention of neighbouring senegalease soldiers, contributed to the decrease in the count of around 20 percent in the tourism sector. The two causes led to a decline in economic development and to a decrease in expenditure levels, however they displayed signs of improvement on a steady basis. Similarly, the growth rate of the real Gross Domestic Product under national income was estimated at 5.33, and the total real Gross Domestic Product value declined by 22.75 percent from the first sub-period. While the output rose by around 34.7 percent, the gross domestic product

dropped to 1.46 percent. Approximately 32.4 percent was the GDP deflator measure, which rose by around 146 percent from the first sub-period.

Gross Domestic Investment as a percentage of GDP was 23.93 trillion, down from about 28 percent in the first quarter. In comparison to the first century, private investment accounted for 13.30 trillion percent of GDP, a decrease of around 32 percentage points in value. At the moment, the inflation rate was just 17.17 percent, a huge improvement from the first quarter's value of about 18.3 percent. As a result, the amount of government spending as a percentage of Gross Domestic Product, income, and grants was estimated at 24.18 trillion, up 20 percent from the first quarter. Gross investment and net lending account for 32.61 trillion percent of GDP, reflecting a 28 percent decrease in value since the first century. Capital expenditure as a percentage of GDP was 10.63 trillion, reflecting a decrease in size and reaching about 23 percentage points lower than in the first century. The increase in the actual amount of gross spending during this period was aided by an increase in the size of the public sector.

In 1986, the reform of the exchange rate, the nominal exchange rate fall of about 78 percent has led to a significant feature of the economic reform program. Real product rates for groundnuts and other crops can be raised as a result of this fall without adversely influencing foreign trading. Despite a strong inflation rate in 1986, owing to deflation, there was no raise in the average price of non-traded goods. The fiscal situation declined dramatically in between late 1970s and mid-1980s. The ERP revenue initiatives included the implementation of a sales tax and tax base growth and tax structure reinforcement. External trade taxes have been reformed to promote competitiveness and improve the economic opportunities mechanism via the abolition of all net tariffs, the rationalization of import duty, the lowering of import and export rates, the implementation of excise taxes and the combination of all but three of the specific duties with ad valorem duties.

Arise another unforgettable time in Gambia was 1987 to 1994, i.e. the shift from democratic rule to the Military Takeover, Gambia experienced considerable growth in its economy, falling inflation, and a rise in the

competing position of the country in the period, despite the 1986 depreciation of the dalasi and the robust efforts in balancing the budget of the government.The latter result can primarily be due to the average decline of about 18% over the period of the actual exchange rate. In 1987 to 94, the government total budget gap has been narrowed to an estimated 0.6% of GDP, relative to the 8.5% reported during the previous sub period. This effective fiscal expansion has not been followed by a rise in government capital expenditure, the gross domestic product ratio of which has decreased from an estimate of 11% between 1979 and 1986 to an estimate of 6% between 1987 and 1994. The total expenditure ratio dropped by about 5 percentage points while private investment continues to stay largely stagnant over this period.

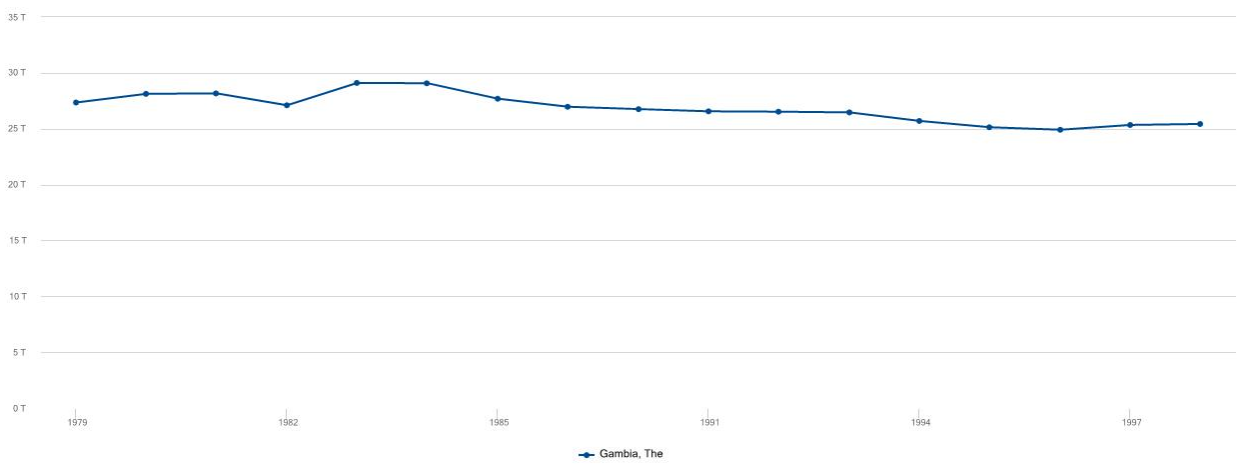
A big influence of the 1994 military coup was that Gambia was in a difficult spot to secure support from its donors. On average, between 1995 and 1998, real GDP growth was around 2.5 percent, at the moment, actual GDP per capita revenue was slowly declining by 0.8 percent.Given that Gambia's population increased by an average of 3.5 percent during this period, the decrease was unsurprising. The dramatic 6.25 percent drop in real GDP per capita in 1996 was largely responsible for the overall fall in real GDP per capita. Similarly, the low average nominal real growth of 2.5 percent over the period was primarily due to a rapid drop in growth of 3.5 percent in 1996. As the Gambian economy moved from a service-oriented agriculture to a service-oriented economy to tourism and trade as the main contributors, the coup had detrimental results in Gambia.the United Kingdom and Scandinavia released travel notices that resulted in a decrease of about two-thirds in inbound tourism. In the period 1995 to 1996, no substantial changes were made to the investment part. While public-sector capital spending rose to 9.5 percent of Gross Domestic Product, due to the lack of trust of investors after the coup, private expenditure plunged to around 9.5 percent. Monetary policy was greatly loosened by the military authorities during the period from 1994 to 1995, and inflation stayed strong at around 7 percent during those two years.

The central bank's tight policy position was largely responsible for raising the average inflation during 1995-98 to 3%. Fiscal outcomes were less optimistic. The annual fiscal deficit was 6.5 % of Gross Domestic Product, despite reform efforts undertaken by the government after the general elections in early 1997. The period 1995 to 1998 was marked by substantial overspending, rising interest rate pressures and overcrowded investments.

3.2.1 The Economics Indicator of The Gambia from the Period 1979 to 1998

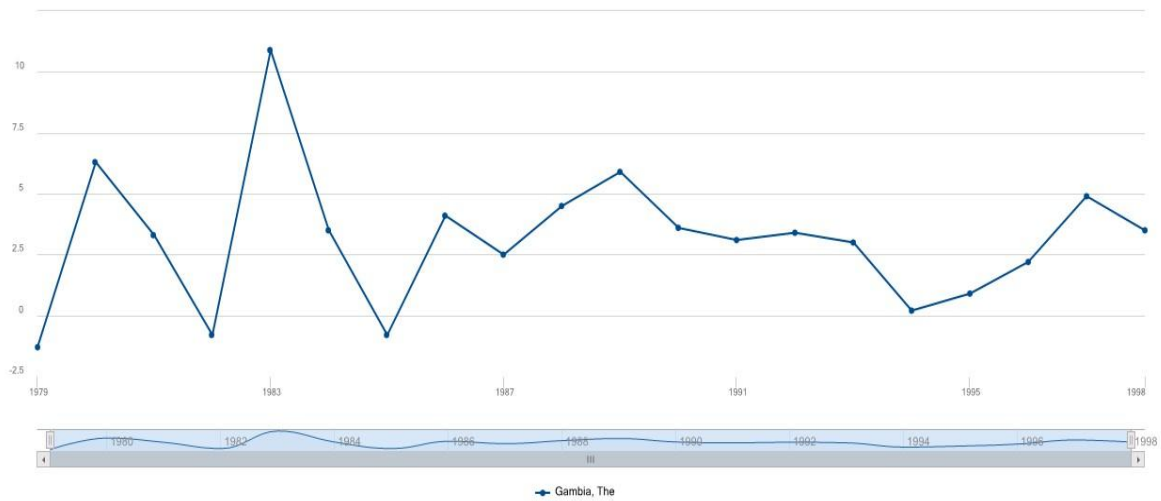
Selected Economic Indicators, 1979-1998			
(Period averages; in units indicated)			
	1979-1986	1987-1994	1995-1998
National income and prices			
Real GDP growth rate	5.33	3.88	2.62
Per capita real GDP			
Level	2,747.69	2,575.26	2,448.00
Growth 1/	1.46	-0.33	-0.78
GDP deflator (index, 1990=100)	32.39	100.46	137.09
Gross domestic investment/GDP (percentage)	23.93	19	19.15
Private investment/GDP (percentage)	13.3	13.09	9.62
Government investment/GDP (percentage)	10.63	5.92	9.53
Consumer price			
Level (index, 1990=100)	30.13	103.53	143.73
Inflation 1/	17.17	10.25	2.99
Government budget			
Total revenue and grants/GDP (percentage)	24.18	28.34	20.99
Total expenditure and net lending/GDP (percentage)	32.61	28.94	27.35
Capital expenditure/GDP (percentage)	10.63	5.92	9.65
Overall budget balance (percentage)	-8.43	-0.6	-6.36
Sources: IMF, International Financial Statistics, and World Economic Outlook database			

3.2.2 Gross Domestic Product Per Capita from THE Period 1979 to 1998



Series : GDP per capita (constant LCU)
Source: World Development Indicators
Created on: 09/18/2020

3.2.3Growth Rate of Gambia's GDP from the Period 1979 to 1998



Series : GDP growth (annual %)
Source: World Development Indicators
Created on: 06/24/2020

Agriculture and the tourism industry were the main economic growth factors for the Gambia in the 1999-to-2012 period. However, owing to inadequate rainfall and erratic rainfall patterns, the actual Gross Domestic Product development rate has been impacted by fuel price volatility, the 2008 world financial crisis and the 2011 food shortage crisis. Nonetheless, real GDP growth grew from an average of 5.9% in 2003 to 2006 to about 7% in 2007 and slipped to 6.3% in 2008, accompanied by strong improvement in tourism, agriculture and construction. The dynamic competitiveness of the industry, re-exporting and development, in the face of the global financial crisis and its effect on tourism over the years, led the Gdp to drop in 2009.

When the impact of the financial crisis, Foreign Direct Investment, and remittances on tourism were taken into account, the Gross Domestic Product growth rate in 2010 was 5% when compared to the best performing economies in the West African States Economic Group (ECOWAS) region. Significant improvements in agricultural production, heavy rainy seasons, and government support for the expansion of the upland rice development program were the main drivers of change. Furthermore, food crises resulting from the climate of agricultural production prevented the projected 5.5 percent real GDP growth in 2011, which was required to reinforce the macroeconomic system and enhance the enabling environment for rapid and

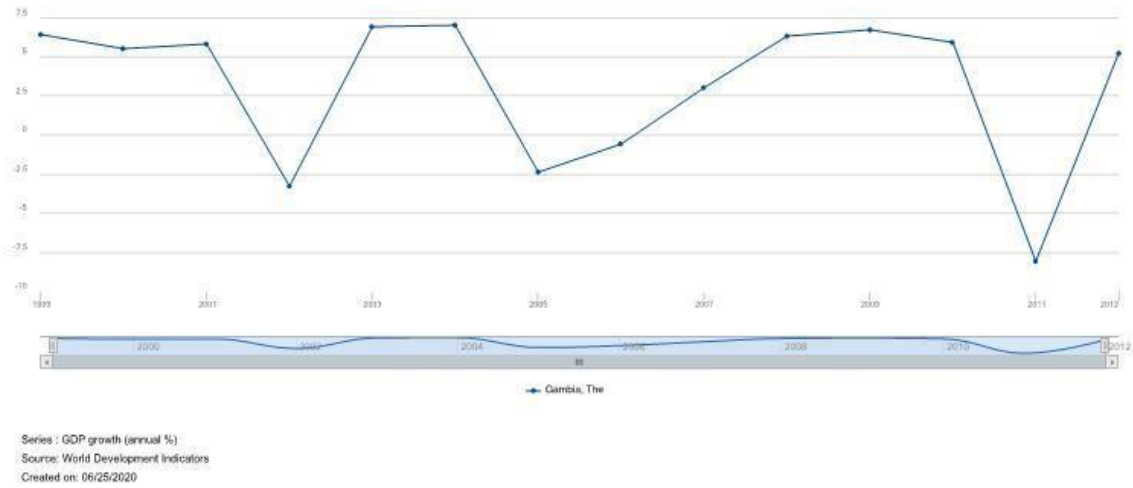
sustainable development and poverty alleviation. In the first half of 2010, the fiscal turnaround plummeted, resulting in a 0.5 percent rise in the budget deficit. Increased fuel import prices have resulted in a drop in sales and a slow rate of growth in non-agricultural sectors of the economy, despite the fact that the corporate tax base has shrunk.

Strong and corrective steps carried forward by the Government included rising petrol prices, regulating spending and prioritizing expenditure in order to minimize domestic debt compared to Gross Domestic Product, reducing net domestic borrowing to 0.4% of Gross Domestic Product. Trade deficit in the export sector plummeted to 10% of Gross Domestic Product in the year 2010.This was related to an improvement in export demand, higher local agricultural food production to reduce imports, the Gambia Groundnut Corporation's successful promotion strategies and the development of the Gambia Transport Association aimed at enhancing the growth and re-export of groundnut exports.

Mostly as proportion of the Economic Output, the Capital Account reported growth in travel revenue of about 11 percent, suggesting an improvement in the tourism industry as well as a ten percent rise in transfer payments in 2010. Global investment collapsed 14 percent and USD121 million was in total foreign reserves. In terms of deposits and general currency, monetary aggregates have grown at a rapid rate of 21 percent and 20 percent, respectively, exceeding the Gambia Central Bank's monetary objectives. The relatively high usage of CBG finance by the government contributed to fast growth in the reserve currency. The Central Bank of Gambia continued to establish a free-market exchange-rate strategy, responding only to the continuity of steady market developments, which would encourage the dalasi to match its real value. With technological assistance provided by the International Monetary Fund and donor agencies, substantial development has also been made in the field of public financial management. The introduction of an effective financial reporting and information system, the improvement of the acquisition process and the eventual acceptance of the medium-term allocation method and the planning of financial reporting and

information resources is part of the reform agenda. The Integrated Financial Management Information System (IFMIS), which manages government financial planning and monitoring and significantly improves efficiency and transparency through resource use, is the target of the intended benefits of the National Financial Planning Systems. IFMIS has now been integrated into government agencies and financing organizations, following the signing of a legal agreement seen between Ministry of Finance and Economic Affairs and the Central Bank of Gambia on the IFMIS requirements for the introduction of the Domestic Financial Services Payment System Act and the existence of the Internal Medium-Term Spending Process (MTEM).

3.2.4 Growth Rate of Gambia's GDP from the period 1988-2012



Government slippages, poor financial planning and higher labor costs have had a drastic and detrimental effect on the fiscal situation of the nation during the period 2013 to 2018. The gross fiscal deficit rose from 1.7% of Gross Domestic Product in 2008 to a peak of 10% in 2014, raising the projected spending rate. The deficit was about 7.3% in 2016 whiles gross investment was expected to reach 3% of Gross Domestic Product because of the high

rate of debt and expenditure on capital.Similarly, tax revenues and grants rose to 23.7 percent of the total gross domestic product, but the rise in spending was not sufficient to account for it.The improvement of fiscal reserves was a primary concern in the year 2017 and 2018. Importantly by controlling the pay schedule, tightening fiscal control and complete engagement in public sector auditing and restructuring.

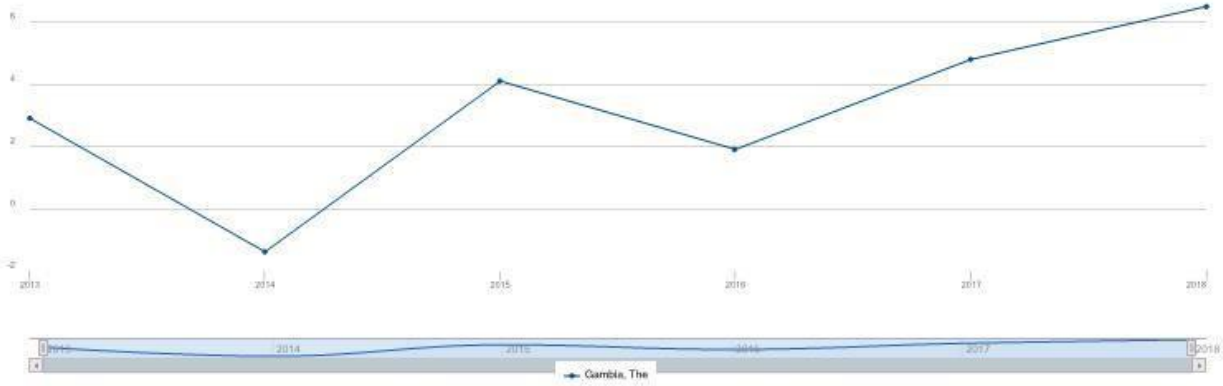
The national debt is heavily funded by local deposits, due to the difficulty of mobilizing international financing.Indeed, contingent debt owned by state entities are a major factor, and reforms are expected to mitigate fiscal pressures in the near future. Altogether, since mid-2013, the 1year money market borrowing rate of interest resulted in a 10 % boost. The Extended Credit Facility (ECF) of Gambia has been robbed of the IMF by lax domestic economic control and normal government downturns. In March 2015, the nation entered into imminent financial assistance as part of the advanced loan program to enable the government to fulfill its immediate balance of payments and budgetary requirements.

However, In May 2015, the presidential office released an executive order fixing the exchange rate at a pace that was far more than 20% overpriced relative to the real market price.The event culminated in a capital deficit and postponed activities to fund the partner-programmed project, placing more strain on the economy and contributing to additional borrowing, but this was repealed in January 2016.As far as monetary policy is concerned, the Central Bank of Gambia has continued to use the instruments available to track rising inflation, retaining inflation at a single stage, though inflation has risen from 6.8% in 2015 to 8.3% in 2016. The Central Bank of Gambia decided in June 2015, after a one percent rise in 2015, to keep the goal cap at 23 percent.

Near coordination with the Ministry of Finance and Economic Affairs has undertaken efforts to improve capital discipline and forecasts, stretching from 2015 onwards.As major currencies fell by 0.2 percent in the middle of the year, monetary aggregates declined in 2016, representing a substantial decrease in banks' net foreign reserves. By contrast, the financial sector's overall domestic capital increased by 35.20 percent in mid-2016, while the

banking sector's net government estimate grew by 29.1 percent during the same period. This is illustrated by the fact that the local financial structure financed the monetary policies of the administration, thereby exposing its vulnerability further.The Gambia Central Bank extended the aggregate of banks' foreign currencies to open in 2015 positioning to raise liquidity in the foreign currency, increasing barriers for import-export firms. In reality, in interbank trading, the presidential office put an overpriced exchange rate and nominal exchange rate by Fifty percent.The removal of currency controls in January 2016 alleviated the crisis, enabling stock-building to hit almost three months ' worth of imports earlier in the year, while businesses were still hurt by other regulatory constraints in place.

3.2.5Growth Rate of Gambia’s GDP from the Period 2013-2018



Series : GDP growth (annual %)
Source: World Development Indicators
Created on: 06/26/2020

3.3 The World Development Indicators (WDI) and Latest Economic Assessment of The Gambia

The GDP of the Gambia grew by 6% in 2019, compared with 6.5% in 2018, according to World Development Indicator (WDI). After Thomas Cook UK ended, sales grew by 10%, supported by wholesale and retail trade. Agriculture contracted by 10%, owing to erratic conditions.Strong public and private investment on the demand side had pushed growth. Public spending was funded by externally subsidized utilities (9.8 percent of Gross Domestic Product), while private sector loans rose substantially (y-o - y growth of 35.8 percent). Inflation grew from 6.5% in 2018 to 7.1% in 2019, reflecting a fall in the manufacturing gap and the impact of a one-off rise in administrative costs.

The nation maintained a stable economic outlook in the year 2019, with government debt falling from 3.5 percent of GDP to 2.6 percent. (Linked to a balanced budget of 0.6 percent) With the exception of subsidies, total taxes have risen dramatically, owing to high tax efficiency. In comparison to 2018, current spending rose by 1% of GDP in 2019 to accommodate a 50% rise in civil sector income and higher public health and peacebuilding program expenses.In 2018, interest rates fell from 26.1% of national revenue to 22.3% in 2019. Public debt fell from 86.7% of Gross Domestic Product in 2018 to 82.5% in 2019.

On 11th February 2020, the International Monetary Fund signed a staff-level agreement with Gambia on a three-year Extended Credit Facility framework amounting to around $48 million. This agreement will help to speed up the required financing from several other international partners to enable Gambia to deliver on its productive potential and fulfill important or vital needs.

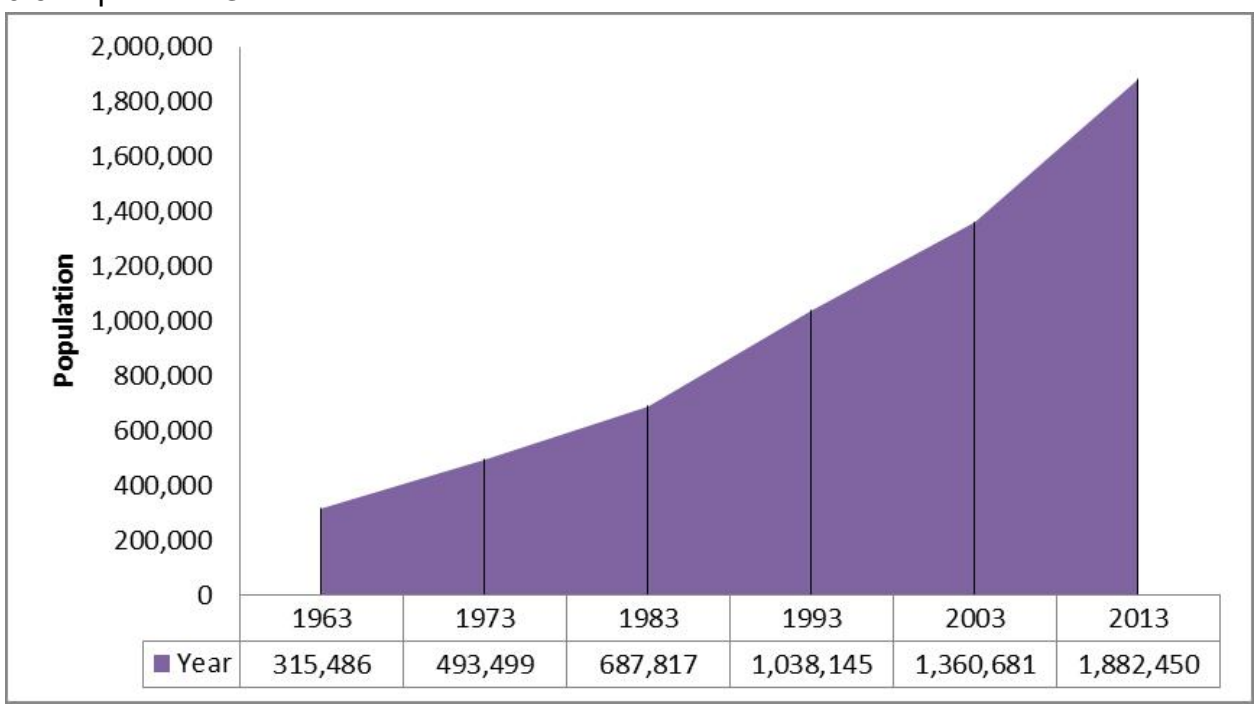
3.4 Population Size of The Gambia

Provisional estimates from the 2013 Population and Housing Census in Gambia by the Gambia Bureau of Statistics (GBOS) indicate that 1,882,450 individuals have been enumerated. This preliminary count indicates a rise of

5.6 percent over the 1,783,424-population projected for 2013. This difference can be due to a number of reasons, one of which is a likely increase in the distribution of the 2013 census compared to 2003. The significant decline in population growth rates from 4.2% over the inter-census era from 1983 to 1993 to 2.7% over the period from 1993 to 2003 is a probable indication of a population undercount in 2003. The provisional population count, relative to the number of residents listed in the 2003 census, indicates an absolute increase of 521,769 residents (or 38.3 percent).

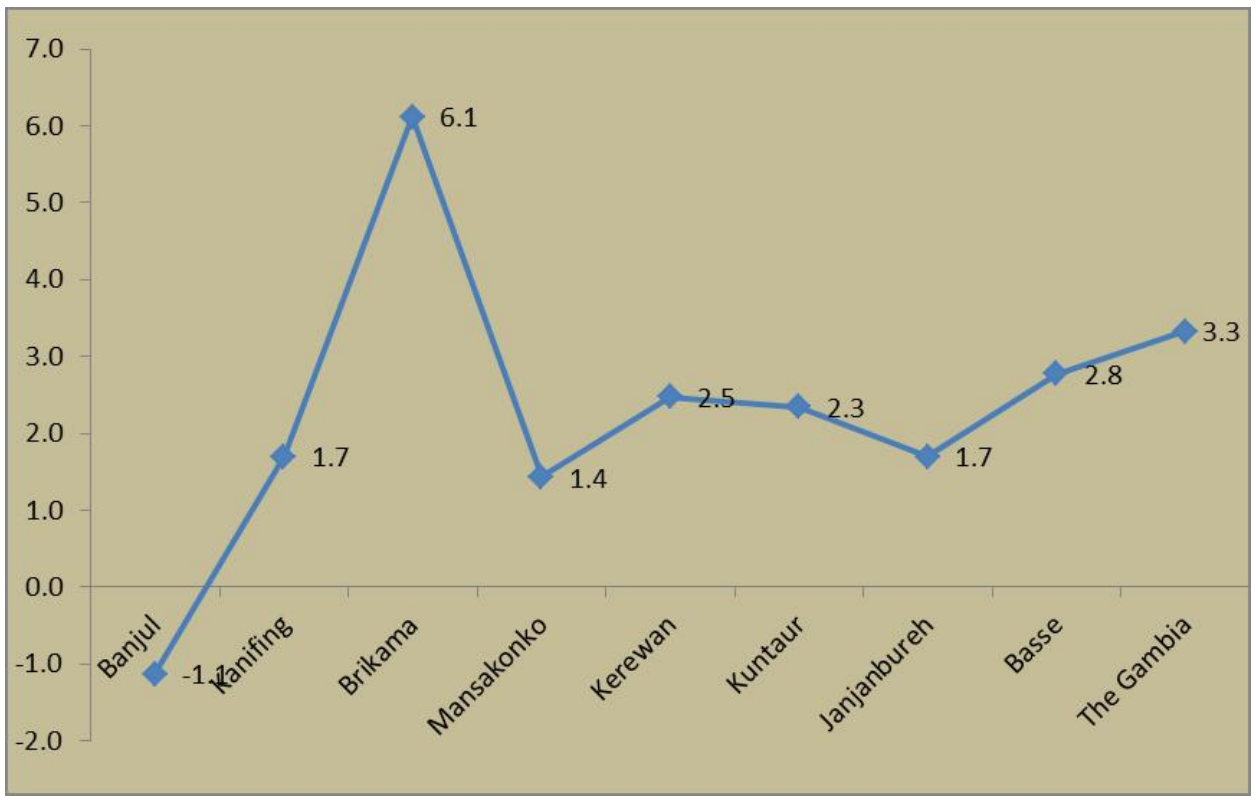
Overall, the provisional population shows that since the launch of the complete census in 1963, Gambia's population has steadily grown, growing from a point less than a third of a million people in 1963 to 1.4 million people in 2003 and now to 1.9 million people in 2013.For decades, the gradual growth in the size of the population, has some policy consequences for all sectors, especially the sectors of health, agriculture, education and housing. With the steady growth in the population, the need for resources and land bot for residential and agricultural use is also growing.With a growing adverse global economic climate and rising environmental issues, a rising growth at this pace will continue to pose challenges to progress.

3.5 Population Growth and Size



On average, during the 2003 to 2013 inter-censal period, The Gambia's population increased at a rate of 3.3% per year. With this rate of demographic increase, it is estimated that the population of Gambia will double in the next 21 years. Comparing the present rate of population growth to the reported average growth rate of 2.7% over the inter-censal period 1993 to 2003, the population growth rate has drastically increased over the past 10 years. One would have predicted that the population growth rate would have decreased with measures aimed at decreasing immigration, assuming zero net migration. This unprecedented trend in population growth rate can be linked to enhancements in 2013 Census coverage over 2003 and dropping death rates. As predicted, the population movement out of Banjul (which is emigration) outweighed the input of births and in-migration to Banjul's populace, over the inter-census era, contributing to demographic loss. In contrast, the population grew by an average annual rate of 6.1 percent in the local government region of Brikama (LGA). The extraordinary rate of population growth reported by the LGA is due to migration from outside the world and from other sections of the country in transit.

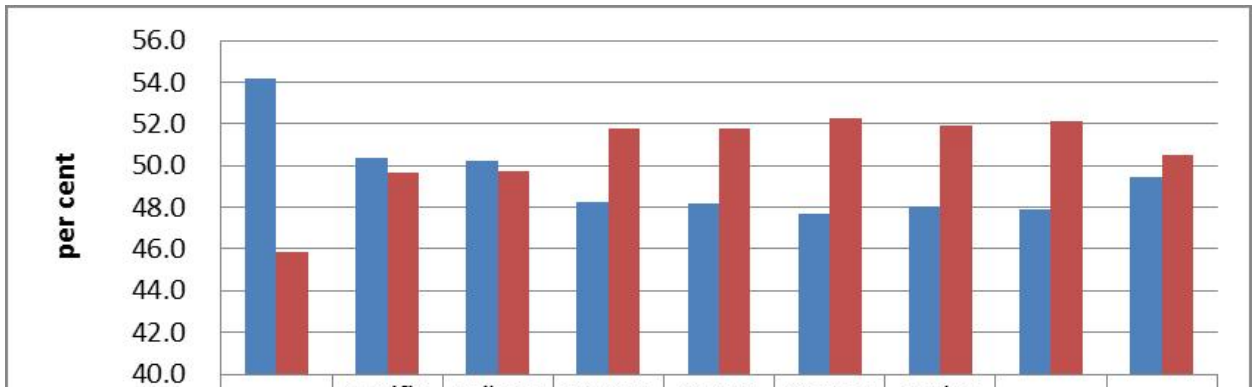
3.6Average Annual Growth Rate (%) by Local Government Area



3.7 Allocation of the 2013 Local Government Population by Sex

Overall, preliminary figures from the 2013 population census showed there were more females in the Gambia than males. 50.5% of the population counted is female compared to 49.5% male, according to the findings. The results also showed that Local Government Areas (LGA) that are primarily urban appear to have more males than females, while those that are mostly rural appear to have more females than males.This can be due to the migration of men in search of better paying work from rural to urban areas and also, migration of migrants from outside the country to the urban.

3.8Population Distribution by Sex by Local Government Areas



	Banjul	Kanifing	Brikama	Mansakonko	Kerewan	Kuntaur	Janjanbureh	Basse	Total
% Male	54.2	50.3	50.2	48.2	48.2	47.7	48.1	47.9	49.5
% Female	45.8	49.7	49.8	51.8	51.8	52.3	51.9	52.1	50.5

The number of males in a population per 100 females is referred to as the sex ratio. The pattern seen in the table below indicates a greater female population. Overall, the table indicates that there are 98 males for every 100 females in The Gambia.It can also be seen in the table that in Banjul, Kanifng and Brikama LGAs, the male population exceeds that of females and the female population is prevalent in the rest of the LGAs.

CHAPTER FOUR

4.0 METHODOLOGY

The data of this thesis covers the period from 1990-2019 and gotten from Central Bank of The Gambia Data Warehouse and World Bank Development Indicators (2020). GDP is the dependent variable while bank development, financial development, urbanization, and industrialization are the explanatory variables.

4.1 Variables

Economic Growth: is calculated as GDP per capita

Bank Development: is measured as Private credit by deposit money banks to GDP

Industrialization: is measured Manufacturing value added per capita

Urbanization: is measured the percentage of the urban population in the total population

Inflation: Is the rate at which prices change in the economy

4.2 Data Sources

For the regression analysis spanning from the period 1990 to 2019, this analysis collected annual time series data which was later converted to quarterly time series data by using the quadratic-match average in increasing the number of observations. The data used in this study came from the World Database as a secondary source (2020). As a result, the study reported economic growth as GDP per capita, bank development as deposit money bank credit to GDP, financial development as a proxy for financial depth such as stock of private credit and market capitalization as a share of GDP,

industrialization as manufacturing value added per capita, urbanization as the percentage of the urban population in the total population, and I As a result, the analysis will test six variables.

4.4 Model Specification

The model of the variables used in this study is specified below and GDP is modelled as a function of bank development, financial development, industrialization and urbanization.

3.4.1 Long-run estimation

Successively the long-run relationships between all variables are measured by means of a “single vector cointegration procedure”. The method has the feature of accomplishing asymptotic efficiency by considering the occurrence of serial correlation and to pannier the endogeneity issues amid the explanatory variables. For robustness of the analysis the Dynamic OLS established by stock and Watson (1993) is employed. Model expression:

As a result, the study's model is defined as follows:

$$LGDP = \beta 0 + \beta 1LDCP + \beta 2FR + \beta 3LIVA + \beta 4LUPG + \beta 5\ INF + U \quad \ldots \text{Equation 1}$$

Where,

GDP is the gross domestic product per capita

LDCP is Bank development

FR Foreign Reserve

LIVA is Industrialization

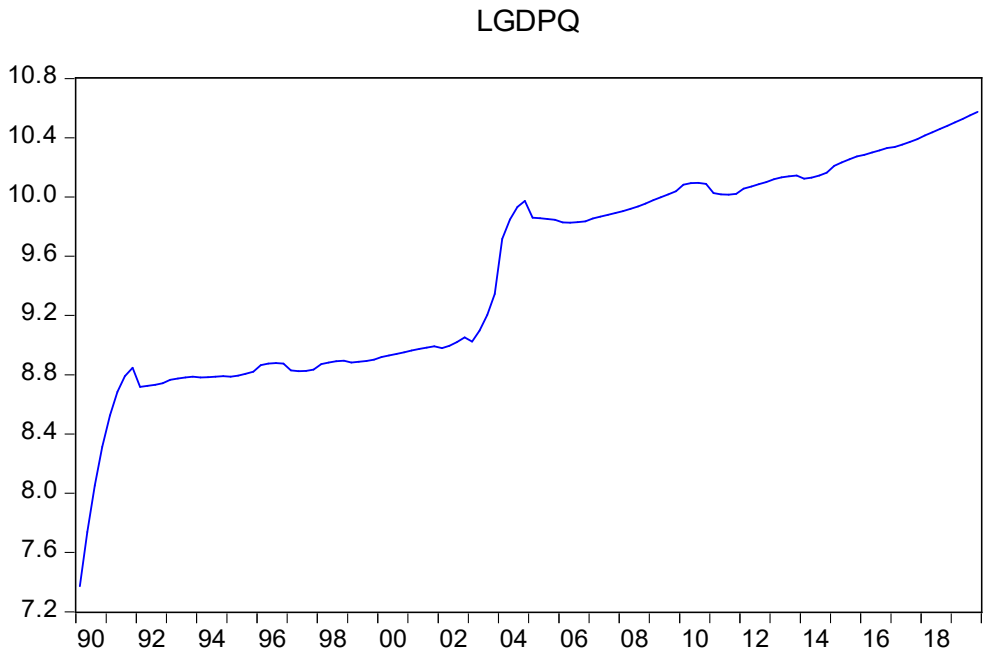
UPG is Urbanization

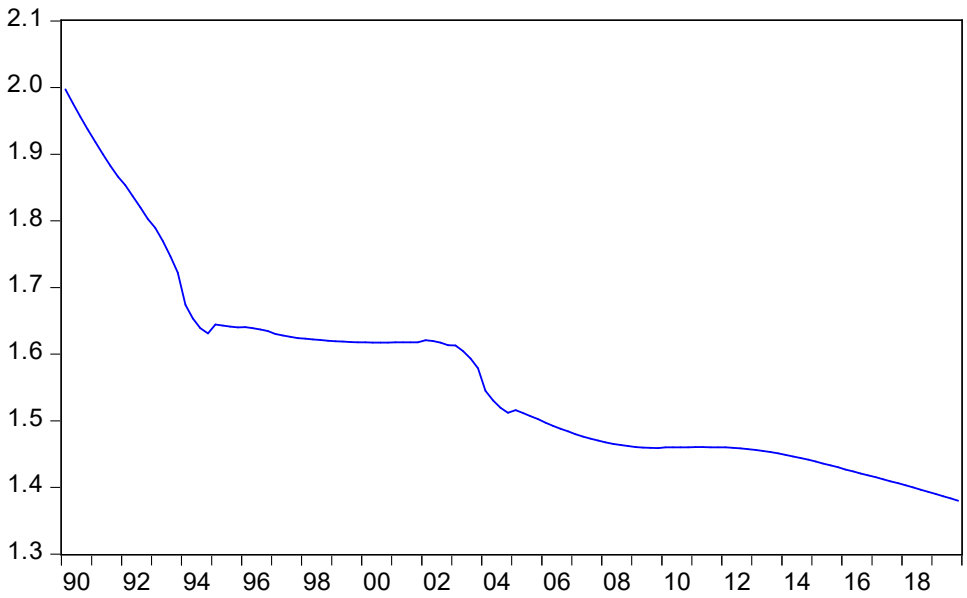
INF is Inflation rate

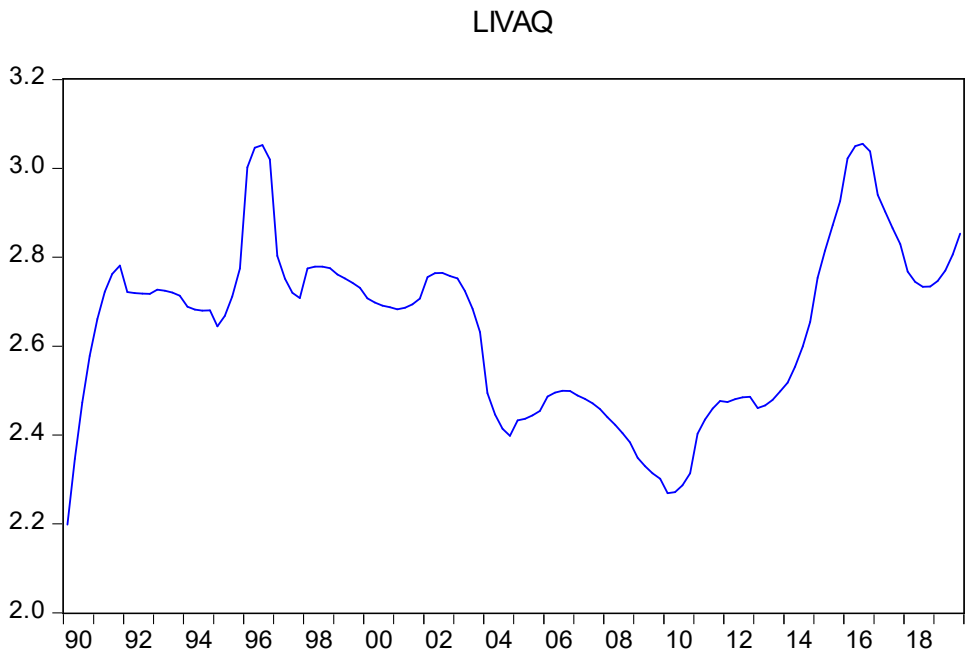
U is the unobserved or error term

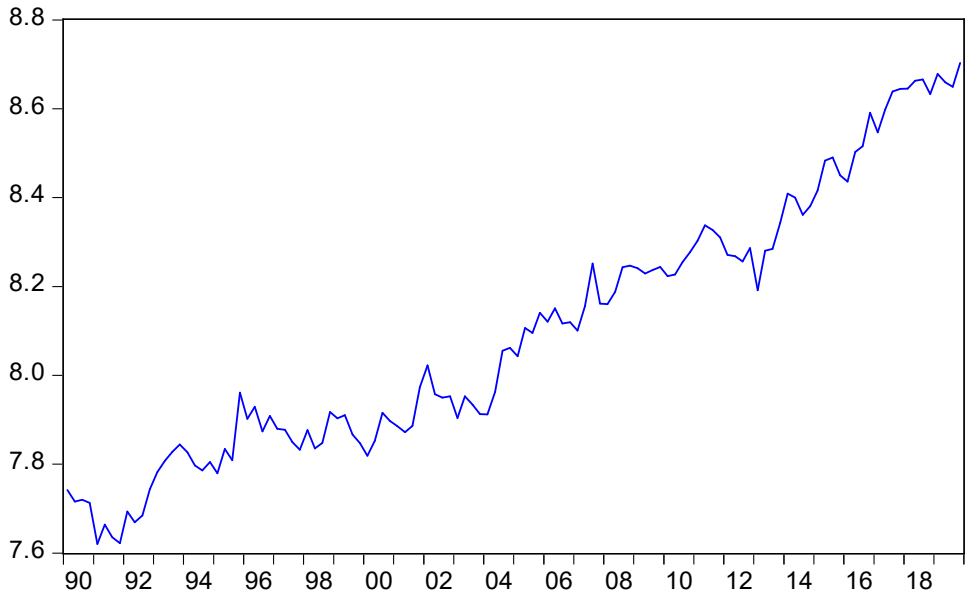
The slope parameters are $\beta 1$, $\beta 2$ and $\beta 3$ and $\beta 0$ is the intercept parameter

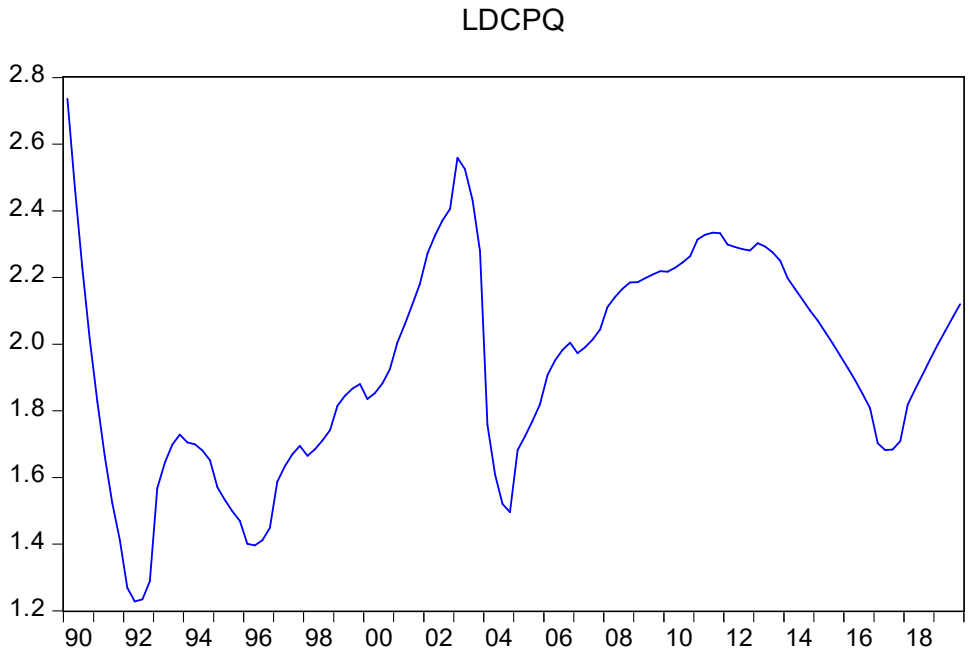
4.5 Graphs of Variables Used in the Study

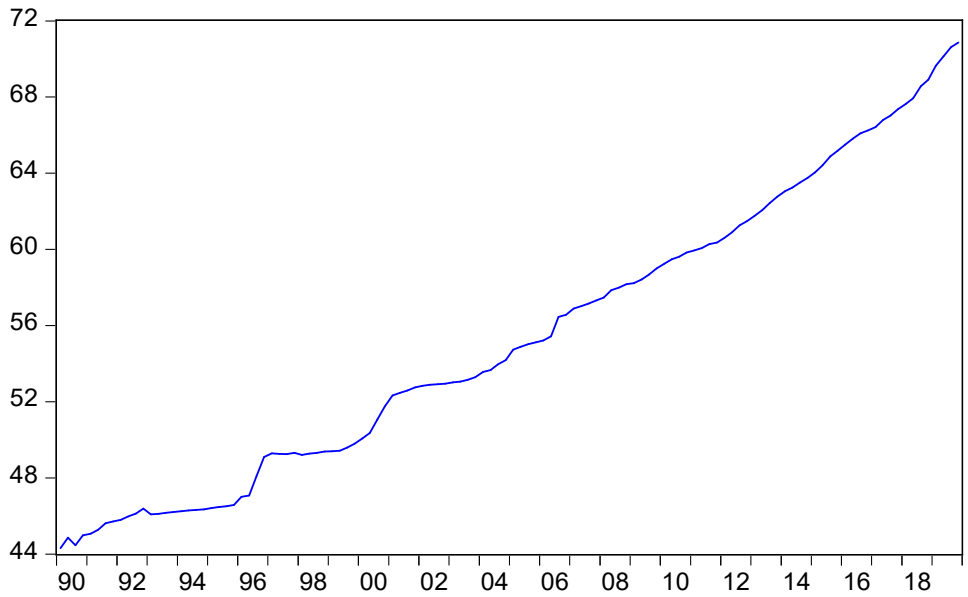

LGDPQ
10.8
10.4
10.0
9.6
9.2
8.8
8.4
8.0
7.6
7.2
90 92 94 96 98 00 02 04 06 08 10 12 14 16 18


LUPGQ
2.1
2.0
1.9
1.8
1.7
1.6
1.5
1.4
1.3
90 92 94 96 98 00 02 04 06 08 10 12 14 16 18


LIVAQ
3.2
3.0
2.8
2.6
2.4
2.2
2.0
90
92
94
96
98
00
02
04
06
08
10
12
14
16
18


LFR
8.8
8.6
8.4
8.2
8.0
7.8
7.6
90
92
94
96
98
00
02
04
06
08
10
12
14
16
18


LDCPQ
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
90 92 94 96 98 00 02 04 06 08 10 12 14 16 18


INF
72
68
64
60
56
52
48
44
90 92 94 96 98 00 02 04 06 08 10 12 14 16 18

CHAPTER 5

DATA PRESENTATION AND ANALYSIS

5.1 Descriptive Statistics

A statistical explanation that defines or illustrates the characteristics of the data set quantitatively, which helps to obtain or calculate the central pattern (mean, median and mode), the dispersion (standard deviation) and also to consider why the sample of our data is typically distributed (kurtosis, skewness and Jarque Bera).The results obtained in the study below indicates the impact of the variables that are used in the model and the main pattern parameters, i.e. the mean, median, minimal, limit, standard deviation, skewness, Kurtosis and Jarque Bera, are recorded in the results. The mean is the sum of all the values in the data collection, which is then divided by the amount of observations recorded. Therefore, the mean result reports the mean LGDP as 9.499153, LUPG as 1.564839, LIVA as 2.642007, LFR as 8.098126, LDCP as 1.931202 and inflation rate as 55.36958. After sorting observations from the largest to the lowest values or vice versa, the median represents the middle value.The median result reports LGDP as 9.832881, LUPG as 1.513923, LIVA as 2.689925, LFR as 8.058475, LDCP as 1.940230 and inflation rate as 54.46000. The skewness tends to calculate the series' degree of asymmetry, a positive skewness indicates that the distribution will have a longer long right tail, implying that there will be more values than the sample mean, while a negative skewness indicates that the distribution will have a longer long left tail, implying that the sample mean will be smaller. LGDP and LDCP are thus negatively skewed, while LUPG, LIVA, LFR, and inflation rate are positively skewed, according to statistical skewness.

Kurtosis figures measure the peak or flatness of the series distribution, and a mesokurtic has a normal distribution with a kurtosis value of 3, and if it is leptokurtic, it implies that it has a positive kurtosis (peak curve) with values higher than the mean sample, while platykurtic means that it has a negative kurtosis (flat curve) with values lower than the mean sample. The consequence of kurtosis suggests that LGDP, LIVA, LFR and inflation are platycurtic (flat curve) with lower values than the mean of the sample. Although LUPG and LDCP are leptocurtic (peak curve) with higher values than the mean of the survey, the likelihood of the statistics from Jarque-Bera reveals that not all variables are normally distributed throughout the duration of this analysis at all percentage levels.

Table 1: Descriptive statistics

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	LGDPQ	LUPGQ	LIVAQ	LFR	LDCPQ	INF
Mean	9.499153	1.564839	2.642007	8.098126	1.931202	55.36958
Median	9.832881	1.513923	2.689925	8.058475	1.940230	54.46000
Maximum	10.57480	1.997176	3.055277	8.703060	2.735686	70.86000
Minimum	7.372313	1.379954	2.198310	7.620406	1.227873	44.31000
Std. Dev.	0.703937	0.146156	0.195892	0.293828	0.317087	7.518263
Skewness	-0.334283	1.082508	0.006907	0.416202	-0.090492	0.300421
Kurtosis	2.162848	3.644989	2.472211	2.121020	2.389262	1.942986
Jarque-Bera	5.739024	25.51654	1.393763	7.327509	2.028777	7.391446
Probability	0.056727	0.000003	0.498136	0.025636	0.362624	0.024829
Sum	1139.898	187.7807	317.0409	971.7751	231.7443	6644.350
Sum Sq. Dev.	58.96770	2.542034	4.566489	10.27387	11.96475	6726.389
Observations	120	120	120	120	120	120

5.2 Unit Root Test

Typically, the Augmented Dickey Fuller and Phillips-Perron unit root test are conducted to assess if data from a time series is stationary or non-stationary. There is a fixed mean, variance (σ2) and auto covariance over time for a stationary time sequence.

If a time series is non-stationary, though, we also add differentiation in rendering it stationary. Gujarati (2004) points out that a spurious regression may be formed by regressing a time series that is non-stationary to one or more non-stationary time series. In order to avoid spurious regression, it is often necessary to confirm the stationary existence of time series data while dealing with time series data. Another reason for running stationary experiments, though, is the effects gathered from a time series that is non-stationary, will be used for the particular time frame and cannot be generalized to the future. Therefore, for potential Gujarati forecasts, non-stationary time series may be of far less realistic importance (2004).The results show that the variables are in I (0) and I(1) order of integration such that only the LIVA and INF are non-stationary at level but significant at the first difference.

Table 2: Unit Root Test

	LEVEL		
	ADF	PP	Order of integration
LGDP	-2.4826	-5.0439***	I (0)
LDCP	-3.3071*	-4.0917***	I (0)
LFR	-3.3538*	-3.1807*	I (0)
LIVA	-1.7231	-2.7211	I (1)
LUPG	-3.9178**	-3.995**	I (0)
INF	-1.1071	-0.5367	I (1)
	FIRST DIFFERENCE		
	ADF	PP	Order of integration
LGDP	-5.8993***	-6.5921***	
LDCP	-4.8487***	-4.6777***	
LFR	-13.387***	-16.1879***	
LIVA	-4.6898***	-5.003***	
LUPG	-2.2895	-4.3014***	
INF	-8.6345***	-8.6495***	

Note: The null hypothesis is that the series has a unit root in the ADF and PP tests. ***, **, and * denote significance at the 1% ,5% and 10% levels, respectively

Withthe bound test result, we consider the value of the F statistic and then compare it to the I(0) and I (1) values. Following the criteria, suppose the f value is less than the I(0) values, then we will not reject the null hypothesis that reports a no cointegration among variables and in the same vein, if the f value is greater than the I(1) values, then we reject the null in favor of I (1) which shows or reports cointegration among variables. From the result below, the reported f statistic 6.424438 is above the I (1) value at all level, which supports a long run cointegration bound among the variables i.e. there exists a long run equilibrium in the variables.

BOUNDS TEST

F-Bounds Test — Null Hypothesis: No levels relationship

Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	6.424438	10%	2.37	3.2
k	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66

ARDL

Dependent Variable: D(LGDP)
Method: Least Squares
Date: 11/16/20 Time: 09:32
Sample (adjusted): 1992 2019
Included observations: 28 after adjustments

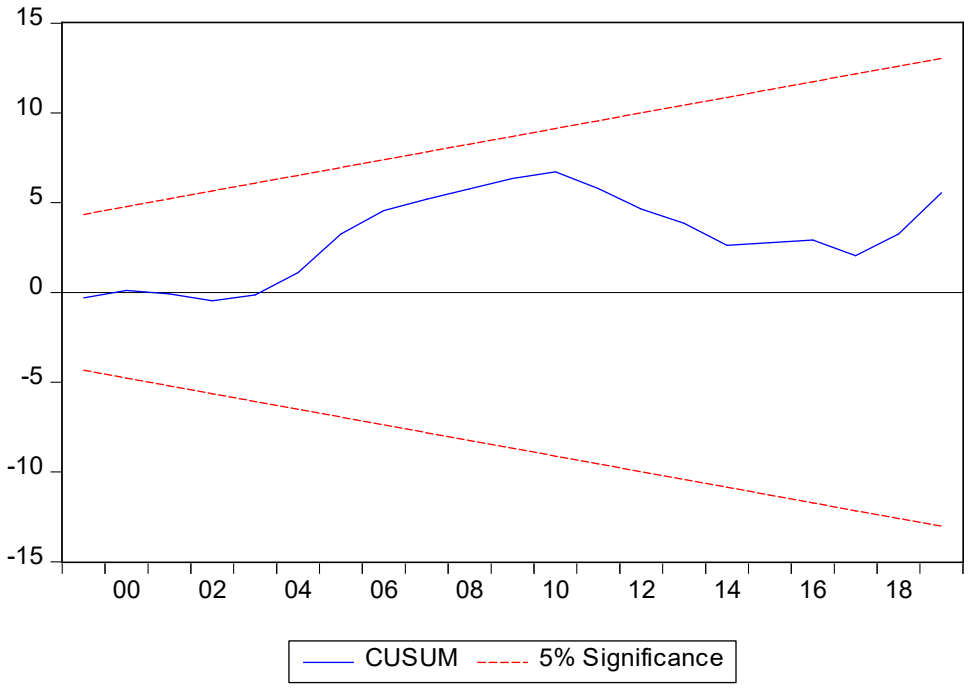
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LGDP(-1))	0.749561	0.251617	2.978978	0.0072
D(LDCP)	-0.233308	0.078665	-2.965858	0.0074
D(LDCP(-1))	0.420332	0.137984	3.046227	0.0061
D(LIVA)	-0.213313	0.133377	-1.599325	0.1247
D(LUPG)	-1.812951	0.852840	-2.125781	0.0455
D(LUPG(-1))	2.126462	0.908518	2.340582	0.0292
ECM(-1)	-0.507523	0.302936	-3.358873	0.0030

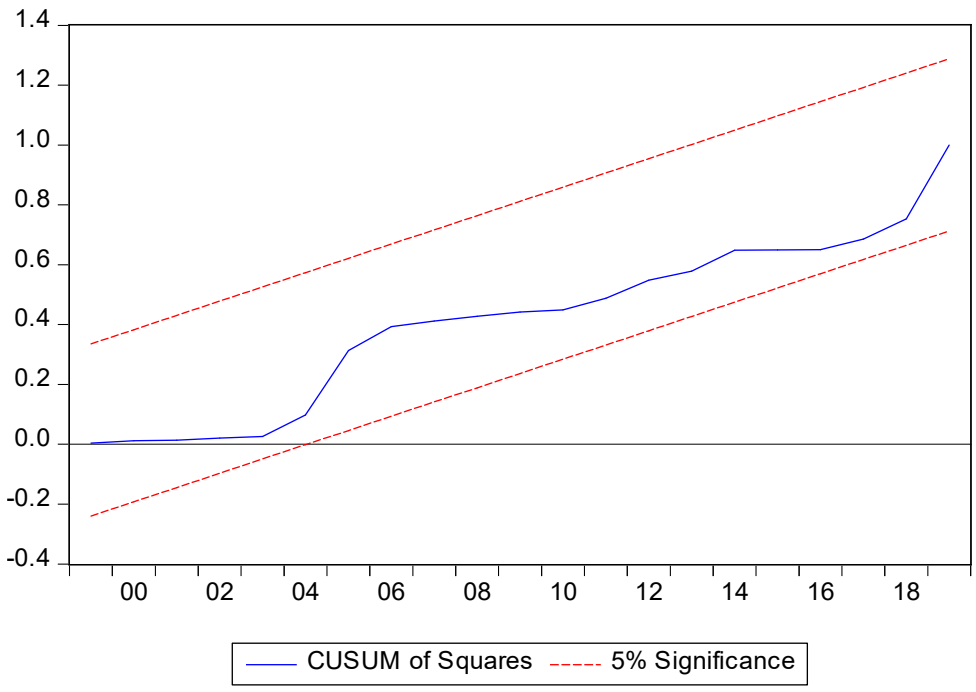
R-squared	0.656033	Mean dependent var	0.065273
Adjusted R-squared	0.557756	S.D. dependent var	0.132886
S.E. of regression	0.088371	Akaike info criterion	-1.802224
Sum squared resid	0.163999	Schwarz criterion	-1.469173
Log likelihood	32.23113	Hannan-Quinn criter.	-1.700407
Durbin-Watson stat	1.692156		

The Short run results of the study implies that, holding all other factors constan, the coefficient of LDCP -0.233308 with a highly significance p value of 0.0074 has a negative link with the dependent variable LGDP since it contains a negative coefficient. Expressing that, one percent increase in the LDCP, will decrease LGDP as much as 23%. However, the coefficient of LIVA -0.213313 with an insignificant p-value of 0.1247, shows a negative relationship with the dependent variable and hence translates that, a percent decrease in LIVA, increases LGDP as much as 21%. The error correction model shows the speed in which the variables can catch up in the equilibrium. The error correction model coefficient -0.507523 has a negative and a statically significant at 1%, implying that, any change in the variables is corrected by the error correction model as much as 50.7%.

DIAGNOSTICS

The graphical result of cusum and cusum of squares represent the stability in the model since they all lie within the 5percent significance level boundary and which signifies stabilities of the model at 5% significance level.





ARCH Heteroskedasticity test result indicates that the data is homoscedastic, i.e. the probability of the test result is insignificant as the pvalue is greater than 0.05.

Heteroskedasticity Test: ARCH

F-statistic	0.449910	Prob. F(1,25)	0.5085
Obs*R-squared	0.477313	Prob. Chi-Square(1)	0.4896

AUTOCORRELATION TEST

Autocorrelation test using Breusch-Godfrey Serial Correlation LM test result indicates no autocorrelation among the variables as the P-value is insignificant at a value of 0.4230

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.900470	Prob. F(2,19)	0.4230
Obs*R-squared	2.424233	Prob. Chi-Square(2)	0.2976

CHAPTER 6

6.0 DISCUSSIONS, FINDINGS, POLICY IMPLICATION, CONCLUSION AND RECOMMENDATION

This chapter involves the discussion, findings, policy implication, conclusion through the usage of the data analyzed in the preceding chapter and the advice from the findings of this report. The segment ends by discussing some of the ramifications of policy and its suggestions.

6.1 Discussions

The aim of the analysis was to use quarterly time series data from 1991 to 2019 to understand the effect of banking sector development on Gambia's economic growth using ARDL cointegration. In doing so, variables such as LDCP, LUPG, LIVA, LFR and inflation rate were employed to make up the independent variables whiles LGDP serves as the dependent variable.

In addition, the literature review was instilled by references from previous scholars to the analysis theimpact of banking sector development on the economic growth of the Gambia. An annual data method was employed for the study and then converted to quarterly by using the quadratic-match average in helping to adjust the number of observations with a secondary data source from World Bank Data (2018).

6.2 Findings

The findings report the outcome of the study and from the reports shown in the previous chapter.

The findings of the unit-root tests results showed that the variables are in I (0) and I(1) order of integration such that only the LIVA and INF are non-stationary at level but significant at the first difference. The F-statistic findings in the cointegration test explicitly show that the inputted variables have a long-run linkage.

6.3 Policy Implications

The results of this research have essential policy ramifications for the economic policymakers of the Gambia, since this is the first attempt to empirically investigate the causal association between these two indicators by utilizing a number of measurement approaches to test them. As all have a favorable interaction with the dependent variable, the inflation rate and the International Reserve would not have a significant influence on the rise in Gambia's gross domestic product. Economic strategies directed more towards systemic changes and labour market adjustments would be more acceptable in the case of Gambia.

6.4 Conclusion

Using ARDL cointegration and quarterly time series data from 1991 to 2019, this study empirically aims to observe the implications of the Gambia's banking sector development on the country's economic growth. The unit root for the Augmented Dickey-Fuller test and the Philips-Perron, type and bounds test, and descriptive statistic were used in the empirical study to estimate the effect of banking sector development on Gambia's economic growth. The results revealed that the data series were stationary at various stages, and the cointegration test revealed a long-run relationship between the variables studied.

6.5 Recommendations

However, As a result of this study, it is necessary to suggest that governments and policymakers create or implement sustainable strategies and policies to raise the country's gross domestic product and to have a

greater implication on the economy outlook by reducing the inflation rate, which in turn would improve economic development.

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APPENDIX

Null Hypothesis: LUPGQ has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 9 (Automatic – based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.917808	0.0144
Test critical values:	1% level	-4.043609	
	5% level	-3.451184	
	10% level	-3.150986	

Null Hypothesis: LUPGQ has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 6 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.995512	0.0113
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: LIVAQ has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 5 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.723089	0.7347
Test critical values:	1% level	-4.040532	
	5% level	-3.449716	
	10% level	-3.150127	

Null Hypothesis: D(LIVAQ) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 4 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.689839	0.0012
Test critical values:	1% level	-4.040532	
	5% level	-3.449716	
	10% level	-3.150127	

Null Hypothesis: LIVAQ has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 5 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-2.721092	0.2302
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: D(LIVAQ) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 18 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-5.003022	0.0004
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: LGDPQ has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 5 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.482639	0.3361
Test critical values:	1% level	-4.040532	
	5% level	-3.449716	
	10% level	-3.150127	

Null Hypothesis: D(LGDPQ) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 4 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.899303	0.0000
Test critical values:	1% level	-4.040532	
	5% level	-3.449716	
	10% level	-3.150127	

Null Hypothesis: LGDPQ has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 7 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-5.043854	0.0003
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	

	10% level	-3.149135

Null Hypothesis: LFR has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.353792	0.0628
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: D(LFR) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-13.38700	0.0000
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: LFR has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-3.180748	0.0933
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: D(LFR) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 12 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-16.18785	0.0000
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: LDCPQ has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 5 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.307062	0.0703
Test critical values:	1% level	-4.040532	
	5% level	-3.449716	

	10% level	-3.150127

Null Hypothesis: D(LDCPQ) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 8 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.848711	0.0007
Test critical values:	1% level	-4.043609	
	5% level	-3.451184	
	10% level	-3.150986	

Null Hypothesis: LDCPQ has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 6 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-4.091685	0.0085
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: D(LDCPQ) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 16 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-4.677689	0.0013
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: INF has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 1 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.107110	0.9228
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: D(INF) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-8.634476	0.0000

Test critical values:	1% level	-4.037668
	5% level	-3.448348
	10% level	-3.149326

Null Hypothesis: INF has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 2 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-0.536691	0.9805
Test critical values:	1% level	-4.036983	
	5% level	-3.448021	
	10% level	-3.149135	

Null Hypothesis: D(INF) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 1 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-8.649530	0.0000
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: D(LUPGQ) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 8 (Automatic - based on SIC, maxlag=12)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.289481	0.4358
Test critical values:	1% level	-4.043609	
	5% level	-3.451184	
	10% level	-3.150986	

Null Hypothesis: D(LUPGQ) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 11 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*
Phillips-Perron test statistic		-4.301446	0.0044
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	

Null Hypothesis: D(LGDPQ) has a unit root
Exogenous: Constant, Linear Trend
Bandwidth: 29 (Newey-West automatic) using Bartlett kernel

		Adj. t-Stat	Prob.*

Phillips-Perron test statistic		-6.592111	0.0000
Test critical values:	1% level	-4.037668	
	5% level	-3.448348	
	10% level	-3.149326	