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The Financial and Professional Services Sector and the Transformation of Nigeria into an International Financial Centre in Post Covid - 19: An Evaluation

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Abstract

The study is on the Financial and Professional Services Sector and the Transformation of Nigeria into an International Financial Centre in Post Covid - 19: A Critical Analysis. The foremost essential task before developing countries is to attain higher rate of economic growth through the provision of services. The service sector is a crucial constituent of every country's economy, and it has been recognized as a sector with the competence to become a major driver of persistent growth in Africa. The service sector has the budding to increase economic growth in Nigeria. Financial and professional services sector is a critical aspect of service sector of any nation. The financial and professional services sector reinforces the global financial system and the global economy more broadly. This study relied heavily on secondary sources of data; the approach deployed for analysis is qualitative method. The study reveals that the Nigerian economy has for a very long time disregarded the service sector, as economic activities are mainly controlled by the activities in the oil sector, hence restraining the service sector from attaining greater productivity, full employment and potential. Nigeria has not been able to achieve sustainable development due to her incessant dependence on the oil and gas sector. Which form the bulk of the nation's revenue and the foreign exchange earnings which is majorly obtained from the crude oil export, thereby making the country susceptible to oil price volatilities. The contribution of Nigerian service sector to economic growth is pertinent. Diversifying and harnessing the complete benefits of the service sector will shrink Nigeria's overreliance on the oil sector, as inventions in the service sector play a fundamental role in increasing both the productivity levels and also economic development. Services sector offers an innovative growth path for development in Nigeria. Governance through policy reforms can reposition the service sector to engender economic transformation in Nigeria.

Keywords: Services Sector, Economic Development, Financial Services, Professional Services, Economic Transformation

Introduction

One of the utmost essential tasks before developing countries is to attain higher rate of economic growth through the provision of services [1]. "The globalisation of services provides alternative opportunities for developing countries to find niches beyond manufacturing where they can specialise, scale up and achieve explosive growth" [2]. Nigeria has enjoyed fast economic growth over the past decades compared with other large oil exporters and many other African countries, it has witnessed diminutive economic revolution and has seen low-quality growth. Now, with volatility in oil prices, and feeble growth, new areas of economic development need to be identified. Business-as-usual will not guarantee productive jobs for the future and will not decrease poverty meaningfully [3]. Also, Nigeria continues to contend with a myriad of economic, social and infrastructure challenges on the impetus of a growing rural-urban migration, gross inadequate pipe borne water, growing housing deficit, deteriorating environmental conditions that are accentuating security challenges and generating increased social tension and inaccessible health and education centres, signalling an annual estimated sustainable financial investment need of up to US$92 billion [4]. This is a cul-de-sac. Stimulating and engendering excellent growth and economic transformation is cardinal [3].

Growing empirical and anecdotal evidence indicates that the development trajectory of Nigeria's economy will require to be transformed theatrically in the coming years. The ability to deliver on fundamental national policy objectives, diversify the economy away from its substantial dependence on natural resources, increase in agricultural production, provide jobs for a speedily growing population, and fill a significant infrastructure gap, the rapidly growing working age population necessitates an enhanced focus on job generation to absorb new entrants to the job market. Future markets offer tremendous growth opportunities in this respect – these goals demand a new economic direction [5]. "Paying deliberate attention to and harnessing the full potential and benefits of services sector will go a long way to diminish the nation's dependence on traditional markets, provide a more diversified market, bring about new knowledge, experience and enhance domestic competitiveness" [6]. Also, "a virile services sector will also expand the horizons, create new ideas, and increase the use of new technology, new approaches and new market techniques drawn from exposure to the global market place. This sector is vital to poverty alleviation and essential to realizing the Sustainable Development Goals (SDGs) both directly in terms of enhancing the availability and affordability of education, health services, energy, and ICT services as well as through entrepreneurial and employment creation opportunities in services enterprises" [6]. The Nigerian service sector has been able to display impressive results despite harsh economic circumstances [6-7].

Against this background Nigeria's services sector has emerged as the utmost contributor to the national output in the last decades and offers great proclivity to drive the diversification agenda of the government which has principally concentrated on Professional/ telecommunication services: Assets management services, Banking Sector, Insurance industries, The Law, Agriculture and manufacturing services now contribute the utmost percentage of the overall domestic activities and economic development [8]. The service sector has the budding to increase economic growth in Nigeria. Diversifying and harnessing the complete benefits of the service sector will shrink Nigeria's overreliance on the oil sector, as inventions in the service sector play a fundamental role in increasing both the productivity levels and also economic development through innovation expenditures and innovation activities in general. Visibly the service sector has galvanised the growth of the gross domestic product (GDP), service sector contributes to the GDP and also provides crucial inputs to the rest of the economy, moving from less than 30 percent of gross domestic product (GDP) in the 1990s to 50.79 percent of the GDP in 2010 and 53 percent in 2019 [6,8]. If spurred by favourable government policies and increased foreign investment, growth in these industries will help to diversify Nigeria's economy [9].

A productive and dynamic service sector is acknowledged to reinforce the performance of other sectors in the economy such as manufacturing. This is owing to the fact that the sector enables and assists the running of most sectors (manufacturing, industrial sector, etc.), as most of these sectors depend largely on the service sector to supply the needed functions such as banking, accountancy, information, and technology. The service sector offers additional outputs to manufacturing firms that are reliant on external sourcing of basic inputs such as transportation, financing, design, and communication. The development of the service sector is principally a product of the level of individual consumption per capita and demand from the manufacturing sector. The service sector also induces the development of businesses by increasing productivity and value added [6]. Nigerian services economy is among the fastest growing in the African continent [8]. Services sector offers an innovative growth path for development in Nigeria. The contribution of Nigerian service sector to her economic growth is pertinent [6]. This study is divided into seven segments beginning with the introduction and Conceptual Clarification, closely preceded by an overview of Financial and professional Services sector. The evaluation and analysis of the financial and professional services sector, examining the centrality of governance to the financial and professional services sector and appraising the quest to galvanize the financial and professional services sector for effectiveness in a post covid 19 Nigeria after which the conclusion shall be drawn. The Nigerian economy has for a very long time disregarded the service sector, as economic activities are mainly controlled by the activities in the oil sector, hence restraining the service sector from attaining greater productivity, full employment and potential The financial and professional services sector is a crucial aspect of the nation's economic transformation that must be given utmost attention. It was at its lowest ebb during and after the Covid 19 because it was not well grounded due to a lot of factors. Though picking up gradually, all hands must be on deck to ensure its full development and sustainability if Nigeria must occupy her pride of place at the International Financial Centre. The money and capital markets, along with the financial system that support them and the other professional services offered in the economy are an exciting area for study.

Conceptual Clarification Services

Table 1: Depicts the Dimensions of Service

Service sector	Description
Financial services	Banking and non-Banking: Banking - (lending by banks, acceptance of deposits by banks) Non-Banking insurance services (auto insurance, life insurance, reinsurance), pension services, stock markets
Professional services	Accounting, Surveying, Medical and paramedical services, civil works, architectural designs, building and Assets Management, auditing, and legal services etc

Telecommunications	Fixed-line and mobile telecommunications
Transportation	Air passenger (domestic and international), maritime international shipping and auxiliary services, domestic road freight, domestic rail freight
Retail	All aspects of retail services

A service, in the opinion of Nwankwo and Durowoju (2011), is termed an activity or benefit that one party can provide another that is imperatively intangible and does not culminate in the ownership of anything with its production not tied to a physical product [10].

Financial and Professional Services Sector: An Overview

Nigeria now faces a number of problems, comprising falling oil prices, currency volatility, heightened civil tensions, lingering corruption, and deteriorating or inadequate infrastructure, among others. As a result, Nigeria's economic outlook is mixed [9]. Unemployment and underemployment have been on the rise, Nigeria also faces great challenges in terms of sustainable job creation and productivity. In fact, the occurrence of high unemployment has become a foremost socio-economic challenge over the past decade, notwithstanding strong economic growth. In recent years, job creation and the quality of jobs have been tainted by a slowdown in economic growth, and the recession [11]. The Nigerian economy has for a very long time disregarded the service sector, as economic activities are mainly controlled by the activities in the oil sector, hence restraining the service sector from attaining greater productivity, full employment and potential. Nigeria has not been able to achieve sustainable development due to her incessant dependence on the oil and gas sector. Which form the bulk of the nation's revenue and the foreign exchange earnings is from crude oil export, thereby making the country susceptible to oil price volatilities [12]. The service sector is a crucial constituent of every country's economy, and it has been recognised as a sector with the competence to become a major driver of persistent growth in Africa [13]. It explains a significant percentage of gross domestic product in most countries and makes substantial contribution to the share of total employment [12]. Nigeria is part of the leading economies in Africa, which places it as a key driver for economic development on the continent. The country is also home to the biggest population in the region, which makes it a considerable market in terms of scale. The prosperity and size of the market joined to make it a forerunner in terms of economic trends and outlook. One of such trends is the speedy growth of the financial services sector, a phenomenon that is now predominant across the global economy (Consultancy. Africa, 2019).

Financial and professional services sector is a critical aspect of service sector of any nation "The financial and professional services sector reinforces the global financial system and the global economy more broadly. It enables financing of vital services and infrastructure and supports economic growth and prosperity" [14]. Despite the long-established notion of and emphasis on industrialization as the main driver for structural change in the economy, fresh evidence suggests that services sectors' play ever-increasing role in economic transformation and development. Services now account for more than 70% of yearly outputs in advanced economies and more than half in most developing countries [2].

In a more critical and expansive argument noted that:

The global financial services industry underpins transactions, drives growth, provides financial stability, holds savings and finances, vital services and infrastructure, among many other crucial roles [14]. Similarly, the global professional services industry provides essential specialized knowledge in areas that are essential for the functioning of modern businesses, such as law, accounting, consulting, or marketing. The financial services industry is a complex and dynamic sector providing services, such as insurance, retail banking, corporate and commercial banking, investment banking, payments, and wealth and asset management. Crucially, these products and services, alongside their related professional services, are constantly evolving, adapting to and fueling transformation across the economy, particularly through financial and technological innovation, including financial technology (FINTECH).

Traditionally, the foremost sector in terms of revenue and foreign exchange earnings in Nigeria had been crude oil and natural gas production. However, the rebasing of GDP revealed main growth in the services sector, which now accounts for the greatest share of the country's GDP output. The service sector is a critical and fundamental element of every country's economy, and it has been recognized as a segment with the competence to become a major driver of persistent growth in Africa [6]. The Nigerian service sector comprises of numerous industries such as banking, retail and wholesale trade, tourism, real estate, telecommunications, motion pictures (Nollywood), information and communication technology, entertainment, and education. The service sector is now the fastest growing sector in the universe. It accounts for a substantial proportion of gross domestic product in most countries and makes important contribution to the share of total employment [6]. Conversely, with palpable challenges attributed to the slow pace of economic transformation in the manufacturing sector, and an increasingly growing youth population that is more inclined to service provision rather than goods production, an argument can be made that the reality for Nigeria's transformation and development may depend on an increased focus on services than what obtains today [2].

Finance services sector is undoubtedly a very significant part of the economy of any nation [1]. Financial services are immensely necessary to the functioning of our economy. The financial markets unite savers and investors through the investment chain; assisting the rest of the economy to manage risk, and to provide the necessary payment systems and mechanisms to store value needed for trade to take place. Financial services are utilitarian service [15]. The financial sector is not restricted to banking sector; the banking sector only holds a major stake in the financial sector of the economy making it more prominent than other sectors of the economy. Evidently, they are Non-Bank Financial institutions (NBFI) which comprises: Insurance companies, Discount Houses, Unit trust, the capital market institution through which bond, stocks and other securities are traded, interest rates are determined and financial services are produced and delivered around the world. The money and capital markets, along with the financial system that support them, are an exciting area [1].

Two significant changes took place in the services sector since Nigeria's last round of GDP rebasing in 1990 [16]. The first was the growth of the cell phone industry. Nigeria issued cell phone licenses to service providers in 2002. Since then, the number of cell phone subscribers has been increasing. Second, the Nigerian banking sector (including insurance sector), experienced significant growth after consolidation. The growth in its capital base, number of people employed and other factors contributed to the growth in the service sector. The rebasing revealed that the structure of Nigeria's economy has been on an upward trend. Specifically, the services sector's share of GDP rose from around 29% in 2013 under the old series to 51.89% in the year 2019 [17]. The services sector in Nigeria has been identified as the engine for future economic growth. It is the leading sector in the economy, with its contribution to Gross Domestic Product (GDP) stupendous. Research by PwC indicates that, the sector is also purported to account for the largest proportion of employment at 57.4%. These values however, only tell part of the story as a huge part of the sector's contribution to employment and GDP comes from less productive sub-sectors, such as transport and trade, rather than higher productive ones, such as financial services, real estate and professional services. Hence, while the sector has been an essential contributor to Nigeria's growth and progress, its influence in the development and transformation narrative has not been emphasized as much [2].

Numerous services are significant contributors to all or most diverse businesses and financial sectors e.g. infrastructure services such as, telecommunications, transportation; financial services which encourages exchanges and give access to funds for investment; health and education services which engender a vigorous, well-trained labor force; and legal and accountancy services that are part of the established system necessary to support a healthy market economy. These service sectors are in this way a strategic piece of the investment climate, and can have a lot more all-encompassing effect on large business execution, and therefore productivity and development in the economy [6]. The service sector has the potential to enhance economic growth in Nigeria. Diversifying and harnessing the full benefits of the service sector will reduce Nigeria's overdependence on the oil sector, as innovations in the service sector play a vital role in increasing both the productivity levels and also economic growth and transformation through innovation expenditures and innovation activities in general [12].

The Evaluation and Analysis of the Financial and Professional Services Sector

Finance and Development

The financial sector as was mentioned earlier, in the opinion of Omankhanlen, (2012), does not only signifies the banking sector, the banking sector only occupies a major stake in the financial sector of the economy making it more prominent than other sectors of the economy [1]. Other critical stakeholders of the financial sector are the Non-Bank Financial institutions (NBFI) which comprises: Insurance companies, Discount Houses, Unit trust, the capital market institution through which bond, stocks and other securities are traded, interest rates are determined and financial services are produced and provided around the world. The money and capital markets, along with the financial system that support them and the other professional services offered in the economy are an exciting area for study.

Owing to the influence of the activities in the financial sector on the economy at large, every country endeavor to have a suitable and up to date financial sector [1]. "Traditional providers of financial services no longer have the market to themselves. Challengers including neobanks (digital only providers), ecommerce providers and telecom providers are gradually increasing their share of the market, both in terms of the underlying processes and the services offered to retail customers" [18]. "Also, in recent years the main source of change has been technological, from the emergence of financial technology (FINTECH) and insurtech to the influences of block chain and artificial intelligence (AI). Digital technologies are restructuring how financial services are provided, who provides them, the competition dynamics in the market and how customers interact with the industry. Fintech in particular is disrupting business models in financial services, with wide-ranging implications for the future shape of the sector" [18]. Fintech has become a major asset of the Nigerian financial services sector, which has posed a significant challenge to the foremost banking corporations in the country. Hence, larger financial institutions in the country have been propelled to develop their digital competencies in order to feed the mounting demand across the nation [19]. Financial services firm have made a number of efforts lately to stimulate their productivity. These consist of a focus on cost-cutting, skimming the workforce, investing in automation and artificial intelligence, and even offshoring. Nonetheless, these measures have apparently not produced the expected results [19].

Banking Sector

The banking sector which anchors the Nigerian financial sector, severely fragmented in the past, witnessed significant consolidation and growth after increased capital requirements were introduced following the global economic crisis of 2008–09 [7]. The sector grew at an average annual rate of 18.6 percent during 2010–13, second only to the country's motion picture industry during that period (23.1 percent), and has become West Africa's largest banking market, accounting for 74 percent of regional banking assets (Office of Industries U.S. International Trade Commission [7]. "Amidst report that Nigeria's economy was growing at 3.11 percent in the first quarter of 2022, Q1'22, leading banks in the country have revealed in their reported a 24.7 percent and 18.6 percent growth in revenue and profits respectively within the same period" [20].

The banking industry is experiencing a radical shift, one driven by new competition from FinTech's, changing business models, mounting regulation and compliance pressures, and disruptive technologies (Wingard, n.d.). Compared to its African counterparts, Nigeria has a more developed and relatively well-capitalized banking system characterized by strong banking profits than some of the continent's most profitable banks [21]. "Financial reforms have produced a financial landscape characterized by large and strong banks, an efficient payments system, and improved financial infrastructure. Nevertheless, finding ways to encourage financial inclusion for the millions of unbanked low-income and informal earners has become a foremost priority for many Nigerian banks. This no doubt allows banks to diversify risk" [7]. "Higher capital requirements, simplified legal structures, shrinking spreads, costly regulatory burden and overall market volatility are just some of the challenges that retail and investment banks face in this new era" [22].

Insurance Industries

The post covid 19 insurance services in Nigeria is a period when insurers are grappling with disruptive social, technological, economic, environmental, political and regulatory changes. Insurance market is an important market. Globally, there are numerous insurance companies with large bulks of capitalization and funds employing very huge numbers of employees on one hand, and much greater numbers of people and business organizations which are covered by insurance benefits on the other [23]. Insurance is a social contract that regulates the transfer of risk between two or more parties. The emergence of modern insurance has played important role not only to economy as a whole but also to the social wellbeing of the individuals. Insurance is one of the major non-banking financial institutions that mobilize fund for investment for the wellbeing of an economy [24]. "Insurance companies are among the non-bank financial institutions that play significant roles in financial intermediation within the financial system in an economy. Insurance industry plays the dual role of risk management and capital formation" [25]. Insurance companies have a fundamental role in delivering values which exceeds the needs and expectation of the people and at the same time are affordable [4]. It is commonly perceived as the mainstay of any country's risk management system, since it ensures financial security, serves as an essential component in the financial intermediation chain, and provides a ready source of long term capital for infrastructural projects [26]. "By providing protection, insurance companies could affect economic growth through the channels of marginal productivity of capital, technological innovations and savings rate. Insurance companies indemnify the ones who suffer a loss and stabilize the financial position of individuals and firms with possibility of transfer of different kinds of risks to insurance companies" [1]. Risk adverse economic units are more inclined to buy goods and services, particularly those of higher value. In this way, insurance brooks demand or consumptions for goods and services which boost production and employment which result in multiplier effect on economic growth [1].

Premium from the insurance form a large section of the capital market which may be hard for an individual to generate. Thus insurance engender large fund to the capital market from the premium paid by all individuals insured. The significance of insurance cannot be exaggerated considering the role of the capital market to the economy. Insurance in the non-banking sector offers supplementary capital to finance economic activities toward the desired growth [27]. The Nigerian position is different to what is obtainable in Europe, America and Asia. The industry invests less than 1% of funds in stock and bonds, government securities, as well as real estate properties and mortgages. Regardless of the sector's investment in the Nigerian Capital market, the impact has not truly reflected to the development of the Nigeria economy [2]. The Insurance Market in Nigeria is Now divided into five (5) sectors: The "Traditional" Insurance, The Pension Sector, The Health Insurance Sector, The Distribution Channels and The Support Service Providers.

On the centrality of Insurance services to economic growth was poignant in his analysis [1]. He noted that insurance services lend credence to: firms exposed to various risks of their liability, property, illness and disability of their employees and life of key employees, have the possibility of managing those risks by transfer to insurance companies. This allow firms to concentrate their attention and resources on their core business which can lead to willingness and ability to take real investment which result in higher rate of economic growth. Without mechanisms for mutualization, pooling, and transferring risk which insurance companies provide, part of the economic activities would not take place and positive effects on social welfare would fail. In other words, by creating an environment of greater security, insurance fosters investment and innovation or economic growth. Insurance increases marginal productivity of capital also in a way that it makes no need for high liquid contingency funds of firms which results in more funds available for financing high-return projects. Without insurance coverage, large contingency funds would be needed to protect firms against risk.

Figure 1: A Diagram showing Covid 19 induced challenges
Source: Chartered Insurance Institute of Nigeria (2022: 2).

[2]. The significance of insurance services in fast-tracking Nigeria into an international financial centre includes: 1) Insurance provides financial stability and reduce uncertainty through indemnity all those who have suffered loss. In this way it reduces the effect of mass bankruptcies that could have catastrophic consequences on production, employment, state tax revenues, and the state of an economy in general. 2) Voluntary investments of these funds on financial markets provides security for future annuity holders that based on their payments be paid out monthly is stable until the end of their lives. 3) Growing of small amounts of money collected in the form of premiums, insurance companies are able to finance large investment projects and thus positively affect the economic growth of the country. 4) Insurance provides effective risk management and transforming evaluating risk. When investing, insurance companies thoroughly investigate the creditworthiness of the borrower, which allows other investors in the market to obtain information about the characteristics of other firms in the environment when making investment decisions. 5) Conducting international trade between partners who are not sufficiently familiar with, is often conditioned by the existence of certain types of insurance. Thus, ensuring the development of international trade. 6) Granting discounts in premiums, and preventive measures to protect against fire, injury at work, etc., insurance companies affect the prevention and reduction of losses of the insured or of society as a whole.

Insurance companies are very significant participants in the financial market, particularly in the capital market. They have a very vital role as they contribute to the consolidation of competition in the financial market, fuel financial innovation, reinforce corporate governance, contribute to increase market integrity, pressure for modernising market infrastructure, encourage the development of regulations, which primarily stems from their long-term business horizon [1].

Professional Services

The internationalization of professional services molded by strong competition and pressure to enhance earnings and accumulate wealth has created opportunities for professionals, and the process has been driven by both economic and financial gain [2]. There are a plethora of regulations and professional code of conduct that provide a platform for financial management in the private and public sectors and in the professional practice. It has been observed that 'no matter what the legislation is in place, the professional accountants and lawyers will find a way around it' [28]. Professionals have been implicated in various anti-social practices because there are institutional pressures to increase profits and because organizational and socio-political structures prioritize the best interests of clients rather than the best interests of the public [29].

It is revealed that the economic and financial interests of the professionals are a strong impediment to the development of the Nigerian state. Anti-social financial practices and their underlying dynamics subvert structured, competitive participation and institutions because public officials and the political elite enjoy wide monopolistic powers and discretion. Furthermore, anti-social practices hinder economic development, reduce social services and divert investment in infrastructures, institutions and social services, thereby forcing ordinary consumers to pay higher prices and degrading the quality of life of millions of Nigerian citizens [27]. Anti-social financial practices also have the capacity to make public contracts more expensive as they increase the cost of doing business. In addition, investors are, and will continue to be, reluctant to invest in development efforts in Nigeria because of the risk that government revenues will disappear into the pockets of the corrupt elite instead of being used for the purpose of providing ordinary Nigerian citizens with access to education, healthcare, clean water and a decent standard of living. Hence, there is need to strengthen the national integrity system in Nigeria to be able to address the weakness in the socio-political environment facilitating anti-social practices most especially among the professionals [27].

Agriculture Production Services

The effect of non-oil components on the economic growth in Nigeria remain a subject of discussion and tested in order for turning around of the nation's economic stance for the future good, by strengthening the non-oil component growth and success and also promote a non-oil culture [29]. "At independence, agriculture was the main stay of the economy and the greatest foreign exchange earner. Agricultural products constitute the bulk of Nigeria's non-oil exports" [29]. In 1960 and for much of that decade, agriculture was the backbone of the Nigerian economy offering food and employment for the general population, raw materials for the blossoming industrial sector, and generating the bulk of government revenue and foreign exchange earnings [30], with a total value of non – oil export processed and non – processed projected at 70%. The agricultural products comprise cocoa, groundnut, palm produce, rubber (natural), cotton and yarn, fish and shrimps. Other constituents of the non-oil exports consist of manufactured products, services and solid minerals. Whereas the manufactured products and solid minerals include processed agricultural products, textiles, tin metal, beer, cocoa butter, plastic products, processed timber, tyres, natural spring water, soap, detergent and fabricated iron rods [29]. Following the discovery of oil and its exploration and exportation in commercial quantities, the fortunes of agriculture slowly reduced while crude petroleum supplanted it as the main source of revenue and export earnings [30]. "Conversely, the prime position occupied by agriculture was overtaken by the oil sector by the mid-1970s. The need for expansion of non-oil exports in Nigeria is therefore necessary on the fact that crude oil which is Nigeria's main source of foreign exchange is an exhaustible asset and which can't be relied on for sustainable developme, hence, agriculture becomes a very strong pillar in the service sector that can stimulate the nation's economic recovery and development in the post Covid – 19, Which is only possible if there is a turnaround in the challenges confronting the Agricultural sector [29].

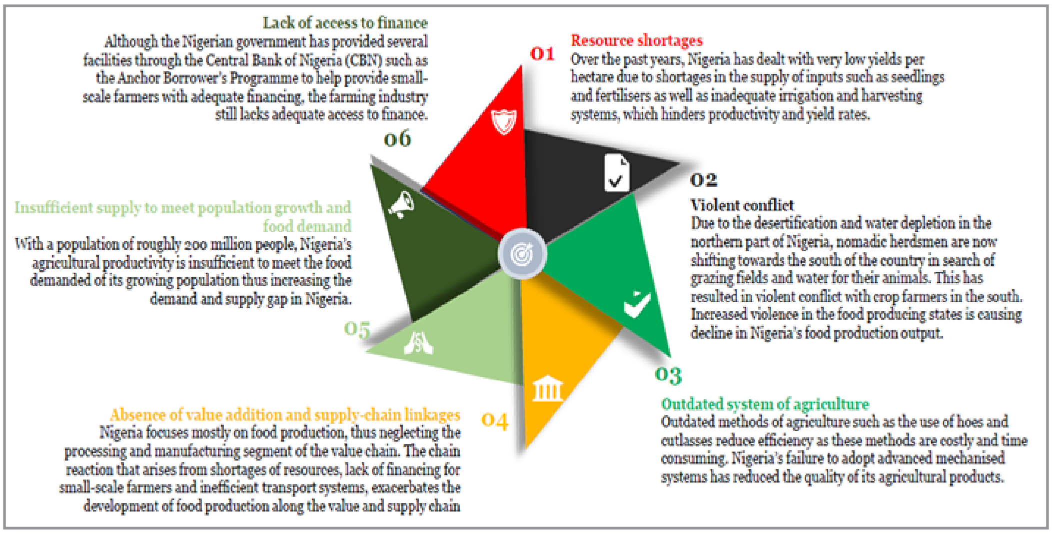

Figure 2: A Diagram showing the summary of the challenges of Nigerian Agricultural sector
Source: Oyaniran, Taiwo (2020: 7) [31].

Agriculture is basically divided into four sectors in Nigeria – crop production, fishing, livestock and forestry. Crop production remains the leading segment and it accounts for about 87.6% of the sector's total output. This is preceded by livestock, fishing and forestry at 8.1%, 3.2% and 1.1% correspondingly. Agriculture remains the biggest sector in Nigeria contributing an average of 24% to the nation's GDP over the past seven years (2013 – 2019). Ultimately, the sector employs more than 36% of the country's labour force, a feat that ranks the sector as the largest employer of labour in Nigeria [31].

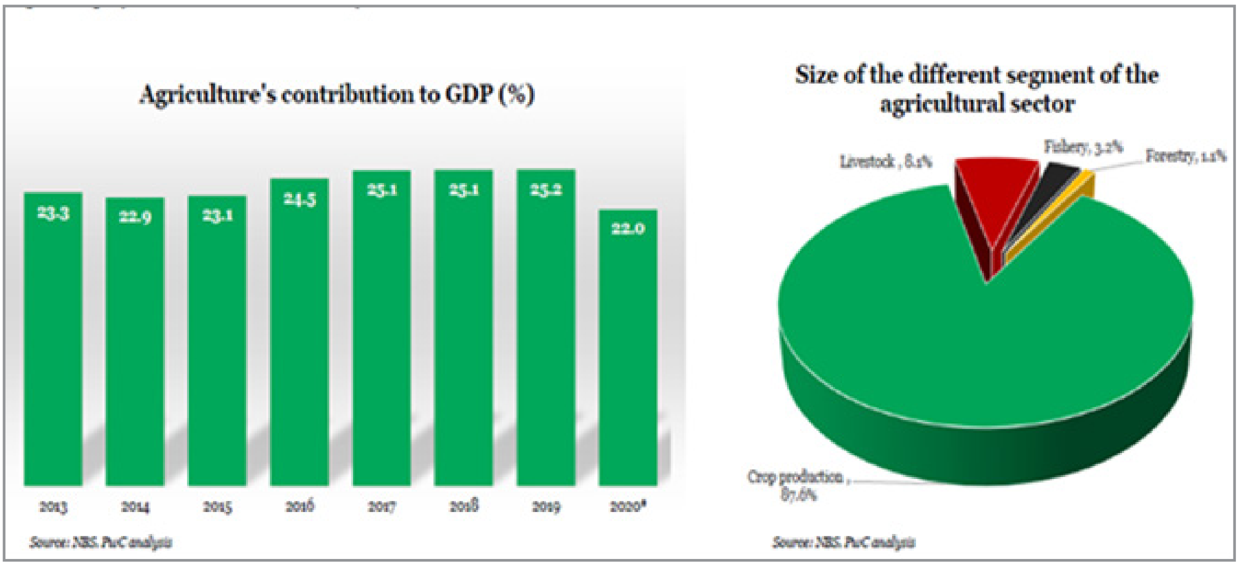

Figure 3: A Diagram showing the state of Nigeria's Agricultural sector before and during the Covid – 19
Source: Oyaniran, Taiwo (2020: 5) [31].

Nigeria has very huge potential for producing in full capacity in all aspects of agriculture involving Crops, Livestock, forestry, Fisheries and wildlife. Yet in the county today, there is pending food crisis culminating in famine. Youth unemployment is at its peak, food commodities are imported and the food production system is still generally peasantry, which has triggered a national hunger protest that has lasted for over one week and still raging in Nigeria and has reverberated in other parts of Africa [32]. Scholars are of the opinion that it may be an emergence of a semblance of Arab spring dubbed as "African Spring" Nigeria can join the league of economically developed nations by focusing on the improvement of her agricultural sector" [33]. Poverty and development are measured by GDP growth and that growth in turn leads to further development. This in turn establishes that development in the agricultural service sector can lead to the progress of the Nigerian economy [33]. "There is a need for “Value chain coordinator”, Infrastructure investments, Private sector leadership, Supportive fiscal policies and accessible Market information systems to the farmers” (Federal Ministry of Agriculture and Rural Development, 2011: 2). The vision in the transformation strategy which the renewed hope mantra has reechoed is to accomplish a hunger-free Nigeria through an agricultural sector that energies income growth, fast-tracks achievement of food and nutritional security, creates employment and transforms Nigeria into a foremost player in global food markets to produce wealth for millions of farmers. In order to realize this vision, the habitual attitude to agricultural sector would change. Fertilizer procurement and distribution, marketing institutions, financial value chains and agricultural investment framework would also be restructured, reorganized and re-energized. To attain a fruitful agricultural transformation, policies regarding agriculture, financial services, industry, market development need to be reviewed (Federal Ministry of Agriculture and Rural Development, 2011).

Manufacturing / Industrial Services

Economic transformation in Nigeria is hinged on both the Nigerian Industrial Revolution Plan (NIRP) and the Economic Recovery and Growth Plan (ERGP), which recognizes competition and the manufacturing sector as the basic drivers of development in the country. These plans leveraged principally the manufacturing-centric economic transformation framework used by China and other developed economies in its quest for Nigeria to catch up and attain economic convergence [13]. Ever since the industrial revolution, manufacturing has been the fundamental driver of swift economic transformation. The countries that caught up with and ultimately surpassed Britain, such as Germany and the USA did so by building up their manufacturing industries. China, which has developed as the archetype of this growth strategy since the 1970s, travelled on a similar trajectory. Manufacturing today is not what it used to be. It has become much more capital-intensive and skill-intensive, with really weakened potential to absorb large amounts of unskilled and semi-skilled labor [2].

In order to put Nigeria on a pedestal of robust economic development path were poignant and expansive in their analysis: A rapid industrialisation remains a priority for the Nigerian government, with most of the industrial policies having some elements of protectionism [3]. The argument has always been the need to boost local production in diverse industries. While the consequences of protecting local industries have been extensively debated in various spheres, little attention has been paid to the process of designing industrial policies in Nigeria, and the roles and interests of various stakeholders. On one hand, there is a persistent issue of the design of the policy process being rather ad hoc, and not benefiting from wide and extensive consultations. And on the other hand, the influence of various interest groups and big players in the private sector seems to affect the nature as well as the effectiveness of industrial policies. In the absence of a thriving business environment and adequate infrastructural capacity to support open and competitive industries, policies rather seem to accommodate the interests of a few powerful industrialists who rely on government patronage to capture and monopolise free markets. With government under pressure to transform the economy from a net importer to a major exporter of specific products, it also designs policies that aim to support domestic producers to invest more in the industries. Government’s drive to achieve this objective gives local producers and potential investors higher bargaining powers to the design of industrial policies. Hence, the influence of other key stakeholders such as, civil society, professionals and the public in the design of policies are rather relegated to the background.

Ultimately, there is a complex web of political interest groups that seem to mount varying degrees of pressure on industrial policies in Nigeria. Thus, prominent elites and entrepreneurs with enormous financial capacity, operating as ‘privileged insiders’ impact industrial policies to safeguard their commercial interests. While the specific roles that these influencers play in the policy process is not well captured, the realities on the ground point to their significant influence in the design and implementation of policies. In addition, weak institutions emasculate the economic-making process. Such institutions have prominent vested interests and political patronage at the expense of need, national interest, societal welfare and completeness [3]. The performance of the non-oil export sector in the past four to five decades leaves nothing much to be desired despite the efforts to promote non-oil exports in Nigeria. For these reasons if Nigerian economy is to be returned to the path of sustainable growth and external viability indeed, there is the need for a change in the policy focus and a movement to the industrialization sector [29].

Financial and Professional Services sector: The Place of Governance

Services is the leading sector in the Nigerian economy. It accounts for 53 percent of GDP in 2019 and adds considerably to employment. Despite the significance of the sector to the economy, its contribution to exports remains considerably low essentially due to extreme focus on goods exports. There is need for the development of a holistic services sector policy with strategic development plans for priority sectors – financial services, tourism, communication, professional services and transport. These plans must recognise the potential of the sector and highlights definite goals and action plan required to move the sector forward [8]. “Particular challenges concern the persistence of inward-looking policy mind-sets, inimical to a trade-based vision of economic transformation, and the way protectionist policies and decisions on the allocation of oil rents are locked in with a political system based on patron-client relations, not on a vision of national development and state-building” [3].

In almost all systems of economic arrangement, provision of services often comes with a substantial level of government involvement, either as regulators or as providers. The Nigerian government has found it difficult to excel as either regulators or providers. This is evident in the management of the Nigerian Telecommunications Limited (NITEL), and the recent case of power sector where management have been changing frequently. The participation of the government is also displayed by lack of control or laissez faire attitude towards regulating the activities of various services providers in the country [12].

In their reflection on the lessons of policy reform in Nigeria since the restoration of democracy. Te Velde et al (2016: viii) revealed that the balance sheet exhibits five features: i. Reform progress has been uneven, as illustrated by the contrast between monetary and fiscal policy. ii. The way institutional arrangements work in practice is less impressive than their formal appearance. iii.

The progress in power sector and on public finance reform has shortcomings that critically affect the environment for economic transformation. iv. Current industrial policies at the sector level are some way off from what would be recommended on the basis of international experience, being more or less strongly influenced by inward-looking, import substitution – not international competitiveness – models [3].

The services sector can be harnessed to diversify exports. This is particularly important because services are less dependent on physical infrastructure. Despite this, boosting services exports would still entail major improvements to telecommunications and power infrastructure. Turning these around would comprise wide-reaching reforms to resolve structural and policy issues that presently constrain investment in these sectors [11]. Countries pursuing to record foremost unrelenting gains in economic growth will have to get a lot of things right! One-off policy reforms will be ineffective; rather governments desiring to carry out key economic transformations will have to coordinate a slew of re-enforcing policies, such as infrastructure investments, human capital development policies, competitive policies and openness to global trade. Robust and unswerving macroeconomic management is a necessity (Spence Commission Report, Commission on Growth and Development, 2008). Accelerated digital transformation, regulatory pressures, and rapidly changing customer preferences are challenging existing business models in financial and related services, with wide-ranging implications for the future of the sector [14]. "Governance and the mode of operations of the bureaucratic system of government have a long way of impacting on the execution of planned expenditure of government as most budgeted funds do not get to the assigned projects and sectors where they are needed" [12].

On governance as it relates to economic security, [3] revealed that Nigeria could diversify into the following areas for priority policy action that would entail attention in consonance with investments in any one of the identified sectors. These include 1) targeted and core infrastructure (in power, an integrated transport network and aviation); 2) access to finance; 3) reduced business environment costs that can encourage high productivity value chain sectors (e.g. in agriculture and Banking); 4) lower import protection and lower trade costs; and 5) skills-building, particularly through vocational training, and human capital development (health and education) generally. The key takeaways are that transformative policy reforms work better (a) when they are intensely monitored with clear political support or sanctions from the country's leadership, (b) when progress is measured versus expected results in a timely and objective fashion, and (c) when changes are made to improve the reform process that enhance chances of success without compromising the ultimate goal [3]. Most success stories in Asia started in a single sector, with a single, politically empowered, public agency. Changing deeply embedded ideas about national development, and the place of agricultural and industrial transformation in it, was one of the tasks those agencies undertook [3].

How to Galvanise Financial and Professional Services Sector for Effectiveness in a Post Covid - 19 Nigeria

Government and other critical stakeholders need to conduct capacity building programmes for current and new players in the services sector [8]. Given the opportunities in the services sector and its potential to hire majority of the younger generation, there is need for Nigeria to create business-friendly policies to support the sector. Nigeria needs to recognise its areas of strengths; climax these areas and develop sustainable policies to attract private capital into these areas and to further develop the available private capital for optimal performance. Outsourcing has been acknowledged as one of the areas of strength. To take advantage of the chances that avail in outsourcing, the government must of necessity pass and execute deliberate policies that will position Nigeria as a quality services export destination universally [8].

Nigeria can borrow a leave from what other prosperous countries have done to upscale economic transformation. Te Velde et al (2016: vii) prescribed some essential policy lessons are: i. Even for the largest economies, international competitiveness has to be the goal and yardstick of success if the productivity gains of economic transformation are to be realised, ii. Investments in infrastructure and, especially middle-range, skills are vital, iii. Firms or sectors identified as potentially competitive internationally should receive government support that is linked explicitly to their export performance [3]. Te Velde, et al (2016: vii) also noted that, the policy process necessities for success are also relatively challenging. They comprise: a) appropriate timing for the policy change; b) consistency of policy packages; c) clarity about objectives; d) gathering support for policy changes; e) ways of adjusting to short-term political realities; and f) the importance of feedback and course correction mechanisms. To them realism is needed on the ease with which these policy orientations and process features will be adopted in Nigeria [3].

Conclusion

The study has undertaken a holistic and objective review of the financial and professional services sector in Nigeria. It is an often-neglected section of the economic development yet a very crucial and strategic aspect that have the tendency to accentuate, stimulate or galvanise the economy of the country to enable it compete with other optimally performing economies of other developed and emerging economic giants across the globe that have catch up or catching up. There is an exigent need for joint action by all stakeholders of development in Nigeria ─ Government, developmental agencies (including the Banking and non – banking services) and the private sector ─ to enhance fundamental enablers for the service sector to thrive. The development of high-quality and efficient services can support productivity growth and competitiveness in other sectors, it can boost the nations GDP while also having important direct effects on growth, job creation and revenue generation. The economic transformation of Nigeria is hinged on efficient service delivery.

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