



EFFECT OF NONBANK FINANCIAL INSTITUTION ON THE INTERMEDIATION PROCESS IN NIGERIA 1993- 2015

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Abstract

The study examined the effect of nonbank financial institution on the intermediation process in Nigeria 1993- 2015. In Nigeria the activities of NBFIs have not received the necessary attention as to isolate its effectiveness and its impact on the intermediation process in Nigeria. Secondary data was collected from the CBN statistical bulletin. The data collected was analyzed using the OLS technique of multiple regression analysis, employing Augmented Dickey-Fuller (ADF) unit root test, Johansen co-integration test and VECM. A four variable model was developed for the study. Based on the result of the analysis the following findings were made: There exists a long run relationship between financial intermediation and Non-bank financial institution but there is no short run relationship as discount houses and finance houses have no significant effect on financial intermediation process in Nigeria. The study therefore recommends that adequate machinery should be put in place to ensure the level of compliance as regards to the rules and regulations of the industry and the restructuring and consolidation exercise should be extended to the NBFIs if they are to remain competitive

Keywords: Financial intermediation, Discount houses, Finance houses and Johansen co-integration test.

Introduction

It is well acknowledged in the academic literature that an efficient and well-developed financial system is important for influencing economic growth. The positive effects of financial development on growth are basically credited to the functions it plays particularly in the mobilization and allocation of resources needed to undertake productive investment activities by various economic agents. Theoretical literature argued that the increased availability of financial instruments and institutions greatly reduces transaction and information costs in economy which in turn influences savings rate, investment decisions and undertaking of technological innovations.

Most of the existing studies have focused on either banking sector development or stock market development for financial intermediation. These two sectors of the financial system have been used in the finance-growth nexus literature as proxy for financial development. The emergence of Non-bank financial intermediaries (NBFIs) as one of the important sub-sectors in the financial system development and hence their relationship with economic activity is largely ignored (Islam and Oman 2005).

Statement of the problem

The banking sector in Nigeria economy is by far the largest component in the financial system and plays the predominant role in the intermediary process and providing financial sources to the economy which why Nigeria is regarded as a bank based market. Like banking institutions, the NBFIs as a group and other financial markets have also gone through a massive expansion process. The NBFIs and other financial markets as alternative sources of financial services have been seen expanding rapidly and gaining importance due to their ability to meet the diverse financial requirements of the economic agents of the country which thus increases the financial intermediation process in Nigeria. With this situation in the country the activities of the NBFIs has not received the attention as to isolate effectiveness and its impact on the intermediation process in Nigeria, information regarding the activities of NBFIs has been minimal especially the discount houses and finance houses.

Objective of the study

The broad objective of this study is to assess the effect of nonbank financial institution on the intermediation process in Nigeria, while the specific objectives includes

1. To examine the effect of discount houses on financial intermediation in Nigeria
2. To evaluate the effect of finance house on financial intermediation in Nigeria

Research questions

In a bid to guide the researchers, the following research questions were formulated

- 1 what is the extent of the impact of discount houses on financial intermediation in Nigeria?
- 2 How far has finance houses affected the level financial intermediation in Nigeria?

Research hypotheses

The following research hypotheses were formulated for the study as follows:

H₀₁ Discount houses has no significant effect on financial intermediation in Nigeria

H₀₂ Finance houses has no significant effect on financial intermediation in Nigeria

Review of Review of related literature

Conceptual Framework

Meaning Of Non-Bank Financial Institution

A non-bank financial institution (NBFI) is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency. NBFIs facilitate bank-related financial services, such as investment, risk pooling, contractual savings, and market brokering. Examples of these include insurance firms, pawn shops, cashier's check issuers, check cashing locations, payday lending, currency exchanges, and microloan organizations. Alan Greenspan has identified the role of NBFIs in strengthening an economy, as they provide "multiple alternatives to transform an economy's savings into capital investment [which] act as backup facilities should the primary form of intermediation fail (WiMpedia, 2015).

Non-Bank Financial Institutions and Economic Development in Nigeria

The primary channel through which NBFIs assist in economic development is the intermediation process. They mobilize funds by various means open to them and make same available for investment. Finance companies for instance make available funds raised through own equity contribution and borrowings from other financial institutions, individuals and companies to

investors. Banks like deposit money banks mobilize deposits from customers in form of savings, current and fixed deposits, insurance companies on the other hand aggregate the premiums paid by policy-holders.

In addition to their contribution to economic development through investment funding, NBFIs like bureaux de change encourage capital inflow. By offering higher rates than the official rate of exchange, citizens working abroad are thus encouraged to remit monies home. Since transactions in bureaux de change are carried out anonymously, citizens resident abroad who wish to bring foreign exchange without passing through official channels are given avenues to do so. The increased inflow of foreign currency which this engenders improves the country's Gross National Product (GNP) and by extension general economic well-being is enhanced. Housing is one of man's basic needs and its availability is a measure of his economic well-being. In the light of this, the role of primary mortgage institutions in housing development is of significant economic importance. Whether they are disbursing funds they generated or those from the National Housing Fund, their underlying developmental impact is in making houses available and affordable to Nigerians.

Equipment financing and industrial infrastructural development is in the domain of development finance institutions. From funds which they obtain as grants from governments or loans from international financial institutions such as World Bank, these development finance institutions fund long-term real investments. They further contribute to economic progress by providing advisory services, technical and managerial expertise to such projects. The role insurance companies play in economic development is strikingly outstanding. Apart from being a veritable source of long-term funds, it also possesses an unquantifiable psychological assurance, allaying the risk and loss anxieties of investors. This assurance kindles local entrepreneurial spirit and encourages foreign direct investment. By indemnifying policyholders in case of actual loss, insurance companies ensure production continuity and the maintenance of established consumption patterns and hence improvement of existing living standard (Isimoya, 2003),

Another area where NBFIs have played a vital developmental role is in the reduction of money stock outside the banking system, Akpan (1998) rightly pointed out that due to the existence of a grossly under banked rural economy, monetary policy measures instituted by CBN are ineffective. The advent of community banks and their rural focus has gone a long way in correcting this anomaly. The community banks and recently microfinance banks have been able to mop up substantial rural deposits, monies which hitherto remained outside the banking system and hence outside the control of monetary authorities. Monetary policy which is geared towards varying money supply to check inflation and enhance rapid economic development has through instrumentality of these banks become more effective.

Provision of a secondary market for trading in government securities by discount houses through their discount activities has also immensely contributed to the effectiveness of monetary policy especially Open Market Operations (OMO). The presence of an avenue to discount these securities encourages banks and other investors to buy them, by so doing government is provided with development funds on one hand and open market operations became more effective as a monetary policy instrument on the other. Increased activity has been recorded in the market since the advent of the discount houses in 1993; this has improved financial structures and further deepened the financial system NBFIs contribute to the amelioration of the massive unemployment experienced in the country. Apart from those directly employed to work for them, there is a teeming number of unemployed graduates, artisans, farmers, etc who establish businesses from credit made available by NBFIs. Their funding of small and medium scale enterprises is also a boost to employment as these enterprises are known to be the highest employers of labour in our economy.

Theoretical review

Informational Asymmetry Theory

The "informational asymmetry" studies focus on the bank/borrower and the bank/lender relation in particular. In bank lending one can basically distinguish transactions-based lending (financial statement lending, asset based lending, credit scoring, etc.) and relationship lending. In the former class information that is relatively easily available at the time of loan origination is used. In the latter class, data gathered over the course of the relationship with the borrower is used. Central themes in the bank/borrower relation are the screening and monitoring function of banks (ex-ante information asymmetries), the adverse selection problem, credit rationing (Stiglitz and Weiss, 1981), the moral hazard problem and the ex post verification problem. Central themes in the bank/lender relation are bank runs, why they occur, how they can be

prevented, and their economic consequences. Another avenue in the bank/lender relationship are models for competition between banks for deposits in relation to their lending policy and the probability that they fulfill their obligations.

Transaction Costs Approach

In contrast to informational asymmetry theory is the transaction costs approach. This approach does not contradict the assumption of complete markets. It is based on no convexities in transaction technologies. Here, the financial intermediaries act as coalitions of individual lenders or borrowers who exploit economies of scale or scope in the transaction technology. The notion of transaction costs encompasses not only exchange or monetary transaction costs, but also search costs and monitoring and auditing costs. Here, the role of the financial intermediaries is to transform particular financial claims into other types of claims (so-called qualitative asset transformation). As such, they offer liquidity and diversification opportunities. The provision of liquidity is a key function for savers and investors and increasingly for corporate customers, whereas the provision of diversification increasingly is being appreciated in personal and institutional financing. Holmstrom and Tirole (2001) suggest that this liquidity should play a key role in asset pricing theory. The result is that unique characteristics of bank loans emerge to enhance efficiency between borrower and lender. In loan contract design, it is the urge to be able to efficiently bargain in later (re)negotiations, rather than to fully assess current or expected default risk that structures the ultimate contract (Gorton and Kahn, 2000).

Diamonds model

In the Diamonds model, intermediaries are delegated the costly task of monitoring loan contracts. A financial intermediary must choose an incentive contract such that it has incentives to monitor the information, make proper use of it, and make sufficient payments to depositors to attract deposits. Providing these incentives is costly and diversification can reduce these costs (Diamond 1983).

Empirical review

In a related study, Demirguc-Kunt and Levine (1996) with a statistical data set of 48 countries³ comprising low-income, middle-income and high-income economies showed graphically how over time the role of NBFIs and stock market grew in importance with banks representing a corresponding smaller share of the overall financial system. The study traced that specialized financial intermediaries and the stock market activities were virtually non-existent at the early stages of development particularly in the 1970s. However, by 1990 both non-banks and stock markets began to expand and develop. Their data support Gurley and Shaw's view. The same pattern is observed in the case of middle-income and high-income economies with a higher degree of development of NBFIs and stock markets in the financial system. Islam and Osman (2005) empirically examined the development impact of Non-Bank Financial Intermediaries on economic growth in Malaysia using time series data over the period spanning explanatory variables, financial intermediation functions of finance companies has a prominent role in determining the performance of the Nigeria economy.

Methodology

Research Design

Creswell and John (2003), indicated that Research Design is a conceptualized plan, structure and strategy adopted by the researcher to enhance the provision of solution to a research problem, through effective control of variance (system, extraneous and error variance). Olantunji also explained that research design shows "What" to do and "How" to do it. To pursue this study the ex post facto research design was adopted.

Types and Sources of data

The research work tends to rely mostly on the use of aggregate Secondary Data. The data for analysis of this research work tend to be mainly annual time series data and other relevant information from official Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Bureau of Statistics (FBOS).

Analytical Techniques

The analytical tools used in this research work involved the use of multiple regression models, The test for stationarity was carried out using the Augmented Dickey-Fuller (ADF) unit root test Johansen co-integration for long run relationship and VECM, However, prior to the regression analysis, diagnostic tests were carried out to ensure the validity of data also Econometric view(e-view) version 8.0 computer package was used in analysing and estimating the parameters.

Model Specification

Economic theories claim that a change in one variable can be explained by changes in several other variables. A model is identified if it is in a unique statistical form enabling unique estimates of the parameters to be subsequently estimated from a sample data. In this study, the model formulated was influenced by Nwakoby and Ananwude(2016), Islam and Osman (2005) and Levine et al (1999) and modified thus; $FI = a_0 + a_1DAG + a_3FAG + u$.

Where:

FI	= private sector credit/GDP (financial intermediation)
DAG	= Discount houses assets/GDP.
FAG	= Finance houses assets/GDP
u	= Error term

Decision Rule

For the F* Statistics test, if the prob. Value of $F^* < 0.05$, we accept that the regression equation is statistically significant. For the test of the hypothesis, if t- prob. value calculated < 0.05 , we accept the alternative hypothesis then reject the null hypothesis.

Description of research variables

FI which is financial intermediation, this equals the value of credits by financial intermediaries to the private sector divided by GDP. This measure of financial development is more than a simple measure of financial intermediation and sector size. This measure of financial intermediation most preferred to other measures since it is a broader measure of credit issuing financial intermediation. According Levine and Zervous(1998) PRIVATE CREDIT does not directly measure the amelioration of information and transaction costs, we interpret higher levels of PRIVATE CREDIT as indicating higher levels of financial services and therefore greater financial intermediary development. DAG which is Discount house assets/GDP was used to measure the intermediary activities of Discount houses whileFAG equals Finance house assets/GDP which also measures the intermediary activities of Finance houses. These variables was influenced by Islam and Osman(2005) when they measured the total assets of nonbank finance institution divided by GDP as a measured for financial intermediation In Malaysia.

Data presentation, analysis and discussion

Data Presentation

The time series data (comprising of both dependent and independent variables) used for this study were presented in Appendix 1.The dependent variable is financial intermediation while the independent variables include discount housesand finance houses

Descriptive Statistics

In order to describe the basic features (such as mean, standard deviation, and Jarque-Berastatistics) of the data used for this study, the descriptive statistics was used. Consequently, the summary of the descriptive statistics was presented in table 4.2 below.

Table 4.1 Descriptive statistics of research variables

	DAG	FAG	FI	
Mean	5.779565	3.122609	14.68696	
Median	4.810000	2.220000	12.30000	
Maximum	17.17000	12.28000	36.90000	
Minimum	1.170000	1.090000	5.900000	
Std. Dev.	4.402588	2.604350	7.447532	
Skewness	1.219136	2.312068	1.323155	
Kurtosis	3.719336	8.154309	4.689229	
Jarque-Bera	6.193335	45.95164	9.445765	
Probability	0.045200	0.000000	0.008890	
Sum	132.9300	71.82000	337.8000	
Sum Sq. Dev.	426.4211	149.2180	1220.246	
Observations	23	23	23	

Authors Computation using E-Views 8.

From the result in table 4.1 it could be seen that FI has the highest average and standard deviation from the data set. While FAG has the highest kurtosis. In all the variables are normally distributed based on the significant values of Jarque-Bera.

Augmented Dickey Fuller (ADF) Unit Root Tests

Estimation of the econometric model specified in this study was preceded by an examination of the statistical properties of the series, including tests of stationarity of the individual series. The Augmented Dickey Fuller (ADF) unit root test results for the variables used in the analysis were presented in Tables 4.2 and 4.3 below.

Table 4.2. Summary of Augmented Dickey Fuller (ADF) Unit Root Tests Result with Trend and Intercept® Levels

VARIABLE	ADFTS	CV@1%	CV<®5%	PROS'	CONCLUSION
FI	-3.371554	-4.467895	-3.644963	0.0824	Non Stationary
Dag	-1.563832	-4.467895	-3.644963	0.7726	Non-Stationary »
FAG	-3.218708	-4.467895	-3.644963	0.1077	Non Stationary

Authors Computation using E-Views 8.

Table 4.3. Summary of Augmented Dickey Fuller (ADF) Unit Root Tests Result with Trend and Intercept® First Difference

VARIABLE	ADFTS	CV@1%	CV@5%	PROB.	CONCLUSION
FI	-4.438911	-4.498307	-3.658446	0.0112	Stationaryl(1)
DAG	-3.780007	-4.467895	-3.644963	0.0387	Stationaryl(1)

FAG	.4.744784	-4.440739	-3.632896	0.0053	Stationaryl(1)
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Authors Computation using E-Views 8.

The outcomes of the tests are illustrated in the tabular form in Tables 4,2 and 4,3. According to the null hypothesis; series has a unit root as it is non-stationary, a comparison is held in the tables by comparing the statistic values with the critical values. From the result in table 4.2, nonof the variables were stationary at level. However, it was found in table 4.3 that the ADF results with trend and intercept indicate that the time series are integrated of the same order, since comparing their statistic values with critical values, indicating all the variables were stationary at 1st difference, thus, the linear combination of series integrated of the same order is said to be co-integrated. In other words, the variables tested, were all stationary at first difference. We thenconclude that the difference In trend (unit root in these time series) used, has been removed. Based on this, we reject the null hypothesis and accept that the variables were all stationary atorder one.

Result of Co-integration Test

Table 4.5 Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. ofCE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.877187	82.44180	47.85613	0.0000
At most 1 *	0.752393	38.40290	29.79707	0.0040
At most 2	0.277650	9.088769	15.49471	0.3572

Authors Computation using E-Views 8.

Trace test indicates 2 cointegratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

The Johansen co-integration test uses two statistics test namely: the trace test and the maximal Eigenvalue test. The trace rank result presented in table 4.5 it could be seen that the Trace statistic values is 82.44180 which is greater than the critical value of 47.85615 and also has a probability value of 0.000 which is lesser than 0.05, this suggest that we reject the null hypothesis that there is none cointegrating equation in the model.

Table 4,6 Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob,**
None*	0.877187	44.03890	27.58434	0.0002
At most 1 *	0.752393	29.31413	21.13162	0.0028
At most 2	0.277650	6.830155	14.26460	0.5094

Authors Computation using E-Views 8

Max-eigenvalue test indicates 2 cointegratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

The result on table 4.6, the Maximum Eigen value is 44.03890 which is greater than the critical value of 27.58615 and also has a probability value of 0.0002 , this connotes that we reject the null hypothesis that there is none co-integrating equation in

the model, and this result supports the trace result. The above result denotes the existence of co-integration between FI, DAG, and FAG at the period. It shows the rejection of null hypothesis of no co-integration and acceptance of the alternative of co-integration. So, the results suggest existence of a stable long run relationship between financial intermediation and Non-bank financial institutions

Serial Correlation LM Test

Table 4.7 presents the result of the Breusch-Godfrey Serial Correlation LM Test

Table 4.7 Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.051496	Prob. F(2,8)	0.9501
Obs*R-squared	0.254210	Prob. Chi-Square(2)	0.8806

Authors Computation using E-Views 8

The serial correlation LM test presented in table 4.7 which tests the for serial correlation in the model, is based on an null hypothesis that there is no serial correlation in the model, but the observed R^2 has a sig. probability value of 0.881 which is greater than 0.05, we therefore accept the null hypothesis. This suggests that there is no serial correlations in the model, the model are not correlated

Heteroskedasticity Test

Table 4.8 presents the result of the Breusch-Pagan-Godfrey Heteroskedasticity Test Table 4.8 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.393892	Prob. F(12,7)	0.1267
Obs*R-squared	16.08136	Prob. Chi-Square(12)	0.1875
Scaled explained SS	2.18495&	Prob. Chi-Square(12)	0.9991
Authors Computation using E-Views 8.			

The Breusch-Pagan-Godfrey Heteroskedasticity Test presented in table 4.8 which tests the for Heteroskedasticity in the model, and it is based on a null hypothesis that the model is Homoskedastic, but the observed R^2 has a sig. probability value of 0.999 which is greater than 0.05, suggests that we accept the null hypothesis. This suggests that there is no problem of Heteroskedasticity.

Presentation of Error Correction Model (ECM)

Having established the long run equilibrium relationship among the variables in the model, we switch to the short run error correction model. The error correction model result was presented in Table 4.9 below.

Table 4.9: Error Correction Model (ECM) Results

Dependent Variable: D(FI)

Method: Least Squares

Date 14/4/18 Time: 09:38

Sample (adjusted): 1996 2015

Included observations: 20 after adjustments

Coefficient		Std. Error	t-Statistic	Prob
ECT	0.168455	0,390558	0.431318	0.6754
D(FI(-1))	-0.893058	0.610250	-1.463429	0.1741
D(FI(-2))	-0.366026	0.397860	-0.919988	0.3792
D(DAG(-1))	1.422985	0.741831	1.918206	0.0841
D(DAG(-2))	1.006061	0.459328	2.190289	0.0533
D(FAG(-1))	1.408512	1.123864	1.253276	0.2386
D(FAG(-2))	-0.804644	0.816024	-0.986054	0.3474
C	1.834466	1.120863	1.636646	0.1327
R-squared	0.743442	Mean dependent var		0.695000
Adjusted R-squared	0.512540	S.D. dependent var		5.508317
S.E. of regression	3.845814	Akaike info criterion		5.838700
Sum squared resid	147.9028	Schwarz criterion		6.336566
Log likelihood	-48.38700	Hannan-Quinn criter.		5.935889
F-statistic	3.219731	Durbin-Watson stat		2.095460
Prob(F-statistic)	0.041323			

Authors Computation using E-Views 8.

Table 4.9 presents the results of the empirical short run regression estimates for the Financial Intermediation and non-bank Financial Institutions model resulting from the data. Based on the result on the table, the Coefficient of determination R^2 and adjusted R^2 which measure the explanatory power of the multiple regression model has a coefficient of .743 and .513, which implies that 74.3% , using R^2 or 51.3% using adjusted R^2 of the changes that occur in Financial Intermediation in Nigeria is accounted for by the explanatory variables and this is high. The implication is that the variables in the equation are useful for explaining the changes in Financial Intermediation in Nigeria within the period under study.

Also from the result in table 4.9 the f- statistic which is used to measure the overall significance of the model has a coefficient of 3.22 with A-prob. Value of 0.041, since the F-prob value is lesser than 0.05 we conclude that the Independent variable jointly has a significant impact on the dependent variable. This signifies that the model is well specified. Also from the result on table 4.9 the coefficient ECT is 0.168, which is not correctly signed and has a prob value of 0.675 which is greater than 0.05, this implies that there is no short run relationship running between Financial Intermediation and Nonbank Financial institutions in Nigeria. The coefficient of DAG-I and DAG-2 is 1.423 and 1.006 respectively. This signifies that Discount Houses has a positive impact on Financial Intermediation in Nigeria, implying that a unit change in Discount Houses activities will lead to increases in Financial Intermediation in Nigeria.

Test of Hypothesis

Ho₁ Discount houses has no significant effect on financial inter mediation in Nigeria

Based on the decision rule stated in the previous chapter, it could be seen in table 4.6 and 4.7 that there exists a long run relationships between Financial intermediation and Discount House activities but based on the result table 4.9 Also indicates that is no short run relationship between Financial intermediation and Discount House activities. Also the Prob Sig value of DAG is 0.084 which is greater than 0.05, we therefore accept the null hypothesis and reject the alternate. We conclude that DAG has no significant effect on Financial Intermediation in Nigeria. This is consistent with the findings of Nwakoby and Ananwude (2016) and this may not be unconnected to the high rate of fee customers pay and unethical practice by these discount houses which has led to low patronage.

Ho₂ Finance houses has not significantly effect on financial intermediation in Nigeria

Based on the decision rule stated in the previous chapter, it could be seen in table 4.6 and 4.7 that there exists a long run relationships between Financial intermediation and Finance house activities but based on the result table 4.9 Also indicates that is no short run relationship between Financial intermediation and Finance house activities. Also the Prob Sig value of FAG is 0.239 which is greater than 0.05, we therefore accept the null hypothesis and reject the alternate. We conclude that MFG has no significant effect on Financial Intermediation in Nigeria. This is consistent with the findings of Nwakoby and Ananwude (2016) and inconsistent with the findings of Igbani and Iwedi (2015). This may not be unconnected to the exorbitant fee customers pay, low capitalization and unethical practice by these Finance houses which may have contributed to low patronage.

Summary, Conclusion and Recommendations

Summary of Findings

The researchers investigated the effect of nonbank financial institution on the intermediation process in Nigeria between 1993-2015. Based on the strength of the empirical analysis of the secondary data, the findings of the research were summarized as follows:

1. That discount houses has no significant effect on financial intermediation in Nigeria.
2. That finance houses has no significant effect on financial intermediation in Nigeria.

Conclusion

In conclusion, the research work empirically investigated the effect of nonbank financial institution on the intermediation process in Nigeria between 1993-2015. Based on the findings, the study concluded that nonbank financial institution has not

performed as expected in the intermediation process In Nigeria. There exists a long run relationship between financial intermediation and non-bank financial institution but there is no short run relationship

Recommendations of the study

Based on the findings of this research work, it is recommended that the regulatory and monetary authorities should amongst other things ensure:

1. Adequate machinery should be put in place to ensure the level of compliance as regards to the rules and regulations of the Industry, so as to reduce abuse and exploitation of customer, charging exorbitant fees etc
2. The monetary authorities should properly control and regulate the activities of the NBFIs in order to achieve a sound financial system in the country and restructuring and consolidation should be extended to the nonbank financial institutions if they are to remain competitive

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