



Impacts of banks on the economic growth and development of Sierra Leone

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Abstract

The main objective of this study is to equally examine and evaluate the role of commercial banks on the economic growth in Sierra Leone. The study portrays how loans and credit affect the GDP and consequently the level of economic growth of Sierra Leone.

The data for this research study was collected through primary sources and secondary sources included a number of text books and annual reports. But primary sources are mostly collected. The data was analyzed through quantitative analysis using descriptive statistics.

At the end of the study, it was revealed that commercial banks have a positive impact on the economic growth in Sierra Leone. It was also realized that domestic credit from commercial banks has a directly proportional relationship.

The Recommendations were stated on the fact that, government should encourage the saving culture of Sierra Leoneans, increase the level of deregulation in the banking sector and also reduce the tax burden on commercial banks.

Keywords: economic growth, GDP, commercial banks, domestic credit

Introduction

Sierra Leone is a relatively small country, on the west coast of Africa with an area of approximately 28,000 square miles. The estimated population is 5.5 million in habitants, 30% of whom resides in the western area of the country according to census 2006 ^[1].

Serra Leone economy after independence from the British colony in 1961 up to the 1970's, was quite satisfactory in terms of good performance. The exchanging rate between the loan and foreign currencies was relatively good. In 1972 - 1975 the economy started experiencing down fall that was mainly due to external factory, such as the famous oil price shock in 1973. Naturally, the 1980 organization of Africa unity [OAU] Summit that was hosted by the government of Sierra Leone fuelled the debt crisis in Sierra Leone. The country's currency was forced to devalue in 1988 because of the foreign exchange scarcity in the country.

Historical evidence indicate that Sierra Leone economy is that of a least developed country with a gross domestic product [G D P] of approximately us \$1.9 billion in 2009. Since the end of the civil war in 2002 the economy is gradually recovering with a GDP growth rate between 4% and 7%. In 2008 in G D P in purchasing power parity {P PP} ranked between 147th {World Bank} and 153rd {CIA} largest in the world.

Since Sierra Leone has been classified as the poorest country in the world and rank at the bottom of the united nation development program {UNDP}, Human development index. The growth in the economy has been underpinned by broad recovery in agriculture mining manufacturing construction and service sector.

The Sierra Leone economy continues to worsen in early 1992 when the civil unrest started which causes untold suffering on humans and the entire country.

Many people were forced out of their houses and eventually became displaced persons and refugees in their own country and neighbouring country like Guinea, Ghana and Gambia. Almost all segment of the business economy collapsed including banking and lending institution. It was then the problems of growth in economy worsen and everything completely deteriorated and collapsed.

Similarly the GDP per capital of Sierra Leone grew up 32% in the 1960s, reaching a peak growth of 107% in the 1970s. But this proved unsustainable and it consequently shrank by 52% in the 1980 and a further 10% in the 1990. The mean wage was U.S \$0.32 per hour in 2009. In 2016, GDP stood at 23.9 trillion Leone, the equivalent of U.S \$3.8 billion at an annual average exchange rate in 2016 of 6,291.72 Leone per us \$. Inflationary pressure and a substantial depreciation of the loan in 2016, which continued in 2017. Pose a threat to the economy and have direct impact on fiscal stability.

Statement of the Problem

The role played by commercial banks in the development of Sierra Leone economy has been done by many researchers and Sierra Leone commercial bank is inclusive. Imagine commercial bank are institutions where people are given access, privileges and rights opportunities to part take in all services rendered by commercial banks in the economic and in the infrastructure sector of the country.

Commercial banks have always played an important position in the country's economy. They played a decisive role in the development of the industry and trade. They are acting not only as the custodian of the wealth of the country but also as resources of the country, which are necessary for the economic development of a nation. They mobilize the small saving of the people scattered over a wide area through their network of purposes. Commercial banks aid the economic development of the nation through the capital formed by them. Other country like India, loan lending operation of commercial banks subject to the control of the RBI commercial banks provide 100% credit for worthwhile project, which is also technically feasible and economically viable. Thus commercial banks help for the development of entrepreneurship in the country. In 1972, Sierra Leone started faced a serious economic crisis which was very detrimental sector of the economy of which commercial banks were involved. Various conditions combined together to lead to the crisis. They government admitted that the down fall of the economy was caused by the sudden drop in the price of famous oil shock in 1973, and poverty intensified with real per capital declining to us \$142 in 2000. Between 1992 and 1994, Sierra Leone successfully implemented an adjustments program supported by international monetary fund {IMF} under the right accumulation program {RAP} still to address the economic crisis.

Following the successful implementation of the RAP, the IMF approved a three year arrangement support under enhanced structural adjustment facility {ESAF}. The implementation of the first annual program was disrupted by the escalation of the rebel activities in 1995. With the return of democracy in 1996, the IMF supported the economic recovery program adopted by the new Government with a second annual program under the ESAF. These programs are free and are out to achieve a sustainable improvement in living condition as well as significant reduction in poverty. And this affected the people in the country. After the completion of this research study, its will benefit the

commercial banks in Sierra Leone.

Aim of the Study

The main objective of this research work is to evaluate the role played by commercial banks on the economic growth in Sierra Leone.

Specific Objectives

The specific objectives of this research work are to;

- Examine the life profile of respondent
- Identify the problems associated with the economic growth in Sierra Leone.
- Examine the role and contribution of commercial banks on economic growth in Sierra Leone.
- Evaluate the success and failure of commercial banks and the reason for failure
- Examine the effect of loans (Domestic credit) provided by commercial banks on the gross domestic product (G D P).
- Know the role of government in encouraging commercial banks participation on the economic growth in Sierra Leone.
- Point out the challenges faced by commercial banks on the economic growth in Sierra Leone.

Research Questions

- What problems commercial banks associated with economic growth?
- What are the roles and contributions of commercial banks on the economic growth in Sierra Leone?
- What are factors made commercial bank's success and failure and what the failure?
- What effect of loans [Domestic credit] provided by commercial banks on the G D P?
- What are the roles played by government in encouraging commercial banks participation on the economic growth?
- What are challenges does commercial banks faced on the economic growth in Sierra Leone?

Significance of the Study

This research work is important to the following groups of people; commercial banks, Government and to researchers.

- This work will help the researcher to build his knowledge, giving a greater understanding of the performance of the economy and the role played by commercial banks
- This work will remain to be the background work to the forth coming students and researchers will be able to review some ideas if necessary.
- It will help the government to develop good developmental strategy concerning economic growth and commercial banks.
- It important to commercial banks due to the fact that, it will help them to improve on their services offered to the public and to implement advanced measures so as to enhance the growth of the economy.

Limitation

The scope of the study will be limited to studying the banks that are inside Makeni City that helps in the development of economic growth and the problems which they associated with. It is acknowledge that the other banks may help in the development of economic growth but not included in this

study. These other banks may include but not limited to Marampa Masimera community banks, Matru community bank, Segbwema community bank, and yoni community. A feature extension of this may look at these banks.

Delimitation

According to the researcher's findings, this study comprises thirteen commercial banks over 2009 to 2019 periods given that much of the activities in the banking have taken place within the period with the new banks, increase in demand and a general economic expansion. Banks are circulated all over the country but due to financial constraints like transport fees to and fro, printing of questionnaires, the research study will only be conducted in Makeni. The study was restricted to assess the role of commercial banks on the economic growth in Makeni. Also the research study is specific measurable achievable relevant and time bound.

Literature Review

Definition of Concepts/Terms

This deals with the definition of concepts/terms relating or pertaining to this research work. These terms include; Economic growth, gross domestic product (GDP), Commercial banks, and Loans (credits).

Economic growth

According to Jim Chappelow (2019) ^[2], economic growth is an increase in the capacity of an economy to produce goods and services, compare from one period of time to another. It can be measured in normal or real terms, the latter of which is adjusted for inflation.

Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used. Economic growth increases in capital goods, labor force, technology, and human capital can all contribute to economic growth.

According to Paul Roomer (2018) ^[3], economic growth occurs whenever people take resources and arrange them in ways that are more valuable. A useful metaphor for production in an economy comes from the kitchen. To create valuable final products, we mix inexpensive ingredients together according to a recipe. The cooking one can do is limited by the supply of ingredients, and most cooking in the economy produces undesirable side effects. If economic growth could be achieved only by doing more and more of the same kind of cooking, we would eventually run out of materials and suffer from unacceptable levels of pollution and nuisance.

Gross Domestic Product (GDP)

According to Some G. Anderson reviewed (2020), gross domestic product (GDP) is the total value of everything produced within a country's borders. When economists talk about the "size" of the economy, they are relating to GDP.

According to Jim Chappelow updated(2020), gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

The calculation of a country's GDP encompasses all private and public consumption, government outlays, investments, addition to private inventories, paid in construction costs, and

the foreign balance of trade,(exports are added to the value and imports are subtracted) all the components that make up a country's GDP, the foreign balance of trade is especially important. The GDP of a country tends to increase when the total value of goods and services that domestic producers sell to foreign countries exceeds the total value of foreign goods and services that domestic consumers buy.

When this situation occurs, a country is said to have a trade surplus. If the opposite situation occurs - if the amount that domestic consumers spend on foreign products is greater than the total sum of what domestic producers are able to sell to foreign consumers, it is called a trade deficit. In this situation, the GDP of a country tends to decrease.

The components of GDP include personal consumption expenditure(C), business investments (I), government spending (G), exports(X), and imports (M).

GDP is equal to $C+I+G+(X-M)$.

Commercial Banks

This section is divided into three categories, the first category deals with the definition of commercial bank, the second category deals with the operations of commercial banks, and the last part deals with the terms related to commercial banks.

Definition of Commercial Bank

According to Julia Kagan, reviewed by Something G. Anderson (2020) ^[5], Commercial Bank is a type of financial institution that accepts deposits, offers checking account services, makes various Loans, and offers basic financial products like certificates of deposits (CDs) and savings account to individuals and small businesses.

A commercial bank is where most people do their banking; as opposed to an investment bank. Commercial banks make money by providing Loans and earning interest income from those Loans. The types of Loans that commercial banks can issue vary and may include mortgages, auto loans, business loans, and personal loans. A commercial bank may specialize in just one or a few types of Loans.

Customer deposits, such as checking accounts, savings accounts, money market accounts, and CDs, provide banks with the capital to make Loans. Customers who deposit money into these accounts effectively lend money to the bank and are paid interest. However, the interest rate paid by the bank on money they borrow is less than the rate charged on money they lend.

Operations of Commercial Bank

The amount of money earned by a commercial bank is determined by the spread between the interest it pays on deposits and the interest it earns on Loans it issues, which is known as net interest income, (Somer G. Anderson reviewed 2020) ^[4].

According to Somer G. Anderson reviewed (2020) ^[5], customers find commercial bank investments, such as savings accounts and CDs, attractive because they are insured by the Federal Deposit Insurance Corp. (FDIC), and money can be easily withdrawn. However, these investments traditionally pay very low interest rates compared with mutual funds and other investment products. In some cases, commercial bank deposits pay no interest, such as checking account deposits.

There is a limit to the amount of credit lending institutions can create this way. Banks are largely required to keep a certain minimum percentage of all deposits claims as liquid

cash. This is called the reserve ratio. The reserve ratio in the United States is 10%. This means for every \$100 the bank receives in deposits, \$10 must be retained by the bank and not loaned out, while the other \$90 can be loaned or invested, (by Somer G. Anderson 2020) ^[4].

Deposits

The largest source by far of funds for banks is deposits; money that account holders entrust to the bank for safekeeping and use in future transactions, as well as modest amounts of interest. Generally referred to as "core deposits", these are typically the checking and savings accounts that so many people currently have. In most cases, these deposits have very short terms. While people will typically maintain accounts for years at a time with a particular bank, the customer reserves the right to withdraw the full amount at any time. Customers have the option to withdraw money upon demand and the balance are fully insured, up to \$250,000, therefore, banks do not have to pay much for this money. Many banks pay no interest at all on checking account balances, or at least pay very little, and pay interest rates for savings accounts that are well below U.S. Treasury bond rates.

Wholesale Deposits

If a bank cannot attract a sufficient level of core deposits, that bank can turn to wholesale sources of funds. In many respects these wholesale funds are much like interbank CDs. There is nothing necessarily wrong with wholesale funds, but investors should consider what it says about a bank when it relies on this funding source. While some banks de-emphasize the branch-based deposit-gathering model, in favor of wholesale funding heavy reliance on this source of capital can be a warning that a bank is not as competitive as its peers.

Investors should also note that the higher cost of wholesale funding means that a bank either has to settle for a narrower interest spread, and lower profits, or pursue higher yields from its lending and investing, which usually means taking on greater risk.

Consumer Lending

Consumer lending makes up the bulk of North American bank lending, and of this, residential mortgages make up by far the homes themselves are often the security that collateralizes the loan. Mortgages are typically written for 30 years repayment periods and interest rate may be fixed, adjustable, and variable.

Automobile lending is another significant category of secured lending for many banks. Compare to mortgage lending, loans are typically for shorter terms and higher rates. Banks face extensive competition in auto lending from other financial institutions, like captive auto financing operations run by automobile manufacturers and dealers.

Prior to the collapse of the housing bubble, home equity lending was a fast-growing segment of consumer lending for many banks. Home equity lending basically involves lending money to consumers, for whatever purposes they wish, with the equity in their home, that is, the difference between the appraised value of the home and any outstanding mortgage, as the collateral.

As the cost of post-secondary education continues to rise, more and more students find that they have to take out loans to pay for their education.

Credit cards are another significant lending type and an interesting case. Credit cards are, in essence, personal lines of credit that can be drawn down at any time. While Visa and MasterCard are well-known names in credit cards, they do not actually underwrite any of the lending.

Terms Related to Commercial Bank

According to Somer G. Anderson reviewed (2020) ^[5], explained the following terms briefly:

Fee Income

Fee Income is the revenue produced by a financial institution that does not derive from the interest paid on loans.

Interest Rate (What the lender gets paid for the use of assets):

The interest rate is the amount charged, expressed as a percentage of the principal, by a lender to a borrower for the use of assets.

Money Market

This refers to trading in very short-term debt investments. These investments are characterized by a high degree of safety and relatively low rates of return.

Retail Banking

This consists of basic financial services, such as checking and savings accounts, sold to the general public via local branches.

Bank

This is a financial institution licensed as a receiver of deposits and also provides other financial services, such as wealth management.

Checking Account

This is a deposit account held at a financial institution that allowed deposits and withdrawals. Checking accounts are very liquid and can be accessed using checks, automated teller machines, and electronic debts, among other methods.

Loans (Domestic Credits)

In a financial transaction in which one party repayment agreed upon by both parties usually there's a redempt by Thembu Palane (2012) ^[6].

In essence, taking out a loan means that you are receiving money offered a loan, because you have to make sure that you will be taking again.

According to Somer G. Anderson (2020) ^[5], for most banks, loans are the primary use of their funds and the principal way in which they earn income. Loans are typically made for fixed terms, at fixed rates and are typically secured with real property; often the property that the loan is going to be used to purchase. While banks will be make loans with variable or adjustable interest rates and borrowers can often repay loans early, with little or no penalty, banks are generally shy away from these kinds of loans, as it can be difficult to match them with appropriate funding sources. Part and parcel of a bank's lending practice is its evaluation of the credit worthiness of a potential borrower and the ability to charge different rates of interest, based upon that evaluation. When considering a loan, banks will often evaluate the income, assets and debts of the prospective borrower, as well as the credit history of the borrower. The purpose of the loan is also a factor in the

loan underwriting decision, loans taken out to purchase real property, such as homes, cars, inventory, etc, are generally considered less risky, as there is an underlying assets of some value that the bank can aim in the event of nonpayment. As such, bank play an under - appreciated role in the economy. To some extent, bank loan officers decide which projects, and/or businesses, are worth pursuing and are deserving of capital.

Theoretical Framework

Under this section, four theories will be reviewed concerning economic growth. These theories include;

- Classical model
- Neo - classical model of Solow/Swan
- New Economic growth theories(Endogenous growth)
- Unified growth theory

According to Tejvan Pettinger (2019) ^[7], explained and reviewed the above theories of economic growth.

Classical Model

According to Pettinger (2019), Classical model developed by Adam Smith in Wealth of Nations (1776) followed by Ricardo and Malthus. Smith argued there are several factors which enable increased economic growth;

- Role of markets in determining supply and demand
- The productivity of labor. Smith argued income per capita was determined by "the state of the skill, dexterity, and judgment with which labor is applied in any nation" (Wealth of Nations 1.6),
- Role of rate in enabling greater specialization
- Increasing returns to scale e.g. specialization we see in modern factories and the economies of scale of increased production.

According to Will Kenton (2019) ^[8], the classical growth theory argues that economic growth will decrease or end because of an increasing population and limited resources. Classical growth theory economists believe that temporary increases in real GDP per person would cause a population explosion that would consequently decrease real GDP.

Economists behind Classical growth theory developed an idea of a "subsistence level" to model the theory. Subsistence refers to the minimum amount of income required to survive. Income beyond the subsistence level translated to profits. Related to this concept was the manner in which different classes within society utilized their wages.

The economists believed that if real GDP rose above this subsistence level of income that it would cause the population to increase and bring real GDP back down to the subsistence level.

It was essentially an equilibrium level that real GDP would always revert to in this theory. Alternatively, if the real GDP fell below this subsistence level, parts of the population would die off and real income would rise back to the subsistence level.

Neo - Classical Model of Solow/Swan

According to Pettinger reviewed (2019), Neo - Classical model was developed by Solow. The theory suggests that increasing capital or labor leads to diminishing returns. Therefore, increasing capital has only a temporary and limited impact on increasing in the economic growth. As capital increases, the economy maintains its steady - state rate

of economic growth.

To increase the rate of economic growth in the Solow model we need;

- An increased in proportion of GDP that is invested - however, this is limited as higher proportion of investment leads to diminishing returns and convergence on the steady - state of growth
- Technological progress which increases productivity of capital/labor
- It suggests poor countries who invest more should see their economic growth coverage with richer countries.

New Economic Growth Theories (Endogenous Growth)

Endogenous growth models, developed by Paul Romer and Robert Lucas placed greater emphasis on the concept of human capital (Pettinger 2019). How workers with greater knowledge, education and training can help to increase rates of technological advances.

They placed greater importance on the need for government to actively encourage technological innovation. They argued in the free market classical view, firms may have no incentive to invest in new technologies because they will struggle to benefit in competitive markets. The model;

- Places emphasis on increasing both capital and labour productivity
- States that increasing labour productivity does not have diminishing returns, but may have increasing returns
- They argued that increasing capital does not necessarily lead to diminishing returns as Solow predicts. They say it is more complicated; it depends on the type of capital investment
- Increased importance of spill over benefits from a knowledge - based economy
- Emphasis is placed on free markets, reducing regulations and subsidies. The argument is that we need to keep economies open to the forces of change.

Joseph Schumpeter argued that an inherent feature of capitalism was the 'creative destruction' - allowing inefficient firms to fail was essential for allowing resources to flow to more efficient channels.

Unified Growth Theory

According to TejvanPettinger (2019) ^[7], unified growth theory developed by Oded Galor, unified growth theory tries to combine many different elements of economic growth;

- Economic stagnation that characterized most of human history until the eighteen century
- First industrial revolution and the beginning of economic growth
- The role of human capital formation in economic growth
- Explaining divergence in economic growth across countries.

Empirical Literature on economic Growth

In recent research in economic geography, a good number of people have written about economic growth and financial institutions of which commercial banks are inclusive. This research focuses on the two selected studies in order to survey a representative sample of literature issue relating to economic growth.

Vange Mariette Ocasio (2012) carried out a study on the role of micro finance institution in financial depending, economic growth and development in Bangladesh and other countries.

The main reason of this study was to help government and other intermediaries to involve in the growth of economic development strategy and policies.

The work was also intended to help micro financial institutions to improve on their services to enhance economic growth in the economy. She also suggested that existence of banks and electricity in the village have a positive impact on household income as well as ownership of land assets.

She made use of time - series experiments design using household level panel data from Bangladesh, she developed capability - enhancing policy variables and use interactions in a multiple linear regression(MLR) model to investigate whether the existence of services have any effect on the effectiveness of micro loans in increasing household income. Such services include; the provision of basic literacy services, skill training, etc.

Marius Niba Ikome Njinyan (2011) ^[9] carried out a study on assessing the role of commercial banks on economic growth in Cameroon. The main reason of this study was that, government should encourage the saving culture of Cameroonians, increase the level of deregulation in the banking sector and also reduce the tax burden on commercial banks. She used the regression model to assess the role of commercial banks on the economic growth in Cameroon.

Research Methodology

Introduction

This section describes the rationale for the application of specific procedures and techniques used in identifying, selecting and analyzing of data obtained in the study in order to understand the research problem, thereby allowing readers to critically evaluate the study's overall validity and reliability. It also includes those who were involved, how the information was collected and analyzed. The methodology used in this research study is discussed under the following sub-headings;

- The area of study
- Research design
- Target population
- Sample size
- Date collection methods and sources
- Data analysis
- Constraints of the study

The Area of Study

Sierra Leone Commercial Bank (SLCB) is a commercial bank in Sierra Leone. It is one of the commercial banks licensed by the bank of Sierra Leone, the country's Central Bank and national banking regulator.

SLCB was founded in 1973. It serves large corporations, small and medium enterprises, and individual customers. It is operated and managed by indigenous Sierra Leoneans. The stock of the bank is 100 percent owned by the Government of Sierra Leone.

SLCB offers online banking, current accounts, savings accounts, fixed deposits, foreign currency accounts, loans and advances, investment management, and money transfer services.

According to the Managing Director of Sierra Leone Commercial Bank (SLCB), Mr. Bockarie Kalokoh (2019) ^[11] in a conference held in London, noted that the bank is making serious tried because of team work. He explained the following roles of SLCB played in the country, Sierra Leone as a whole;

Financial Inclusivity

SLCB based on the World Bank and the central Bank's recommendation to bring more people into the formal banking sector has responded with Mi Yone banking Kiosks in the rural communities of Adonkia in Goderich, Wilberforce and Jui as pilots for taking banking services to the doorsteps of the unbanked.

Internet Banking

Recently having migrated into the world of digital banking, SLCB customers can now access their SLCB accounts using the Bank's internet banking service anywhere, anytime, no matter where you are with just the click of a mouse.

Corporate Social Responsibility

SLCB approach to corporate social responsibility is built on best practices.

SLCB committed to investing in social programs in education, sports and environmental challenges for community country wide.

Their scope of community engagement initiatives are focused on, but limited to the following.

▪ Health

SLCB committed to supporting efforts aimed at combating health issues. To achieve this, they have been patterning with local organizations to promote awareness of health issues and providing financial support to projects that fit the bank's strategy.

▪ Education

SLCB intervention ranges from providing scholarships, support in school materials and infrastructural development. Adoption of deprived schools in poor rural communities maybe undertaken on a case by case basis.

▪ Community

As the 'people's Bank', SLCB's goal is to have a lasting impact on the communities involved, with a blend of corporate financial contribution within kind giving (donations) and volunteering service of their staff who take part in community volunteering.

Research Design

The research design is based on data collection approaches in which the researcher transforms his full knowledge about commercial bank, consumers' perception and product or services of loan facility into meaningful form. This research design used for this study will be time event experiment assigned. This research study will cover a period of 13 years, from 2007 to 2020. Under this 13 years' time period, data will be collected for two variables which are domestic credit provided by commercial banks to the economy and gross domestic product (GDP).

Target Population

The target population of this research work were customers and staffs (workers) of commercial banks that attained the age of eighteen (18) and above. Ninety (90) respondents were targeted in which 60% bank workers are considering the nature of the study.

Sample Size

The population of this study includes inhabitants of 13

commercial banks in Sierra Leone during 2007 to 2020. But due to the time and constraints of data, the sample size of the study is reducing to 4 commercial banks.

Data Collection Methods and Sources

Data for this research study was collected from primary and secondary sources. The instrument used to collect primary data is questionnaire, questionnaires are distributed to the customers and bank workers were the researcher collects the primary data. But primary data is mostly used to collect the information.

The secondary data is collected from external sources such as official statistics supplied by the central statistics office, International Organization reports such as the World Bank, International Monetary Fund (IMF) and African Development Bank (ADB).

Data analysis

The research study involves the use of regression analysis as method of analyzing the data collected. The main purpose is; it helps develop a regression model which demonstrates the amount of domestic loan given to the economy by commercial banks on charges in GDP.

Lastly, regression model analysis is vital because it help us to qualify and know the strength of the relationship between domestic loan and GDP.

Also, the study will equally entail the use of descriptive method of data analysis to supplement the regression analysis, and it includes the use of statistical techniques such as Mean, Median Relative Frequency and Absolute Frequency.

Constraints of the Study

The constraints of the study include

- The constraints of coming across literature materials that are relevant to the study
- The increasing transport expenses in searching for relevant materials
- Constraints in the administration and collection of questionnaires
- The high cost of printing and binding were all cumulated constraints.

Data presentation and analysis

Introduction

This focuses on the analysis of data collected from respondents. The data collected were processed and analyzed using statistical tools such as tables, bar charts.

The data obtained from the study have been presented in the following headings:

- Respondents' Profile;
- The roles and contributions of commercial banks on the economic growth;
- Evaluate the successes and failures of commercial banks and reasons for failure;
- Loans provided by commercial banks the growth of the economy;
- The role of the government in encouraging commercial

- banks' participation on the economic growth;
- Problems of commercial banks associated with the economic growth;
- Challenges faced by the commercial banks on the economic growth in Sierra Leone.

Respondents' Profile

The personal information of respondents forms the basis of this study. This area of the study focuses on understanding the personal profile of the sample population which covers their sex, age, occupation, level of education.

Table 1: Sex of Respondents

Sex	Absolute Frequency (AF)	Relative Frequency (RF =%)
Male	25	30
Female	65	70
Total	90	100

Source: Field Survey – 2019/2020 Academic Year

From table one, it is clearly shown that from the total number of respondents, 65 (70%) are female, 25 (30%) are male. This shows that the majority of the respondents are female.

Table 2: Age of Respondents

Age	AF	RF (%)
18-25	23	25
26-33	20	22
34-41	17	19
42 and above	30	33
Total	90	100

Source: Field Survey – 2019/2020 Academic Year.

From table two, it is indicated that 23 (25%) of respondents are with the age brackets of 18 – 25, 20 (22%) are within 26 – 33, 17 (19%) are within 34 – 41, 30 (33%) are within the age of 42 years and above.

This implies that majority of the respondents are within the economically active ages group to contribute to the economic growth. From observation, it is evident that majority of members of Sierra Leone Commercial Bank are at the prime of their working years.

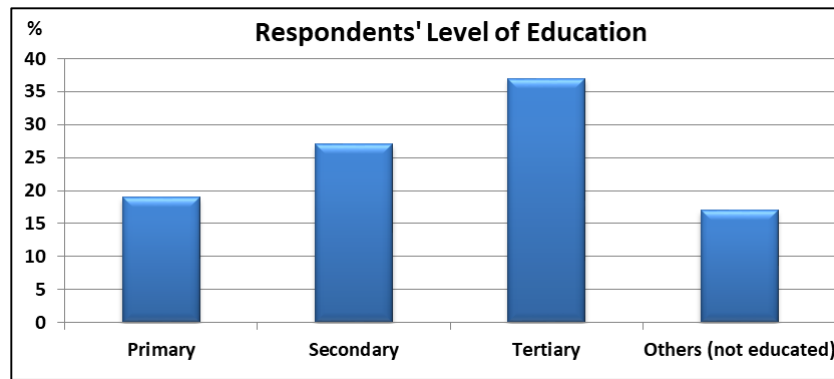
Table 3: Occupation of Respondents

Occupation	AF	RF (%)
Trader	23	25
Student	12	14
Employed (Staff)	30	34
Farmer	25	27
Total	90	100

Source: Field Survey – 2019/2020 Academic Year.

From table 3, it is clearly indicated that from the total number of respondents, 23 (25%) are traders, 12 (14%) are students, 30 (34%) are staff (workers), and 25 (27%) are farmers.

This shows that majority of the respondents are staff (employed) because the main target of the study is concerned with bank's role.



Source: Field Survey-2019/2020 Academic Year.

Fig 1: Respondents' Level of Education

Based on the data on figure one above, 15 (17%) of respondents say they have not acquired western formal education, 35 (37%) acquired completely tertiary education, whereas 25 (27%) acquired secondary education, 17 (19%) acquired only primary education.

Based on the data, it is a well-recognized and established fact that literacy (education) rate is relatively high in Sierra Leone and particularly Makeni.

The Role and Contribution of Commercial banks on the economic growth.

Table 4: Respondents' Opinions as to what they think are the roles of commercial banks on the economic growth generally

Roles of Commercial Banks on the Economic Growth	AF	RF (%)
They play the role of capital formation.	12	10
Generating investment opportunities.	13	11
Creation of credit.	4	3
Channelizing funds to productive investment.	2	2
Role of fuller utilization of resources.	2	2
Encouraging right type of industries.	8	7
Bank rate policy.	6	5
Bank monetized debt.	4	3
Finance to Government.	10	11
Banks are entrepreneurs.	8	7
Enhance the circulation of the economy.	14	12
They create job facilities.	8	7
They generate revenue for the government.	25	20
Total	116	100

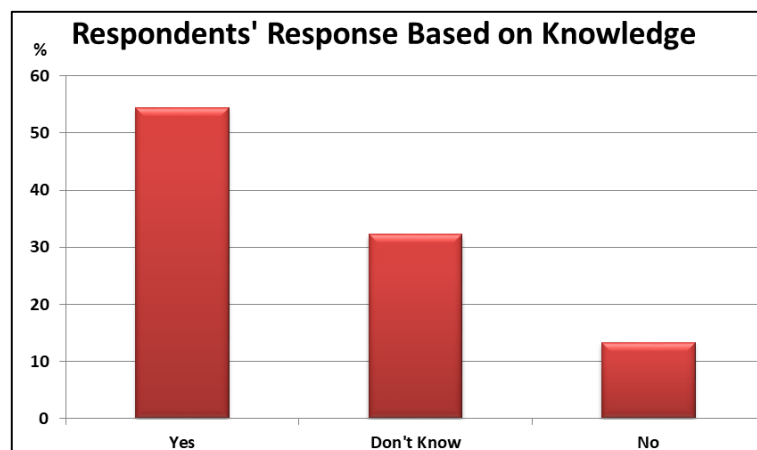
Source: Field Survey-2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

According to table 4, 12(10%) of the total responses said capital formation is the role of commercial banks on the economic growth. 13 (11%) said commercial banks generate investment opportunities on the growth of the economy. 4 (3%) said commercial banks play the role of creation of credit. 2 (2%) said commercial banks are channelizing funds to productive investment. Also, 2 (2%) said commercial banks play the role of fuller utilization of resources. Again, 8 (7%) stated that commercial banks encouraged the right types of industries to the country. 6 (5%) stated that the role attached to the statuses of bank rate policy are the contributions of commercial banks on the economic growth. 4(3%) said commercial banks play a role in bank monetized debt. 10 (11%) stated that commercial banks give finance to government. 8 (7%) stated that commercial banks are also entrepreneurs. 14(12%) said that commercial banks enhance the creation of the economy. 8(7%) said commercial banks create job facilities, and finally another 25 (20%) of the total responses said commercial banks generate revenue for the government on the development of the economy.

From observation and data collected, it is evident that the general perceptive of members of the society towards what should be the role of commercial banks on the economic growth is centred on them being of assistance to government.

Evaluate the Success and Failure of Commercial Banks and Reasons for Failure



Source: Field Survey – 2019/2020 Academic Year.

Fig 2: Respondents' Knowledge on the success made by commercial banks on the growth of the economy

According to figure 2, 49 (54.44%) of the respondents said “Yes”, there has been success for commercial banks on the economic growth. 29 (32.22%) said they “don’t know” if there has been success or not. While 12 (13.33%) said “no”, there has not been any success for commercial banks in the development of the economy.

Though more than half of the respondents said there has been some success on the economic growth, the study is with the opinion that there is still a long way to go if success is to be achieved on the economic growth.

Table 5: Respondents’ Opinion as to which sector successes have been made so far in the development of the economy in Sierra Leone

Reasons for Success	AF	RF (%)
Bringing more innovation.	40	44
Improvement in technologies.	14	16
Deliver an integrated experience that spans all services.	8	9
Improvement in governance and leadership.	8	9
Sales management	6	7
Compensation	8	9
No excuses	2	2
Targeting	2	2
Changing employees	2	2
Total	90	100

Source: Field Survey-2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

According to Table 5, 40 (44%) of respondents said there has been success for commercial banks in the area of innovations. 14(16%) believed that commercial banks succeed more in the improvement of technologies. 8(9%) believed that commercial banks achieved more in delivery and integrated experience that spans all services. In governance and leadership improvement, 8(9%) believed commercial banks achieved more success. 6(7%) said that commercial banks today have succeeded in sales management. 8(9%) said there have been some progress in compensation. 2(2%) said there had been no excuses. 2(2%) also said commercial banks have improved in targeting. Another 2(2%) believed that

commercial banks have been succeeding in changing employees.

In all of the above analysis, it is evident that commercial banks have not been able to achieve much success in sectors like no excuses, targeting and changing employees.

Table 6: Respondents’ Opinions as to what are the reasons for the failure of commercial banks to the economic growth

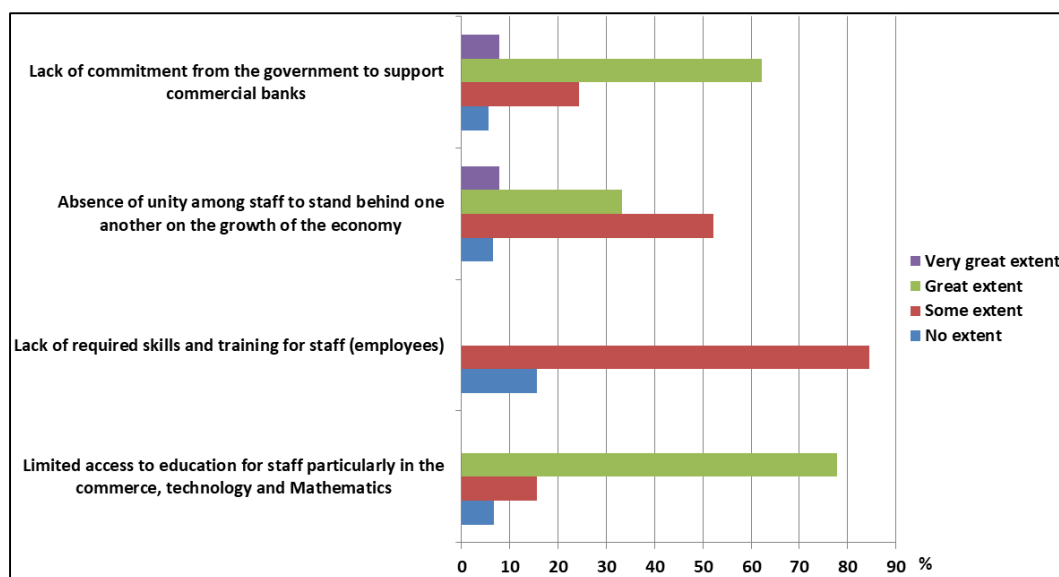
Reasons for Failure	AF	RF (%)
Dramatic changes in financial markets	30	29
Interest to policy makers.	15	13
Competitive pressures	10	9
Failure to diversify	12	10
Poor management of risks	20	18
Offering products/services that management doesn’t fully understand.	18	11
Unqualified personnel	8	5
An imbalance of risk versus return	8	5
Total	121	100

Source: Field Survey-2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

According to the data in Table 6, 30(29%) of respondents said dramatic changes in financial markets is a reason for the failure on the economic growth. 15(13%) pointed out interest to policymakers as a reason for the failure of commercial banks to the economic growth. 10(9%) identified competitive pressures. 12(10%) said failure to diversify. 20(18%) said that poor management of risks led to the failure of commercial banks to the economy. 18(11%) believed that offering products/services that management don’t know. 8(5%) mentioned unqualified personnel. While 8(5%) said that an imbalance of risk versus return caused the non-improvement in the commercial banks to the economy.

This study can therefore conclude that all the above stated factors are actually affecting the overall improvement of commercial banks in Bombali District and Sierra Leone by extension.



Source: Field Survey-2019/2020 Academic Year.

Fig 3: Extent to which the following factors account for the failure to achieve growth of the economy in our path to development

According to figure 3, 6(6.66%) of respondents said limited access to education for employees has 'no extent' which account for the failure to achieve the economic growth. 14(15.55%) put it to 'some extent', and 70(77.77%) said to a 'very great extent'.

Also, 14(15.6%) said to 'some extent' there is lack of required skills and training for staff (employees) accounting for the failure to achieve a success. 76(84.4%) put it to a 'great extent'.

Also, 6(6.60%), 47(52.22%), 30(33.33%), and 7(7.77%) said absent of unity among employees has accounted for 'no extent', 'some extent', 'great extent', and 'very great extent' respectively for the failure to achieve the growth of the economy.

Similarly, 5(5.55%), 22(24.44%), 56(62.22%) and 7(7.77%) of respondents said the lack of commitment from the government to support commercial banks has accounted to 'no extent', 'some extent', 'great extent' and 'very great extent' respectively for the failure to achieve a better economy whilst we move towards development.

Domestic Loans Provided by Commercial Banks

Table 6: Respondents' Knowledge on Domestic Loans Provided by Commercial Banks to the Public

Respondents' Opinion on Domestic Loans	AF	RF (%)
Small and Medium Enterprises collateral free loan	18	19
Lease finance	28	29
Construction equipment loans	18	17
Small and Medium Enterprises Credit Card	12	11
Bank overdraft facility	10	8
Commercial vehicles loans	10	8
Letter of credit	4	4
Bank guarantee	4	4
Total	104	100

Source: Field Survey – 2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

According to table 6, 18(19%) of responses said SME collateral free loan are being provided by commercial banks. 28(29%) spoke about lease finance. 18(17%) said that

contribution equipments loans were being provided. 12(11%) talked about Small and Medium Enterprises credit card, 10(8%) indicated that bank overdraft facility, 10(8%) said commercial vehicles loans, 4(4%) said letter of credit, and also, 4(4%) said bank guarantee.

Problems of Commercial Banks associated with the Economic Growth.

Table 7: Respondents' Opinions as to what they perceived to be the problems affecting Commercial Banks on the economic growth

Problems	AF	RF (%)
Losses in rural branches	2	2
Large over dues	9	7
Non-Performing assets	10	8
Political pressures	36	37
Bureaucratisation	29	30
Competition from non-banking financial institution	7	5
Advance to priority sectors	7	5
Gap between promise and performance	5	4
Competition with foreign banks	2	2
Total	107	100

Source: Field Survey – 2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

Table 7 indicates that 36(37%) of the total responses pointed out that political pressure was the problem of commercial banks on the economic growth. 29(30%) said bureaucratisation was the problem associated with the bank. 10(8%) indicated about non-performing assets, 9(7%) said large over dues, 2(2%) said losses in rural branches, 7(5%) recommended competition from non-banking financial institutions, 7(5%) said advance to priority sector was the problem commercial banks were associated with, 5(4%) indicated the gap between promise and performance, while 2(2%) said competition with foreign banks was the problem commercial banks were associated with in the economic growth.

Challenges Faced by Commercial Banks on the Economic Growth in Sierra Leone.

Table 8: Respondents' Opinions as to the Challenges Faced by Commercial Banks on the Economic Growth

Challenges (Respondents' Opinions)	AF	RF (%)
Measuring the fulfilment of their mandate.	46	60
Formulating an actionable strategy.	8	7
Making good decisions	8	7
Attracting private sector funds, not completing with them	6	4
Cooperating with other national and international developed banks	6	4
Reaching out to Small and Medium Enterprises	4	3
Local currency lending	4	3
Striking a balance between supporting the private and public sectors	10	8
Determining the right level of capital	2	2
Attracting and retaining the best staff	2	2
Total	96	100

Source: Field Survey – 2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

According to the data in table 8, 46(60%) pointed out measuring of the fulfilment of their mandate was one of the challenges faced by commercial banks. 8(7%) indicated that

formulating an actionable strategy was another challenge faced by commercial banks. 8(7%) said making good decision, 6(4%) said attracting private sector funds, not completing with them, 6(4%) recommended that cooperating with other national and international development banks, 4(3%) indicated that reaching out to Small and Medium

Enterprises, 4(3%) said local currency lending, 10(8%) pointed out that striking a balance between supporting the private and public sectors, 2(2%) said determining the right level of capital, 2(2%) said that attracting and retaining the best staff was a challenge faced by commercial banks on the economic growth.

The study can therefore conclude that all the above stated challenges were actually affecting commercial banks on the economic growth.

The Role of Government in Encouraging Commercial Banks' Participation on the Economic Growth.

Table 9: Respondents' Opinion as to what should be the role of Government in Encouraging Commercial Banks on the Economic Growth

Respondents' Opinion	AF	RF (%)
Government should put in place mechanisms to eliminate party related activities	8	8
Need to develop a robust corporate governance framework for banks	15	16
Should provide financing for projects that benefit the rest of the economy	22	23
Should provide countercyclical lending (lending more when the economy is weak)	6	6
Formulation of free laws	18	19
Enhancing transparency	14	15
Enhance accountability by developing a sound performance monitoring system	12	13
Total	95	100

Source: Field Survey – 2019/2020 Academic Year.

Note: The data provided above is purely based on the total number of the responses obtained and not necessarily the total number of respondents.

From table 9, it can be interpreted that 8(8%) of responses said the government should put in place mechanisms to eliminate party related activities. 15(16%) recommended that government needed to develop a robust corporate governance framework for commercial banks. 22(23%) of responses said the government should provide financing for projects that benefit the rest of the economy. 6(6%) said government should provide countercyclical lending (lending more when the economy is weak). 18(19%) indicated that government should formulate free laws. 14(15%) said enhancing transparency should be done by the government. 12(13%) pointed out that government should enhance accountability by developing a sound performance monitoring system.

Summary, Recommendations, and Conclusion Introduction

This research study carried out on this topic Evaluate the role of Commercial Banks on the economic growth in Sierra Leone (2007 - 2020) is discussed under four chapters.

Summary

In chapter one we started discussing the research problem, defined the objectives of the study and went further to state the significance of the study.

In the literature review focused on definition of concept or terms, empirical literature and theoretical framework. Under the definition of concept or terms the following were defined; loans (domestic credit), commercial banks, economic growth, and GDP. In empirical literature, the work of Vange Mariet Ocasio (2012) on the role of Microfinance institutions in financial depending, economic growth and development in Bangladesh and other countries was reviewed. The work of Marius Nina Ikome Njinyan (2011) ^[9] on assessing the role of Commercial Banks on the economic growth in Cameroon was reviewed too. In theoretical framework, four theories concerning economic growth were reviewed. They included classical model of Adam Smith, Neo- classical model of Solow/Swan, new economic growth (endogenous growth), and unified growth theory of Oded Galor.

The methodology used in carrying out the research study. We started with the area of the study, went ahead to the research design, sample size, target population, further stated the data

collection methods and sources, data analysis and constraints of the study.

Finally, we focused on the results obtained in chapter four. In this chapter, the researcher made use of the statistical tools such as tables and bar charts to analyze the data collected on the GDP and domestic credit provided by commercial banks, also the problems associated with the economic growth, role of government in encouraging commercial banks, the success and failure of commercial banks and reasons for the failure.

Conclusion

The main objective of this research study is to find out the role played by commercial banks on the economic growth in Sierra Leone and one of the specific objectives was to find the extent to which loans given out by commercial banks to the economy affecting the GDP. In the cause of finding we sort out the variable as loans (domestic credit) given by commercial banks as a key variable affecting the growth of the GDP. We therefore conclude that domestic credit provided by commercial banks has a significant effect on the growth of the GDP.

Recommendations

After carrying out a study on the role of loans given by commercial banks on the GDP, the research work can then make the following recommendations;

- Commercial banks should focus their lending strategies towards enhancing of small and medium sized enterprises and the standard of living. To do this there is the need to implement good supervising policies so as to ensure that loans collected should be used for the purpose for which they were supposed.
- Government should encourage the creation of more commercial banks since they have positive effect on the economic growth.
- Improvement to the asses to financial services especially loans domestic credit).
- Government should put in place mechanisms to eliminate related party activities. This includes limits on activities with state owned entities such as local governments, etc. This will limit the potential for providing "soft budget support" to problematic state entities in a non-transparent manner.
- Government should establish a sound legal and regulatory framework for corporate governance.

- Creating proper ownership arrangements for effective state oversight and enhanced accountability by developing a sound performance monitoring system.
- Enhancing transparency and disclosure by improving reporting and strengthening the control environment.

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