

## **Financial Institutions' Operations & Capital Flight In Nigeria**

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### **Abstract**

*This study examines the impact of Financial Institution variables and operations on the level of capital flight in Nigeria for a period of forty two years. The financial institutions globally are expected to perform certain fundamental functions that are believed to be the prerequisites for economic growth and stability. Required secondary data were sourced from the Central Bank of Nigeria statistical bulletin, the Nigeria Stock Exchange fact books and IMF financial reports while the Ordinary Least Square Method of Regression analysis and Co-integration Technique were employed to estimate and test the impact of selected economic and financial institutions' variables such as the prevailing Deposit Rate, Private Sector Credit, Change in Net Foreign Asset of Domestic Financial Institutions, Inflation Rate, Gross Capital Formation and Nigeria and U. S interest rate differentials on the level of capital outflow from Nigeria. With the World Bank and Erbe (1985) capital flight estimate, the findings reveal that all the explanatory variables are significant in explaining the behavior of capital. The results also show that each of the explanatory variables has specific impact on the dependent variable. Specifically, high inflation rate induces capital flight, increase Gross Capital Formation (LGCF) reduces capital flight, and appreciable deposit rate on bank deposit encourages domestic savings while the Credit to Private sector has not brought about the desired expectation of improving and sustaining the domestic economy. The study recommends that government should provide an enabling environment that will enhance the ability of the financial institutions to perform their functions effectively and the private individuals to invest in the domestic economy profitably. While financial institutions managers and operators should adhere to the sound ethical practices and desist from shady practices that encourage illegal transferring of money.*

### **Keywords**

Financial Institutions; Economic development; Capital outflow; Ethical behaviours; financial operations