

BANKING SECTOR DEVELOPMENT IN AFRICAN COUNTRIES:  
A COMPARATIVE STUDY

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Abstract

This paper analyses and compares the levels of commercial banking sector development in 49 African countries over a period of six years (2008 to 2013). The analysis is based on three indicators of banking sector development: access to commercial banking services, commercial bank loans to GDP, and commercial bank deposits to GDP. The findings of the study show that Seychelles has the highest level of access to commercial banking services, but in term of commercial bank loans to GDP, Morocco shows the best performance. With regards to commercial bank deposits to GDP, Mauritius shows the highest level. The overall ranking shows that Mauritius has the most developed banking sector, and South Sudan has the lowest level of banking sector development. However, the growth rates show that some of the lagging banking sectors will meet up with the leading ones in the next few years, if all the countries maintain the rates at which their banking sectors developed during the period of this study.

*JEL Classification: F50, G20, G21*

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## 1. INTRODUCTION

There is wide acknowledgement that banking sector development is important for economic growth (see Agbetsiafa, 2004; Bojanic, 2012; Chaiechi, 2012; Hsueh et al., 2013; Pradhan et al., 2014). Apart from its importance in the economic growth process, a well-developed banking sector may also foster equality by providing low income earners with opportunities to save and to obtain loans. To enhance these roles of banks in Africa, governments in the continent have undertaken different reforms to promote their respective banking sector. For an example, there was ₦25 billion minimum bank recapitalization exercise by the Central Bank of Nigeria in 2005. There was GH¢120 million minimum bank recapitalization exercise by the Bank of Ghana in 2013. The Central Bank of Kenya set KES1 billion as minimum bank capital requirement in 2008. K104 billion and K520 billion were set as minimum capital requirements for locally owned banks and foreign owned banks (respectively) in 2012 by the Bank of Zambia. Another area of banking reforms within the continent is the privatisation of state-owned banks, predominantly in Egypt, Ethiopia, Kenya, Uganda, Rwanda, Tanzania and Zambia, as a step to promoting their banking sectors.

Despite the various reforms undertaken to promote the African banking sector, financial and economic researchers have not paid attention to evaluating the development of the banking sector. This paper attempts to fill this gap by using three indicators to measure and compare the level of commercial banking sector development in 49 African countries during 2008-2013 periods. The exclusion of other 5 African countries is due to the fact that their data are not complete in the IMF databases for all the three indicators used in this paper at the time of this study. However, the 49 countries that are covered account for 90.74% of all the countries (54) in Africa, which is a good representation of the continent.

This study is important to bank regulatory authorities that want to learn and improve on experiences of other countries. Furthermore, a comparison of countries in Africa is important to investors in making their financing and investment decisions in the continent as well providing information about the countries. Moreover, this comparison is highly needed to create a challenge for both banking service providers and regulators within the continent.

The remaining part of this paper is as follows. In Section 2, a brief review of the literature on international comparison of banking sectors is provided. The indicators for measuring banking sector development are described in Section 3. Section 4 describes the methodology. The data results are discussed in Section 5, while the conclusion and the recommendation are provided in Section 6.

## 2. LITERATURE ON INTERNATIONAL COMPARISON OF BANKING SECTORS

A number of studies have focused exclusively on international comparison of banking sectors. For an example, Oliveira and Tabak (2005) rely on Data Envelopment Analysis (DEA) to measure and compare the efficiency of banking systems in 40 countries in America, Europe and Asia, as well as Australia between 1995 and 2002. The results of the authors show a slight rising trend in the efficiency level of emerging markets and a decreasing trend in the average efficiency level of developed countries during the period.

Another study on international comparison of banking sectors is provided by Gelos (2009). The author uses bank- and country-level data to delineate the dimensions in which the determinants of bank interest margins in Latin American economies differ from other regions. The author reports that Latin America has higher reserve requirements, less efficient banks, and higher interest rate levels than the other regions and that these factors affect bank interest margins. Fosu (2013) adopts a dynamic version of the Panzar–Rosse model to explore the degree of banking competition in each of four subregional banking markets in Africa (West Africa, East Africa, North Africa and Southern Africa) over a period of 8 years (2002 to 2009). The findings provide an evidence of monopolistic competition in all the four subregional banking markets.

Abdelaziztouny (2014) applies the cointegration analysis to compare the effects of monetary policies, financial liberalization, trade openness, economic growth, and economic globalization on banking sector development (measured by bank credit to the private sector as a percent of GDP) in Saudi Arabia and Egypt. The study reports real interest rate and financial liberalization to have a significant positive influence on credit to the private sector, while economic growth is found to have a long-run negative impact on credit to the private sector in both countries. Findings of the study also show that money supply has a significant positive effect on banking sector development in Saudi Arabia, and trade openness to have a significant positive effect on banking sector development in Egypt.

In another study, Kwan (2003) explores and compares the banking industry's per unit operating costs in seven Asian economies (Thailand, Philippines, Indonesia, Hong Kong, South Korea, Singapore and Malaysia) over a period of 8 years (1992-1999). After controlling for capitalization, loan quality, output mix and liquidity, the findings of the author reveal that per unit operating costs are significantly vary across the seven countries. In addition, the study also shows a high level of correlation between two components of operating costs (cost of physical capital and labour cost), and suggests that banking sectors with huge labor cost will also have high cost of capital.

Despite the number of studies on international comparison of banking sectors, little interest has been given to African countries where the financial sectors are dominated by commercial banks. In this sense, we propose to compare the levels of banking sector development across Africa. To the best of our knowledge, this is the first empirical study to provide this kind of comparison for the continent. This comparison is highly needed to create a challenge for both banking service providers and regulators within the continent.

### 3. INDICATORS OF BANKING SECTOR DEVELOPMENT

Banking sector development can be defined as a process that marks an improvement in quality, quantity, efficiency and accessibility of banking services in an economy. Many activities are involved in the process and consequently, the process cannot be captured by using a single indicator. Following the literature, three indicators of banking sector development (commercial bank loans to GDP, commercial bank deposits to GDP, and public access to banking serves) are discussed in this study.

### 3.1 Commercial Bank Loans to GDP (CBLGDP)

Bank loans to GDP ratio is one of the indicators of banking sector development that has received much attention in the literature (Awdeh, 2012; Petkovski and Kjosevski, 2014). The ratio shows the extent to which banks finance the economy. The higher the ratio is, the higher financial resources to economic activities in a country and so the greater the opportunity for the economy to develop.

### 3.2 Commercial Bank Deposits to GDP (CBDGDP)

Following the literature, bank deposits to GDP ratio is another important aspect of banking sector development (Akinboade and Kinfaek, 2014; Wang, 2012). The bank deposits to GDP ratio shows the extent of deposit mobilization by banks in the economy. A higher CBDGDP ratio is an indication of higher financial intermediation by commercial banks and therefore greater banking sector development.

### 3.3 Access to Commercial Banking Services (ACBS)

Banking sector development also includes public access to banking services. Commercial bank branches per 100,000 adults can be used as a measure of public access to banking services. The indicator shows the geographical outreach of banking services to people in a country. The higher the ratio, the better is the outreach of banking services in the country.

## 4. METHODOLOGY

This study measures and compares three banking sector development indicators (discussed in the preceding section) for 49 African countries over a period of 6 years (2008 to 2013). The study is mainly based on an analytical descriptive method. Averages and growth rates of the three indicators are the main tools used in this study to arrive at the conclusion in a scientific way. Data on the three indicators are obtained from the IMF Financial Access Survey (FAS). While commercial bank deposits to broad money (M2), commercial bank assets to GDP, and lending-deposit rate spread are other measures of banking sector development, non-availability of their up-to-date data for all the 49 countries limits this study to the three indicators.

Based on the average analysis of the three indicators over the 2008 – 2013 period, the countries are ranked and compared with one another. The country with the best level of each indicator gets rank one followed up to rank forty nine with an interval of one. Predictions are also provided for each of the indicators based on their growth rates, using 2008 as the base year.

## 5. RESULTS AND DISCUSSION

### 5.1 Commercial Bank Loans to GDP (CBLGDP)

Table 1 depicts the evolution of commercial bank loans to GDP (CBLGDP) ratios of 49 African countries from 2008 to 2013. It is evidenced in the Table 1 that Morocco maintained the highest level of CBLGDP (82.72%) on an average over the six-year period, and thus ranked first. This implies that the Moroccan commercial banking sector provides more sufficient funds to its economy than any of the other 48 commercial banking sectors. In contrast to Morocco, the Table shows that South Sudan has the lowest average of CBLGDP. This implies that the South Sudan commercial banking sector is not providing enough funds for its economy when compared with the other 48 banking sectors during the period and is ranked last.

The Table 1 also depicts the rates at which the banks are increasing their loan supply to the economy. Guinea, Congo (Republic) and Guinea-Bissau have high growth rates, suggesting higher CBLGDP in the future and possibility of outperforming some of the high-ranked countries, if all the countries maintain their present CBLGDP growth rates.

**Table 1: Commercial Bank Loans to GDP (%)**

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
EAST AFRICA	Burundi	14.04	14.61	16.22	18.31	17.54	18.41	5.56%	16.52	28
	Ethiopia	14.44	12.11	12.44	12.61	13.46	...	-1.73%	13.01	35
	Kenya	27.08	27.29	30.89	34.66	33.75	40.95	8.62%	32.44	10
	Madagascar	9.58	9.48	9.36	8.64	8.86	10.72	2.28%	9.44	40
	Mauritius	65.14	65.72	71.11	72.13	76.84	83.97	5.21%	72.49	2
	Rwanda	14.75	11.86	10.66	11.53	13.79	15.22	0.63%	12.97	36
	Seychelles	34.37	23.86	33.08	29.64	26.32	27.96	-4.05%	29.2	13
	Tanzania	16.54	15.78	16.33	18.09	17.88	21.88	5.75%	17.75	26
	Uganda	13.87	13.39	15.64	17.83	15.64	16.65	3.73%	15.5	29
CENTRAL AFRICA	Central African Republic	7.15	7.21	9.02	9.78	11.84	9.59	6.06%	9.1	41
	Chad	3.83	4.64	4.55	5.01	6.46	7.16	13.33%	5.27	47
	Congo, Dem. Rep.	8.48	8.01	5.46	6.55	8.28	10.36	4.08%	7.86	43
	Equatorial Guinea	5.54	8.84	9.24	8.86	6.71	9	10.19%	8.03	42
	Gabon	8.55	10.06	8.16	9.12	14.46	18.4	16.56%	11.46	39
	Congo, Rep.	3.53	5.16	5.74	6.84	9.46	11.16	25.85%	6.98	45
	Sao Tome and Principe	27.59	33.75	42.82	39.36	34.77	33.19	3.77%	35.25	7
NORTH AFRICA	Algeria	23.67	30.95	27.24	25.65	27.05	32.53	6.57%	27.85	15
	Egypt	43.08	36.41	32.94	31.6	29.53	31.43	-6.11%	34.17	8
	Libya	9.89	14.95	13.77	30.1	15.27	...	11.48%	16.8	27
	Morocco	75.39	77.54	80.65	85.39	87.18	90.14	3.64%	82.72	1
	South Sudan	0.2	0.5	0.44	0.46	1.46	2.27	62.14%	0.89	49
	Sudan	10.77	12.61	11.38	10.77	11.71	14.31	5.84%	11.92	38
	Tunisia	55.14	57.15	62.76	69.16	69.13	73.82	6.01%	64.53	4
SOUTHERN AFRICA	Angola	25.29	43.13	34.81	36.11	33.11	26.93	1.27%	33.23	9
	Botswana	22.61	27.33	23.69	26.74	31.27	35.98	9.74%	27.94	14
	Lesotho	8.28	10.14	10.75	14.18	18.11	21.73	21.27%	13.87	33
	Malawi	13.98	15.65	17.13	22.55	23.68	25.28	12.58%	19.71	23
	Mozambique	14.15	25.81	27.71	25.1	25.67	32.82	18.33%	25.21	17
	Namibia	43.19	46.55	47.29	46.62	46.46	52.56	4.00%	47.11	6
	South Africa	79.08	74.95	69.7	68.04	68.94	73.12	-1.55%	72.31	3
	Swaziland	19.47	20.64	20.58	22.97	20.65	...	1.48%	20.86	21
	Zambia	14.74	12.45	11.8	12.83	15.61	17.83	3.88%	14.21	32

*Table 1 (continued)*

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
WEST AFRICA	Benin	22.95	24.81	26.08	27.61	26.28	30.78	6.05%	26.42	16
	Burkina Faso	18.33	17.75	18.32	21.57	23.57	30.12	10.44%	21.61	19
	Cameroon	11.82	13.3	13.98	15.62	17.41	20.63	11.78%	15.46	30
	Cape Verde	48.97	57.46	62.84	65.68	61.71	63.19	5.23%	59.98	5
	Cote d'Ivoire	17.54	18.26	19.43	19.62	19.81	24.33	6.76%	19.83	22
	Ghana	19.77	18.93	15.39	15.55	17.49	23.27	3.31%	18.4	25
	Guinea-Bissau	6.15	9.88	10.46	15.17	18.45	17.14	22.73%	12.88	37
	Liberia	11.65	11.5	13.68	14.56	14.79	21.32	12.83%	14.58	31
	Mali	18.69	19.35	20.12	22.37	22.32	25.55	6.45%	21.4	20
	Mauritania	5.17	6.42	6.26	6.05	5.88	...	3.27%	5.96	46
	Niger	11.01	12.61	12.68	14.06	14.74	16.43	8.34%	13.59	34
	Nigeria	30.05	35.32	22.34	19.24	19.79	24.39	-4.09%	25.19	18
	Senegal	25.61	26.49	27.23	30.1	31.08	35.07	6.49%	29.26	12
	Sierra Leone	5.89	7.24	8.54	8.39	6.98	...	4.33%	7.41	44
Togo	21.79	22.29	26.53	32.65	36.84	42.52	14.31%	30.44	11	

Source: Authors' computations based on the IMF Financial Access Survey (FAS)

## 5.2 Commercial Bank Deposits to GDP (CBDGDP)

Turning to commercial bank deposits to GDP (CBDGDP), Table 2 clearly depicts that Mauritius has the highest average of CBDGDP ratio and is ranked first. At the other extreme, Chad has the lowest average of CBDGDP ratio, giving the country the lowest rank out of the 49 countries. Between the two extremes, Morocco has the second largest average ratio (84.82%), followed by Cape Verde (79.54%) and Libya (72.26%), respectively.

The Table 2 also shows the rates at which the banks are increasing the mobilization of deposits in the economy. The growth rates of Madagascar, Algeria and Morocco appear to be low between 2008 and 2013 while South Sudan, Congo (Republic), Equatorial Guinea, Guinea and Malawi show drastic growths during the periods. If all the countries maintain their present CBDGDP growth rates, South Sudan, and Congo (Republic) will outperform some of the leading countries in the next few years.

**Table 2: Commercial Bank Deposits to GDP (%)**

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
EAST AFRICA	Burundi	22.4	24.66	25.59	22.95	21.63	24.95	2.18%	23.7	31
	Ethiopia	24.96	22.68	25.2	27.18	24.4	...	-0.56%	24.88	29
	Kenya	28.18	32.45	37.2	38.81	39.4	44.48	9.56%	36.75	13
	Madagascar	18.31	18.75	18.12	18.75	18.76	18.47	0.17%	18.52	34
	Mauritius	145.89	157.21	173.74	157.38	156.24	161.81	2.09%	158.71	1
	Rwanda	14.83	14.25	15.91	17.07	16.98	19.85	6.01%	16.48	41
	Seychelles	60.09	51.16	58.01	52.31	43.59	54.36	-1.98%	53.25	7
	Tanzania	25.23	27.03	29.43	29.55	27.8	33.18	5.63%	28.7	24
	Uganda	18.15	17.39	18.99	18.44	17.2	19.08	1.00%	18.21	35
CENTRAL AFRICA	Central African Republic	6.44	7.26	7.52	8.12	7.87	7.72	3.70%	7.49	47
	Chad	3.85	4.22	4.94	5.52	5.83	6.13	9.74%	5.08	49
	Congo, Dem. Rep.	10.15	11.78	12.11	12.55	15.34	17.8	11.90%	13.29	44
	Equatorial Guinea	6.96	12.55	13.55	10.27	14.87	15.8	17.82%	12.33	45
	Gabon	11.52	14.8	14.97	15.54	17.01	18.7	10.17%	15.42	42
	Congo, Rep.	10.27	13.04	14.65	19.16	22.9	25.08	19.56%	17.52	37
	Sao Tome and Principe	34.29	30.81	33.64	30.86	33.32	43.57	4.91%	34.42	19
NORTH AFRICA	Algeria	44.71	47.47	44.99	43.27	42.23	45.63	0.41%	44.72	8
	Egypt	72.7	68.02	66.65	61.41	59.78	70.64	-0.57%	66.53	5
	Libya	38.95	61.61	58.39	137.67	64.7	...	13.53%	72.26	4
	Morocco	83.08	85.36	84.75	84.38	84.12	87.21	0.98%	84.82	2
	South Sudan	1.53	2.42	2.86	4.5	12.36	14.89	57.53%	6.43	48
	Sudan	14.13	16.75	16.68	15.46	18.05	20.22	7.43%	16.88	39
	Tunisia	52.61	55.29	57.51	58.76	59.9	64.35	4.11%	58.07	6
SOUTHERN AFRICA	Angola	24.29	39.5	35.11	36.78	36.27	42.6*0	11.89%	35.76	16
	Botswana	43.11	43.93	34.17	31.06	32.74	32.2	-5.67%	36.2	14
	Lesotho	33.72	33.75	34.4	32.54	31.71	38.93	2.91%	34.17	21
	Malawi	22.15	23.71	22.56	33.85	32.68	44.79	15.12%	29.96	22
	Mozambique	28.28	34.03	34.91	32.59	39.02	44.87	9.67%	35.62	18
	Namibia	39.91	42.47	43	44.05	39.57	46.01	2.89%	42.5	10
	South Africa	46.97	44.49	41.1	41.88	41.26	44.72	-0.98%	43.4	9
	Swaziland	21.77	26.1	27.78	26.32	28.02	...	6.52%	26	28
	Zambia	22.25	20.7	22.2	22.47	21.55	27.15	4.06%	22.72	33
WEST AFRICA	Benin	31.46	33.44	36.94	37.15	36.17	41.07	5.48%	36.04	15
	Burkina Faso	22.17	24.3	25.63	28.19	30.52	35.48	9.86%	27.72	26
	Cameroon	14.21	15.83	16.82	17.41	16.74	19.16	6.16%	16.69	39
	Cape Verde	73.7	76.11	79.37	76.33	78.05	93.66	4.91%	79.54	3
	Cote d'Ivoire	20.77	21.49	24.73	29.78	28.69	32.22	9.18%	26.28	27
	Gambia	37.16	40.3	42.11	46.77	44.82	...	4.80%	42.23	11

*Table 2 (continued)*

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
WEST AFRICA	Ghana	21.05	21.98	22.96	23.83	26.78	31.91	8.68%	24.75	30
	Guinea	6.22	9.56	11.47	13.94	12.26	13.06	16.00%	11.09	46
	Guinea-Bissau	11.79	12.07	16.61	22.82	21.4	22.51	13.80%	17.87	36
	Liberia	25.31	23.66	27.43	32.26	29.65	37.84	8.37%	29.36	23
	Mali	24.12	27.44	28.67	28.98	29.09	32.36	6.06%	28.44	25
	Mauritania	19.65	26.24	23.3	23.57	25.36	...	6.59%	23.62	32
	Niger	12.8	13.45	15.06	14.79	16.41	17.55	6.52%	15.01	43
	Nigeria	35.28	39.59	31.42	32.43	34.94	40.68	2.89%	35.72	17
	Senegal	28.73	33.22	35.52	35.04	35.78	37.81	5.65%	34.35	20
	Sierra Leone	14.42	15.77	17.81	18.02	17.16	...	4.43%	16.64	40
Togo	32.81	36.5	38.24	42.95	45.64	51.08	9.26%	41.21	12	

Source: Authors' computations based on the IMF Financial Access Survey (FAS)

### 5.3 Access to Commercial Banking Services

Table 3 provides the observations on commercial bank branches per 100,000 adults between 2008 and 2013 for 49 African countries. We can see that Seychelles has the highest average of the period, followed by Cape Verde, and Sao Tome and Principe, respectively. The country that has the lowest average of the period is Democratic Republic of Congo.

The Table also depicts the rates at which the banks are increasing their branches, relative to the number of adults. The growth rates of Algeria and Namibia seem to be low between 2008 and 2013, while Ethiopia, Gabon, South Sudan and Angola display drastic growths during the period. If all the countries maintain the growth rates of their commercial bank branches per 100,000 adults, Ethiopia, Gabon, and South Sudan will outperform some of the leading countries in the next few years.

*Table 3: Commercial Bank Branches per 100,000 Adults*

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
EAST AFRICA	Burundi	1.76	1.92	2.14	2.34	2.55	3.13	12.14%	2.31	37
	Ethiopia	1.2	1.32	1.37	1.91	2.95	...	25.17%	1.75	41
	Kenya	4.1	4.4	4.71	4.99	5.28	5.57	6.33%	4.84	21
	Madagascar	1.34	1.41	1.47	1.53	1.61	1.74	5.40%	1.52	43
	Mauritius	18.99	20.45	20.6	20.87	21.15	21.63	2.64%	20.61	5
	Rwanda	4.58	4.91	4.89	5.39	5.49	5.98	5.48%	5.21	18
	Seychelles	46.21	45.84	45.88	47.03	48.29	51.21	2.08%	47.41	1
	Tanzania	1.69	1.82	1.83	1.89	2.14	2.56	8.64%	1.99	40
	Uganda	1.99	2.3	2.39	2.32	2.62	2.91	7.98%	2.42	36



Table 3 (continued)

REGION	COUNTRY	2008	2009	2010	2011	2012	2013	GROWTH RATE	AVG	RANK
EAST AFRICA	Central African Republic	0.53	0.75	0.85	0.87	0.88	0.96	12.66%	0.81	47
	Chad	0.5	0.57	0.63	0.69	0.67	0.76	8.93%	0.64	48
	Congo, Dem. Rep.	0.48	0.5	0.62	0.63	0.71	0.69	7.32%	0.61	49
	Equatorial Guinea	4.03	4.15	4.5	4.59	5.56	6.45	9.84%	4.88	20
	Gabon	4.08	4.51	5.03	5.72	9.86	10.65	21.14%	6.64	14
	Congo, Rep.	1.79	1.82	2.19	2.67	2.84	3.56	14.81%	2.48	34
	Sao Tome and Principe	...	...	21.13	21.5	23.67	23.67	3.86%	22.49	3
NORTH AFRICA	Algeria	5.07	5	4.83	5.01	5.04	5.12	0.16%	5.01	19
	Egypt	4.63	4.77	4.81	4.83	4.79	4.87	1.03%	4.784	22
	Libya	11.11	11.26	11.57	11.51	11.7	...	1.29%	11.43	8
	Morocco	14.35	19.86	21.13	22.21	23.29	24.42	11.22%	20.88	4
	South Sudan	...	0.65	0.69	0.7	0.88	1.39	21.13%	0.86	46
	Sudan	2.28	2.39	2.79	2.88	2.92	3.11	6.44%	2.73	32
	Tunisia	14.48	15.04	16.55	16.98	17.54	18.35	4.84%	16.49	6
SOUTHERN AFRICA	Angola	5.6	6.3	8.99	10.16	10.98	12.77	17.91%	9.13	11
	Botswana	8.72	8.76	9.19	8.85	8.96	9.34	1.38%	8.97	12
	Lesotho	2.31	2.35	3.43	3.45	3.39	3.7	9.89%	3.11	30
	Malawi	2.15	2.25	2.83	1.05	3.22	3.31	9.00%	2.47	35
	Mozambique	2.49	2.86	3.3	3.54	3.78	3.91	9.41%	3.31	29
	Namibia	12.52	12.53	12.52	12.55	12.35	12.7	0.30%	12.53	7
	South Africa	7.84	9.28	10.01	10.49	10.24	10.34	5.70%	9.7	10
	Swaziland	5.77	5.62	5.62	6.3	6.16	...	1.66%	5.89	16
	Zambia	3.72	3.91	4.05	4.21	4.44	4.85	5.45%	4.2	26
WEST AFRICA	Benin	2.36	2.73	2.94	3.15	3.17	3.31	7.00%	2.94	31
	Burkina Faso	1.68	1.83	1.94	2.11	2.16	2.42	7.59%	2.02	38
	Cameroon	1.19	1.28	1.65	1.7	1.8	1.98	10.69%	1.6	42
	Cape Verde	25.56	28.18	31.29	30.71	31.28	31.28	4.13%	29.72	2
	Cote d'Ivoire	2.54	2.83	4.5	4.53	4.77	4.83	13.69%	4	28
	Gambia	7.4	7.73	9.47	9.17	8.77	...	4.36%	8.51	13
	Ghana	4.76	5.09	5.36	5.38	5.68	6	4.74%	5.38	17
	Guinea	1.02	1.19	1.3	1.44	1.58	1.81	12.02%	1.39	44
	Guinea-Bissau	1.14	1.78	1.84	2.22	2.37	2.67	18.54%	2	39
	Liberia	11.11	11.26	11.57	11.51	11.7	...	1.29%	11.43	9
	Mali	3.03	3.42	3.88	4.52	5.12	5.51	12.70%	4.25	25
	Mauritania	4.06	4.08	4.1	4.08	4.58	...	3.10%	4.18	27
	Niger	0.83	0.82	0.97	1.11	1.32	1.56	13.37%	1.1	45
	Nigeria	6.21	6.43	6.51	6.35	5.76	6.01	-0.68%	6.21	15
	Senegal	3.75	3.92	4.16	4.45	4.67	4.72	4.73%	4.28	24
	Sierra Leone	2.2	2.67	2.83	2.91	2.93	...	7.43%	2.71	33
Togo	3.88	4.05	4.24	4.47	4.51	4.74	4.09%	4.32	23	

Source: Authors' computations based on the IMF Financial Access Survey (FAS)

#### 5.4 Overall Ranking Based on the Three Indicators

The overall ranking, using averages of the three banking sector development indicators, is provided in Table 4. Mauritius is ranked first followed by Morocco, Cape Verde and Tunisia respectively. Mauritania and Cameroon have the same overall rank, and thus occupy the same position. The last position is occupied by South Sudan amongst all the 49 countries during the year 2008-2013. It can also be observed in the Table 4 that five Central Africa countries (Congo-Rep., Equatorial Guinea, Congo - Dem. Rep., Chad, and Central African Republic) are among the countries that occupy the last 8 positions.

**Table 4: Overall Ranking Based on the Three Indicators**

REGION	COUNTRY	Commercial Bank Loans to GDP (Avg)	Commercial Bank Deposits to GDP (Avg)	Commercial Bank Branches per 100,000 Adults (Avg)	Avg	Rank
EAST AFRICA	Burundi	16.52	23.70	2.31	14.18	30
	Ethiopia	13.01	24.88	1.75	13.21	32
	Kenya	32.44	36.75	4.84	24.68	14
	Madagascar	9.44	18.52	1.52	9.83	41
	Mauritius	72.49	158.71	20.61	83.94	1
	Rwanda	12.97	16.48	5.21	11.55	34
	Seychelles	29.20	53.25	47.41	43.29	5
	Tanzania	17.75	28.70	1.99	16.15	29
	Uganda	15.50	18.21	2.42	12.04	33
CENTRAL AFRICA	Central African Republic	9.10	7.49	0.81	5.80	46
	Chad	5.27	5.08	0.64	3.66	48
	Congo, Dem. Rep.	7.86	13.29	0.60	7.25	45
	Equatorial Guinea	8.03	12.33	4.88	8.41	44
	Gabon	11.46	15.42	6.64	11.17	37
	Congo, Rep.	6.98	17.52	2.48	8.99	42
	Sao Tome and Principe	35.25	34.42	22.49	30.72	10
NORTH AFRICA	Algeria	27.85	44.72	5.01	25.86	12
	Egypt	34.17	66.53	4.78	35.16	7
	Libya	16.80	72.26	11.43	33.50	9
	Morocco	82.72	84.82	20.88	62.81	2
	South Sudan	0.89	6.43	0.86	2.73	49
	Sudan	11.92	16.88	2.73	10.51	39
	Tunisia	64.53	58.07	16.49	46.36	4
SOUTHERN AFRICA	Angola	33.23	35.76	9.13	26.04	11
	Botswana	27.94	36.20	8.97	24.37	15
	Lesotho	13.87	34.17	3.11	17.05	26
	Malawi	19.71	29.96	2.47	17.38	24

**Table 4 (continued)**

<b>REGION</b>	<b>COUNTRY</b>	<b>Commercial Bank Loans to GDP (Avg)</b>	<b>Commercial Bank Deposits to GDP (Avg)</b>	<b>Commercial Bank Branches per 100,000 Adults (Avg)</b>	<b>Avg</b>	<b>Rank</b>
<b>SOUTHERN AFRICA</b>	Mozambique	25.21	35.62	3.31	21.38	20
	Namibia	47.11	42.50	12.53	34.05	8
	South Africa	72.31	43.40	9.70	41.80	6
	Swaziland	20.86	26.00	5.89	17.58	23
	Zambia	14.21	22.72	4.20	13.71	31
<b>WEST AFRICA</b>	Benin	26.42	36.04	2.94	21.80	19
	Burkina Faso	21.61	27.72	2.02	17.12	25
	Cameroon	15.46	16.69	1.60	11.25	35.5
	Cape Verde	59.98	79.54	29.72	56.41	3
	Cote d'Ivoire	19.83	26.28	4.00	16.70	27
	Gambia	18.80	42.23	8.51	23.18	16
	Ghana	18.40	24.75	5.38	16.18	28
	Guinea	3.22	11.09	1.39	5.23	47
	Guinea-Bissau	12.88	17.87	2.00	10.92	38
	Liberia	14.58	29.36	11.43	18.46	21
	Mali	21.40	28.44	4.25	18.03	22
	Mauritania	5.96	23.62	4.18	11.25	35.5
	Niger	13.59	15.01	1.10	9.90	40
	Nigeria	25.19	35.72	6.21	22.37	18
	Senegal	29.26	34.35	4.28	22.63	17
Sierra Leone	7.41	16.64	2.71	8.92	43	
Togo	30.44	41.21	4.32	25.32	13	

## 6. CONCLUSION AND RECOMMENDATION

This study provides a comparative analysis of commercial banking sector development across 49 African countries. Three proxies are used for banking sector development. The levels of the banking sector development are found to vary across the countries. On average, the study reveals that:

- the Moroccan banking sector provides more sufficient funds to its economy than any of the other 48 banking sectors, while the South Sudan banking sector is not providing enough funds for its economy when compared with the other 48 banking sectors during the period of this study.
- the Mauritanian banking sector outperformed other banking sectors in deposit mobilization, while Chad displayed the lowest performance.
- The Seychelles banking sector excelled over other countries in customer access to banking services (measured by commercial bank branches per 100,000 adults), while the Democratic Republic of Congo displayed the least performance.

- On the basis of overall banking sector development, Mauritius is ranked first followed by Morocco and Cape Verde respectively, while South Sudan occupies the last position.

Banking sector development is an ongoing process for both lagging and leading banking sectors. However, a “one-size-fits-all” banking sector agenda may not be appropriate for all the African countries, whose levels of banking sector development differ. Promoting greater competition in banking can enhance deposit mobilization, loan supply and geographical outreach of banking services in countries with the lagging banking sectors. Adopting international prudential norms and policies that can make banks to lend at competitive rates (to small and medium enterprises) are necessary for further development of the leading banking sectors.

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