IMPACT OF BANKING SECTOR CREDITS ON ECONOMIC GROWTH IN NIGERIA (1991-2022)

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Abstract
This study investigated the impact of Banking Sector Credits on Economic Growth in Nigeria. This study employed the ex-post fact research design. Secondary data was obtained from Central Bank of Nigeria Statistical Bulletin between 1991 to 2022. The data obtained were Credit to Private sector, Credit to Public Sector, Total Credit to the Economy, Broad Money Supply and Prime Lending Rate as well as the Real Gross Domestic Product. Series of statistical tests such pre-estimation test (descriptive test, normality test and stationarity test), standard econometric tests (Long-Run and Short-Run regression tests, correlation test as well as granger causality test) and post-estimation tests (such as Multicollinearity test, Serial Correlation LM Test and Heteroskedasticity Test) were performed on the data. The results of the inferential tests were used to validate the formulated hypotheses. Thus, four empirical results emerged; first, it was found-out that Private Sector Credits and Public Sector Credits have positive but insignificant impact on the economic growth. Secondly, there is a strong positive correlation between private and public sector credits and lastly, there is bi-directional causality between bank credits and economic growth. Thus, this study concluded that bank credits have not significant impacted on the Nigerian economic growth. Thus, it recommended among others that the government should minimize its borrowings from banks so as to allow the private individuals with productive objectives access credits. It is also recommended that the monetary authorities should endeavour to increase the credits in the economy, so as to allow improved provision of loanable funds available and accessible to the investing public.
Keywords*: Banking Sector, Credit, GDP, Development, Nigeria.*

Introduction

According to Anyanwu et al. (2017), bank credit is a vital macroeconomic tool; as an important component of the financial system, they channel scarce resources from the surplus economic units to the deficit economic units in an economy. The loan resources (Bank Credit) can be in the form of short-term credit, medium term credit, long term credit and contingent fund (Okon et al, 2020). The extent of bank lending has a significant impact on the pattern and trajectory of economic growth. Economic growth, on the other hand, is the endless improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improve productivity (innovations in products and processes) which is usually measured over a certain period of time (Adoms, 2022). There are different conceptions of economic growth and ways of measuring it, but the primary definition is in terms of growth in the long-run productive capacity of the economy, typically measured by real growth in Gross Domestic Product (Adoms, 2022).

The pursuit of sustained and enhanced economic growth in Nigeria has ostensibly prompted successive governments to further develop the financial sector, particularly the banking industry, in order to augment their capacity to create credit for the private sector of the economy. Furthermore, according to Ihenetu and Isoboye (2020), the provision of credit with sufficient consideration for the sector's volume and price system

is a way of achieving economic growth through self–employment opportunities. Oyebowale (2020) noted that while highlighting the role of lending to the growth of any economy, he further explained that lending can be used to prevent an economic activity from total collapse in the event of unforeseen circumstances. Although it is generally accepted that credit promotes growth, there is still a lack of knowledge regarding the causal link between banking industry lending and economic growth in developing countries, particularly in Nigeria. However, the relationship between the direction of causality and the direction of economic growth in the banking system has been overlooked. This empirical study on the Nigerian case was required to close this information gap.

Despite measures targeted at improving the lending ability of commercial banks, a trend analysis of the CBN time-series data on banking sector credits exposes its instability; for instance, Private Sector Credits that stood at 20.55% in 2009 declined drastically to 19.67% in 2013, 17.63% and 17.28% in 2018 and 2019 respectively and is expected to further contract in 2020 due to the ongoing global pandemic. The impact of bank credits to the public and commercial sectors on Nigeria's economic development is also still poorly understood. This is because both sectors approach the same banks for credits for economic purposes but how lending to these sectors impact the economic growth remains largely unanswered to the knowledge of the researcher. Considering the foregoing, it becomes exigently research-worthy to empirically investigate the varying impacts of banks' credits on the economic growth in Nigeria which since year 2015 has been experiencing its worst of growth in recent decade. The objectives of this study are: to examine whether commercial bank lending to the private (real) sector has significant impact on economic growth in Nigeria; to determine the significant impact of commercial bank lending to the public sector on economic growth in Nigeria and to investigate the significance of the relationship between commercial bank lending to the private and public sector in Nigeria.

Review of Relevant Literature

Concept of Bank Credits

Bank credit was described by Ita et al. (2020) as money loaned by banks to debtors. A loan, credit card, or credit line is a form of credit where the issuing bank accepts the borrower's promise to repay the amount, plus interest, at a later date. It is the funds that financial institutions make available to, or have made available to, borrowers for some period of time. John and Lawal (2019) opined that bank credit is the total borrowing capacity bank provides to borrowers. It gives the establishment or organization, borrowers or the sector that requires the credit for the ability to use the credit as capital to start a business or to invest in an already growing business (Adom, 2022). The debt is repaid by the borrower plus interest at a predetermined rate. Bank credit involves contractual agreement between a bank and customer in which financial resources are made available to the customer in terms of credit with a promise to repay the credit at a future period with interest (Oyelade, 2019). According to Abina (2020), bank credit is

the process of making money available to a customer based on some agreed terms with regards to repayment with interest. Idachaba et al. (2019) noted that credit is a promise by one party to pay another for money borrowed or goods and services received. Banks are therefore debtors to the funds' depositors and creditors to the borrowers (Ogunmuyiwa, et al., 2017).

Theory of Financial Intermediation

Financial intermediation theory was first formalized in the works of McKinnon (1973) and Shaw (1973) that see financial markets as playing a pivotal role in economic development, attributing the differences in economic growth across countries to the quantity and quality of services provided by financial institutions (Araoye et al., 2020). In contrast, Robinson (1952) maintained that financial markets are merely subservient to domestic industry, reacting passively to the underlying forces that generate economic disparities between nations. The availability of financial resources typically shifts in tandem with changes in the level of demand. It appears that capital flows to where business is most active. When a strong drive to invest is stifled by a lack of finance, gadgets are designed to unleash it... and habits and institutions are developed. These are the same impulses within an economy that set firms afloat.

Neoclassical Model of Growth

According to Ray (1998), a consistent rate of economic growth may be achieved by the effective allocation of labour, capital, and technology, which is the central tenet of Neoclassical Growth Theory. The theorist argued that equilibrium may be reached according to the theory's predictions by adjusting the ratio of labour to capital in the production function. Businesses need to make rapid adjustments to their labour and investment strategies in response to the introduction of new technologies in order to keep a growth-friendly equilibrium. This hypothesis, according to Huang et al. (2020), demonstrates the profound impact that technological innovation has on economic growth. Maintaining economic growth, it is said, is dependent on technological advancements.

Endogenous Growth Theory

Endogenous growth theory or new growth theory was developed in the 1980s by Romer (1986), Lucas (1988), and Rebelo (1991), among other economics as a response to criticism of the neo-classical growth model. Jhingan (2006) explains that the endogenous growth model emphasizes technical progress resulting from the state of investment, the size of the capital stock and the stock of human capital. Endogenous growth theory holds that policy measures can have an impact on the long-run growth rate of an economy (Odufuye, 2017). The growth model is one in which long-run growth rate is determined by variables within the model, not an "exogenous" rate of technological progress as in the neo-classical growth model (Liu & Zhang, 2018). Huang et al. (2018) explain that endogenous growth economists believe that improvements in productivity can be linked directly to a faster pace of innovation and extra investment in human capital. Government and corporate institutions that foster

innovation and offer the correct incentives for individuals and businesses are emphasised.

Empirical Review

Empirical studies have shown that bank credits directly contribute to GDP expansion. Ebi and Emmanuel (2014) analysed the results of commercial bank loan on Nigeria's industrial subsectors from 1972 to 2012. The output response was determined using an econometric error correction model. Commercial bank credits to mining and quarrying are equally hopeful and predictive of the future year, and the anticipated effects of commercial bank loans on Nigeria's manufacturing sector are positive and statistically significant. A positive indicator of this year's mining and quarry output in Nigeria is the volume of bank credits to real estate and construction in the previous year. Aliyu and Yusuf (2014) examined the link between bank lending in Nigeria and GDP growth. This study is based on secondary data gathered between 1987 and 2012 and examined using a multiple regression model. The data show that bank lending accounts for about 82.6% of the variance in economic growth in Nigeria throughout the research period. The increase of Nigeria's gross domestic product was found to be heavily impacted by bank lending. This suggests that bank lending has a major impact on economic expansion in Nigeria.

Adenuga (2015) examined the function of bank loans in the growth of the Nigerian economy. Time series data from the CBN Statistical Bulletin (1983–2012) were utilised to regress the model using the Ordinary Least Squares technique. The findings proved that bank loans played a role in the growth of the Nigerian economy. The author finds that increased personal savings will increase the availability of credit and loans to the private, public, and non-profit sectors, hence promoting economic growth. In 2015, Iwedi et al. examined how domestic bank credits influenced Nigeria's GDP growth. Using time series data from Nigeria for the period of thirty-three (33) years (1980-2013), the estimated model shows a positive and substantial link between credit granted to the private sector and credit extended to the government sector, as measured by GDP. Analysis of the relationship between domestic bank credit measures and GDP in Nigeria indicated just a minimal long-term correlation.

Bakare et al. (2015) examined how bank loans affected GDP growth in Nigeria. We used information from the CBN statistical report, which spans the years 1990-2013. Inflation, private sector credit, and public sector credit were used as stand-ins for commercial bank lending, while GDP was used to represent economic growth. The data shows a positive and statistically significant correlation between the lagged value of credit to the private sector and GDP growth in Nigeria, but a positive but statistically insignificant relationship between the lagged value of credit to the public sector and GDP growth. Ihemeje and Chinedu (2016) analysed data from 1985 to 2014 to determine the effect of credit from deposit money banks on different sectors of the Nigerian economy. The CBN annual statistical bulletin served as the repository for this

information. The authors conducted an extensive empirical investigation of the data using a variety of techniques, including the Unit root test, Co-integration, Ordinary Least Squares, and an Error Correction Model. Deposit money banks' lending to the agricultural and manufacturing sectors was shown to have a positive correlation with GDP, whereas lending to the commercial and trading sectors had a negative correlation with GDP.

Kalu et al. (2017) investigated the impact of bank loans on Nigeria's manufacturing output between 1986 and 2013. The authors employed Autoregressive Distributed Lag, Bound Cointegration Testing, and Error Correcting Representations. The authors conclude that the variables are cointegrated, whether or not they are stationary, because the observed test statistic is bigger than the upper crucial band, as suggested by the bound test after Autoregressive Distributed Lag. Their results imply the presence of co-integrating vectors, which are long-term equilibrium relationships among the relevant variables. It is obvious that many literature point to a positive relationship between Credits and Economic Growth. However, there is a need for further research on banking sector credits and economic between 19991-2022.

Methodology

The ex-post facto methodology was used for this investigation. The study used secondary data.The data used in this analysis comes from the Statistical Bulletins and Annual Reports published by the CBN and the Nigeria Bureau of Statistics for the years 2001 through 2021, which is in line with previous studies in the fields of finance and economics. Essentially, extensive use of journals was made, while other published works and online materials relevant to the study were also consulted. The data obtained were Commercial Bank Lending to Private sector (CBLPRS), Commercial Bank Lending to Public Sector (CBLPS), Total Credit to the Economy (TOTCRED), Broad Money Supply (BMS) and Prime Lending Rate as well as the Real Gross Domestic Product (RGDP).

Following a detailed review of previous studies (Eburajolo & Aisien, 2019; Adeola, 2020; Okon et al., 2020; Adom, 2022), economic development was expressed as a function of bank credit, and a set of control variable and this is expressed by the functional equation below as;

$Y_t = f(BKC_t)$- - - - - - - - i

Where: Y_t = Economic Growth at time t, BKC_t = Bank Credits at time t, Expanding Equation (i) to accommodate indicators of bank credits and economic growth, we have:

$RGDP_t = f(CBLPRS, CBLPS, TOTCRED, BMS, PLR)$- - - ii

The structural model above is re-specified in its econometric form:

$$RGDP_t = \lambda_0 + \lambda_1 CBLPRS_t + \lambda_2 CBLPS_t + \lambda_3 TOTCRED_t + \lambda_4 BMS_t + \Lambda_5 PLR_t + U_t \text{-} \quad iii$$

To avoid the problem of autocorrelation equation, Equation (iii) was re-specified in Econometric semi-log linear form thus:

$$LNRGDP_t = \lambda_0 + \lambda_1 LNCBLPRS_t + \lambda_2 LNCBLPS_t + \lambda_3 LNTOTCRED_t + \lambda_4 LNBMS_t$$

$$+ \lambda_5 PLR_t + U_t \quad - \quad - \quad - \quad - \quad - \quad - \quad iii$$

Building an error correction model, the model becomes:

$$\Delta LNRGDP_t = \lambda_0 + \Delta\lambda_1 LNCREDPR_t + \Delta\lambda_2 LNCREDPU_t + \Delta\lambda_3 LNTOTCRED_t + \Delta\lambda_4 BMS_t + \Delta\lambda_5 PLR_t + U_t + \alpha ECT_{t-1} \quad - \quad - \quad - \quad iv$$

Where;
RGDP = real Gross Domestic Product; CBLPRS = Commercial Bank Lending to private sector;
CBLPS = Commercial Bank Lending to public sector; TOTCRED =DMBs' total credit to the economy; BMS = Broad Money Supply, PLR = Prime Lending Rate, F= Mapping rule which expresses functional relationship; LN = Natural logarithm (usually read as 'lin'); Δ = is the difference operator, α = (estimate of ECT). α is the coefficient of error correction term measuring the speed of adjustment from one period to another. ECT = Error Correction Term. It captures the short-run dynamics. U = is a pure white noise error term, λ_0 = Constant terms, $\lambda_1, \lambda_2, \ldots\ldots\ldots\ldots \lambda_6$ = the coefficients of explanatory variables. All variables show positive apriori expectations.

Results and Discussion

Data Presentation and Analyses

Descriptive Analysis

Table 4.1: Descriptive Statistics Result Summary

	RGDP	CBLPRS	CBLPS	TCRT	BMS	PLR
Mean	13.31781	12.40000	10.80935	12.41188	12.53188	3.250938
Maximum	14.32000	13.56000	12.18000	13.58000	13.67000	3.470000
Minimum	11.78000	10.62000	8.920000	10.62000	10.88000	3.060000
Std. Dev.	0.741201	0.922136	1.111473	0.927443	0.864685	0.078262
Skewness	-0.466548	-0.340618	-0.357720	-0.341195	-0.342398	0.116300
Kurtosis	2.030187	1.737418	1.586379	1.735215	1.770354	4.585116
Observations	32	32	32	32	32	32

Source: Researcher's Computation using E-Views, v. 9.1

The descriptive results above show the performance of the research variables over the studied period. First, the RGDP has a mean and std. dev. values of 13.31 and 0.74. This means that there has low variation, as evidenced by the low range between the max. and min. 14.32 and 11.78. The RGDP has a negative skewness of -0.46 and a platykurtic value of 2.03. which suggests that there is less major fluctuation experienced within the 32 periods of observations.

Also, the CBLPRS has with an average of 12.40 and a std. dev. of 0.92 implies that there has been a monumental rise in the bank credits to the private sector has shown by the min and max values of 13.56 and 10.62. The CBLPRS has a negative skewness of -0.34 and a platykurtic value of 1.73 which suggests that there has been a less major fluctuation experienced within the 32 periods of observations. Furthermore, the CBLPS has a mean of 10.80 and a std. dev. of 1.11. The implication of this is that, there is a wide variation in the CBLPS within the years of observation, from its min value of 8.92 and to its max value of 12.18. The CBLPS has a negative skewness of -0.34 and a platykurtic value of 1.73 which suggests that there has been a less major fluctuation experienced within the 32 periods of observations.

Another descriptive statistical evidence from the table 4.1 above is that the TCRT has an average of 12.41 and a std. dev. value of 0.92. This indicates that there is a noteworthy deviation in the TCRT series distribution as supported by its min value of 10.62 and recorded and its max. value of 13.58. The TCRT negative skewness of -0.34 and a platykurtic value of 1.73 which suggests that there has been a less major fluctuation experienced within the 32 periods of observations. The BMS has a mean and std dev. values of 12.53 and 0.86. The implication of this is that there has been a drastic variation in the BMS as shown its min. and max. values of 10.88 and 13.67. The BMS has a negative skewness of -0.34 and a platykurtic value of 1.77 which suggests that there has been a less major fluctuation experienced within the periods of observations.

Lastly, the PLR with an average of 3.25 and a std. dev. of 0.07 depicts clearly that there has been very little variation in the PLR as evidenced by its min. and ax. values of 3.47 and 3.06. The PLR has a positive skewness of 0.11 and a leptokurtic value of 4.58 which suggests that there has been a major fluctuation experienced within the periods of observations.

The jarque-bera statistic's probability is used to test for the normalcy of each variable. In a normality test, the alternative hypothesis is that the data are not normally distributed, whereas the null hypothesis is that they are. If the p-value is less than 0.05, we reject the null hypothesis; else, we accept it.

Table 4.2: Time-Series Normality Test

	RGDP	CBLPRS	CBLPS	TCRT	BMS	PLR
Jarque-Bera	2.414942	2.744261	3.242314	2.753785	2.641298	3.422260
Probability	0.298952	0.253566	0.197670	0.252362	0.266962	0.180662

Source: Researcher's Computation using E-Views, v. 9.

From the Normality Test result above, it is conspicuous that virtually not all the variables [Real Gross Domestic Product (p-value=0.29), Commercial Bank Lending to Private Sector (p-value=0.25), Commercial Bank Lending to Public Sector (p-

value=0.19), Total Credits (p-value= 0.25), Broad Money Supply (p-value=0.26) and Prime Lending Rate (p-value=0.18)] have a p-value lower than 0.05 (5%), and for presence of abnormality in the variables' data distribution, econometricians agreed that the probability value (simply known as the p-value) should be less than 5%. Thus, it is evident from the above that the variables (Real Gross Domestic Product, Commercial Bank Lending to Private Sector, Commercial Bank Lending to Public Sector, Total Credits and Broad Money Supply) have their p-values lower than 5% which means that they are abnormally distributed while the Prime Lending Rate has its p-value higher than 5% which suggested that it is normally distributed. This lends credence to the null hypothesis that the variables are regularly distributed. Therefore, logarithmic conversion is used to standardise the variables. An Excel spread sheet was used to accomplish the log change.

Econometric Analysis

Regression Analysis

The long-run Ordinary Least Square result above shows that Commercial Bank Lending to Private Sector, Commercial Bank Lending to Public Sector, Total Credits and Broad Money Supply, all have positive coefficient values suggesting their increase by 1%, holding other variables constant will lead to increase in the real gross domestic product by 110.20%, 26.06%, 98.96% and 130.81%. However, the Prime Lending Rate has a negative coefficient value which means that its increase by 1%, holding other variables at constant, will lead to 5.36% decrease in the real gross domestic product. Evidence from the p-values reveals that virtually all the variables are significant, having less than 5% except the Commercial Bank Lending to Private Sector and Commercial Bank Lending to Public Sector.

Table 4.3: Long-Run OLS Test Estimates

Dependent Variable: LNRGDP				
Method: Least Squares				
Date: 05/17/23 Time: 08:36				
Sample: 1991 2021				
Included observations: 32				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.670326	0.370772	1.807917	0.0822
LNCBLPR	1.101981	0.950854	0.158938	0.2370
LNCBLPS	0.260603	0.289298	1.900811	0.0760
LNTCRT	0.989633	1.294288	5.764615	0.0014
LNBMS	1.308068	0.238258	5.490132	0.0000

LNPLR	-0.053613	0.144117	-3.372010	0.0129
R-squared	0.995682	Mean dependent var		3.808998
Adjusted R-squared	0.994851	S.D. dependent var		0.895880
S.E. of regression	0.064285	Akaike info criterion		-2.483636
Sum squared resid	0.107445	Schwarz criterion		-2.208810
Log likelihood	45.73817	Hannan-Quinn criter.		-2.392539
F-statistic	1198.944	Durbin-Watson stat		1.783854
Prob(F-statistic)	0.000000			

Source: Author's Computation using E-Views, 9.1

R2 = 0.996 indicates that 99.6% of the variance in real GDP can be accounted for by the independent variables. After correcting for degrees of freedom, the model still captures about 99.5% of the total systematic variations in real GDP, as measured by the Adjusted R-square. The remaining 5% of the systematic variation in real GDP is captured by the stochastic disturbance term in the model. This suggests that the model failed to account for some of the potential causes of the observed variation in bank credit variables. Durbin Watson values of 1.78 demonstrate that the residuals are uncorrelated, demonstrating the absence of autocorrelation in the regression result. Finally, the F-value is 1198.94, and it's noteworthy because the significance level is so low (=0.000000) that it's well below the conventional threshold of 5%. The total regression model is significant, valid, and well-fit based on these statistics. By implication, this means that the connection between the dependent and independent variables is both positive and negligible.

Correlation Analysis

The correlation result in the table above depicts the relationship between the variables. First, it shows that all the exogenous variables (Commercial Bank Lending to Private Sector, Commercial Bank Lending to Public Sector, Total Credits and Broad Money Supply) exhibit a direct relationship with the endogenous variable (Real Gross Domestic Product). Specifically, the Commercial Bank Lending to Private Sector has a positive correlation value of .994 (p-value=.000), the Commercial Bank Lending to Public Sector has a direct correlation value of .979 (p-value=.000), the Total Credits has a positive correlation value of .993 (p-value=.000) and the Broad Money Supply shows a positive correlation value of .997 (p-value=.000). value, although the result is insignificant.

Table 4.4: Correlations Results

		RGDP	CBLPRS	CBLPS	TCRT	BMS	PLR
RGDP	Pearson Correlation	1	.994**	.979**	.993**	.997**	-.014
	Sig. (2-tailed)		.000	.000	.000	.000	.938
	N	32	32	32	32	32	32
CBLPRS	Pearson Correlation	.994**	1	.983**	.999**	.998**	-.052
	Sig. (2-tailed)	.000		.000	.000	.000	.778
	N	32	32	32	32	32	32
CBLPS	Pearson Correlation	.979**	.983**	1	.990**	.984**	-.115
	Sig. (2-tailed)	.000	.000		.000	.000	.532
	N	32	32	32	32	32	32
TCRT	Pearson Correlation	.993**	.999**	.990**	1	.998**	-.068
	Sig. (2-tailed)	.000	.000	.000		.000	.714
	N	32	32	32	32	32	32
BMS	Pearson Correlation	.997**	.998**	.984**	.998**	1	-.031
	Sig. (2-tailed)	.000	.000	.000	.000		.865
	N	32	32	32	32	32	32
PLR	Pearson Correlation	-.014	-.052	-.115	-.068	-.031	1
	Sig. (2-tailed)	.938	.778	.532	.714	.865	
	N	32	32	32	32	32	32

**. Correlation is significant at the 0.01 level (2-tailed).

This implies that 99.4%, 97.9%, 99.3% and 99.7% increase in the value of these variables will lead to decrease in the real gross domestic product by the same values. All variables have significant results. However, only the Prime Lending Rate has an inverse correlation value of -.014 (p-value= .938) which implies that its increase by 1.4% will lead to decrease in the real gross domestic product by similar value.

Causality

Table 4.5: Pairwise Granger Causality Tests			
Date: 05/17/23 Time: 10:24			
Sample: 1991 2022			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
LNCBLPRS does not Granger Cause LNRGDP	32	0.22585	0.7994
LNRGDP does not Granger Cause LNCBLPRS		4.03354	0.0361
LNCBLPS does not Granger Cause LNRGDP	32	0.50864	0.6074
LNRGDP does not Granger Cause LNCBLPS		4.67813	0.0188
LNTCRT does not Granger Cause LNRGDP	32	4.14518	0.0056
LNRGDP does not Granger Cause LNTCRT		4.22899	0.0066
LNBMS does not Granger Cause LNRGDP	32	3.50542	0.0455
LNRGDP does not Granger Cause LNBMS		4.40905	0.0131
LNPLR does not Granger Cause LNRGDP	32	0.62034	0.5458
LNRGDP does not Granger Cause LNPLR		5.09997	0.0139

Please Note: *The granger causality results presented above is design only to show the causality results between the explanatory and endogenous variables.*
Source: Researcher's Computation using E-Views, v.9.1

To determine the direction of causality between the variables, the Engle and Granger causality test was performed on the variables. The results of Granger causality test in table 4.9 above show that there exists a unidirectional relationship between real gross domestic product and Commercial Bank Lending to Private Sector, real gross domestic product and Commercial Bank Lending to Public Sector, real gross domestic product and prime lending rate. This means that they provide only feedback to their Granger

caused variables. Apparently, bi-causality was recorded between total credits and real gross domestic product, broad money supply and real gross domestic product.

This means that they both provide feedback to their Granger caused variables. However, no causality was recorded between Commercial Bank Lending to Private Sector and Real Gross Domestic Product, Commercial Bank Lending to Public Sector and Real Gross Domestic Product, Prime Lending Rate and Real Gross Domestic Product. By and large, the Granger Causality results suggest that a directional relationship existed among the bank credits and economic growth variables. It is therefore inferentially pertinent to posit that for Nigeria to extricate from its present economic quagmire; concerted and frantic efforts should be made to ensure effective and efficient bank credits.

Post Estimation Diagnostic Tests

Multicollinearity Test

Table 4.6: VIF Test Results

Variance Inflation Factors			
Date: 05/17/23 Time: 10:03			
Sample: 1991 2021			
Included observations: 32			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.137472	1064.516	NA
CBLPRS	0.904124	628.2738	7.430876
CBLPS	0.083694	405.2535	7.487580
TCRT	1.675182	125.0152	1.383792
BMS	0.056767	424.5401	4.131825
PLR	0.020770	255.7149	1.562686

Source: Author's Computation using E-Views, 9.1

From our results above, the Variance Inflation Factor for Commercial Bank Lending to Private Sector, Commercial Bank Lending to Public Sector, Total Credits, Broad Money Supply and Prime Lending Rate with values of 7.43, 7.49, 1.38, 4.13 and 1.56 confirms the absence of high collinearity between the explanatory variables.

Conclusion and Recommendations

This study investigated the impact of Banking Sector Credits on Economic Growth in Nigeria.. Consequently, this study utilized an ex-post fact research design to generate historic economic cum financial data from the publications (Statistical Bulletins and Annual Reports) of the CBN from 1991 to 2022. The data obtained were commercial bank lending to private sector, commercial bank lending to public sector, Total Credit to the Economy, Broad Money Supply and Prime Lending Rate as well as the Real Gross Domestic Product. Statistically, descriptive and inferential statistics were employed to interpret the data.

The empirical study found that Private Sector Credits and Public Sector Credits have positive but insignificant impact on the economic growth. Secondly, there is a strong positive correlation between private and public sector credits and lastly, there is bi-directional causality between bank credits and economic growth. Thus, this study concluded that bank credits have not significant impacted on the Nigerian economic growth. In view of the outcomes of this study, the following recommendations are put forward for better/improved economic performance through the banking sector:

1. To better meet the needs of the expanding private sector, which is more likely to borrow on the basis of the efficiency of investment decisions, the Nigerian government should borrow as little as possible from commercial banks.
2. To further improve the economy's total credits, it is suggested that the Central Bank of Nigeria take action to regulate the lending rate by keeping the monetary policy rate low enough to reduce the rate at which deposit money banks lend to their customers.
3. The Nigerian government might do more to encourage saving and lay the groundwork for the generation of loanable funds (i.e., credits) for investment in the country's economy if it raised the interest rate on deposits and lowered the Marginal Rediscount Rate (MRR).

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