# CREDIT TO THE PRIVATE SECTOR AND ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM NIGERIA

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**BEING DESSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, DEPARTMENT OF BANKING AND FINANCE, COVENANT UNIVERSITY, OTA, OGUN STATE, IN PARTIAL FULFILMENT FOR THE AWARD OF MASTER OF SCIENCE DEGREE IN FINANCE.**

**MAY, 2018**

**ACCEPTANCE**

This is to attest that this dissertation is accepted in partial fulfilment of the requirement for the award of Masters of Science degree in Finance in the Department of Banking and Finance, College of Business and Social Science, Covenant University, Ota, Ogun State. Nigeria

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## DECLARATION

I hereby declare that this dissertation titled ***CREDIT TO THE PRIVATE SECTOR CREDIT AND ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM NIGERIA*** was submitted to the Department of Banking and Finance, College of Business and Social Sciences, School of Postgraduate Studies, Covenant University, Ota. Ogun State, was carried out by me under the supervision of Professor Ochei Ikpefan and has not been previously submitted either whole or in part, for the award of any other degree in this or any other university.

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(Researcher)

## CERTIFICATION

This is to certify that this research thesis titled ***CREDIT TO THE PRIVATE SECTOR CREDIT AND ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM NIGERIA*** was carried out by Akinkunmi Olaniyi Idowu with matric number CU021040010 and is hereby submitted for the award of Master of Science (M.Sc) degree in Finance, College of Business and Social Sciences, Covenant University, Ota. Ogun State, Nigeria.

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## DEDICATION

This thesis is hereby solely and humbly dedicated to God almighty, the giver of live and the one who makes all things beautiful in his own time.

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**TABLE OF CONTENTS**


| | | | | | |
|---|---|---|---|---|---|
| **COVER PAGE** | **-** | **-** | **-** | **-** | **i** |
| **TITLE PAGE** | **-** | **-** | **-** | **-** | **ii** |
| **ACCEPTANCE** | **-** | **-** | **-** | **-** | **iii** |
| **DECLARATION** | **-** | **-** | **-** | **-** | **iv** |
| **CERTIFICATION** | **-** | **-** | **-** | **-** | **v** |
| **DEDICATION** | **-** | **-** | **-** | **-** | **vi** |
| **ACKNOWLEDGMENTS** | **-** | **-** | **-** | **-** | **vii** |
| **TABLE OF CONTENTS** | **-** | **-** | **-** | **-** | **viii** |
| **LIST OF TABLES** | **-** | **-** | **-** | **-** | **xii** |
| **LIST OF FIGURES** | **-** | **-** | **-** | **-** | **xiii** |
| **ABSTRACT** | **-** | **-** | **-** | **-** | **xv** |
| | | | | | |
| **CHAPTER ONE: INTRODUCTION** | | **-** | **-** | **-** | **1** |
| 1.1 | BACKGROUND TO THE STUDY | - | - | - | 1 |
| 1.2 | RESEARCH PROBLEM STATEMENT | - | - | - | 4 |
| 1.3 | RESEARCH QUESTIONS | - | - | - | 5 |
| 1.4 | OBJECTIVES OF THE STUDY | - | - | - | 5 |
| 1.5 | RESEARCH HYPOTHESES | - | - | - | 5 |
| 1.6 | SCOPE OF THE STUDY | - | - | - | 6 |
| 1.7 | SIGNIFICANCE OF THE STUDY | - | - | - | 6 |
| 1.8 | METHODOLOGY | - | - | - | 6 |
| | *1.8.1 Data Sources* | - | - | - | *7* |
| | *1.8.2 Data Analysis* | - | - | - | *7* |
| 1.9 | DEFINITION OF TERMS | - | - | - | 7 |
| 1.10 | OUTLINE OF THE STUDY | - | - | - | 8 |
| | | | | | |
| **CHAPTER TWO: LITERATURE REVIEW** | | **-** | **-** | **-** | **9** |
| 2.1 | PREAMBLE | - | - | - | 9 |
| 2.2 | CONCEPTUAL FRAMEWORK | - | - | - | 9 |
| | *2.2.1 Economic Growth Concept* | - | - | - | *9* |
| | *2.2.2 Concept of Private Sector* | - | - | - | *10* |
| | *2.2.3 Role of Credit in an Economy* | - | - | - | *10* |
| | *2.2.4 Structure of the Nigerian Financial System* | | - | - | *11* |

2.3 THEORETICAL FRAMEWORK - - - 14
*2.3.1 Supply-Leading Hypothesis - - - 14*
*2.3.2 Demand-Following Hypothesis - - - 15*
*2.3.3 Bi-directional Causality Hypothesis - - - 15*
*2.3.4 Independent Hypothesis - - - 15*
2.4 EMPIRICAL FRAMEWORK - - - 16
2.5 ENDOGENOUS GROWTH THEORY - - - 19
2.6 SUMMARY OF SELECTED STUDIES ON CREDIT AND GROWTH - 20
2.7 GAPS IN LITERATURE - - - 22

**CHAPTER THREE: THEORETICAL FRAMEWORK AND METHODOLOGY 23**
3.1 PREAMBLE - - - 23
3.2 RESEARCH DESIGN - - - 23
3.3 THEORETICAL FRAMEWORK - - - 23
*3.3.1 Endogenous Growth Theory - - - 23*
3.4 MODEL SPECIFICATION - - - 25
3.5 ESTIMATION TECHNIQUE - - - 26
*3.5.1 Vector Autoregression (VAR) Model - - 26*
*3.5.2 Optimal Lag Length - - - 29*
3.6 DESCRIPTION OF VARIABLES AND SOURCES OF DATA - 29
3.7 JUSTIFICATION OF VARIABLES - - - 30
*3.7.1 Dependent Variable - - - 30*
*3.7.2 Independent Variables - - - 30*

**CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS - 32**
4.1 INTRODUCTION - - - 32
4.2 TREND ANALYSIS OF THE DATA - - - 32
4.3 DESCRIPTIVE ANALYSIS OF THE VARIABLES (N'000) - 36
4.4 DATA ESTIMATION RESULTS AND ANALYSIS - - 38
*4.4.1 Augmented Dickey Fuller (ADF) Unit Root Test - - 38*
*4.4.2 Unit Root Test Hypotheses - - - 39*
4.5 VECTOR AUTOREGRESSION (VAR) ANALYSIS - - 41
*4.5.1 Optimal Lag Selection - - 41*
*4.5.2 Vector Autoregression Stability Condition - - 42*
*4.5.3 Interpretation of VAR Results - - - 44*

*4.5.4 Impulse-Response Function (IRF) Analysis - - 46*
*4.5.5 Forecast-Error Variance Decomposition (FEVD) Analysis - 47*

**CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION 48**
5.1 PREAMBLE - - - 48
5.2 SUMMARY OF RESEARCH FINDINGS - - - 48
5.3 RECOMMENDATIONS - - - 49
5.4 CONCLUSIONS - - - 50
5.5 CONTRIBUTION TO KNOWLEDGE - - - 50
5.6 SUGGESTIONS FOR FURTHER STUDIES - - 50

**REFRENCES - - - 52**

**APPENDICES - - - 59**

Appendix 1: TIME SERIES DATA; 1986 to 2016 - - 59
Appendix 2: ADF UNIT ROOT TEST FOR STATIONARITY - 61
Appendix 3: VECTOR AUTOREGRESSION (VAR) RESULTS - 66

## LIST OF TABLES


| | | |
|---|---|---|
| Table 2-1 | Development and Specialised Banks/Institutions as at 2016. | 12 |
| Table 2-2 | Previous Studies on Credit/Finance and Economic Growth | 20 |
| Table 3-1 | Variables, Description and Sources of Data. | 29 |
| Table 4-1 | Descriptive Statistics Summary of the Variables. (N'000) | 36 |
| Table 4-2 | Augmented Dickey Fuller Unit Root Test and Order of Integration at levels. | 40 |
| Table 4-3 | Augmented Dickey Fuller Unit Root Test and Order of Integration at first Difference. | 41 |
| Table 4-4 | Selection-order Criteria | 42 |
| Table 4-5 | Eigenvalue Stability Condition | 43 |

## LIST OF FIGURES


| | | |
|---|---|---|
| Figure 4-1 | Trend analysis of Credit to Private Sector; 1986 to 2016 | 33 |
| Figure 4-2 | Trend analysis of Broad Money Supply; 1986 to 2016 | 34 |
| Figure 4-3 | Trend analysis of Real Interest Rate; 1986 to 2016 | 35 |
| Figure 4-4 | Trend analysis of Labour Rate; 1986 to 2016 | 35 |
| Figure 4-5 | Trend analysis of Gross Fixed Capital Formation; 1986 to 2016 | 36 |
| Figure 4-6 | Roots of the Companion Matrix | 44 |
| Figure 4-7 | Impulse-response Graphs | 46 |

**ABSTRACT**

*This study empirically examined the impact of credit to the private sector on economic growth in Nigeria using time series data from the period of 1986 to 2016. Dependent variable was GDP growth rate (GROWTH), as proxy for Economic Growth. Credit to the Private Sector (PSCR) was the main explanatory variable, while other explanatory variables were; Broad Money Supply (M2), Real Interest Rate (RINT), Labour Rate (LABR), Gross Fixed Capital Formation (GFCF). Augmented Dickey Fuller (ADF) unit root test was used to test for the stationarity properties and order of integration of the data used in the study, the result revealed that Real interest rate was stationary at levels, while all other variables were found to be stationary at their first difference. The Vector Autogressive (VAR) econometric technique of estimation was employed to detect the effect of Credit to the Private Sector on complete time path of Nigerian economic growth and vice versa. Research findings revealed that the response of GROWTH to most of the shocks (impulses) were positive except for Interest Rate while GROWTH appeared to be unresponsive to the Interest Rate shocks. Under the Credit to the Private Sector bloc, the first 2 lags of PSCR being significant at the 5 percent and 1 percent level respectively, are found to be significant predictors of the dependent variable (PSCR). Furthermore, the estimation result shows that factors like LABF (the three lags) and RINT (third lag) are equally significant determinants of PSCR. The study therefore recommends that government should formulate policies to boost private sector credit so that banks and other financial institutions can increase lending to the Nigerian economy.*

**Keywords**: Nigeria, Economic growth, Credit to the Private Sector, Vector Autoregression Model