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An Empirical Analysis of the Impact of Commercial Bank Activities on Economic Growth of Nigeria (1995 – 2019)

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ABSTRACT

This work on the impact of commercial bank activities on the economic growth of Nigeria examined the major activities of commercial banks and their impacts on the growth of the Nigerian economy. Secondary data will be sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin on variables such as real gross domestic product (RGDP), proxy for economic growth as the dependent variable and commercial bank deposits, commercial bank credits and advances and commercial bank investments as independent variables for the period 1995 - 2019. The ex-post facto research design was employed in this study while the Augmented Dickey-Fuller (ADF) unit root test was used to test the stationarity of the variables in the study. Empirical findings of the study revealed that Commercial banks' deposit had positive and significant impact on economic growth in Nigeria; Commercial banks' credits and advances and commercial bank investments both had positive and insignificant impacts on economic growth in Nigeria. Thus, the study recommended that commercial banks should further increase its deposit by bringing on board attractive innovations that would bring the non-banked public into the banking net. This would increase financial inclusion and generate more growth in the Nigerian economy. Government should devise measures to closely monitor the utilization of credits given to every sector of the Nigerian economy in order to enthrone accountability and ensure that the projects for which the credits were obtained are carried out and again, commercial banks in Nigeria should start to undertake long term investment in order to increase productivity thereby enhance economic growth in Nigeria.

Keywords: Bank Deposit, Bank Loans and Advances, Economic Growth, Investment.

I. INTRODUCTION

1.1 Background of the Study

Banks have always been perceived as engine room of a nation's economy because they perform resource allocation function by channeling resources from surplus units to deficit units. Commercial banks in Nigeria are regulated by the Central Bank of Nigeria (CBN). Commercial banks play vital roles in economic development. They are involved in the process of increasing the wealth of the economy, particularly; the goods needed (i.e) capital goods needed for raising productivity. Commercial banks ensure economic stability and sustainable growth of the economy. With regards to this, credit creation is the most significant function of commercial banks.

Schumpeter (1911), had observed that commercial banking system was one of the key agents in the whole process of development. Economic growth had of then been underlined among conventional indicators of economic performances as an object of concern. Its natural characteristics of disclosing the changes in an economy had prevalently attracted the attention of the government and other viewers of economic affairs to its result. Dwiredi (2002) defined economic growth as a sustained increase in per capita national output over a long period of time.

Generally, commercial banks do not only facilitate economic growth, but also speeds up the process of economic growth through making funds available from resources mobilized. Commercial banks encourage investment; provide direct loans to the government and individuals for investment purposes. Banks contribute to the economy by

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mobilizing savings from the surplus economic unit by making and making these funds available to the deficit economic unit. By so doing, grants are able to finance investment (Ekepenyong, 2011). They provide managerial advice to small scale businesses. Commercial banks create money by accepting deposits and extending loans and advances from the funds thereby creating further money. Banks help enhance development of international trade which includes acting as referees to importers. Commercial banks accepts deposits, offers checking account services, gives loans and maintain savings account for individuals and small scale businesses.

The role played by commercial banks towards the development of an economy cannot be over emphasized. Banks allocate funds from savers to borrowers in an efficient manner. The banking sector helps to make credits available by mobilizing surplus funds from savers who have no immediate needs of such funds and thus channel such funds in form of credit to investors who have brilliant ideas on how to create additional wealth in the economy but lack the necessary capital to execute the ideas (Yakubu and Affoi, 2014; Nwanyanwu, 2010).

Specifically, commercial banks are known for deposit mobilization, giving loans and advances, investment.

1.2 Statement of the Problem

It is obvious that banks play vital roles in the economic growth of a country. It is indisputable that the banking system performs functions of financial intermediation. However, a bank's ability to cause economic growth and development depends on the health, soundness and stability of the banking system itself. There is a need for a strong, reliable and viable banking system. More so, a country's need for sustained economic growth largely depends on its ability to maintain a sound financial system. In line with this, Schumpeter (1911) put the role of financial intermediation at the center of economic growth and development. He argued that financial intermediation through the banking system played a vital role in economic development by affecting the allocation of savings, thereby improving technical change and the rate of economic growth.

Thus, the problem of the study stems from the fact that the failure of banks to perform their financial intermediation function will definitely have very serious adverse effects on the economy. These failures could result from issues of fraud and forgeries, poor revaluation, inability of banks customers to repay their loans and advances as at when due. All these could lead to bank run (panic), loss of huge sum of customers, it also affects production.

1.3 Objectives of the Study

The general objective of this work is to examine the impact of commercial bank activities on the economic growth in Nigeria for the period 1995 – 2019.

The specific objectives of this work include to:

(a) Determine the impact of commercial banks deposits on economic growth of Nigeria.
(b) Examine the impact of commercial bank cerdits and advances on economic growth of Nigeria.
(c) Investigate the impact of commercial bank investments on economic growth of Nigeria.

1.4 Research Questions

The following research questions are raised in this study:

(a) What is the impact of commercial bank deposit on economic growth of Nigeria?
(b) To what extent do commercial bank credits and advances impact on economic growth of Nigeria?
(c) How do commercial bank investments impact on economic growth of Nigeria?

1.5 Research Hypotheses

The following research hypotheses are raised in line with the objectives of the study:

(i) There is no significant impact of commercial bank deposit on economic growth of Nigeria.
(ii) Commercial bank credits and advances do not significantly impact economic growth of Nigeria.
(iii) Commercial bank investments do not exert significant impact on economic growth of Nigeria.

1.6 Significance of the Study

The outcome of this research will be of great benefit to the following parties:

1. Researchers: This work would form a basis for further research on the topic and related issues as researchers can get hold of this work, study it and base on it to carry out further researches.
2. Students: This work will help students understand the impact of commercial bank activities on economic growth in Nigeria thereby assisting them understand the activities of commercial banks and their impact on the Nigerian economy.
3. The government: This work would help the government in the regulation of commercial

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bank activities in Nigeria as well as in policy formulation and implementation.

4. The bank: This work would help banks have better information on their activities and how they affect the growth of the Nigerian economy.

1.7 Scope of the Study

This study will focus on the impact of commercial bank activities on economic growth of Nigeria for the period 1995 – 2019, using commercial bank deposit mobilization, loans and advances and commercial bank investments as independent variables while economic growth is a dependent variable. This period covers the pre and post consolidation era in commercial banking in Nigeria and would be good enough for decision making.

II. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

The following concepts are considered in this work: Concept of Bank Credit, Deposit Mobilization and Liquid Reserves of Commercial Banks and Economic Growth.

2.1.1 The Concept of Bank Credit

Credit is the extension of money from the lender to the borrower. Spencer (1977) noted that credit implies a promise by one party to pay another for money borrowed or goods and services received. Credit cannot be divorced from the banking sector as banks serve as a conduit for funds to be received in form of deposits from the surplus units of the economy and passed on to the deficit units who need funds for productive purposes. Banks are therefore debtors to the depositors of funds and creditors to the borrowers of funds. They are mainly involved in financial intermediation, which involves channeling funds from the surplus unit to the deficit unit of the economy, thus transforming bank deposits into loans or credits. Bank credit is the borrowing capacity provided to an individual, government, firm or organization by the banking system in the form of loans and advances (Nzotta, 2004).

According to Central Bank of Nigeria (2003), the amount of loans and advances given by the banking sector to economic agents constitute bank credit. It is often accompanied with some collateral that helps to ensure the repayment of the loan in the event of default. Credit channels savings into productive investment thereby encouraging economic growth. Thus, the availability of credit allows the role of intermediation to be carried out, which is important for the growth of the economy. The role of credit in economic growth and development has been recognized as credits are obtained by various economic agents to enable them meet operating expenses. For instance, business firms obtain credit to buy machinery and equipment. Farmers obtain credit to purchase seeds, fertilizers, erect various kinds of farm buildings, etc. Governmental bodies obtain credits to meet various kinds of recurrent and capital expenditures. According to Ademu (2006), the provision of credit with sufficient consideration for the sector’s volume and price system is a way to generate self-employment opportunities. This is because credit helps to create and maintain a reasonable business size as it is used to establish and or expand the business, to take advantage of economies of scale. It can also be used to improve informal activities and increase their efficiency. This is achievable through resource substitution, which is facilitated by the availability of credit.

2.1.2 Deposits Mobilization

Essentially, commercial banks make available the facilities for the pooling of savings through the acceptance of deposits from the public. The deposits are kept in savings, time deposits and current accounts. The savings so mobilized are made available for economically and socially desirable purposes. Acceptance of deposits is the oldest function of commercial banks (Adekanye, 1986).

Transaction costs and asymmetric information i.e. adverse selection and moral hazard, makes savings mobilization difficult and costly. Well-developed financial markets can aid or facilitate effectively savings mobilization in an economy. In the presence of asymmetric information, risk-averse agents do not feel comfortable entrusting their savings to others. King & Levine (1993), posited that for the fact that transaction and information costs are associated with mobilizing savings from many disparate agents, financial markets emerge to ameliorate these frictions and ease savings mobilization.

Better functioning financial system eases the external financing constraints that impede firm and industrial expansion. Banks accept deposits from individuals and institution thus transferring funds from the surplus sector to the deficit sector of the economy (Greenwood and Smith, 1996). Though they are subject to certain regulations by the regulatory authorities, financial intermediaries still determine the rules for allocating funds and as such they play a significant role of determining the type of investment activities, the level of job ration and the distribution of income.

2.1.3 Economic Growth

Economic growth as posited by Oluitan (2010) refers to a steady process by which the productive capacity of the economy is increased overtime to bring about rising levels of national output and income. It is viewed as increase in output. Economic growth is related to a quantitative sustained increase in a country's per capita income or output accompanied by expansion in its labour force, consumption, capital and volume of trade. The major features of economic growth include: high rate of productivity, high rate of structural transformation, international flows of labour, goods and capital, etc. Therefore, there is sustained economic growth when there is a sustained increase in the actual output of goods and services per head (Jhingan, 2006).

2.1.4 Roles of Commercial Banks on Economic Growth of Nigeria

The importance of commercial banks can best be illustrated by a brief x-ray of their major functions and roles according to Nwaeze, Ujah, Amaechi and Nwabeke (2015).

1. Acceptance of Deposits

Commercial banks make available the facilities for the pooling of savings through the acceptance of deposits from the public. These deposits are kept in savings, fixed and time deposits or current accounts. The savings so mobilized are made available for economically and socially desirable purposes. Accepting deposits is the oldest function of commercial banks.

2. Lending to Customers

Economic units in need of cash for investment purposes (deficit units) go to the commercial banks to obtain funds for financing their business ventures. Thus commercial banks grant loans and overdrafts to customers to finance their businesses. They also charge interest on these loans and overdrafts.

3. Agency Services

Commercial banks perform agency services in the following ways:

(a) Collection and payment of bills and cheques.

(b) Payment of subscription, insurance premium, club dues, etc.

(c) Effecting fund transfers on behalf of their customers, in return, banks charge commission for rendering such agency services to their customers.

4. Sage-guarding of Valuables

Customers can keep their valuable materials such as wills, deeds, academic certificates, share certificates, gold and other valuables with the commercial banks for safe custody. The banks provide facilities for securing these items and materials on behalf of their customers.

5. Foreign Exchange Services

Commercial banks provide travelers' cheques and foreign currency rates to their customers travelling abroad. The banks also help customers in converting their local currencies to hard currencies and vice versa. These actions of banks help to promote foreign trade.

6. Discounting Bills of Exchange

Banks discount bills of exchange for individuals and companies who may not wait until the due date of such bills. Discounting of bills refers to paying the owner of the bill its face value less some discount before the due date.

7. Buying and Selling Shares

Commercial banks engage in brokerage services for their customers. The banks may act as issuing houses for the purpose of selling of financial securities on behalf of their customers through licenced stockbrokers. They also buy shares on behalf of their customers.

8. Use of Cheques and Bank Drafts

Banks make use of cheques possible. They also issue local bank draft which is a cheque drawn by a branch of a bank on another branch, or on its head office, any payments are effected using bank drafts. Examples will include payment of school fees for post-primary and post-secondary institutions, entry fee for various examinations conducted by various examining bodies such as the West African Examination Council (WAEC), National Examinations Council (NECO), etc. A bank draft can also be issued for making payments in international trade, that is, payments for imports.

9. Business and Investment Advisory Service

The commercial banks at times act as business and investment advisers to their customers. This may be in the area of accounting policies to adopt, internal control measures, financing options to adopt or choose, dividend policy, working capital management, stores administration etc. Banks also advise customers on the most appropriate investment opportunities, bearing in mind risks and returns trade-off.

10. Acting as Bank references

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Commercial banks recommend businessmen and industrialists to their business associates especially foreigners, to enable them trust and do business with them.

11. Provision of Status Reports

Banks prepare status reports on the financial standing of their customers when the need arises, that is in response to a status inquiry made by a business associate to or another bank on a customer's financial standing. The banks when writing such reports have to cross-check their information about the customer for accuracy and reliability purposes. Negligent reports by banks may cause the bank to pay for damages if found negligent.

12. Acting As Trustees and Executors

Commercial banks are always prepared to accept the trusteeship of their customers' properties. They also act as executors for deceased persons, by helping to distribute estate of the deceased according to the provisions of his will.

13. Credit Creation

One of the most important roles of commercial banks is the creation of credit or money. This is accomplished by the lending and investing activities of commercial banks in cooperation with the Central Bank of the nation.

14. Sale of Examination and Admissions Forms

It is a common practice now to see banks engage in the selling of examination entry forms for examining bodies such as the West African Examinations Council (WAEC), National Examinations Council (NECO), Joint Admissions and Matriculation Board (JAMB) etc. The banks also sell admission forms of various post primary and tertiary institutions in Nigeria.

2.2 Theoretical Review

The theories relevant in this study include: conversion of funds or assets allocation theory, supply-leading hypothesis, as well as the traditional theory of intermediation based on transaction cost and asymmetric information. This work is anchored on this traditional theory of intermediation. This theory is designed to account for institutions which take deposits or issue insurance policies and channel funds to firms. Though transaction costs and asymmetric information have declined, intermediation has increased. New markets for financial features and options are mainly markets for intermediaries rather than individuals or firms.

Financial markets have a lot of asymmetric information. Borrowers and debt or stock issuers know much more about their likelihood of success than the potential leaders and investors. Thus, asymmetric information causes one group with better information to use this advantage at the detriment of the less-informed group. Asymmetric information can cause financial markets to function inefficiently. The intermediaries use their size and experience or expertise to minimize them. Asymmetric information leads to adverse selection and moral hazard. The problem of adverse selection arises as the worst potential borrowers are more likely to be selected for the transaction. Borrowers who are bad credit risks are more likely to get the loans than those who are good credit risks. The problem of moral hazard thus arises after the loans are made. This is the risk that the borrower of a loan may misuse the loan and will be unable to pay back as at when due. Banks are however experts in loan appraisals and assessment in trying to distinguish the good from the bad. Banks monitor and enforce lending contracts in order to minimize or reduce the problems of moral hazard.

2.3 Empirical Review

Odedokun (1998) studied the impact of financial intermediation on economic growth using a cross-country data analysis of 71 less developed countries (LDCs) for the period 1960 to 1980. Using Ordinary Least Squares (OLS) and Generalized Least Squares (GLS) techniques, the study showed a strong positive relationship between financial intermediation and economic growth.

King and Levine (1993) studied a pooled cross-country time series survey of eighty countries for the period 1960-1989 with a view to establishing the relationship between financial development and economic growth. The study adopted the Auto Regressive Distributive Lag (ARDL) technique in analyzing the data. The study showed that the four indicators of financial development were positively and statistically related to growth and other indicators of growth.

Hao (2006), studied the association between financial intermediation and economic growth, using a country-specific data from China, using the period 1985 to 1999 and post 1978 reform period. The study employed the use of linear model which expressed economic growth as a function of lagged economic growth, and financial development indicators (banks, saving and loan-budget ratio). The study found that financial intermediation has a causal effect and positive impact on growth through the channels of

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households' savings mobilization and substitution of loan for state budget appropriation.

Shittu (2012) in a country specific study investigated the impact of financial intermediation on economic growth in Nigeria using the ratio of domestic credit to private sector (CPS), nominal GDP and money supply (M2)/nominal GDP as measures of financial intermediation and real GDP as a proxy for economic growth. Findings of the study showed that broad money (M2) was more influential on economic growth than credit to the private sector.

Agbada and Osuji (2013) studied the relationship between financial intermediation and output growth using time series data from Nigeria from 1981 – 2011. Multiple regression technique was used to estimate the variables and the results indicated a positive and significant relationship between demand deposit and output. Savings and time deposits had a linear and significant relationship with output. Lastly, loans and advances had a negative and insignificant relationship with output. Lastly, loans and advances had a negative and insignificant relationship with output.

Adekunle, Salami and Adedipe (2013) investigated the impact of financial development on economic growth in Nigeria. The model was calibrated using Ordinary Least Squares and the result indicated that all the dependent variables are statistically not significant.

Emecheta and Ibet (2014) studied the role of bank credit on growth in Nigeria for the period 1960 – 2011. The authors used current GDP as a measure of economic growth and financial deepening variables of bank credit to the private sector (CPS) to GDP ratio and broad money (M2) to GDP ratio and adopted VAR for the analysis and the result showed that there was an impactful linear connection between bank credit and economic growth.

Ogege and Boloupremo (2014) studied the effect of sectoral credit allocation by deposit money banks in accelerating GDP growth in Nigeria. Time series data from 1973 – 2011 was used in the study. Engle-Granger Representation Theories of Error Correction was adopted for the analysis and results indicated that credit to the production sector has a significant and real effect on the growth rate of Nigeria whereas general commerce, services and other sectors had a negative and statistical unimportant connection with GDP in Nigeria.

Usman, Alimi and Onayemi (2018) investigated the effects of bank intermediation activities on economic growth in Nigeria using data from the CBN Statistical Bulletin for the period 1983 – 2014. The study employed the co-integration test and OLS regression technique. The cointegration test revealed existence of a long-run relationship between the variables – while the OLS regression result indicated that loan and advance and money supply have positive effect on economic growth. The study thus, concluded that financial intermediation by banks had a statistically significant impact on economic growth in Nigeria.

Nwanne (2015) studied the implications of cost of financial intermediation on economic growth in Nigeria, making use of ex-post facto research design and Ordinary Least Squares (OLS) analysis as well as the co-integration test. The co-integration test showed a long-run relationship between cost of financial intermediation and economic growth in Nigeria. Results of the study indicated that total loan (TL) has significantly impacted on economic growth in Nigeria, while interest rate had a negative impact on economic growth in Nigeria.

In the study by Ogwumike and Salisu (2009), they examined the short-run, long-run and the causal relationship between financial development and economic growth in Nigeria from 1975 to 2008. Using the Bound Test approach, the study found a positive long-run relationship between financial development and economic growth in Nigeria. Credit to private sector, stock market and financial reforms exerted significant positive impact on economic growth. Analysis of the short-run dynamics revealed that about 40% of the resulting disequilibrium as captured in each period indicated minimal deviation from the equilibrium. The study showed that the result of the VAR-Granger causality test tends to support the supply-leading hypothesis.

Akpansung and Babalola (2009) examined the impact of bank credit on the growth of Nigerian economy for the period of 1970 – 2008, using the two-stage least square and granger causality test, the result indicated that bank credit had a negative impact on the growth of Nigerian economy with causation running from GDP to bank credit.

Oluitan (2012) investigated the significance of bank credit in stimulating real output growth in the case of Nigeria. Using Engle Granger and Johansen based ECM methods; the study observed that credit Granger causes output. The result also revealed that exports in general are negatively related to credit. Oil exports are negatively related to credit while non-oil exports had positive relationship with credit.

Nabila and Zakir (2014) examined the relationship between financial development and

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economic growth for 159 countries over the period 1960 – 2012 using cross-sectional data. In order to address the problem of potential endogeneity in the underlying relationship, the two-stage Least Squares (2SLS) was employed. The empirical results revealed that financial development had a positive and statistically significant effect on economic growth.

Tahir, Shehzadi, Ali and Ullah (2015) investigated the association among bank credit to private sector and economic growth in Pakistan. The study utilized secondary data from 1973 to 2013 and Error Correction Mechanism (ECM). Findings of the study indicated that bank credit had extensive relationship with economic growth in Pakistan.

III. RESEARCH METHODOLOGY

3.1 Research Design

According to Amara and Amaechi (2005), research design should be a blueprint which should guide the researcher in his specific inquiry, investigation and analysis. The research design adopted in this study is the ex-post facto research design. According to Osuala (2010), the ex-post facto design is appropriate and preferred in a cause-effect relationship where there is already existing data which cannot be manipulated by the researcher. In this study, data for all the variables involved already exist in Nigeria.

3.2 Nature and Source of Data

The study made use of secondary data mostly time series. The data for this study will be obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin as well as from the National Bureau of Statistics (NBS). Data to be obtained are on variables such as real gross domestic product, commercial bank deposits, commercial bank loans and advances and commercial bank investments.

3.3 Method of Data Analysis

The study will make use of pre-testing methods involving the Augmented Dickey-Fuller (ADF) unit root tests which focus on obtaining overall stationarity of the variables in the study. The Johansen Co-integration test which aims to establish the existence of long-term equilibrium relationship among the variables will be adopted. The study shall employ the Auto-Regressive Lag Distributed Lag (ARDL) in carrying out the empirical analysis of the study.

3.4 Model Specification

Nwaeze, Okoroafor and Nwabekee (2014) specified a model which captured impact of financial intermediation on economic growth on Nigeria thus:

RGDP = f (CBD, CBC, CBLR, GE)

Where:

RGDP = Real Gross Domestic Product
CBD = Commercial Bank Deposits
CBC = Commercial Bank Credits
CBLR = Commercial Bank Liquid Reserve
GE = Government Expenditure

In order to suit the objective of the study, we have:

RGDP = f(CBDM, CBCA, CBT)………………………………………………….. eqn 1

Where:

RGDP = real gross domestic project
CBDM = commercial bank deposit mobilization
CBCA = commercial bank credit and advances
CBI = commercial bank investment

The econometric form is specified as:

$RGDP = \beta_o + \beta_1 CBDM + \beta_2 CBCA + \beta_3 CBI + \mu$……………………………………… eqn 2

Where:

β_o = Constant
$\beta_1, \beta_2, \beta_3$ = regression coefficient
μ = stochastic variable or error term

To bring eqn 2 to its logarithm form, we have;

$LOG(RGDP) = \beta_o + \beta_1 LOG(CBD) + \beta_2 LOG(CBC) + \beta_3 LOG(CBI) + \mu$………….. eqn 3

By Apriori, $\beta_o > 0, \beta_1 > 0, \beta_2 > 0, \beta_3 > 0$.

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3.5 Description of Research Variables

3.5.1 Dependant Variable

In this study, the dependent variable – Real Gross Domestic Product will be proxied for economic growth. Real Gross Domestic Product is seen here as the total money value of all goods and services produced within a country at any given period of time (usually one year).

3.5.2 Independent Variables

The explanatory variables in this study are commercial bank deposit mobilization, commercial bank loans and advances and commercial bank investments.

IV. DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Data Presentation

Table 4.1: Data on nominal values of RGDP, CBD, CBC and CBI (₦'Billions)

YEAR	RGDP	CBD	CBC	CBI
1995	20353.2	179.0	144.6	2.2
1996	21177.92	214.4	169.4	2.5
1997	21789.1	269.8	385.6	3.5
1998	22332.87	314.3	272.9	4.3
1999	22449.41	476.4	322.8	5.4
2000	23688.28	702.1	508.3	8.0
2001	25267.54	947.2	796.2	15.9
2002	28957.71	1157.1	954.6	35.4
2003	31709.45	1337.3	1210.0	62.9
2004	35020.55	1661.5	1519.2	72.8
2005	37474.97	2036.1	1976.7	88.4
2006	39995.5	3245.2	2524.3	141.6
2007	42922.41	5001.5	4813.5	292.3
2008	46012.52	7960.1	7799.4	480.7
2009	49856.1	9150.0	8912.1	890.3
2010	54612.26	9784.6	7706.4	1869.1
2011	57511.04	11452.8	7312.7	2574.7
2012	59929.89	13132.1	8150.0	2551.2
2013	63218.72	13767.4	10005.6	1852.4
2014	67152.79	16222.5	12889.4	909.6
2015	69023.93	17211.0	13086.2	1239.0
2016	67931.24	18199.5	16117.2	1553.4
2017	68490.98	19187.9	15775.4	1558.8
2018	69799.94	18140.3	2393.8	16716.2
2019	71387.83	19128.7	15417.5	16829.1

Source: CBN Statistical Bulletin (Various)

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4.2 Data Analysis

4.2.1 Descriptive Statistics

Table 4.2: Descriptive Statistics

Statistics	RGDP	CBC	CBD	CBI
Mean	44722.65	5646.552	7635.152	1990.388
Skewness	0.0849787	0.6457743	0.4093265	2.913643
Kurtosis	1.457672	1.995052	1.544614	9.882589
Observations	25	25	25	25

Source: Author's computation (2022)

Real GDP in Nigeria averaged ₦44722.65 billion and had a skewness value of 0.0849787 which indicated a normal distribution. However, kurtosis value of 1.457672 revealed a platykurtic kurtosis (i.e. 1.787949 < 3). Platykurtic kurtosis associated with real GDP showed that real GDP had presence of high number of lower values than the sample mean score of ₦44722.65 billion. On the other hand, commercial banks credit had a mean value of ₦5646.552 billion with a skewness value of 0.6457743 indicating that commercial banks credit does not have a normal distribution. With a kurtosis value of 1.995052, there is evidence of platykurtic (negative) kurtosis (i.e. 1.995052 < 3) and this suggested that commercial banks credit had high numbers of values that were less than the sample mean value of ₦5646.552 billion. For commercial banks deposits, the mean value was ₦7635.152 billion and it had a skewness value of 0.4093265 which indicated that commercial banks deposit might have a normal distribution. With a kurtosis value of 1.544614, there is evidence of platykurtic (negative) kurtosis which also indicated that commercial banks deposit high number of nominal values below its sample mean of ₦7635.152 billion. Finally, commercial banks investment had a mean value of ₦1990.388 billion and a skewness value of 2.913643 which is suggestive of an abnormal distribution. With a kurtosis value of 9.882589, there is evidence of a leptokurtic (positive) kurtosis and this indicated that commercial banks investment is characterized by high number of nominal values exceeding its sample mean value of ₦1990.388 billion.

4.2.2 Stationarity Test

4.2.2.1 Lag Order Selection Criteria

Table 4.3: Optimal Lag Selection Criteria

Lag	AIC	HQIC	SBIC
0	-3.41459	-3.37142	-3.21564
1	-10.1302	-9.9143	-9.13541
2	-12.581	-12.1924	-10.7904
3	-12.6824	-12.1211	-10.096
4	-23.7607*	-23.0266*	-20.3784*

***Indicates optimal lag**
Source: Author's computation (2022) from STATA 13 software package

This study adopted annual data set and thus it became imperative to select the appropriate lag structure for the unit root test. In the study, Akaike Information Criterion (AIC), Hannan and Quinn's Information Criterion, and Schwartz Information Criterion (SBIC) were adopted to determine the optimal lag length. In all the information criteria, the lag length with the lowest SBIC, AIC and HQIC values were considered the best. From the result above, the optimal lag was indicated by the Akaike Information Criterion (AIC), Hannan and Quinn's Information Criterion and Schwartz Information Criterion (SBIC) at lag 4 with the values -23.7607, -23.0266 and -20.3784, respectively.

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4.2.2.2 Unit Root Test

Table 4.4: ADF Unit Test Result

Variable	ADF Values	0.05 Critical Values	Order of Integration
DLOGRGDP	-3.384	-3.000	I(0)
DLOGCBC	-3.197	-3.000	I(0)
DLOGCBD	-3.773	-3.000	I(0)
DLOGCBI	-3.342	-3.000	I(0)

Source: Author's computation (2022) from STATA 13 software package

The study adopted the augmented Dickey-Fuller unit root test to determine the stationarity or otherwise of the variables. At level, evidence showed that there variables were stationary at five percent level of significance. This is because the ADF values for all the variables namely; RGDP (3.384), CBC (3.197), CBD (3.773) and CBI (3.342) in absolute terms were less than the critical value (3.000). Thus, the variables were integrated of order zero (i.e. I(0)).

4.2.3 Analytical Technique|: Ordinary Least Squares

Table 4.5: Ordinary Least Squares (OLS) Result
Dependent Variable: LOGRGDP

Variable	Coefficient	Std. Error	t-statistic	Prob.
LOGCBC	0.0040051	0.0436736	0.09	0.928
LOGCBD	0.212606	0.0724011	2.94	0.008*
LOGCBI	0.0364906	0.0255311	1.43	0.168
C	3.768085	0.0928338	40.59	0.000*

Adjusted R-squared = 0.9760
F(3,21) = 326.85
Pr.(F-statistic) = 0.0000
DW-statistic = 1.890404

Source: Author's computation (2022) from STATA 13 software package

The result showed that commercial banks credit had positive relationship with real GDP in Nigeria. From the result, 1 percent increase in commercial banks credit led to 0.4 percent increase in real GDP in Nigeria. The probability value of CBC (0.928) exceeded the test significant level (0.05). With this, the study concluded that commercial banks credit had insignificant effect on economic growth in Nigeria.

Similarly, the result showed that commercial banks deposit had positive relationship with real GDP in Nigeria. From the result above, 1 percent increase in commercial banks deposit led to 21.3 percent increase in real GDP in Nigeria. The probability value of CBD (0.008) was less than test significant level (0.05). With this, the study concluded that commercial banks deposit had significant effect on economic growth in Nigeria.

Commercial banks investment had positive relationship with real GDP in Nigeria. From the result above, 1 percent in commercial banks investment led to 3.65 percent increase in real GDP in Nigeria. The probability value of CBI (0.168) was greater than the test significant level (0.05). With this, the study concluded that commercial banks investment had insignificant effect on economic growth in Nigeria.

The coefficient of determination (0.9760) showed that 98 percent of the variations in real GDP in Nigeria were due to changes in commercial banks credit, commercial banks deposit and commercial banks investment. Therefore, the remaining 2 percent of the variations in real GDP in Nigeria are due to other factors not in the model. The probability F-statistic (0.0000) was less than the test significant level (0.05) and this indicated that the model was reliable and appropriate in policymaking.

4.3 Test of Hypotheses

Ho_1: There is no significant impact of commercial bank deposit on economic growth of Nigeria?

From the analysis, commercial bank deposits (CBD) had a probability value of 0.008 which is less than the test's significance level (i.e. 0.008 < 0.05). Therefore, the null hypothesis was rejected while the alternative hypothesis that commercial bank deposits had a significant impact on economic growth in Nigeria was accepted.

Ho$_2$: Commercial bank credits and advances do not significantly impact economic growth of Nigeria.

The probability value of commercial bank credit (CBC) is 0.928, which is greater than the test significance level of 0.05 (i.e. 0.928 > 0.05). Thus, the study rejected the alternative hypotheses and accepted the null hypothesis that commercial bank credits did not significantly impact on economic growth for the period studied.

Ho$_3$: Commercial bank investments do not exert significant impact on economic growth of Nigeria.

The probability value of commercial bank investment (CBI) is 0.168, which is greater than the test significance level of 0.05 (i.e., 0.168 > 0.05). Thus, the study rejected the alternative hypothesis and accepted the null hypothesis that commercial bank investment did not significantly impact on economic growth in Nigeria for the period studied.

4.4 Discussion of Findings

First, the study showed that commercial banks' deposits had positive and significant effect on economic growth in Nigeria. This finding corroborates Nwaeze, Okoroafor and Nwabekee (2014) which argued that a positive and significant relationship existed between commercial banks' deposit and economic growth in Nigeria. This finding is not surprising because the banks in Nigeria have over time devised attractive ways of marketing their products to the masses in Nigeria. What readily comes to mind here is the technological innovative packages such as electronic transactions which reduced the time spent by bank customers in the banking halls. This acted as an incentive because the customers realizing that paying in money and making withdrawals will not consume their time, they tend to have increased confidence in the banks in terms of keeping their monies there. With increased deposit mobilized, the banks had more money to give out as credits and this led to increase in investment, increase in productive activities and eventually increases economic growth in Nigeria.

Secondly, the study showed that commercial banks' credit had positive and insignificant effect on economic growth in Nigeria. This finding contrasts Onuorah and Ozurumba (2013) which argued that commercial banks' credit did not lead to economic growth in Nigeria. Perhaps, the insignificant effect of commercial banks' credit on economic growth in Nigeria might be attributed to the fact that commercial credits are often channeled to the non-vibrant sectors of the economy which has rather become a source of leakages instead of growth. More so, it may still be attributed to fraud and corruption. This is because when individuals at the helm of affairs in the credit-benefiting sectors of the economy decide to siphon the money given to them by the banks as credit instead of using it for the investments (or projects) for which the funds were given, then the returns on investment, employment opportunities and increased productivity which would have been created if the funds were actually invested would become a mirage. Ultimately, economic growth would be undermined rather than increase. Hence, it is not surprising that commercial banks' credit did not lead to a significant increase in economic growth in Nigeria.

Finally, the study showed that commercial banks' investment had positive and insignificant effect on economic growth in Nigeria. The insignificant effect of commercial banks' investment on economic growth in Nigeria might be attributed to the preference of Nigerian banks' for short term investment with minimal influence on infrastructural development. As the level of infrastructural development remains low (owing to non-investment by the banks), productivity and economic growth are not enhanced.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary Of Findings

The following findings were made in this study:

1. Commercial banks' deposit had positive and significant impact on economic growth in Nigeria.
2. Commercial banks' credits and advances had positive and insignificant impact on economic growth in Nigeria.
3. Commercial bank investments had positive and insignificant impact on economic growth of Nigeria.

5.2 Conclusion

The role of commercial banks in the growth of the Nigerian economy has become a subject of intense debate. While some scholars had argued that the banks play minimal role in the growth of the economy, others think otherwise. To add to the body of knowledge on this interesting discourse, this study investigated the effect of commercial banks' activities on economic growth in Nigeria from 1995 to 2019. Commercial banks' credit, commercial banks' deposit and commercial qbanks' investment were used as measures of commercial banks' activities while real gross domestic product measured economic growth. From the empirical evidence, it was revealed that commercial banks' credit and commercial banks' investment had positive and insignificant effect on economic growth in Nigeria while commercial banks' deposit had positive and significant effect on economic growth in Nigeria. The study concluded that commercial banks' activities had positive effect on economic growth.

5.3 Recommendations

The following recommendations are made in line with the findings of the study:

1. The government should devise measures to closely monitor the utilization of credits given to every sector of the Nigerian economy in order to enthrone accountability and ensure that the projects for which the credits were obtained are carried out. This is achievable through the strengthening of the due process mechanisms.
2. The commercial banks should further bring on board attractive innovations that would bring the non-banked public into the banking net. This would increase financial inclusion and generate more growth in the Nigerian economy.
3. Commercial banks in Nigeria should start to undertake long term investment in order to increase productivity thereby enhance economic growth in Nigeria.

5.4 Contribution to Knowledge

The study has contributed to knowledge in the following ways:

1. This study has provided empirical evidence on the impact of commercial bank activities on economic growth in Nigeria. Generally, the study concluded that commercial banks' activities had positive impact on economic growth in Nigeria.
2. It has added to available literature on bank activities and economic growth in Nigeria, thereby forming a body of knowledge on which further research can be based upon.
3. The study has also bridged the gap in time frame as this work is current i.e. 1995 – 2019 when compared with other related works.

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APPENDIX I

Data on nominal values of RGDP, CBD, CBC and CBI (₦'Billions)

YEAR	RGDP	CBD	CBC	CBI
1995	20353.2	179.0	144.6	2.2
1996	21177.92	214.4	169.4	2.5
1997	21789.1	269.8	385.6	3.5
1998	22332.87	314.3	272.9	4.3
1999	22449.41	476.4	322.8	5.4
2000	23688.28	702.1	508.3	8.0
2001	25267.54	947.2	796.2	15.9
2002	28957.71	1157.1	954.6	35.4
2003	31709.45	1337.3	1210.0	62.9
2004	35020.55	1661.5	1519.2	72.8
2005	37474.97	2036.1	1976.7	88.4
2006	39995.5	3245.2	2524.3	141.6
2007	42922.41	5001.5	4813.5	292.3
2008	46012.52	7960.1	7799.4	480.7
2009	49856.1	9150.0	8912.1	890.3
2010	54612.26	9784.6	7706.4	1869.1

2011	57511.04	11452.8	7312.7	2574.7
2012	59929.89	13132.1	8150.0	2551.2
2013	63218.72	13767.4	10005.6	1852.4
2014	67152.79	16222.5	12889.4	909.6
2015	69023.93	17211.0	13086.2	1239.0
2016	67931.24	18199.5	16117.2	1553.4
2017	68490.98	19187.9	15775.4	1558.8
2018	69799.94	18140.3	2393.8	16716.2
2019	71387.83	19128.7	15417.5	16829.1

Source: CBN Statistical Bulletin (Various)

APPENDIX II

Ordinary Least Squares (OLS)

Dependent Variable: LOGRGDP
Method: Least Squares
Date: 03/05/22 Time: 18:24
Sample: 1995 2019
Included observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.768085	0.092834	40.58960	0.0000
LOGCBC	0.004005	0.043674	0.091706	0.9278
LOGCBD	0.212606	0.072401	2.936502	0.0079
LOGCBI	0.036491	0.025531	1.429257	0.1676

R-squared	0.979032	Mean dependent var	4.609323
Adjusted R-squared	0.976037	S.D. dependent var	0.198586
S.E. of regression	0.030741	Akaike info criterion	-3.980777
Sum squared resid	0.019845	Schwarz criterion	-3.785757
Log likelihood	53.75971	Hannan-Quinn criter.	-3.926687
F-statistic	326.8455	Durbin-Watson stat	1.890404
Prob(F-statistic)	0.000000		

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