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Financial Institutions Credit and the Nigerian Economy (2000 - 2022)

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ABSTRACT: The role of financial institutions in the economy of any nation cannot be overemphasized, as they serve as intermediaries between savers and borrowers, thereby facilitating capital formation and economic growth. Despite the pivotal role these institutions play, the Nigerian economy continues to grapple with challenges such as low economic growth, high unemployment rates, and limited access to finance for small and medium-sized enterprises (SMEs). This study examined the effect of financial institutions' credit on the Nigerian economy, analyzing how credit allocation influences economic growth, investment, and overall development. The general objective was to determine the effect of financial institutions' credit on the Nigerian economy, with specific focus on finance houses, commercial bank, primary mortgage bank, and microfinance bank credit in relation to gross domestic product (GDP), the human development index (HDI), gross fixed capital formation (GFCF), and the poverty rate. The study empolyed secondary data sourced from the United Nations Development Programme (UNDP), the National Bureau of Statistics (NBS), and the Central Bank of Nigeria (CBN) Statistical Bulletin for the period 2000–2022. The study engaged the Error Correction Model (ECM) for estimation. The results indicate that financial institutions' credit has a positive but no significant effect on the Nigerian economy. Based on these findings, the study recommended among others, that finance houses expand their reach to underserved areas, offer larger and more affordable long-term loans, and prioritize financing productive investments to boost income and employment. Commercial banks should enhance credit accessibility for low-income individuals and small businesses by lowering interest rates and providing financial literacy programs.

Keywords:

1. INTRODUCTION

Financial institutions play a pivotal role in the economic development of any nation by providing credit to productive sectors. According to Efayena (2014), financial institutions are in business of mobilizing surpluses in one sector to offset the deficits in other sectors, but this can only be done if surplus spending unit has faith in the institution to protect savings. The economy that has stable monetary policy coupled with solid liquidity-based individuals, corporate entities, and the government, trust their surpluses to financial institutions (Aniefor, Nduka, Ananwude & Ezeaku, 2021). Since the inception of oil and gas industry, the Nigerian economy has been overly dependent on the oil industry, not focusing on the other economic sectors. According to Agbede and Asagunla (2018), no economic sector is positioned to function successfully without enough finance, which can be achieved in a sound financial system economy.

According to Anusi & Nduka (2022), by the surplus units, we mean businesses that generate more revenue than they spend for a set amount of time, allowing for easier lending during that time. Those economic units that are in deficit, on the other hand, have financial needs or expenditures that exceed their income at any given time, necessitating loans from the surplus units. Interestingly, the deposit competition that increased nominal interest rates was unable to guarantee more affordable intermediation.

When compared to before the financial sector reform, the banking environment is significantly more inefficient, under-capitalized, riskier, less liquid, and produced a lower return on assets (Soludo & Akiode, 1994; Efayena, 2014; Ekwunife, Nduka & Ogini, 2022; Okeke, 2023). Arguments have been that wrong sequencing of the deregulation and liberalization policies affected the much expected impact of the reform policy.

In Nigeria, financial institutions engages in mobilizing funds from the surplus sector of the economy and lends such funds to the deficit sector. In this way, they intermediates between the people with surplus funds and those in deficit, and because of this vital role, it is called a financial intermediary (Emeka-Nwokeji, Ekwueme & Okeke, 2021). There are basically two groups of financial institutions in Nigeria namely, the banks financial institutions (BFIs) and non-banks financial institutions (NBFIs). To enable a thorough examination of the problem under study, focus will be based on both the BFIs (Commercial banks and Microfinance banks) and the NBFIs (Mortgage banks and Finance houses) and their roles in the Nigeria economy (Monogbe, Omotayo, Achugbu & Nduka, 2016).

Despite the pivotal role these institutions are expected to play, the Nigerian economy continues to grapple with challenges such as low economic growth, high unemployment rates, underdeveloped infrastructure, and limited access to finance for small and medium-sized enterprises (SMEs). One critical issue is whether the credit provided by these financial institutions significantly contributes to economic development or whether it falls short of expectations. Several factors hinder the effective impact of financial institutions' credit on the Nigerian economy, include; high interest rates, inefficiencies and corruption, financial inclusion challenges, regulatory and policy constraints, non-performing loans.

Moreover, studies that ascertain the extent to which financial institutions' credit have influenced inclusive growth and development, including its effects on poverty alleviation, the reaching out to the unbanked and particularly in advanced and developing economies is still heavily debated. In other words, it remains unclear as to what extent the financial institutions' credit-HDI holds true in Nigeria. Thus, the question is: Do financial institutions credit really ensure economic growth and development?

Given these challenges, it is crucial to investigate the extent to which financial institutions' credit, particularly, from the ones under consideration and their performance impacts on Nigeria's economic growth and development. This study aims to assess whether credit from financial institutions has significantly, contributed to economic performance of Nigeria or whether systemic inefficiencies have undermined its potential impact. Understanding this relationship will help policymakers formulate strategies to help enhance the effectiveness of credit in promoting sustainable economic growth.

The general objective of this study is to examine the effects of financial institutions credit on the Nigerian economy. The specific objectives are:

1. To ascertain the effect of financial institutions credits on Human Development Index.

2. To examine the effect of financial institutions credit on Gross Domestic Product (GDP).
3. To evaluate the effect of financial institutions credit on Gross Fixed Capital Formation (GFCF).
4. To investigate the effect of financial institutions credit on Poverty Rate in Nigeria

LITERATURE REVIEW

2.1. Conceptual Review

2.1.1 Financil Institutions' Credit

According to Okeke (2023), financial institutions credits generally refers to credit (loans, trade credits, other receivables) that banks and other deposit-taking financial institutions provide to the private sector. It can include: loans for businesses, individuals, trade financing, and other non-equity claims on the private sector. In Nigeria, a key metric is Credit to Private Sector (CPS) as reported by the Central Bank of Nigeria (CBN). According to CBN (2025), Commercial Banks (Deposit Money Banks – DMBs) to the private sector (CPS) in May 2024 stood at ₦ 74.31 trillion. Nearly 75% of banks' loans go to the private sector (rather than to government). On the sectoral side, credit is concentrated in *services* (about 51.5%) in recent quarters. Commercial banks remain the largest source of formal financial institutions credit in Nigeria, especially for medium-to-large firms and those in the formal economy. Microfinance Banks (MFBs) lending grew significantly: from ₦300.2 billion in 2019 to ₦546.6 billion in 2020, an 82% increase. According to the CBN, in September 2024, 95.66% of debtors (across all banking creditors) borrowed from microfinance banks. MFBs play a very critical role in credit to individuals and small businesses who may not be well served by commercial banks. Their dominance in debtor numbers suggests they are very accessible, even if individual loan sizes may be smaller.

Mortgage Finance market structure includes Primary Mortgage Institutions (PMI), the Federal Mortgage Bank of Nigeria (FMBN), and commercial banks that offer mortgage products. There is very limited to secondary mortgage market in Nigeria, which restricts liquidity for long-term housing loans.

2.1.2 Commercial Banks Credit

According to Nduka, Atueyi, Osakwe & Mbanefo, 2021), commercial banks credit is loan or line of credit that a commercial bank provides to a business or individual. These commercial banks accept any form of deposit with varying maturity periods and pay cheque on such account. Commercial banks traditionally lend to medium and large enterprises which are judged to be credit worthy. The importance of commercial bank credit in generating economic growth has been widely recognized. According to Schumpeter, the banking industry fosters technical innovation in their intermediation role by efficiently allocating savings through the selection and support of businesses with the greatest potential of successfully producing ingenuity (Ulgen, 2014; Ojong, Ekpuk, Ogar & Emori, 2014; Nduka, Ananwude & Osakwe, 2019; Obidike, Onyeka & Nduka, 2022). Nwanyanwu (2010) posited that the banking sector in Nigeria facilitates the availability of credit to economic agents so as to meet operating expenses. According to Okeke (2021) business firms obtain such credits to purchase raw materials, machinery equipment etc.; farmers can purchase farm inputs like seeds and fertilizer with credit.; government obtain credit to meet her capital and recurrent expenditure all aimed at increasing and improving total economic output.

2.1.3. Microfinance Banks Credit

Microfinance banks credit according to Emeka-Nwokeji & Okeke (2019), is a type of banking service provided to low-income individuals or groups who otherwise wouldn't have access to financial services or are excluded from traditional banking. Most

microfinance institutions focus on offering credit in the form of small working capital loans, sometimes called microloans or microcredit. The World Bank (1993) categorized microfinance institutions as those institutions which "consists of agents and organizations engaged in relatively small financial transactions using specialized, character-based methodologies to serve low income households, micro enterprises, small farmers and others who lack access to the formal financial system". It is crystal clear from the foregoing that the focus and key objective of microfinance is poverty alleviation or reduction. Indeed, Dr. Muhammad Yunus of the Grameen Bank in Bangladesh noted succinctly that "microfinance is a potent anti-poverty tool". There is therefore an important linkage between access to financial services (financial inclusion) and poverty alleviation. Microfinance banking has been serving as a driver or an essential instrument of financial inclusion in many countries.

2.1.4. Finance Houses (Companies) Credit

According to Lemuel (2009), these companies focus on short-term, non-bank financial intermediation by mobilizing monetary resources from the investing public in form of borrowing and provide, among others, facilities for local purchase order (LPO) financing, project financing, equipment leasing, hire purchase, export financing, electronic funds transfer, issue of vouchers, coupons, credit cards, token stamps. and debt factoring. They are under the direct control and supervision of the CBN. Finance companies are institutions whose activities involve holding money balance and borrowed money from individual and other institutions with the aim of creating loans (Ogbonna, 2000). Finance companies thus through their activities accumulate capital which are channeled to the productive sectors for increased productivity and output. Isern (2009) observed that finance companies have in recent years been relevant in the financing of small and medium scale enterprises. They are known to play active role in financing small and medium scale enterprises. This has led the CBN along with the Finance Houses Association of Nigeria (FHAN), to look at ways to strengthen and reposition the sub-sector. Finance companies also create room for channeling funds from lenders to borrowers. Generally, finance companies mobilize fund from the surplus sector of the economy and channel it to the deficit sector of the economy.

2.1.5 Mortgage Institutions Finance

Mortgage finance is a loan given by deposit money banks or mortgage banks to finance the purchase of real estate with specific payment schedule and interest rate. The borrower known as the mortgagor gives the lender (the Mortgagee) a lien on the property as collateral for the loan. The mortgagor's lien on the property expires when the mortgage is fully paid". Agboola (1995) opined that mortgage financing is important since it enables individuals and corporate bodies to provide the housing need of the society. Thus, human development index assumes that a good shelter is one of the measures of welfare and symbol of status, social acceptance, expression of personality and a measure of an individual's achievement. Ozurumba, (2011) states that "the new housing policy in Nigeria has established a two- tier housing finance structure, with Federal Mortgage Bank of Nigeria (FMBN) as an apex institution and a decentralized network of Primary Mortgage Institutions (PMIs) such as building societies, housing cooperatives, home savings and loans associations. This structure aims to streamline processes and organizational relationships within the housing finance system and encourage expansion in private initiative (FRN, 1978, Sanusi, 2000, Udoka & Owor, 2017). In this regard, the legal framework for the organization and implementation of the apex role of the Federal Mortgage Bank of Nigeria has been defined by mortgage institutions Decree No. 53 of 1989".

2.1.6 Economic Development

Economic development, according to Sanusi (2011), is about enhancing the productive capacity of an economy by using available resources to reduce risks, remove impediments which otherwise could lower costs and hinder investment. Economic development also, is a process of structural transformation with continuous technological innovation and industrial upgrading, which increase labor productivity, and accompanied improvements in infrastructure and institution, which reduce transaction costs (Lin, 2017). Economic development is a broader concept than economic growth. Development reflects social and economic progress and requires economic growth. Growth is a vital and necessary condition for development, but it is not a sufficient condition as it cannot guarantee development (Nduka, Okolie & Ngangah, 2025). One of the indicators of economic development is Human Development Index (HDI). The extent to which a country has developed may be assessed by considering a range of narrow and broad indicators, including per capita income, life expectancy, education, and the extent of poverty. In view of the above, this study employs Human Development Index (HDI) to proxy economic development.

2.1.7 Human Development Index

Gross Domestic Product (GDP) is one of the most commonly cited indicator of economic health of a country because it represents the total market value of all finished goods and services produced in the monetized segment of an economy. A country with higher national output is often considered wealthy, amongst other countries with lower GDP growth rate. However, Ogunewe, Ananwude & Nduka (2020) argued that GDP captures only a part of economic welfare because it ignores/excludes other dimensions which also matter for well-being. Hence, using GDP only as a measure of national productivity and welfare may overly exaggerate actual economic situation, more so due to rapidly changing socio-economic structure of countries. This drawback is because GDP includes categories of expenditure, such as military spending and general administration, which are not directly related to household income, expenditure and consumption (Ugwu, Eboatu, Okoro & Okeke, 2022).

Consequently, there are growing interests in finding other indicators to capture the rate of economic performance of countries, especially measures which take into consideration factors that contribute to social progress and welfare. One of such is the Human Development Index, (HDI) conceived by the United Nations Development Programme (UNDP), to serve as measure of how well a country has performed, not only in terms of real income per capita, but also incorporates social factors like longevity, measured by life expectancy at birth, and educational attainment, measured by literacy rate and combined mean years of schooling. Thus, HDI looks at three outcomes of development: state of health, level of knowledge and skill, as well as access to resources, measured by income per capita adjusted to purchasing power parity (UNDP, 1998). It is in this regard that some economists considered HDI statistic as a broader measure of economic performance than GDP.

2.1.8 Gross Fixed Capital Formation (GFCF)

Gross Fixed Capital Formation (GFCF) is a crucial macroeconomic indicator because it measures how much an economy is building its future capacity, in terms of net investment in fixed assets (physical and intangible) that will be used for more than one year in the production of goods or services. It is “gross” because it does not subtract depreciation (i.e., the consumption of fixed capital). GFCF is composed of, Tangible Fixed Assets which include: Buildings and structures (factories, offices, public infrastructure), Machinery and equipment, Transport equipment, Construction of residential and non-residential buildings; while Intangible Fixed Assets includes: Software and databases,

Research and Development (R&D), Mineral exploration, and Intellectual property products (Odubuasi, Anene & Okeke, 2022).

Some of the factors that influence GFCF in Nigeria include: Exchange Rate, Inflation, Trade Openness, National Savings & Public Investment, and Foreign Capital Inflows; Studies have shown that exchange rate fluctuations have a significant effect on fixed capital formation. A stronger naira tends to boost GFCF. High inflation negatively impacts fixed capital formation, as it raises the cost of capital goods. According to research, higher trade openness may reduce GFCF in Nigeria. Savings rates and the capacity of public corporations to invest also play key roles. Foreign direct investment (FDI) and other capital inflows can drive increases in fixed-capital investment.

2.1.9 Poverty Rate in Nigeria

Poverty rate is the percentage of a population living below a specific poverty line, which is an estimate of the minimum income or resources needed to meet basic needs. The poverty situation in Nigeria has worsened in recent years, as reflected in both national and international poverty indicators. The following is an organized summary of the most recent data on poverty rates in the country:

National Poverty Rate: Recent estimates from the World Bank indicate that approximately 56% of Nigerians live below the national poverty line. In numerical terms, this represents about 129 million people.This is a significant increase from 40.1% in 2018, showing a rapid rise in poverty over just a few years.

Rural and Urban Poverty: Poverty in Nigeria is unevenly distributed: Rural poverty rate: about 75.5%; Urban poverty rate: about 41.3%. This indicates that poverty is predominantly a rural phenomenon. Rural households face limited access to infrastructure, health facilities, quality education, and employment opportunities, increasing their vulnerability.

International (Extreme) Poverty Rate: Using the World Bank's global poverty thresholds: US$2.15/day (Extreme Poverty): 30.9% of Nigerian; US$3.65/day: 63.5% of Nigerians; US$6.85/day: 90.8% of Nigerians. These higher poverty lines show that although 30.9% fall into *extreme* poverty, a much larger share of the population still struggles to meet basic living standards.

Multidimensional Poverty: According to the UN Multidimensional Poverty Index (MPI), 33% of Nigeria's population is multidimensionally poor. An additional 16.6% are vulnerable to multidimensional poverty. The MPI captures multiple deprivations — such as lack of healthcare, inadequate housing, poor nutrition, and limited access to basic services — not only income.

2.2. Theoretical Framework

This study is anchored on three interrelated theories that explain the role of financial institutions' credit in economic development: Financial Intermediation Theory, Patrick's (1966) Supply-Leading vs. Demand-Following Hypothesis, and the Endogenous Growth Theory.

Financial Intermediation Theory

Financial intermediation theory which was propounded by Gurley and Shaw (1960), and later by Goldsmith, McKinnon, and Shaw (1970), argues that without intermediaries, the financial system would be inefficient, costly, and risky due to issues like information asymmetry, transaction costs, and liquidity mismatch. The Financial Intermediation Theory emphasizes the vital role that financial institutions play in facilitating economic development through efficient mobilization and allocation of financial resources. According to this theory, banks and other financial intermediaries reduce transaction costs, manage risks, and address information asymmetries between savers and borrowers. By pooling funds from surplus units and channeling them to deficit units, financial institutions stimulate

investment, production, and consumption activities.

Supply-Leading vs. Demand-Following Hypothesis (Patrick, 1966)

Patrick's (1966) hypothesis provides a causality-based framework for analyzing the relationship between financial development and economic growth. The Supply-Leading Hypothesis suggests that the expansion of financial institutions and credit provision precedes and causes economic growth by supporting entrepreneurial ventures, innovation, and investment.

Conversely, the Demand-Following Hypothesis proposes that economic growth leads to increased demand for financial services, prompting the development of financial institutions in response. This duality is particularly relevant to Nigeria, where some sectors and regions reflect a supply-leading dynamic (e.g., rural microfinance initiatives), while others exhibit a demand-following nature (e.g., urban industrial clusters). The hypothesis helps assess whether credit provision is a driver or a consequence of economic growth in the Nigerian economy.

Endogenous Growth Theory

The Endogenous Growth Theory, developed by Romer (1986) and Lucas (1988), asserts that long-run economic growth results from internal factors such as innovation, knowledge accumulation, and human capital development. It integrates the role of financial systems by acknowledging that access to credit directly supports investment in research, education, entrepreneurship, and technological advancement. Financial institutions contribute to endogenous growth by funding activities that enhance productivity and promote structural transformation. This includes providing capital to small and medium-sized enterprises (SMEs), supporting start-ups in technology and agriculture, and financing infrastructure and education. The theory supports the argument that the strategic allocation of financial credit is essential for sustainable and inclusive economic development.

Integration of the Theories

Taken together, these theories offer a comprehensive understanding of the relationship between financial institutions' credit and the Nigerian economy. While Financial Intermediation Theory explains the mechanisms through which credit influences growth, Patrick's hypothesis frames the directionality of the relationship, and Endogenous Growth Theory highlights the long-term impact of credit on innovation and structural development. This theoretical framework provides a robust basis for analyzing both the quantitative and qualitative effects of financial credit on Nigeria's economic performance.

2.3 Empirical Review

The study on financial institutions credit and economic development in Nigeria has been examined severally by different researchers with mixed results. This study examines previous empirical works from previous research works carried out by different researchers.

Adewole, Suberu, Fapetu, & Olorunmade, (2023) investigated the effect of financial institutions credit on Nigerian economic growth. Data were obtained from CBN Statistical Bulletin. Auto Regressive Distributed Lag (ARDL) was used to present the result of the data collected. Findings of deposit money banks performance, Micro-finance banks performance and Finance houses performance, all revealed a strong correlation and significant relationship between independent and dependent variable.

Abina and Leelee (2024) examined the relationship between institutional banks' financing and economic growth in Nigeria. Using multiple regression analysis, the study analyzes the relationship between credit variables, including Microfinance Banks, the

Bank of Agriculture, the Bank of Industry, the African Development Bank, Deposit Money Banks, and World Bank on gross domestic product as a measure of economic growth. Time series data from 1992-2022 were sourced from various financial institutions. Through stepwise regression analysis, the study identified the significant predictors by excluding the Bank of Agriculture, and World Bank, from the equation. The resulting stepwise output reveals that the variables retained in the model are Microfinance Bank credit, deposit money bank credit, Bank of Industry credit, and African Development Bank credit. The findings reveal that institutional banks' financing significantly contributes to economic growth in Nigeria. The inclusion of credit variables in the regression models consistently demonstrates their valuable contribution on GDP. These results highlight the significance of financial intermediation and call for policies that enhance access to credit, particularly through microfinance banks, deposit money banks, and development banks. From, the findings the study emphasize among others, the importance of supporting industries and agriculture through targeted financing initiatives.

Idachaba, Olukotun & Elam (2019) examined the influence of bank credits on the Nigerian economy using time series data covering the period from 1980 to 2017. Gross domestic product was used as proxy for the economy while credits to the private sector, public sector and prime lending rate were used as proxies of Banks credits. Unit root test was used to test stationary which reveals that all the variables were stationary at first difference. The regression analysis result shows that credit to the private sector have positive effect on Nigerian economy while credit to public sector and prime lending rate have negative effect on the Nigerian economy. The result of co-integration test presented reveals that there exist among the variables co-integration which means long-run analysis. It is recommended that, policymakers should focus attention on long-run policies to promote economic growth such as development of modern banking sector, efficient financial market, infrastructures.

Using a dynamic panel estimator, Hazwan (2020) investigated the role of financial and institutional development on economic growth in the Association of Southeast Asian Nations (ASEAN) economies from 1995 to 2017. The estimated results show that financial institutions are positive and significant towards economic growth, while financial markets are insignificant. Equally important, institutional quality plays a significant and positive role in economic growth. More interestingly, the study finds that institutional development is complementary to financial institutions and markets.

Anawunde and Lateef (2024) examined the effect of effect of microfinance bank activities on economic development in Nigeria. Specifically, the effect of microfinance credit, microfinance deposit, and microfinance investment on human development index. Secondary data from 1986 to 2022 were carefully sourced from the Central Bank of Nigeria (CBN) statistical bulletin and World Bank. Ordinary Least Square (OLS) was followed in estimating the model. The result revealed that Microfinance banks loan, microfinance banks deposit and Microfinance banks investment has no significant effect on human development index. The study recommend amongst others, that microfinance institutions should be providing loans to improve consumption. The long run goal should then be to improve investment and other capital accumulation. It is these channels of participation in the economy that will ensure optimal use of the microfinance resources in the country with the target of achieving sustainable growth.

Ogbonna (2022) investigated the impact of micro finance banks on developing economies –evidence from Nigeria. The recent emphasis on micro, small and medium

enterprises, and the licensing of microfinance bank in Nigeria viz-a-vis the dwindling economy of developing countries prompted this study. The data for the study was mined from the Central Bank of Nigeria's statistical bulletin from 1992 to 2020. The E-view tool of analysis, and the Autoregressive Distributed Lag model were used. The research answered a question of whether microfinance banks contribute to economic growth or not. The unit root test showed that all parameters were stationary at first difference. Consequently, it was established that generally, there was a long run relationship between microfinance banks and economic growth in Nigeria while specifically, loans and deposits of microfinance banks showed significant and positive coefficients. Similarly, a causality test indicates that there exists a unidirectional causality between microfinance bank loans and economic growth, and microfinance bank deposits and economic growth. The researcher among other recommendations opined that Central Bank should be more objective in monitoring microfinance banks to avoid failure in that sub-sector which is likely the cradle of economic growth in the developing countries.

Olowe, Moradeyo and Babalola (2023) studied the impact of microfinance on the growth of small and medium enterprises (SMEs) in Nigeria, and found that financial services offered by the MFBs have favourable significant impact on MSEs growth while loan has a favourable impact on SMEs growth but not statistically significant. That is, the loan tenor is too short to show a significant impact on the SMEs growth. They also found that high interest rate, collateral and frequency of loan repayment could paralyze the growth of SMEs in Nigeria.

On the other hand, Okwoli, Abubakar and Abubakar, (2020) conducted a study on the role of MFBs in rural transformation and development in Nigeria, and explained the performance of MFBs and the risk they are exposed to across various size categories of the institutions. They found that MFBs were generally profitable over recent years. However, the small size MFBs seems to have significant operating inefficiencies. Above all,microfinance banks have performed well in many cases better than the larger banks in managing rural economy. Thus, the study concludes that microfinance policy and programmes are good empowerment measures which if properly managed would go a long way in improving the condition of lives of the rural dwellers.

Ademola (2023) evaluated the impact of microfinance on economic growth in Nigeria, stressing on its primary role of poverty reduction and small scale enterprise financing. Deposit Liabilities, Loans &advances of microfinance banks were used to proxy the activities of microfinance institutions in Nigeria while Gross Domestic Product was used as a proxy for economic growth. Using Ordinary Least Squares method, they found that assets and deposit liability has an insignificant impact on economic growth while loan and advances to the public has a significant impact on economic growth. Thus, the overall significance of the model shows that the activities of the microfinance banks cannot be overemphasized in the pursuance of a sustained economic growth in Nigeria.

Akpan and Nneji (2015) explored the contribution of microfinance banks to the development of small and medium scale enterprises in Nigeria, and the result showed that MFBs contributes considerably to increased enterprising environment by creating conducive business environment and enhance accessibility to finance for small businesses. Variables like loan size, loan duration (financial variables) and networking meetings (non-financial variables) were found to have a positive impact on SMEs. The study thus confirmed the positive contributions of MFBs towards promoting SMEs performance and growth. The study concluded that MFBs has potentials for

enhancing the performance of small businesses through participation in micro financing and offering of non-financial services.

Efanga, Ugwuanyi, and Ekanem (2022) examined the relationship between commercial banks' credit to the industrial sector on the economic growth of Nigeria. The researchers utilized the Autoregressive Distributed Lag (ARDL) approach for estimation. They regressed economic growth, represented by gross domestic product, agricultural gross domestic product, and industrial gross domestic product, against several explanatory variables, including commercial banks' credit to agriculture, industry, manufacturing, and mining; government expenditure on agriculture; agricultural credit guarantee loans; inflation; and lending rates. Notably, the findings indicated a significant relationship between commercial banks' credit and economic growth in Nigeria. However, contrary to expectations, the study revealed that the key explanatory variables related to commercial banks' credit were statistically insignificant across most models. Consequently, the study concluded that the relationship between commercial banks' credit to the industrial sector on the Nigerian economy is mixed and largely insignificant. Based on these findings, the study recommended implementing measures to monitor commercial banks' credit to the industrial sector, ensuring that funds are granted to registered agriculturists and industrialists based on their track records, thereby minimizing misapplication and misappropriation.

Adewole, Suberu, Fapetu, and Olorunmade (2023) investigated the argument and counterargument regarding the relationship between loans and advances by financial institutions and Nigerian economic growth. The primary aim of the study was to assess the impact of credit from financial institutions on Nigerian economic growth. The researchers obtained data from the CBN Statistical Bulletin and employed the Auto Regressive Distributed Lag (ARDL) approach to analyze the collected data. The findings from the performance equation of deposit money banks indicated a strong correlation and significant relationship between the independent and dependent variables. Similarly, the performance equation of microfinance banks revealed a strong correlation and significant relationship between the independent and dependent variables. Furthermore, the performance equation of finance houses demonstrated a strong correlation and significant relationship between the independent and dependent variables. Based on the findings, the study recommended that deposit money banks consistently provide loans to both private sector investors and the public sector for productive purposes. It also suggested that microfinance banks enhance their liquidity through improved deposit mobilization, thereby increasing credit availability for small business investors. Additionally, the study advised finance houses to mobilize adequate deposits and ensure the availability of funds to meet their financial obligations.

Siyan, Adegoriola, and Erivwode (2019) examined the development of mortgage finance in Nigeria and its impact on the economy, using time series data and vector autoregressive (VAR) model estimated using linear regression method for the period 1990 – 2016. The study used broad money supply per capital, interest rate, stock exchange capitalization and aggregate housing finance as the independent variable gross domestic product as the dependent variable. The results of the analysis indicated that there is a one – way causal link that runs from mortgage finance to economic growth.

Anidiobu, Okolie and Ugwuanyi (2018) studied the effect of mortgage finance on housing delivery in Nigeria using time series data and ordinary least square analysis for the period 1992 – 2016. The study used logged values of mortgage deposit, mortgage loan and mortgage lending rate as independent variable and logged value of

mortgage investment as dependent variable. The result shows that mortgage has a significant and positive effect on mortgage investment. While mortgage lending rate has an insignificant positive effect on mortgage investment. The result also show that mortgage loans have an insignificant negative effect on mortgage investment.

Iwundu (2022) examined the impact of mortgage financing on the economic growth of Nigeria. The study uses primary mortgage institutions loan, insurance companies' real estate investment, Deposit Money Bank private sector credit as independent variables and economic growth was proxy with real gross domestic product as the dependent variable. Data for the study were obtained from the Central Bank of Nigeria Statistic Bulletin (CBN) and analyzed using Ordinary Least Square (OLS) Model. Findings indicated that there is a long run relationship between mortgage financing and economic growth in Nigeria. The short run result shows that a negative and insignificant relationship exist between deposit money bank credit to private sector and economic growth in Nigeria, but a positive and significant relationship exist between primary mortgage institutions loan, insurance companies' real estate investment and economic growth in Nigeria. However, the mortgage financing components are jointly significant in impacting the Nigerian economic growth. The study recommends that the Nigerian government should vote more fund to the housing sector since the sector can generate a lot of ancillary services that can boost the economic growth of Nigeria.

Udoka and Owor (2017) investigated the impact of mortgage financing on housing development in Nigeria. Data was obtained from CBN Bulletin and National Bureau of Statistics spanning 1990-2014. Augmented Dickey-Fuller (ADF) unit root test was utilized to affirm the stationarity traits of the series. A long-run relationship was established among the variables using co-integration tests. Error Correction Model (ECM) indicated a causal link and dynamic interaction between the variables by Granger causality test. The findings of the study revealed that mortgage financing had a positive and significant effect on housing development in Nigeria.

3. METHODOLOGY

The research design for the study is ex-post facto research design, also known as the investigative econometric research design. The data for the study (secondary) which are purely time series and cross sectional, were drawn from the United Nations Development Programme (UNDP), the National Bureau of Statistics (NBS), the Central Bank of Nigeria (CBN) Statistical Bulletin, and Annual Reports of the Banks for the period spanning 2000 to 2022. Analytical techniques were employed for the purposes of analyzing the collected data and drawing conclusions based on them.

Model Estimation

The research adopts and modified the model used by Adewole, Suberu, Fapetu, & Olorunmade (2023). The model was used to study Financial Institutions' Credit and Economic Growth in Nigeria and is stated thus:

GDP = f(DMBC, MBC, PMBC, FHC, LRA, IFR).....(1)

Where, GDP = Gross Domestic Product
DMBC = Commercial Bank Total credit
MBC = Microfinance Bank Total credit
PMBC = Primary Mortgage Bank Credit
FHC = Finance House Total credit
LRA= Lending Rate

IFR = Inflation Rate
f = Functional relationship

For the purpose of this study, the researcher removed lending rate and inflation rate, then added HDI, Gross Fixed Capital Formation and Poverty Rate as the economic indicators.
HDI = f (FHC, MFBC, PMBC, CMBC)----------(2)
GDP = f (FHC, MFBC, PMBC, CMBC)----------(3)
GFCF = f (FHC, MFBC, PMBC, CMBC)----------(4)
POVR= f (FHC, MFBC, PMBC, CMBC)----------(5)
Converted to the mathematical/econometric form by the introduction of the (α0) and error term (μ):
$HDI = \alpha_0 + \alpha_1 FHC + \alpha_2 MFBC + \alpha_3 PMBC + \alpha_4 CMBC + \mu$----------(6)
$GDP = \alpha_0 + \alpha_1 FHC + \alpha_2 MFBC + \alpha_3 PMBC + \alpha_4 CMBC + \mu$----------(7)
$GFCF = \alpha_0 + \alpha_1 FHC + \alpha_2 MFBC + \alpha_3 PMBC + \alpha_4 CMBC + \mu$----------(8)
$POVR = \alpha_0 + \alpha_1 FHC + \alpha_2 MFBC + \alpha_3 PMBC + \alpha_4 CMBC + \mu$----------(6)

Where:
HDI = Human Development Index
GDP = Gross Domestic Product
GFCF = Gross fixed capital formation
POVR = Poverty rate
FHC = Finance House Credit
MFBC = Microfinance Bank Credit
PMBC = Primary Mortgage Bank Credit
CMBC = Commercial Banks Credit
α_0 = Constant Term
$\alpha_1 - \alpha_5$ = Coefficients of Predictors

Table 3.1 A priori Expectation

Regressand	Regressor	Relationship
HDI	FCH, MFBC, PMBC, CMBC	+
GDP	FCH, MFBC, PMBC, CMBC	+
GFCF	FCH, MFBC, PMBC, CMBC	+
POVR	FCH, MFBC, PMBC, CMBC	-

Author's Computation (2024)

Any parameter estimates with a positive sign (+) indicates that the independent variable in question has a direct or positive effect on the dependent variable; meaning that if the independent variable increases, the dependent variable will increase. However, a negative sign (-) implies an inverse or negative relationship meaning that if the independent variable increases, the dependent variable will decrease.

4. RESULT AND DISCUSSION OF FINDINGS

Descriptive Properties of the Data

The descriptive features of the data were structured to capture the mean, minimum, maximum, standard deviation, skewness, kurtosis and number of observations of the data set. The relevant output data were depicted in Table 4.1

Table 4.1: Descriptive Statistics Results

Variables	Obs	Mean	Standard Dev	Min	Max	Probability	Kurtosis
FHC	23	48.36870	46.86287	4.100000	168.6400	0.001376	4.690834
CMBC	23	9764.593	7713.794	508.3000	25789.30	0.467316	2.268064
PMC	23	57.69696	48.06567	0.860000	132.8800	0.338846	1.611595
MFC	23	168772.4	221283.9	1314.000	768710.0	0.005794	4.169703
HDI	23	0.498826	0.030634	0.450000	0.540000	0.317411	1.455626
RGDP	23	53508.44	17162.81	23688.28	74269.50	0.313942	1.660647
GFCF	23	9238.563	1281.548	6860.440	11445.86	0.645720	2.067107
PVR	23	49.64348	17.18511	30.90000	88.00000	0.299030	2.513235

Source: Computer analysis using E-views 12.0

Table 4.1 shows the descriptive statistics results for the entire sample of the study. We observed that for the full sample, the mean (or standard deviation) values of Finance House Credit (FHC), Commercial Bank Credit (CMBC), Primary Mortgage Bank Credit (PMC), Microfinance Bank Credit (MFC), Human Development Index (HDI), Real Gross Domestic Product (RGDP), Gross Fixed Capital Formation (GFCF) and Poverty Rate (PVR) are 48.36870, 9764.593, 57.69696, 168772.4, 0.498826, 53508.44, 9238.563 and 49.64348 (or 46.86287, 7713.794, 48.06567, 221283.9, 0.030634, 17162.81, 1281.548 and 17.18511), respectively. The maximum and minimum values for the eight variables are found to be between 768710.0 and 0.450000, respectively. The variables of standard deviations were found to be positively skewed towards normality as evidenced by the positive values of the skewness statistic.

Test for Stationarity

Since the data is time-series in nature, it is important to confirm its stationarity. Hence, this empirical analysis began with the investigation of the time series properties of each variable employed in the study using the Augmented Dickey Fuller (ADF) unit root test to determine the order of integration of the series. The results of the unit root test are as presented in Table 4.2 and 4.3:

Table 4.2: Result of ADF Unit Root Test at Level

Variables	ADF Test Statistic	Test Critical Value at 1%	Test Critical Value at 5%	Remark
FHC	1.348898(0.9980)	-3.769597	-3.004861	Not Stationary
CMBC	1.499083(0.9987)	-3.769597	-3.004861	Not Stationary
PMC	-1.899310(0.3265)	-3.769597	-3.004861	Not Stationary
MFC	-0.111255(0.9365)	-3.769597	-3.004861	Not Stationary
HDI	-0.763596(0.8097)	-3.769597	-3.004861	Not Stationary
RGDP	-2.036631(0.2702)	-3.769597	-3.004861	Not Stationary
GFCF	-2.324745(0.1735)	-3.769597	-3.004861	Not Stationary
PVR	-1.722567(0.4067)	-3.769597	-3.004861	Not Stationary

Source: Author's Computation

From the table 4.2 the results of the test for stationarity of data at level shows that ADF test statistics value is less than the Mackinnon critical value (at absolute term) and at 5%. Showing that the variables are not stationary at level.

To ensure the stationarity of data for the variables at level, there is need to proceed to

test for stationarity at first difference. The first difference ADF unit root test is presented in table 4.3:

Table 4.3: Result of ADF Unit Root Test at 1ST DIFF

Variables	ADF Test Statistic	Test Critical Value at 1%	Test Critical Value at 5%	Remark
FHC	-3.079857(0.0438) **	-3.788030	-3.012363	Stationary
CMBC	-3.222146(0.0329) **	-3.788030	-3.012363	Stationary
PMC	-5.370670(0.0003) **	-3.788030	-3.012363	Stationary
MFC	-5.827377(0.0001) **	-3.788030	-3.012363	Stationary
HDI	-5.166527(0.0005) **	-3.788030	-3.012363	Stationary
RGDP	-3.840484(0.0089) **	-3.788030	-3.012363	Stationary
GFCF	-6.450929(0.0000) **	-3.788030	-3.012363	Stationary
PVR	-5.672776(0.0002) **	-3.788030	-3.012363	Stationary

Source: Author's Computation

From table 4.3 it could be revealed that all the variables were stationary at first difference. This is because their respective ADF test statistics value is greater than Mackinnon critical value at 5% and at absolute term hence the need to use Error Correction Model (ECM) for data analysis.

Co-Integration Text

Table 4.4 Presentation of Johansen Co-Integration Result

Series: HDI FHC CMBC MFC PMC

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.786698	77.98482	69.81889	0.0096
At most 1	0.594953	45.53881	47.85613	0.0812
At most 2	0.569160	26.56001	29.79707	0.1128
At most 3	0.322365	8.877619	15.49471	0.3768
At most 4	0.033039	0.705530	3.841466	0.4009

Source: co-integration result computed (see appendix)

*(**) denotes rejection of hypothesis @ 5% significant level

L.R. test indicates 1 co-integrating equation @ 5% significant level

Table 4.5 Presentation of Johansen Co-Integration Result

Series: RGDP FHC CMBC MFC PMC

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.936726	106.7851	69.81889	0.0000
At most 1 *	0.662995	48.81908	47.85613	0.0405
At most 2	0.526774	25.97824	29.79707	0.1294
At most 3	0.359665	10.26642	15.49471	0.2608
At most 4	0.042197	0.905374	3.841466	0.3413

Source: co-integration result computed (see appendix)

*(**) denotes rejection of hypothesis @ 5% significant level

L.R. test indicates 2 co-integrating equation @ 5% significant level

Table 4.6 Presentation of Johansen Co-Integration Result

Series: GFCF FHC CMBC MFC PMC

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.944428	106.4571	69.81889	0.0000
At most 1	0.653010	45.76566	47.85613	0.0776
At most 2	0.591601	23.53803	29.79707	0.2206
At most 3	0.199065	4.732317	15.49471	0.8366
At most 4	0.003368	0.070845	3.841466	0.7901

Source: co-integration result computed (see appendix)

*(**) denotes rejection of hypothesis @ 5% significant level

L.R. test indicates 1 co-integrating equation @ 5% significant level

Table 4.7 Presentation of Johansen Co-Integration Result

Series: PVR FHC CMBC MFC PMC

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.736407	75.24623	69.81889	0.0173
At most 1	0.693926	47.24587	47.85613	0.0570
At most 2	0.508234	22.38337	29.79707	0.2777
At most 3	0.281587	7.478568	15.49471	0.5227
At most 4	0.025091	0.533630	3.841466	0.4651

Source: co-integration result computed (see appendix)

*(**) denotes rejection of hypothesis @ 5% significant level

L.R. test indicates 1 co-integrating equation @ 5% significant level

The co-integration test is used in the determination of the long-run relationship that exists between variables. Table 4.4, 4.5, 4.6 and 4.7 shows that long-run relationship (co-integration) exists among the variables. There is 1 cointegrating equation in the models.

Diagnostic Test

Test for Serial Correlation – Breusch-Godfrey (BG) Tests

The Breusch-Godfrey tests is used to test for the presence or absence of serial or autocorrelations in the model with the Null hypothesis stating that there is No autocorrelation. This holds if p-value is greater than the chosen level of significance otherwise reject.

H_0= There is no serial correlation in the model

H_1= There is serial correlation in the model

Decision rule

If the probability value is less than 0.05 reject the H_0 and accept the H_1

Table 4.8: Breusch-Godfrey Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test: HDI			
F-statistic	0.480301	Probability.F	0.6405
Obs*R-squared	2.760114	Probability Chi-Square	0.2516
Breusch-Godfrey Serial Correlation LM Test: RGDP			
F-statistic	0.748647	Probability.F	0.5719
Obs*R-squared	8.134454	Probability Chi-Square	0.0171
Breusch-Godfrey Serial Correlation LM Test: GFCF			
F-statistic	0.530763	Probability.F	0.6025

Obs*R-squared	1.848196	Probability Chi-Square	0.3969
Breusch-Godfrey Serial Correlation LM Test: PVR			
F-statistic	1.862200	Probability.F	0.2682
Obs*R-squared	9.643208	Probability Chi-Square	0.0081

Source: Author's E-view 3.1 computations (Appendix 1, page 200 for details)

From table 4.8, the p-value is greater than the chosen level of significance of 5%, indicating the absence of autocorrelation in the models. The result of the serial correlation shows that the probability value in HDI model is 0.6405, in RGDP model 0.5719, in GFCF model 0.6025 and PVR model is 0.2682 which is greater than 0.05 implying that we accept H_0 and reject H_1. We then conclude that there is no serial autocorrelation in the models and that the models are appropriate for the study.

Test for Heteroskedasticity

The assumption of the classical linear regression that the variance of the errors is constant is known as *Homoskedastycity*. If the variance of the errors is not constant, this would be known as *Heteroskedasticity.* Hence, we test for the presence of heteroskedasticity with the intention of treating same if found. The Null hypothesis states that there is no Heteroscedasticity if the p-value is greater than the level of significance (Brooks, 2014).

H_0= There is no heteroskedasticity

H_1= There is heteroskedasticity

Table 4.9: Heteroskedasticity Test

Heteroskedasticity Test: HDI Model			
F-statistic	0.823079	Probability.F	0.6273
Obs*R-squared	10.61797	Probability Chi-Square	0.4758
Heteroskedasticity Test: RGDP Model			
F-statistic	1.272712	Probability.F	0.4468
Obs*R-squared	15.51663	Probability Chi-Square	0.3438
Heteroskedasticity Test: GFCF Model			
F-statistic	1.204274	Probability.F	0.3659
Obs*R-squared	8.260800	Probability Chi-Square	0.3102
Heteroskedasticity Test: PVR Model			
F-statistic	0.926608	Probability.F	0.5768
Obs*R-squared	13.35029	Probability Chi-Square	0.4211

Source: Author's E-view 3.1 computations (Appendix 1, page 203 for details)

From the result in Table 4.9 we accept the Null hypothesis that there is no heteroskedasticity in the models since p-value is greater than the chosen level of significance of 5%. This shows that the models have global utility and is normally distributed. And based on this we conclude that this is the best model to explain the relationship between these variables included in the models.

Test of Hypothesis

Test of Hypothesis One

H_0: Financial Institutions Credit has no significant effect on Human Development Index of Nigeria.

The coefficient of constant parameters is positively related with human development index of Nigeria. It has a positive coefficient of 0.459420 which implies that if all explanatory variables are held constant in the short-run, HDI will increase by 0.459420. Also, the probability value of constant is 0.0000 which is less than 5% level of significance which implies that if all the variables are held constant in the short run it

will have positive and significant effect on HDI of Nigeria within the period of the study. The probability value of FHC, PMC and MFC are 0.3982, 0.9738 and 0.7158 which are greater than 5% level of significant and implies that FHC, PMC and MFC have insignificant effect on Human Development Index of Nigeria for the period under review. The probability value of CMBC is 0.0027 which is less than 5% level of significant and implies that CMBC has significant effect on Human Development Index of Nigeria for the period under review. The ECM result indicates that Financial Institution Credit has negative and insignificant effect on Human Development Index of Nigeria hence the acceptance of null hypothesis which states that Financial Institution Credit has no significant effect on Human Development Index of Nigeria for the period under review.

Test of Hypothesis Two

H_0: Financial Institution Credit has no significant effect on Real Gross Domestic Product of Nigeria.

Table 4.10 Results of Error Correction Model (ECM) Normalized on RGDP

Dependent Variable: RGDP
Method: Least Squares
Date: 05/14/24 Time: 18:58
Sample (adjusted): 2004 2022
Included observations: 19 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(RGDP(-1))	1.011465	0.471894	2.143416	0.0987
D(RGDP(-2))	1.569391	0.825403	1.901363	0.1300
FHC	-128.0572	70.92279	-1.805586	0.1453
D(FHC(-1))	-91.20414	105.4891	-0.864584	0.4360
D(FHC(-3))	101.8091	107.0390	0.951140	0.3954
CMBC	3.532961	0.446652	7.909876	0.0014
D(CMBC(-1))	-2.501554	0.661610	-3.781007	0.0194
D(CMBC(-2))	-0.859593	0.738353	-1.164203	0.3090
D(CMBC(-3))	-3.096976	0.985233	-3.143395	0.0347
PMC	15.76746	40.38701	0.390409	0.7161
D(PMC(-1))	-76.75527	56.64717	-1.354971	0.2469
MFC	-0.010492	0.015014	-0.698868	0.5231
D(MFC(-1))	-0.008960	0.009109	-0.983623	0.3810
ECM(-1)	-0.549556	0.230565	-2.383521	0.0757
C	28399.26	4090.270	6.943126	0.0023
R-squared	0.993481	Mean dependent var		59003.74
Adjusted R-squared	0.970665	S.D. dependent var		13211.68
S.E. of regression	2262.839	Akaike info criterion		18.30743
Sum squared resid	20481762	Schwarz criterion		19.05304
Log likelihood	-158.9206	Hannan-Quinn criter.		18.43362
F-statistic	43.54243	Durbin-Watson stat		1.656055
Prob(F-statistic)	0.001159			

Source: Output Data from E-views 12.0

The coefficient of constant parameter is positively related with Real Gross Domestic Product of Nigeria. It has a positive coefficient of 28399.26 which implies that if all explanatory variables are held constant in the short-run, RGDP will increase by 28399.26. Also, the probability value of constant is 0.0023 which is less than 5% level of significance which implies that if all the variables are held constant in the short

run it will have positive and significant effect on RGDP of Nigeria within the period of the study. The coefficients for FHC and MFC are -128.0572 and -0.010492, respectively, indicating a negative relationship with RGDP. This means that a one-unit increase in FHC and MFC will lead to a decrease in RGDP by 128.0572 and -0.010492 units, respectively, which contradicts the anticipated a priori expectation. On the other hand, the coefficients for CMBC and PMC are positive, suggesting that a one-unit increase in CMBC and PMC will result in a 3.532961 and 15.76746 unit increase in RGDP, which is consistent with the anticipated a priori expectation. ECM result in table 10 indicates that Financial Institution Credit has negative and insignificant effect on Real Gross Domestic Product of Nigeria hence the acceptance of null hypothesis which states that Financial Institution Credit has no significant effect on Real Gross Domestic Product of Nigeria for the period under review.

4.4.3 Test of Hypothesis Three

H_0: Financial Institution Credit has no significant effect on Gross Fixed Capital Formation of Nigeria.

Table 4.11 Results of Error Correction Model (ECM) Normalized on GFCF

Dependent Variable: GFCF
Method: Least Squares
Date: 05/14/24 Time: 19:06
Sample (adjusted): 2002 2022
Included observations: 21 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GFCF(-1))	0.614872	0.168115	3.657448	0.0029
FHC	3.699479	10.15527	0.364291	0.7215
CMBC	0.224720	0.054440	4.127868	0.0012
D(CMBC(-1))	-0.202516	0.133319	-1.519031	0.1527
PMC	-5.312549	4.001524	-1.327632	0.2071
MFC	-0.003216	0.002360	-1.362978	0.1960
ECM(-1)	-0.927397	0.274784	-3.375005	0.0050
C	7864.854	317.8252	24.74585	0.0000
R-squared	0.824094	Mean dependent var		9363.315
Adjusted R-squared	0.729375	S.D. dependent var		1226.608
S.E. of regression	638.1011	Akaike info criterion		16.03720
Sum squared resid	5293250.	Schwarz criterion		16.43512
Log likelihood	-160.3906	Hannan-Quinn criter.		16.12356
F-statistic	8.700443	Durbin-Watson stat		2.002952
Prob(F-statistic)	0.000480			

Source: Output Data from E-views 12.0

The coefficient of constant parameter is positively related with Gross Fixed Capital Formation of Nigeria. It has a positive coefficient of 7864.854 which implies that if all explanatory variables are held constant in the short-run, GFCF will increase by 7864.854. Also, the probability value of constant is 0.0000 which is less than 5% level of significance which implies that if all the variables are held constant in the short run it will have positive and significant effect on GFCF of Nigeria within the period of the study. The coefficients for PMC and MFC are -5.312549 and -0.003216, respectively, indicating a negative relationship with GFCF. This means that a one-unit increase in PMC and MFC will lead to a decrease in GFCF by 5.312549 and 0.003216 units, respectively, which contradicts the anticipated a priori expectation. On the other hand, the

coefficients for FHC and CMBC are positive, suggesting that a one-unit increase in FHC and CMBC will result in a 3.699479 and 0.224720 unit increase in GFCF, which is consistent with the anticipated a priori expectation. ECM result in table 11 indicates that Financial Institution Credit has negative and insignificant effect on Gross Fixed Capital Formation of Nigeria of Nigeria hence the acceptance of null hypothesis which states that Financial Institution Credit has no significant effect on Gross Fixed Capital Formation of Nigeria for the period under review.

Test of Hypothesis Four

H_0: Financial Institution Credit has no significant effect on Poverty Rate of Nigeria

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Table 4.12 Results of Error Correction Model (ECM) Normalized on PVR

Dependent Variable: PVR
Method: Least Squares
Date: 05/14/24 Time: 21:33
Sample (adjusted): 2003 2022
Included observations: 20 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(PVR(-1))	0.512522	0.320573	1.598767	0.1610
D(PVR(-2))	0.303018	0.217253	1.394769	0.2125
FHC	-0.203349	0.170358	-1.193661	0.2777
D(FHC(-2))	0.705641	0.313989	2.247347	0.0657
CMBC	-0.001609	0.001109	-1.451767	0.1968
D(CMBC(-1))	-0.001774	0.002066	-0.858629	0.4235
D(CMBC(-2))	-0.001817	0.002890	-0.628650	0.5527
PMC	-0.059234	0.056134	-1.055237	0.3319
D(PMC(-1))	0.213915	0.097197	2.200834	0.0700
.D(PMC(-2))	0.152002	0.069060	2.201032	0.0700
MFC	4.26E-05	3.57E-05	1.194977	0.2772
D(MFC(-1))	2.28E-05	2.02E-05	1.130224	0.3015
ECM(-1)	-0.237058	0.317451	-0.746753	0.4834
C	68.49845	4.919957	13.92257	0.0000
R-squared	0.901874	Mean dependent var		44.83500
Adjusted R-squared	0.689267	S.D. dependent var		12.24957
S.E. of regression	6.828331	Akaike info criterion		6.876065
Sum squared resid	279.7566	Schwarz criterion		7.573077
Log likelihood	-54.76065	Hannan-Quinn criter.		7.012129
F-statistic	4.241977	Durbin-Watson stat		2.631965
Prob(F-statistic)	0.043083			

Source: Output Data from E-views 12.0

The coefficient of constant parameters is positively related with Poverty Rate of Nigeria. It has a positive coefficient of 68.49845 which implies that if all explanatory variables are held constant in the short-run, PVR will increase by 68.49845. Also, the probability value of constant is 0.0000 which is less than 5% level of significance which implies that if all the variables are held constant in the short run it will have positive and significant effect on PVR of Nigeria within the period of the study. The coefficients for FHC, CMBC, and PMC are -0.203349, -0.001609, and -0.059234, respectively, indicating a negative relationship with PVR. This means that a one-unit increase in FHC, CMBC, and PMC will lead to a decrease in PVR by 0.203349, 0.001609, and -0.059234 units, respectively, which is in line with the initial expectations.

On the other hand, the coefficient for MFC is positive, suggesting that a one-unit increase in MFC will result in a 0.00000426 unit increase in PVR, which contradicts the anticipated a priori expectation. ECM result in table 12 indicates that Financial Institution Credit has negative and insignificant effect on Poverty Rate of Nigeria hence the acceptance of null hypothesis which states that Financial Institution Credit has no significant effect on Poverty Rate of Nigeria for the period under review.

Discussion of Findings

The findings of this study reveals that finance house credit, primary mortgage bank credit, microfinance bank credit has no significant effect on HDI while commercial bank credit has significant effect on HDI.

The findings from the result of the analysis indicates that finance house credit, primary mortgage bank credit, microfinance bank credit has no significant effect on RGDP while commercial bank credit has significant effect on RGDP. The differential impact of various types of credit on Real Gross Domestic Product (RGDP) is due to differences in scale, scope, and utilization.

The result of the analysis indicates that finance house credit, primary mortgage bank credit, microfinance bank credit has no significant effect on GFCF while commercial bank credit has significant effect on GFCF. The significant effect of commercial bank credit on Gross Fixed Capital Formation (GFCF) compared to the insignificant effects of finance house credit, primary mortgage bank credit, and microfinance bank credit can be attributed to several factors.

The findings from the result of the analysis indicates that finance house credit, primary mortgage bank credit, microfinance bank credit and commercial bank credit have no significant effect on poverty rate of Nigeria. The limited effect of finance house credit, primary mortgage bank credit, microfinance bank credit, and even commercial bank credit on reducing the poverty rate in Nigeria can be attributed to several factors. Firstly, the accessibility and coverage of these financial services remain constrained, particularly in rural areas where poverty rates are high. Additionally, the scale and size of loans offered by microfinance banks and finance houses are often insufficient to significantly improve the economic conditions of borrowers, compounded by high interest rates that can trap borrowers in a cycle of debt.

5 CONCLUSION

This research investigated the effect of financial institutions credit on the Nigeria economy between 2000 and 2022. The period saw banking consolidation and financial system reforms geared towards ensuring a well-capitalized banking sector and a robust financial system to support the country's economic progress. The study utilized Finance House Credit (FHC), Commercial Bank Credit (CMBC), Primary Mortgage Bank Credit (PMC), Microfinance Bank Credit (MFC), as independent variables while Human Development Index (HDI), Real Gross Domestic Product (RGDP), Gross Fixed Capital Formation (GFCF) and Poverty Rate (PVR) serving as the dependent variable.

Although access to credit has expanded in Nigeria over the years, a significant portion of the population, particularly those in rural areas and marginalized communities, still lacks access to formal financial services. This lack of access deprived many individuals of the opportunity to utilize credit for productive purposes, thereby impeding their ability to enhance their living standards and contribute to economic growth and development. In conclusion, the study underscores the importance of extending financial services to a broader segment of the population while concurrently addressing issues of corruption and mismanagement in credit allocation. However, the study makes the following recommendations:

1. It is essential that finanancial institutions expand their reach to underserved areas, offer larger and more affordable long-term loans, and focus on financing productive investments that generate income and employment opportunities.

2. Commercial bank credit should be made more accessible to low-income populations and small businesses by offering lower interest rates and financial literacy programmes to ensure effective utilization of loans for income-generating activities.

3. Primary mortgage bank credit should be expanded to include affordable housing projects that also create employment opportunities and improve living conditions, while being accessible to a broader segment of the population, including low-income households.

4. Microfinance bank credit should focus on providing affordable, larger-scale loans coupled with financial literacy programs and support for small and medium enterprises, promoting sustainable economic activities and long-term income generation.

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