

**INSTITUTIONAL BANK CREDITS AND ECONOMIC DEVELOPMENT IN NIGERIA****BLESSING INIM-ME NWOKE****DEPARTMENT OF FINANCE AND BANKING, UNIVERSITY OF PORT HARCOURT, RIVERS STATE,  
NIGERIA****E-MAIL: izubob@gmail.com****AND****EBELE P. IFIONU****PROFESSOR, DEPARTMENT OF FINANCE AND BANKING, UNIVERSITY OF PORT HARCOURT,  
RIVERS STATE, NIGERIA****E-MAIL: ebele.ifionu@uniport.edu.ng****Abstract**

*The study's goal was to look into the relationship between institutional bank credits and economic development in Nigeria between 1992 and 2022. Specifically, the study considers how Bank of Industry, Commercial Bank, Microfinance Bank, Bank of agriculture, Primary Mortgage Institutions, African Development Bank, and World Bank credits affect Human development index. The data used in the study were sourced from the Central Bank of Nigeria and the World Bank statistical bulletin of various issues. The descriptive, unit root, ARDL framework, and causality techniques were used at the 5% significant level. The unit root result indicates that the variables were stationary at first difference and at level (i.e., mixed stationarity), necessitating the ARDL F-Bound test, which validates the presence of long-run form among the variables. According to the study, Bank of Agriculture, African Development Bank, and World Bank credits were positive but insignificant to the human development index in the long run, whereas Bank of Industry, Primary Mortgage Institutions, Commercial Bank, and Microfinance Bank credits were positive and significant to the human development index. According to the study, the institutional bank credits that considerably improve Nigeria's standard of life are those from the Bank of Industry, Primary Mortgage Institutions, Commercial Banks, and Microfinance Banks. According to the study's recommendations, the Bank of Agriculture, African Development Bank, and World Bank should re-examine their operations by confirming project viability to avoid executing projects and mobilising cash for unrealistic industrial ventures. In the industrial sector, this would reduce the amount of abandoned projects and unrealistic endeavours.*

**Keywords:** Loans, Organizations, Economic Growth, Financial Institutions, Manufacturing Sector

**Introduction**

Lately, numerous economies have struggled to achieve equitable economic prosperity and development. This equilibrium has been noted to encapsulate the diverse performance of a sustainable long-term economy, encompassing crucial macroeconomic variables such as output growth, inflation rate, and unemployment rate. The issue of balancing is crucial due to the necessity of maintaining all pertinent economic indicators at their optimal level. The capacity to forecast the progression of an economy confers an additional benefit in terms of exerting control and influence over it towards the intended course and trajectory (Goodwin, 1984;

Nain, Ahmad, & Kamaiah, 2017). Empirical evidence has consistently shown that the growth of a country is significantly influenced by its political, legal, economic, and social institutions. Nevertheless, pinpointing the specific institutions that have significance and determining the precise manner in which they hold significance is a rather challenging task (Brunt, 2007). This is a matter of significant practical significance. Nations have the freedom to restructure their institutions in order to enhance their degree of economic development. However, if they are unable to identify the advantageous features of specific institutions, their only choice is to completely adopt the institutional frameworks of another country that is more

economically prosperous (Ibrahim, Ahmed, & Minai, 2018). One such notable institution is the financial institution, specifically banking organisations that are actively involved in lending operations.

Financial intermediaries play a crucial role in the financial sector by efficiently allocating resources to the most productive endeavours, so contributing to the development process. The enhanced accessibility of financial instruments diminishes transaction and information expenses, while larger and more proficient financial markets facilitate economic agents in mitigating risks, engaging in trade, and pooling resources, so fostering investment and economic prosperity (Hartlyn, 2019). This situation renders the position of financial institutions unfavourable. Demetriades and Hook (2006) assert that institutions refer to the societal laws that govern how members of a society interact and influence the economic behaviour of individuals. This raises the possibility of the impact of institutional finance on a developing economy such as Nigeria, including both governmental and private financial institutions (Pilbram, 2018).

Nevertheless, the functioning of institutions varies throughout time and in different geographical locations due to disparities in political and economic frameworks. Khan (2010) explains that the reason for this is because industrialised countries have a higher proportion of private-sector production in relation to their GDP, in contrast to undeveloped countries. The variation in structure impacts the expenses and efficiency of institutional enforcement. In industrialised countries with sophisticated production systems (consisting of economic activities with economies of scale), effective allocative institutions are easily implemented because the profits generated from these economic activities are substantial enough to offset the expenses of enforcement. However, in economically disadvantaged nations with limited manufacturing capacities and an abundance of resources that yield decreasing returns, the benefits derived from private contracting are insufficient to offset the expenses associated with protecting property rights. This fundamental

observation demonstrates the supremacy of economic systems over institutions. Globalisation has led to a decline in institutional diversity, as evidenced by the increasing number of democracies worldwide, the establishment of independent central banks, and the creation of anti-corruption offices. However, the argument offered in this context elucidates the reasons behind the divergence between anticipated and real institutional performance (Hacievliyagil & Eksi, 2019).

The Nigerian economy includes many credit-mobilising organisations, including private sector-oriented entities like Deposit Money Banks, government-supported development banks, and unorganised institutions that offer microcredits to borrowers. Regardless of this, foreign loans infiltrate the economy through international institutions such as the World Bank and the African Development Bank. It is essential to conduct a thorough evaluation of the operations of these organisations with regards to loans in order to comprehend the effectiveness of these loans in terms of their calibre and distribution. According to this study, economic prosperity and development are not solely influenced by credit, but rather by the way in which credit disbursing institutions effectively mobilise credit. Given this information, this study focuses on the impact of credit market defects on the fluctuations of the economy.

A number of research (Ozili, Oladipo, & Iremere, 2023; Magaji, Musa, & Dogo, 2023; Adomes, 2022; Afolabi, Afolabi, Ikpefan, Osuma, & Egbuomwan, 2021) have examined the correlation between institutional credit and economic prosperity. However, this study is unique in that it examines the relationship between institutional bank credit and economic development. The study conducted by Onita and Okereke (2022) focuses exclusively on specific forms of institutional finance and examines their impact on economic development. The researchers utilise a poverty index as a proxy to measure economic development. Nevertheless, this study incorporates Primary Mortgage Institutions and World Bank credits into the category of institutional credits, and assesses

economic development by utilising the human development index. As a result, this study aims to examine the relationship between institutional bank loans and economic development in Nigeria from 1992 to 2022.

## **Literature Review**

### **Conceptual Framework**

#### **Institutional Finance**

Atanasova (2007) defines institutional finance as funds obtained from non-commercial sources other than commercial banks. When people save money and then invest it, these financial organisations are like a middleman. When it comes to money and banking, they cover bases that conventional commercial and deposit money institutions don't (Chand, 2016). Institutional finance, in contrast to alternative financing, considers both official and informal aspects of lending and credit (Swamy & Dharani, 2018). The prevailing opinion holds that formal financial institutions do exist, but that informal financial institutions supplement them by catering to the lower end of the market. Informal financing is often limited to small, unsecured, short-term loans for rural areas, agricultural contracts, households, individuals, or small business ventures. When compared to more formal financial organisations like commercial banks, informal financial institutions that depend on contacts and reputation are better able to track and collect payback from a group of businesses. On the other hand, this perspective holds that informal financial institutions cannot take the place of formal ones due to the fact that their enforcement and monitoring mechanisms aren't prepared to handle the demands of a larger market.

#### **Economic Development**

A nation, region, or local community's economic well-being and quality of life can be enhanced through economic development, as defined by Rao and Holt (2005). The attainment of economic well-being goals is typically used to measure an economy's development. Both long-term goals, like steady economic prosperity and progress, and short-term goals, like preventing the economy from collapsing due to unexpected

occurrences, are valid. Economic indicators cover a wide variety of metrics that economists use to gauge an economy's performance relative to these goals. If economists want to know if the economy is doing better or worse, they can use economic indicators, which quantify macro-economic factors. In particular, policymakers can benefit from monitoring these indicators when deciding whether to act and, if so, how effective that intervention has been (De Carvalho, 2011).

### **Theoretical Framework**

#### **Financial intermediation Theory**

The finance theory posits that financial institutions, by their intermediation operations of mobilising resources from surplus to deficit regions of an economy, play a significant role in stimulating economic prosperity and development. The advancement of the financial sector would facilitate the mobilisation of essential funds by both citizens and the government, which are important for achieving growth and development. The significance of efficient financial institutions in fostering economic development has been extensively debated in the literature for several decades. Early works by Schumpeter (1911), Goldsmith (1969), McKinnon (1973), and Shaw (1973) have emphasised this importance, despite opposing arguments from Robinson (1952) and Stein (1989) and others who claim that the development of the financial sector does not determine economic development. Economists who disagree with this idea argue that economic development has a direct impact on the financial sector. In other words, the pace of economic development defines the amount of progress that can be attained in the financial system. Nevertheless, the majority of empirical studies on the relationship between finance and economic prosperity have consistently supported the notion that the expansion of the financial sector has a substantial influence on the growth and development of the economy (Bencivenga & Smith, 1991; Levine, 1997).

#### **Endogenous growth model**

The collection of literary works that questioned the underlying beliefs of the Solow

model became widely recognised as the endogenous growth model. The early criticisms revolved around the concept of "convergence," which refers to the Solow model's failure to account for the varying growth rates observed among different countries. Several studies have included the function of financial markets in the endogenous growth model. In the context of an endogenous growth model, it has been contended that financial development can impact growth through three mechanisms: enhancing the effectiveness of financial intermediation, augmenting the societal marginal productivity of capital, and affecting the rate of private savings. Well-functioning financial markets are essential for endogenous technical advancement, as they enhance the efficiency of both human and physical resources. Furthermore, efficient financial services enhance and broaden the range of inventive endeavours. These findings have been substantiated by other investigations. Levine (1997) emphasised the informative function of financial intermediation within an endogenous growth model. He contends that the role of financial intermediation is closely tied to the rise of capital productivity. Bencivenga and Smith (1991) emphasised in a correlated study that effective financial intermediation, by mitigating liquidity concerns, encourages savers to allocate their capital more towards productive assets. This, in turn, fosters productive investment and contributes to overall economic prosperity. Levine (1997) shared a similar perspective, emphasising the significance of stock markets in promoting the funding of investment in less easily converted investment projects, as well as the spreading out of risk in investment portfolios. Furthermore, he clearly established a reciprocal connection between financial markets and economic prosperity. SaintPaul (1992) highlighted the importance of a robust stock market in promoting economic prosperity, particularly in terms of mitigating the risks faced by entrepreneurs. The endogenous growth model elucidates the significance of financial development in fostering economic prosperity, a concept frequently overlooked in neoclassical growth models.

### Empirical Review

In their study, Ozili, Oladipo, and Iremonger (2023) examine the impact of an abnormal increase in credit supply on economic prosperity in Nigeria. Using the GMM regression method, the excessive rise in credit supply has a notable impact on economic prosperity.

In a study conducted by Magaji, Musa, and Dogo (2023), the impact of banking sector credit on Nigeria's real sector was examined. The study findings suggest that there is a positive relationship between Commercial Bank Credit and Nigeria's GDP, both in the long and short run, as indicated by the ARDL model. The study highlights the importance of using bank credits to support the real sector in order to drive economic prosperity in Nigeria.

In a recent study, Onita and Okereke (2022) investigated the relationship between institutional financing and the poverty rate in Nigeria. The study suggests that credits from Microfinance Bank and African Development Bank have played a significant role in reducing the poverty rate in Nigeria.

In a comprehensive study, Adomes (2022) analysed the impact of commercial bank-credit on the economic development of Nigeria over a span of 35 years, from 1986 to 2021. The study utilised the ARDL technique and discovered a highly significant relationship between bank credit and both economic prosperity and human development index.

A study conducted by Afolabi, Ikpefan, Osuma, and Evbuomwan (2021) investigates the impact of agricultural credit on Nigeria's economic prosperity during the period of 1981-2017. The study reveals that there is a significant and direct relationship between commercial and agricultural banks in the short run. However, in the long run, this relationship only holds true for commercial banks. Interestingly, agricultural banks show no significance in both the short and long run, except for a direct relationship in the short run and an inverse relationship in the long run. In their study, Loyce and Willy (2021) investigated the impact of government intervention in Kenya's poverty

reduction efforts from 1964 to 2017, specifically focusing on the use of financial institution loans. The study found that loans provided by the Bank of Agriculture and loans to the health sector in Kenya have made a significant and meaningful contribution to the economy by reducing poverty over time. However, loans provided by Commercial Banks for education do not appear to have had the same impact on reducing poverty in Kenya.

In a study conducted by Okaro (2021), the impact of credit on economic prosperity and development in Nigeria was assessed over a period spanning from 1981 to 2019. The study utilised a multiple regression approach. The study's findings suggest a strong and positive correlation between total credit to all sectors of the economy and economic prosperity and development. Nevertheless, the growth is propelled by credit to the private sector, whereas credit to the public sector hinders growth due to the crowding out effect.

In their study, Okafor, Ezeaku, and Ugwuegbe (2016) examined the relationship between deposit money bank credit and economic prosperity in Nigeria from 1981 to 2014. The findings indicate a one-way relationship where private sector credit influences economic prosperity. This finding affirms the importance of financial development for economic prosperity. The credit provided by the banking system is crucial for economic prosperity.

In a recent study, Khuong, Shabbir, Sial, and Khanh (2020) conducted a thorough analysis of the influence of the informal economy on economic prosperity in Pakistan. According to the findings, Pakistan has an informal economy that accounts for 56% of its output (GDP).

In a study conducted by Festus and Saibu (2019), the impact of external credit on economic prosperity in Nigeria was examined. The study utilised the ARDL Model and concluded that external credit has a negative impact on growth in Nigeria.

In their study, Olasode and Babatunde (2016) aimed to elucidate the causal relationship between accumulated funds/loans from external

sources and economic prosperity, with a specific focus on the Nigerian economy. The results obtained from the ordinary least squares method used in the study confirm the existence of a dual behaviour as the lag. One external credit has a positive impact, while the external credits of the current year negatively affect the economy's performance.

In a study conducted by Udeh, Ugwu, and Onwuka (2016), the objective was to determine the influence of external credit on economic prosperity in Nigeria from 1980 to 2013. The researchers utilised Ordinary Least Square as their methodology. Based on their findings, external credit showed a positive correlation with Output in the short term, but a negative correlation in the long term. Nevertheless, the payment for external credit services exhibited a negative correlation with Output.

### Research Methodology

The study utilises an ex-post facto hypothetico-deductive research methodology, as it does not permit the researcher to change the data. The data used in the study is acquired from an already concluded event, making it secondary in nature. The study obtained the data used from the CBN's yearly series and the World Bank statistical bulletins on several issues spanning from 1992 to 2022. The data utilized in the study are in their growth rate. In order to determine specific information, we utilise descriptive statistics, unit root analysis, the autoregressive distributed lag (ARDL) framework, and the Granger causality approaches with a 95% confidence interval. To fulfil the objective of this study, the model employed in the study is as follows:

$$\text{HDI} = f(\text{ABC}, \text{BAC}, \text{DBC}, \text{MBC}, \text{PIC}, \text{BIC}, \text{WBC})$$

3.1

$$\text{HDI}_t = \beta_0 + \beta_1 \text{ABC}_t + \beta_2 \text{BAC}_t + \beta_3 \text{DBC}_t + \beta_4 \text{MBC}_t + \beta_5 \text{PIC}_t + \beta_6 \text{BIC}_t + \beta_7 \text{WBC}_t$$

$$\text{HDI}_t = \beta_0 + \beta_1 \text{ABC}_t + \beta_2 \text{BAC}_t + \beta_3 \text{DBC}_t + \beta_4 \text{MBC}_t + \beta_5 \text{PIC}_t + \beta_6 \text{BIC}_t + \beta_7 \text{WBC}_t + \varepsilon_t \quad 3.3 \quad \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \text{ and } \beta_7 > 0$$

Where

HDI = Human development index, ABC= African Development Bank credits, BAC = Bank of Agriculture credits, DBC = Commercial Bank credit, MBC= Microfinance Bank credits, PIC

= Primary Mortgage Institutions, BIC = Bank of Industry credits, WBC = World Bank credits  $\beta_0$  = Intercept;  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ , and  $\beta_7$  = Constant parameters,  $\varepsilon_t$  = Stochastic term

## Results and Discussion

### Results

#### Descriptive Statistics

Table 4.1 shows the summary descriptive features of the study variables.

**Table 4.1: Descriptive Statistic Result**

	HDI	ABC	BAC	BIC	DBC	MBC	PIC	WBC
Mean	0.450806	8720.913	27.47190	461.2369	25.46294	47.57697	51.80452	21.96484
Median	0.462000	-7.940000	6.310000	463.6200	21.64000	23.94000	6.490000	8.890000
Maximum	0.540000	254573.0	355.6200	545.6600	118.7000	381.9600	544.1800	289.5000
Minimum	0.322000	-99.93000	-55.10000	360.7700	1.950000	-64.16000	-65.00000	-10.87000
Std. Dev.	0.062470	45654.15	68.19767	59.66076	25.44527	84.07659	135.1287	52.94508
Skewness	0.540883	5.285133	3.723802	0.070109	2.118079	2.388461	2.478395	4.355047
Kurtosis	2.226030	28.96758	18.63470	1.734910	7.794845	9.653493	8.680483	22.50568
Jarque-Bera	2.285277	1015.309	387.3847	2.092647	52.87512	86.65527	73.41531	589.4359
Probability	0.318976	0.000000	0.000000	0.351227	0.000000	0.000000	0.000000	0.000000
Sum	13.97500	270348.3	851.6290	14298.34	789.3510	1474.886	1605.940	680.9100
Sum Sq. Dev.	0.117075	6.25E+10	139527.7	106782.2	19423.85	212066.2	547793.1	84095.46
Observations	31	31	31	31	31	31	31	31

**Source: E-view Output**

The average annual HDI, ABC, BAC, BIC, DBC, MBC, PIC, and WBC are 0.450806, 8720.913, 27.47190, 461.2369, 25.46294, 47.57697, 51.80452, and 21.96484, respectively. The largest and smallest values of HDI, ABC, BAC, BIC, DBC, MBC, PIC, and WBC 0.54 and 0.322, 254573.0 and -99.93000, 355.62 and -55.10, 545.66 and 360.77, 118.70 and 1.95, 381.9600 and -64.16, 544.18 and -65.0, and 289.50 and -10.87 respectively. The level of variability of HDI, ABC, BAC, BIC, DBC, MBC, PIC, and WBC from their average values are 0.062470%, 45654.15%, 68.19767%, 59.66076%, 25.44527%, 84.07659%, 135.1287%, and 52.94508%, respectively.

The skew coefficients for HDI, ABC, BAC, BIC, DBC, MBC, PIC, and WBC are all positive

(0.540883, 5.285133, 3.723802, 0.070109, 2.118079, 2.388461, 2.478395, and 4.355047, respectively), indicating that their distributions are skewed to the right. HDI and BIC are platykurtic as their values (2.226030 and 1.734910, respectively) are below 3; whereas, ABC, BAC, DBC, MBC, PIC, and WBC are leptokurtic as their values (28.96758, 18.63470, 7.794845, 9.653493, 8.680483, and 22.50568, respectively) are above 3. For the Jarque-Bera, HDI and BIC are normally distributed as their p-values are above 3 (0.318976 and 0.351227, respectively); whereas, ABC, BAC, DBC, MBC, PIC, and WBC are not normally distributed as their p-values are below 3 (0.000000, 0.000000, 0.000000, 0.000000, 0.000000, and 0.000000, respectively).

### Unit Root Test

**Table 4.2: Augmented Dickey Fuller (ADF) Stationarity Test Variables**

Variables	Level Data			First differenced data			Conclusion
	T-Statistics	T-Critical at 5%	P-value	Test Statistics	T-Critical at 5%	P-value	
HDI	-0.449163	-2.967767	0.8874	-3.656907	-2.971853	0.0108	I(1)
ABC	-5.506607	-2.963972	0.0001	-	-	-	1(0)
BAC	-5.262655	-2.963972	0.0002	-	-	-	1(0)
DBC	-3.893368	-2.963972	0.0058	-	-	-	1(0)
MBC	-5.690999	-2.963972	0.0001	-	-	-	1(0)
PIC	-4.022977	-2.963972	0.0042	-	-	-	1(0)
BIC	-0.994215	-2.963972	0.7424	-6.642597	-2.971853	0.0000	I(1)
WBC	-5.734954	-2.963972	0.0001	-	-	-	1(0)

Source: E-view 10.0 Output

Table 4.2 result shows that out of the eight variables, only two (HDI and BIC) were integrated at first difference while the remaining six (ABC, BAC, DBC, MBC, PIC, and WBC) are integrated at level. This is because at their respective levels of significance, the t-statistics were above the

t-critical at the 5% level. Additionally, their respective p-values were lower than the 5% threshold set for this study. As a result, this study adopts the ARDL F-bound test to confirm the presence of co-integrating relationship among the variables.

#### Table 4.3: F-Bound Test Result

ARDL Long Run Form and Bounds Test Dependent Variable: D(HDI)

Selected Model: ARDL(1, 0, 0, 0, 0, 0, 0, 1)

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
	4.982260			
F-statistic		10%	2.03	3.13
k	7	5%	2.32	3.5
		2.5%	2.6	3.84
		1%	2.96	4.21

Source: E-view 10.0

The outcome of table 4.3 demonstrates to us that the F-statistic value (4.9822607) is higher than the I(1) and I(0) bound values of 2.32 and 3.5

at the 5% significant level. Consequently, we can say that there exists the presence of long-run form among the variables.

#### Table 4.4: ARDL Long-Run Test Result

ARDL Long Run Form and Bounds Test

Dependent Variable: HDI

Method: ARDL

Selected Model: ARDL(1, 0, 0, 0, 0, 0, 0, 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ABC	9.41 E-09	6.86 E-08	0.137156	0.8923
BAC	1.73E-05	4.91E-05	0.351125	0.7292
BIC	0.000522	0.000162	3.221033	0.0043
DBC	0.000419	0.000171	2.452366	0.0235
MBC	0.000114	4.62E-05	2.474894	0.0224
PIC	6.01E-05	2.54E-05	2.364376	0.0283
WBC	4.26E-06	6.05E-05	0.070497	0.9445
CointEq(-1)*	-0.503899	0.068694	-7.335422	0.0000
R-squared	0.702043	Mean dependent var		0.005333
Adjusted R-squared	0.679972	S.D. dependent var		0.025567
S.E. of regression	0.014464	Akaike info criterion		-
Sum squared resid	0.005648	Schwarz criterion		-
Log likelihood	86.09589	Hannan-Quinn criter.		-
F-statistic	31.80855	Durbin-Watson stat		1.678750
Prob(F-statistic)	0.000000			

**Source: E-view 10.0**

Table 4.4 shows that ABC is positive (9.41E-09) and insignificantly (0.8923) related to HDI. This implies that a unit rise in ABC will cause HDI to rise by 9.41E-09 unit. BAC is positive (1.73E-05) and insignificant (0.7292) to HDI. This connotes that rise in BAC will cause HDI to increase by 1.73E-05 unit. BIC is positive (0.000522) and significantly (0.0043) related to HDI. This implies that a unit rise in BIC will cause HDI to rise by 0.000522 unit. DBC is positive (0.000419) and significant (0.0235) to HDI. This connotes that rise in DBC will cause HDI to increase by 0.000419 unit. MBC is positive (0.000114) and significantly (0.0224) related to HDI. This implies that a unit rise in ABC will cause HDI to rise by 0.000114 unit. PIC is positive (6.01E-05) and insignificant (0.0283) to HDI. This connotes that rise in PIC will cause HDI to increase by 6.01E-05 unit. WBC is

positive (4.26E-06) and insignificantly (0.9445) related to HDI.

The CointEq(-1) is negative (-0.503899) and significant (0.0000). This finding indicates that errors in the short term are corrected at a rate of 50.4% over the long term. The Adj R-Sqd value of 0.679972 suggests that the variables ABC, BAC, DBC, BIC, MBC, PIC, and WBC account for approximately 68% of the variations observed in HDI. The remaining 32% of the variance is attributed to additional variables that were not incorporated into this model. The F-Statistics value of 31.80855 indicates that the independent variables have a significant explanatory effect on the model. The Durbin-Watson statistic of 1.678750 indicates the lack of first-order autocorrelation.

**Table 4.5: Pairwise Granger Result**

Variables	Obs	F-Stat.	Prob
ABC – HDI	30	0.06642	0.7986
HDI – ABC		0.75791	0.3917
BAC – HDI	30	0.00982	0.9218
HDI – BAC		0.16582	0.6871
BIC – HDI	30	10.6826	0.0029
HDI – BIC		1.70490	0.2027
DBC – HDI	30	0.08258	0.7760
HDI – DBC		1.85133	0.1849
MBC – HDI	30	1.44002	0.2406
HDI – MBC		1.99044	0.1697
PIC – HDI	30	1.20225	0.2826
HDI – PIC		0.74261	0.3964
WBC – HDI	30	5.47753	0.0269
HDI – WBC		0.12451	0.7269

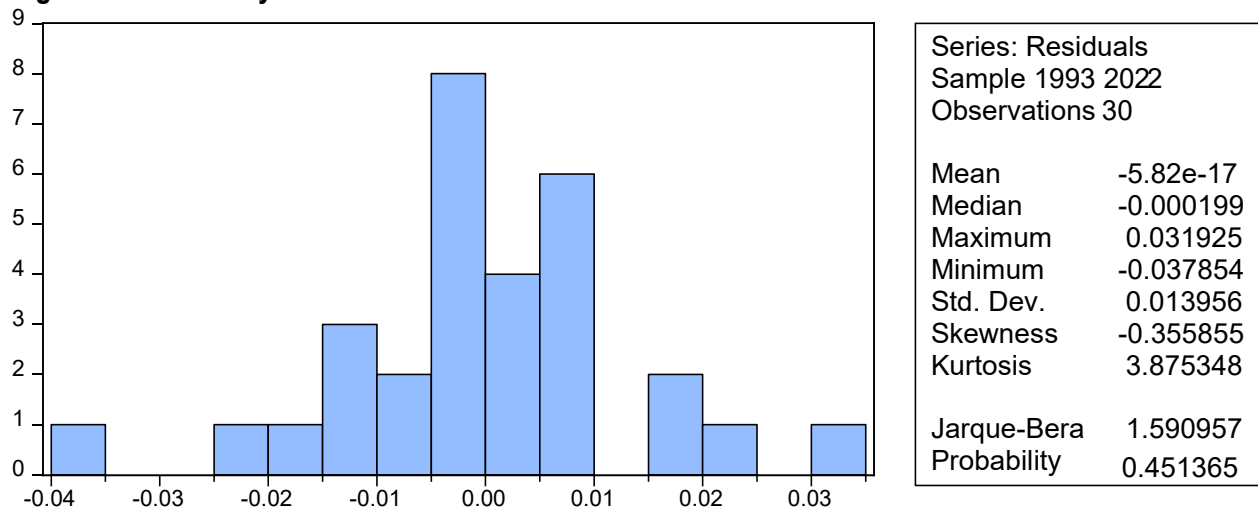
Source: E-view 10.0

Table 4.5 shows that there is no causality flowing from ABC, BAC, DBC, MBC, and PIC to HDI and

vice versa. However, there is unidirectional causality flowing from BIC and WBC to HDI.

### Post Estimation Test

Figure 4.1: Normality Test



Source: E-view 10.0

The Jarq-Bera p-value (0.451365) demonstrates that the model is normally distributed. Additionally, it is bell-shaped.

**Table 4.6: Autocorrelation and Heteroskedasticity Result**

Test	F-statistic	Prob. F(2,18)
<b>Autocorrelation</b>	0.407030	0.6716
<b>Heteroskedasticity</b>	0.056500	0.8139

**Source: E-view 10.0**

The p-values of autocorrelation and heteroskedasticity are 0.6716 and 0.8139 respectively. Given that their p-values are above 5% threshold, there are no form of autocorrelation and heteroskedasticity in the model.

### Discussion of Findings

The provision of loans by the Bank of Industry greatly enhances the quality of life in Nigeria. This demonstrates that increasing the amount of credits provided by the Bank of Industry to industrial sector units leads to a higher degree of development in the country. This is achieved by stimulating output levels and reducing unemployment. This also demonstrates the meticulous management of the bank of industry funds to prevent the emergence of inflationary tendencies, and emphasises the requirement of obtaining bank of industry loans at a notably low-interest rate. Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have all concluded that bank credit plays a significant role in fostering economic advancement. However, it contradicts the findings of Festus and Saibu (2019) and Udeh, et al. (2016) who discovered that bank credit has a detrimental impact on growth in Nigeria.

The provision of credit by commercial banks greatly enhances the quality of life in Nigeria. This can be attributed to the fact that when commercial banks mobilise credits, they invest them in businesses that provide substantial profits, so enhancing the residents' standard of living. This demonstrates the spill-over effect of mobilising credit from deposit money banks, which aligns with the favourable assumption beforehand. Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have all concluded that

bank credit plays a significant role in fostering economic advancement. However, it contradicts the findings of Festus and Saibu (2019) and Udeh, et al. (2016) who discovered that bank credit has a detrimental impact on growth in Nigeria.

The provision of loans by Microfinance Banks has a substantial impact on improving the quality of life in Nigeria. This demonstrates that increasing the amount of credits provided by the Microfinance Bank to industrial sector units leads to a higher degree of development in the country. This is achieved by stimulating output levels and reducing unemployment. This also demonstrates the meticulous management of the bank of industry funds to prevent the occurrence of inflationary tendencies. Additionally, the bank of industry loans are obtainable at a remarkably low-interest rate. Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have all concluded that bank credit plays a significant role in fostering economic advancement. However, it contradicts the findings of Festus and Saibu (2019) and Udeh, et al. (2016) who discovered that bank credit has a detrimental impact on growth in Nigeria.

Primary mortgage institutions play a crucial role in enhancing the quality of life in Nigeria. This demonstrates that increasing the amount of loans provided by Primary Mortgage Institutions to industrial sector units leads to a higher level of development in the country. This is achieved by stimulating output levels and reducing unemployment. This also demonstrates that the bank of industry's finances are carefully managed to prevent any inflationary tendencies, and the bank of industry loans are only available at a highly favourable interest rate. Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and

Okereke (2022) have all concluded that bank credit plays a significant role in fostering economic advancement. However, it contradicts the findings of Festus and Saibu (2019) and Udeh, et al. (2016) who discovered that bank credit has a detrimental impact on growth in Nigeria.

The credit provided by the Bank of Agriculture has a positive impact on the Human Development Index in Nigeria, however the effect is not substantial. This is due to the significant degree of mishandling of credit extended by the Bank of Agriculture to individuals involved in agriculture. Furthermore, there is the concern of the elevated risk and absence of collateralizations that typify the majority of agricultural loans. The studies conducted by Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have collectively established that bank credit promotes economic progress. Nevertheless, it contradicts the conclusions drawn by Festus and Saibu (2019) as well as Udeh, et al. (2016), who found that bank credit has an adverse effect on growth in Nigeria.

The credits provided by the African Development Bank have a positive impact on the human development index, albeit the effect is not substantial. This indicates that the amount of development funding received from the ADB is inadequate to stimulate the necessary increase in employment that is required to enhance the overall economic production and, as a result, the standard of life. The studies conducted by Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have collectively established that bank credit promotes economic progress. Nevertheless, it contradicts the conclusions drawn by Festus and Saibu (2019) as well as Udeh, et al. (2016), who found that bank credit has an adverse effect on growth in Nigeria.

The World Bank's credits have a positive impact on the human development index, albeit the effect is not substantial. This demonstrates that the utilisation of development money obtained from the World Bank does not have a substantial impact on enhancing productive capacities or

generating sufficient employment opportunities to effectively elevate the standard of life of the population. The studies conducted by Ozili et al. (2023), Okaro (2021), Magaji et al. (2023), Loyce and Willy (2021), Adomes (2022), and Onita and Okereke (2022) have collectively established that bank credit promotes economic progress. Nevertheless, it contradicts the conclusions drawn by Festus and Saibu (2019) as well as Udeh, et al. (2016), who found that bank credit has an adverse effect on growth in Nigeria.

## **Conclusion and Recommendations**

### **Conclusion**

The study's goal is to look into the relationship between institutional bank credits and economic development in Nigeria between 1992 and 2022. Specifically, the study considers how Bank of Industry, Commercial Bank, Microfinance Bank, Bank of agriculture, Primary Mortgage Institutions, African Development Bank, and World Bank credits affect Human development index. The descriptive, unit root, ARDL framework, and causality techniques were used at the 5% significant level. According to the study, Bank of Industry, Primary Mortgage Institutions, Commercial Bank, and Microfinance Bank credits are the institutional bank credits that significantly promotes the standard of living in Nigeria.

### **Recommendations**

The study's recommendations are that the Bank of Agriculture, African Development Bank, and World Bank should carefully review their operations to ensure the feasibility of their programmes. This is to avoid implementing projects and raising funding for impractical industrial ventures. Implementing this measure would effectively curtail the prevalence of abandoned projects and unfeasible undertakings within the industrial sector. Bank of Industry, Commercial Bank, and Microfinance Bank should continue to increase their lending to the industrial sector as it plays a crucial role in enhancing the quality of life in Nigeria.

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