



Research Paper

Impact of Commercial Bank Practices on Sustainable Economic Growth in Nigeria

¹Nwaeze Chinweoke, ¹Uruakpa Napoleon Ireokwu,
²Nwankpa Linda Oluchi and ³Ibekwe Chima Okpara

¹Department of Banking and Finance, Abia State Polytechnic, Aba, Nigeria; ²Department of Accountancy, Abia State Polytechnic, Aba, Nigeria; ³Department of Banking and Finance, Enugu State University of Science and Technology, Enugu, Nigeria.
Corresponding Author: Nwaeze Chinweoke

Abstract

Commercial banks are involved in several practices and activities which include deposit mobilization, credit extension, agency services, foreign exchange services, maintenance of liquid reserves, etc. Thus, this study critically investigated the impact of commercial bank practices on sustainable growth in Nigeria for the period 2005 to 2017. The study adopted the ex-post facto design. Time series data for the study period were collected from secondary sources such as the Central Bank of Nigeria (CBN) Statistical Bulletin. Real Gross Domestic Product (RGDP) was adopted as the dependent variable, while commercial bank deposit, commercial bank credit and commercial bank liquid reserves were adopted as the independent variables. The Ordinary Least Squares (OLS) multiple regression technique was adopted in data analysis in line with the objectives of the study. Findings of the study revealed that both commercial bank deposit and commercial bank liquid reserve had positive and significant impact on economic growth while commercial bank credit had a negative and insignificant impact on economic growth for the period studied. Thus, the paper recommended that commercial banks should embark on strategies to shore up their deposit base as well as maintain a good liquid reserve to enhance their operations. In addition, bank credit should be constantly and closely monitored to ensure that beneficiaries do not divert these loans and advances to other areas but utilize them for the purpose approved and disbursed.

Keywords: Bank Deposit, Bank Credit, Bank Liquid Reserve, Economic Growth, Financial Intermediation.

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I. Introduction

The activities of commercial banks can be summarized into intermediating between the surplus and deficit sectors of the economy. According to Bencivenga & Smith (1991), the basic activities of banks are acceptance of deposits and lending to a large number of agents, holding of liquid reserves against unpredictable withdrawal demand, issuing of liabilities that are more liquid than their primary assets and eliminating or reducing the need for self financing of investments. In particular, by providing liquidity, banks permit risk averse savers to hold bank deposits rather than liquid (but unproductive) assets. The funds obtained are then made available for investment in productive capital.

Moreover, by exploiting the fact that banks have large number of depositors and hence, unpredictable withdrawal demand, they can economize on liquid reserves holdings that do not contribute to capital accommodation. Again, Bencivenga & Smith (1991) further argued that by eliminating self-financed capital investment, banks also prevent the unnecessary liquidation of such investment by entrepreneurs who find that they need liquidity. In short, an intermediation industry permits an economy to reduce the fraction of savings held in the form of unproductive liquid assets, and to prevent misallocation of invested capital due to liquidity needs (Bencivenga & Smith, 1991). Schumpeter in King & Levine (1991), argued that the services provided by financial intermediaries – mobilizing, savings, evaluating projects, managing risks, monitoring managers and facilitating transactions, are essential for technological innovation and economic growth and development.

Levine, Loayza & Beck (2002), posit that financial intermediaries emerge to lower the costs of reaching potential investments, exerting corporation, controls, managing risks, mobilizing savings and

conducting exchanges. Financial intermediaries by providing these services to the economy, influence savings and allocation decisions in ways that may alter long-run growth rates. Banks play an effective role in the economic growth and development of a country. This role they perform excellently by helping to mobilize idle savings of the Surplus Units (SUs) for onward lending to the Deficit Units (DUs), thus helping in the capital formation of a nation (Ujah, Nwaeze & Amaechi, 2005). It is in realization of the importance of bank's role in financial intermediation that successive governments in Nigeria have been allocating deliberate roles to them in various National Development Plans.

Afolabi (1998) posited that with financial intermediation, the transfer of funds from the surplus sector to the deficit sector becomes very simple. The intermediary will act as a pool, collecting deposits of millions of savers and can create forums, e.g. interest-yielding accounts. The intermediary matches the deposit requirements of the saver with the investment requirements of the borrower. He acts as a pool, collecting savings of different sizes from different categories of savers and meeting the investment needs of the various types of investors. The surplus sector therefore gains by placing his money with the intermediary since the income to be earned does not depend on whether or not the intermediary has in fact lent the money out or whether or not the money was profitably lent. The overall economic effect according to Afolabi (1988) is that financial intermediation leads to a better aggregation of savings and therefore helps in capital formation and investment in the economy.

The banks are mainly involved in financial intermediation, which involves channeling funds from the surplus units to the deficit units of the economy, thus transforming bank deposits into loans or credits. The role of credit on economic growth has been recognized as credits are obtained by various economic agents to enable them meet operating expenses (Bencivenga & Smith, 1991). For instance, business firms obtain credit to buy machinery equipment. Farmers obtain credit to purchase seeds, fertilizers, erect various kinds of farm buildings. According to Nwanyanwu (2010), the provision of credit with sufficient consideration for the sector's volume and price system is a way to generate self-employment opportunities. This is because credit helps to create and maintain a reasonable business size as it is used to establish and/or expand the business to take advantage of economies of scale. It can also be used to improve informal activity and increase its efficiency. This is achievable through resource substitution, which is facilitated by the availability of credit, while highlighting the role of credit. Nwanyanwu (2010) further explained that credit can be used to prevent an economic activity from total collapse in the event of natural disaster, such as flood, drought, disease or fire. Credit can be generated to revive such an economic activity that suffered the set back.

The banking sector helps to make these credits available by mobilizing funds from savers who have no immediate needs of such funds and thus channel such funds in form of credits to investors who have brilliant ideas on how to create additional wealth in the economy but lack the necessary capital to execute the ideas. It is instructive to note that the banking sector has stood out in the financial sector as of prime importance, because in many developing countries of the world, the sector is virtually the only financial means of attracting private savings in a large scale to enhance economic growth (Afolabi, 1998).

Commercial banks all over the world as we have earlier noted, provide a wide range of services including financial intermediation to suit the needs of their customers. In developing nations as ours, the majority of the people are poor, capital for investments are in short supply; means of transportation are underdeveloped as well as basic infrastructures. Banks through their intermediation role and other services aim at overcoming these obstacles and thus, promote economic growth of the nation. Economic growth is often measured in terms of the level of production within the economy, the Gross Domestic Product (GDP) as well as the rate of physical capital accumulation among other possible measures (Zakaria, 2008).

The major problem of this study is that there exist detailed information about the Nigerian banking history, but little information is available on the practices of commercial banks and how these activities affect the economy where they operate. Again, related issues such as financial repression involving government policies and regulations, banking habits, etc. relative to the banking industry and which drive growth in the economy are however largely understudied. This has motivated the researcher to fill this gap.

Based on the above background therefore, this study broadly aims at investigating the impact of commercial bank practices on sustainable economic growth for the period 2005 to 2017. Specifically, the study will examine: (i) the impact of deposit mobilization by commercial banks on economic growth in Nigeria; (ii) impact of commercial banks credits on economic growth in Nigeria; and (iii) impact of commercial liquid reserves on economic growth in Nigeria.

II. LITERATURE REVIEW

Conceptual Framework

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

The Concept of Bank Credit

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

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

Deposits Mobilization

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

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

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

Economic Growth

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

Liquid Reserves of Commercial Banks

Banks hold liquid reserves against unpredictable withdrawal demands. Liquidity ratio is a percentage of bank deposit that the bank should hold in the form of cash or eligible liquid assets. An increase in the liquidity ratio reduces the excess reserves of the banks and money supply is also reduced. An expansionary monetary policy will involve a reduction in the liquidity ratio and consequently an increase in credit supply of banks.

Theoretical Review

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

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

Empirical Review

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

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

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

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

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

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

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

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

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

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

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

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

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

Nabila & Zakir (2014) examined the relationship between financial development and economic growth for 159 countries over the period 1960 – 2012 using cross-sectional data. In order to address the problem of potential endogeneity in the underlying relationship, the two-stage Least Squares (2SLS) was employed. The empirical results revealed that financial development had a positive and statistically significant effect on economic growth.

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

III. Methodology

Research Design

In this study, ex-post factor design was adopted in obtaining, analyzing and interpreting data relating to the objectives of the study. It focused on secondary annual data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin for the period 2005 to 2017. This scope captured the post-consolidation era of banking in Nigeria, when it is believed that banks are strong, big and reliable enough to carry on their businesses, operation and activities in the Nigerian financial system. Data obtained are on both the dependent variable – Real Gross Domestic Product (RGDP) and independent variables – Commercial Bank Deposit, Commercial Bank Credit and Commercial Bank Liquid Reserve. The Ordinary Least Squares (OLS) involving multiple regression technique was adopted to determine the impact of the independent variables on the dependent variables for the period under study. The adoption of the technique was based on the premise that the Ordinary Least Squares is assumed to be the best linear unbiased estimator (Uremadu, 2002). It also has minimum variance according to Anyanwu (2000).

Description of Research Variables

The research variables employed in this work include:

Real Gross Domestic Product (RGDP). Economic Growth constitutes the dependent variable and it is proxied by Real Gross Domestic Product. RGDP indicates the value of all output produced on a country valued at the cost of the factor services that went to their production. It is the total money value of all goods and services produced within a country and at any given period of time.

Commercial Bank Deposits (CBD). On a general note, commercial banks mobilize deposits from the general public as part of their intermediation practices by way of demand deposit, savings deposit and time deposit account.

Commercial Bank Credit (CBC). Credit extension is a core activity of commercial banks all over the world. These are loans and advances to customers to finance their businesses. Commercial banks charge interest rates on these loans and advances.

Commercial Bank Liquid Reserves (CBLR). These are simply liquid reserves held by commercial bank against unpredictable withdrawal demands of customers.

Model Specification

The model for this study is specified as:

$$RGDP = f(CBD, CBC, CBLR) \dots\dots\dots 1$$

Where:

- RGDP = Real Gross Domestic Product
- CBD = Commercial Banks Deposits
- CBC = Commercial Bank Credits
- CBLR = Commercial Bank Liquid Reserves

Generally, the model is specified as:

$$RGDP = \beta_0 + \beta_1 CBD + \beta_2 CBC + \beta_3 CBLR + \mu \dots\dots\dots 2$$

The logarithm form is as below:

$$\text{Log RGP} = \beta_0 + \beta_1 \text{Log CBD} + \beta_2 \text{Log CBC} + \beta_3 \text{Log CBLR} + \mu \dots\dots\dots 3$$

The model is adopted from the works of Nwaeze, Okoroafor & Nwabekee (2014)

$$RGDP = f(DMDB, GE)$$

Where:

- RGDP = Real Gross Domestic Product
- DMBD = Deposit Money Banks Deposit
- GE = Government Expenditure

IV. DATA PRESENTATION, RESULTS AND DISCUSSION

Data Presentation

The data below is used in the analysis and testing of hypothesis of this study.

Table 4.1: Real Gross Domestic Product (RGDP), Commercial Bank Deposit (CBD), Commercial Bank Credit (CBC) and Commercial Bank Liquid Reserve (CBLR): 2005 – 2017 (₦Billion)

YEAR	RGDP	CBD	CBC	CBLR
2005	37474.95	2036.1	1976.7	515.2
2006	39995.5	3245.2	2524.3	670.5
2007	42922.41	5001.5	4813.5	659.6
2008	46012.52	7960.1	7799.4	910.7
2009	49856.1	9150	8912.1	521.8
2010	54612.26	9784.6	7706.4	531.4
2011	57511.04	11452.8	7312.7	1222.5
2012	59929.89	13132.1	8150	1847.2
2013	63218.72	13767.4	10005.6	3197.6
2014	67152.79	16222.5	11475.2	3657.7
2015	69023.93	17211	13222.7	4533.9
2016	67931.24	18199.5	14970.1	5410.1
2017	70116.62	19187.9	16717.6	6286.3

Source: CBN Statistical Bulletin (Various)

Analysis and Results

Table 4.2: Multiple Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNCBD	0.353692	0.081218	4.354866	0.0018
LNCBC	-0.137123	0.084038	-1.631686	0.1372
LNCBLR	0.066142	0.020095	3.291523	0.0094
C	8.412284	0.176331	47.70735	0.0000
R-squared	0.973661			
Adjusted R-squared	0.964882			
F-statistic	110.9007			
Prob(F-statistic)	0.000000	Durbin-Watson stat		1.732563

Source: *Author's Computation using E-Views.*

Critical Values

- (a) t – statistics, $t_{0.05} = 1.782$
- (b) F – statistics, $F_{0.05} (3, 9) = 3.86$

The analysis of the result shown in table 4.2 above firstly, shows that there exist a positive and significant relationship between commercial banks deposits (CBD) and economic growth (proxied by real gross domestic product) in Nigeria. The result confirms to economic theoretical expectation because as commercial banks mobilize or accept more deposits from their customers, their capacity to grant loans and advances increase and growth in the economy is further enhanced. From the result, one percent increase in commercial banks deposits lead to 0.40 percent increase in real gross domestic product (proxy for economic growth) in Nigeria. The computed t-statistic for commercial bank deposits (4.35) is greater than the tabulated (critical) t-statistic (1.78) at five percent level of significance. In order to confirm the reliability of this result, we observed that the probability value of commercial banks deposit (0.0018) is less than the test significant level (i.e. $p < 0.05$). With this, we conclude that commercial banks deposits have significant impact on economic growth in Nigeria. This finding corroborates Nwaeze, Okoroafor & Nwabekee (2014) and Ogege & Shiro (2013).

Second, the result revealed that there exist a negative and insignificant relationship between commercial banks credit and economic growth (proxied by real gross domestic product) in Nigeria. This result does not conform to economic theoretical expectation because as commercial banks increase their loans and advances to their customers, it is expected that such activity of the bank will lead to greater economic activities and higher economic growth. The result shows that one percent increase in commercial bank credit led to 0.14 percent decrease in economic growth in Nigeria. The computed t-statistic for commercial banks credit (1.63) in absolute term is less than the tabulated (critical t-statistic (1.78) at five percent level of significance. This implies that commercial banks credit do not have a significant impact on economic growth. As a further confirmation, the probability value (0.1372) is greater than the test significant level (0.05) (i.e. $p > 0.05$). Hence, we conclude that commercial banks credit do not have significant impact on economic growth in Nigeria. This finding contrasts with the works of Ibrahim, Akano & Kazeem (2015) and Acha (2011). Perhaps, this finding may be attributed to misallocation of bank loans by Nigerians. It is a well known fact in Nigeria today that individuals who present business proposals to the banks and are offered credit facilities most times use such funds to carry out projects other than those for which the money was approved, e.g. taking of chieftaincy titles, building mansions in the villages, marrying new wives, etc.

Third, the study revealed that there is a positive and significant relationship between commercial bank liquid reserve and economic growth (proxied by real gross domestic product) in Nigeria. This result confirms to economic theoretical expectation because as commercial banks liquid reserves against unpredictable withdrawal demands increase, the economy will experience increased growth. One percent increase in commercial banks liquid reserve lead to 0.07 percent increase in real gross domestic product (proxy for economic growth) in Nigeria. The computed t-statistic for commercial bank liquid reserve (3.29) is greater than the tabulated (critical) t-statistic (1.78) five percent level of significance. Thus, commercial bank liquid reserve has a significant impact on economic growth in Nigeria. To confirm this further, its probability value (0.0094) is less than the test significance level (i.e. $p < 0.05$). We therefore conclude that commercial banks liquid reserve has a significant impact on economic growth in Nigeria. This result is in agreement with the works of Nwaeze, Okoroafor & Nwabekee (2014) which found deposit money banks liquid reserve to have a significant effect on economic growth in Nigeria.

The coefficient of determination (adjusted R-Squared) shows 96 percent of the variation in economic growth in Nigeria are caused by changes in commercial banks deposit, commercial banks credit and commercial banks liquid reserve. The remaining 4 percent of the unexplained variations in economic growth are

due to other factors not included in the model. This represents a very good fit. The computed F-statistics (110.90) is greater than the tabulated (critical) F-statistics (3.86) and this indicates that the model adopted for the study is significant as well as reliable and can be used for sound decision making.

Finally, the Durbin Watson statistic (1.73) falls within the permissible region and shows that there is no presence of autocorrelation. More so, $DW > R$ -Squared, indicating the result is not spurious.

V. FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

The following findings were made in this study:

1. There is a positive and significant impact of commercial banks deposit on economic growth in Nigeria.
2. There is a negative and insignificant impact of commercial banks credit on economic growth in Nigeria.
3. There is a positive and significant impact of commercial banks liquid reserves on economic growth in Nigeria.

Conclusion

The relevance of commercial banks practices and activities in Nigeria cannot be over-emphasized as these banks play a key role in the intermediation process between the surplus and the deficit units in the economy. The banks play such roles in deposit mobilization, credit extension (lending) to clients and the public as well as holding holding liquid reserves against unpredictable withdrawal demands by depositors amongst others. From the study, it was revealed that commercial banks deposit and commercial banks liquid reserve had positive and significant impact on economic growth while commercial banks credit exerted a negative and insignificant impact on economic growth for the period studied.

Recommendations

Based on the above, the following recommendations are made in this study:

1. There is the need for commercial banks to embark on strategies such as marketing to shove up their deposit base as the level of deposits to a reasonable extent determines economic growth.
2. Commercial banks should as a matter of importance channel their credit to the priority sectors of the economy and as well monitor such loans and advances to ensure that beneficiaries do not divert them to other usages.
3. There is also the need for commercial banks in Nigeria to shove up their liquid reserves in order to further enhance stability of the operation by way of meeting up with the unpredictable withdrawal demands of their teeming customers.
4. Government is advised to provide an enabling environment for commercial banks to operate efficiently. This may be in the area of security and infrastructural facilities. All these will go a long way in improving the productivity of the people, their incomes, mobilized savings by commercial banks as well as funds made available to them for investment purposes.

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APPENDIX A
OLS Regression Result

Dependent Variable: LNRGDP
Method: Least Squares
Date: 25/01/21 Time: 10:44
Sample: 2005 2017
Included observations: 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNCBD	0.353692	0.081218	4.354866	0.0018
LNCBC	-0.137123	0.084038	-1.631686	0.1372
LNCBLR	0.066142	0.020095	3.291523	0.0094
C	8.412284	0.176331	47.70735	0.0000
R-squared	0.973661	Mean dependent var		10.90868
Adjusted R-squared	0.964882	S.D. dependent var		0.218879
S.E. of regression	0.041018	Akaike info criterion		-3.301970
Sum squared resid	0.015142	Schwarz criterion		-3.128139
Log likelihood	25.46280	Hannan-Quinn criter.		-3.337700
F-statistic	110.9007	Durbin-Watson stat		1.732563
Prob(F-statistic)	0.000000			