

Financial Deepening and Economic Performance in Nigeria

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Certification

This is to certify that this Thesis titled “Financial Deepening and Economic Performance in Nigeria” was carried out by Omobolanle Rachael ANIH with Matriculation number LCU/PG/00501 in the Department of Economics, Faculty of Management and Social Sciences, Lead City University, Ibadan, under my supervision.

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Dedication

This research work is dedicated to God Almighty, the Father of Light who has made it possible for me to complete this programme successfully.

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Acknowledgement

My utmost thanks go to God Almighty for all He has done for me. He gave me all the requisite wisdom, knowledge, understanding, zeal, vigour and good health to successfully commence and complete my research project. To Him all glory, power, majesty, honour, dominion and praise from now to the end of the World (Amen).

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Abstract

This research study investigates on the interrelationship between financial development and economic growth in Nigeria within the periods of 1985-2020. Specifically, it investigates the effect of financial depth on economic performance in Nigeria; determine the direction of causality between financial depth and economic performance in Nigeria; and examine the response of economic performance to shocks in financial depth in Nigeria. Economic performance is measured by gross domestic product, while financial development is proxied by domestic credit to private sector by bank, money supply, liquid liabilities, and bank deposits. The augmented Dickey Fuller test showed that the variables are stationary at both levels and first difference. The estimation techniques are autoregressive distributed lag (ARDL), Granger causality, impulse response and variance decomposition tests. The ARDL estimation output showed that financial depth has a significant effect on economic performance in Nigeria. As to the causality test, it showed that there is bi-directional causality between financial depth and economic performance. Also, economic performance responds to shocks in financial depth in Nigeria. Based on the finding from the study, monetary authority should look into how to combine money supply, bank deposits and liquid liabilities for effective economic performance. Furthermore, it is suggested that banks can help economic performance in Nigeria by developing instruments to increase bank deposits. Thus, monetary authority should encourage money deposit banks to increase the credit given for investment so as to increase economic performance.

Keywords: Domestic credit, money supply, liquid liabilities, bank deposits, output growth.

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