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Research Article

Financial Sector Development and Economic Growth in Nigeria (1980 - 2017)

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Abstract: This paper is to empirically investigate the impact of financial sector development on economic growth in Nigeria from 1980 to 2017. The objectives are to investigate whether credit to private sector has any significant effect on economic growth in Nigeria; examine the impact of money supply on economic growth in Nigeria; determine what impact inflation and trade openness has on economic growth in Nigeria. To achieve the objectives, the study employed the unit root test, and econometric analysis of Ordinary Least Squares (OLS). The results of the unit root test showed that the variables are integrated at I~ (0) and I~ (1). The result of the Ordinary Least Squares (OLS) analysis shows that the financial sector development indicators measured by credit to private sector to GDP and money supply to GDP were both positive and are significant determinant of economic growth in Nigeria. This means that both play important role in the growth of the Nigeria economy. This paper recommends among others that the government through its intervention its intervention program should ensure that credits are readily available to the private sector to promote entrepreneurship response in various sector of the economy which will in turn spur economic growth.

Keywords: Financial sector, Development, Economic growth, Descriptive statistics, money supply.

1.0 INTRODUCTION

The financial sector in Nigeria is heavily dominated by the banking sector, especially commercial banking which started in 1892 with the establishment of standard bank of Nigeria, now known as first bank plc. The financial sector has been recognized to play an important role in the economic development of a nation. This is because strong financial sector leads to higher savings and efficiency and thus a higher economic growth. According to McKinnon (1973) and Shaw (1973) financial sector could be regarded as a catalyst of economic growth. In the past decades, national development efforts in Nigeria were largely characterized by governmental intervention in the economic sphere including the financial sector. Since 1987, financial sector reforms have been implemented, encompassing elements of liberalization and measures to embrace prudential regulation and tackling bank distress so as to have positive impacts on the overall growth and development of the economy.

From empirical perspective, the relationship between Financial Sector Development (FSD) and economic growth is dynamic such that at one stage, financial sector development influences economic growth and at another stage economic growth influences financial sector development(Levine *et al.*, (2000),Beck *et al.*,(2000) and Balogun(2007).In Nigeria, investigating the causal relationship between financial development and economic growth is crucial in view of the continuing progress of its financial sector with the consolidation exercises within the banking and insurance sectors. Financial institutions were conceived as important conductors for the mobilization of funds from domestic and foreign services which are then channelled through government apparatus into public enterprises and other sectors. On its part, government was deeply involved in the management of activities in these financial institutions and bailing them out during periods of financial and operational difficulties (Adeoye, 2007).

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Financial institutions in Nigeria to a greater extent have ignored their expected role to mobilize domestic resources and attracting foreign capital while allocating credit without monitoring and supervising their borrowers effectively to reflect their services. Therefore, the focus of this research work arises from the fact that Nigeria just like other sub – Saharan African countries, has policies, but is inadequate to match the present Sustainable Development Goals (SDGs) in an effort to address the growing concern for poverty reduction. It is also important to note that the wide range of financial reforms implemented by some countries following the exemplary work of McKinnon (1973) and Shaw (1973) in the 1980s have their associated costs in terms of the high cost of borrowing to finance budget deficit. It is therefore imperative to investigate whether financial sector development contribute to the economic growth in Nigeria.

1.2 Statement of the Problem

The link between financial sector development and economic growth has long received significant attention in economics history. Although in the past, there have not been any consensus agreements on the link between financial sector and economic growth. However, within the finance – growth nexus literature, some school of thought have argued that financial intermediaries mobilize, pool and channel domestic savings into productive sectors and by so doing contribute to economic growth. On a contrary, other researchers had argued that financial sector development is a consequence and not a cause of economic growth. On this note, economic growth increases demand for sophisticated financial instrument, which in turn leads to growth in the financial sector. However, economic reforms require restructuring or getting policy incentives right as well as restructuring key implementation institutions.

There is also a problem of high inflation rate in Nigeria which rose to as high as 72.8% in 1995 which is described as the season of mass bank failure and general distress in the financial system. However, a high rate of inflation is seen to worsen the efficiency of financial sector through financial market frictions and slows down the economic performance. Also, a high lending rates has made loan usually undesirable with a high tendency for preferences in gaining easy access to funds, there by crowding out private credit seekers. It is against this backdrop that the need to investigate the nexus between financial sector development and economic growth in Nigeria from 1980, through the financial reforms years, to 2017 becomes necessary.

1.3 Objective of the Study

The main objective of this study is to evaluate the impact of financial sector development on economic growth in Nigeria.

Specifically, this study seeks to:

- To investigate whether credit to private sector has any significant effect on economic growth in Nigeria.
- To examine the impact of money supply on economic growth in Nigeria.
- To determine what impact inflation and trade openness has on economic growth in Nigeria.

2.0. Review of Related Literature

The theoretical and empirical literature showing the link between financial sector development and economic growth are succinctly reviewed.

2.1. Theoretical Literature

The relationship between financial sector development and economic growth has been associated with the following theories namely: The financial liberalization theory, the supply – leading theory and demand – following theory.

i. The Financial Liberalization Theory

The theory was developed by the McKinnon and Shaw (1973) and the hypothesis considers the role of government intervention in the financial market as a major constraint to savings mobilization, investment and growth. Government's role in controlling interest rates and directing credit to propriety sectors of the economy in developing countries inhibits savings mobilization and impedes the holding of financial assets, capital formation and economic growth. Indirectly, ceiling on deposit interest rates discourages financial savings which leads to excess liquidity outside the banking system.

The argument of McKinnon and Shaw (1973) was that financial markets should be liberalized, and allocation of credit should be determined by the free market. In this case, the real interest rate will adjust to its equilibrium levels and low – yielding projects will be eliminated. This will lead to increase in overall efficiency of investment, savings and total real supply of credit would increase. This in turn induces a higher volume of investment which will lead to economic growth.

ii. The Supply – Leading Theory

The supply – leading theory postulates a positive impact of financial development on economic growth. Patrick (1966), advocated for a supply leading strategy that the existence of financial institutions and supply of their financial assets, liabilities and related financial services will lead to an efficient allocation of resources from surplus units to deficit units. On the other hand, a number of studies have argued in favour of finance – led growth approach / finance – led causal relationship between finance and economic growth (Cameron, 1996, and Levine, 1997). Greenwood and Jonanovic (1990) also observed that financial institution produce better information, improve resource allocation

(through financing firms with the best technology) and thereby induces growth. However, the rationale for the supply – leading approach to the development of a country's financial system and the overall economic development lies in its potential benefits to the economy in stimulating real economic growth and development.

iii. The Demand – Following Theory

The theory suggests a demand following relationship between financial sector and economic growth. This theory was developed by Patrick (1966). He argues that the creation of modern financial institutions, their financial assets and liabilities and related financial services are a response to the demand for these services by investors and savers in the real economy. Thus economic growth creates a demand for developed financial institutions and services as a result of higher demand for financial services. As such, an increasing demand for financial services might induce an expansion in the financial sector as the real economy grows (i.e financial sector responds positively to economic growth). The theory stipulates that the growth of the economy generates additional demand for financial services, "which brings about a supply response in the growth of the financial system" (Patrick 1966).

The demand – following financial hypothesis assumes that there is a high elasticity in the supply of entrepreneurship in the financial service "relative to growing opportunities for profit from provision of financial services", this will result to sufficient expansion in the number and various types of financial institutions.

2.2. Empirical Literature

An analysis of the financial sector development and economic growth usually begins with the path breaking works of McKinnon and Shaw (1973). But prior to their studies, there had been a general consensus that there is some positive relationship between the financial sector development and economic growth. One of such studies was Schumpeter (1934) who agreed that financial institutions provide efficient means of mobilizing and allocating funds in the economy and hence assist in the economic development process. Since then an extensive body of literature have existed on the link between financial sector developments and economic growth.

Kingsley *et al.,* (2004) investigated the impact of openness on Nigeria's long-run growth using the co-integration approach. They tested for the number of co-integrating relationship between LRGDP and LOPEN. They concluded that there is no significant relationship between openness and economic growth, and that unbridled openness could have detrimental implications for growth of local industries, the real sector (goods and services sector) and government revenue.

Chimobi (2010) investigated the causal relationship among financial development, trade openness and economic growth in Nigeria and discovered that trade openness and financial developments have causal impact on economic growth in Nigeria.

Georgios (2003) investigated the effect of trade openness and growth using two panel data set: one of 56 countries covering the period 1951 – 1998, and another of 105 countries over 1960 – 1997. The results show that the effect of trade openness on economic growth is positive, permanent, statistically significant, and economically sizable. Thus, he added that developing countries benefit more from increased openness than developed ones because technology is transferred from developed to developing economies.

Adelakan (2010) empirically investigated financial sector development and economic growth in Nigeria. The Ordinary Least Squares (OLS) was applied. The result showed that financial sector development has a substantial positive effect on economic growth in Nigeria.

Beck *et al.,* (2000) investigated not only the relationship between financial development and economic growth but also the relationship between financial development and the sources of growth in terms of private savings rates, physical capital accumulation, and total factor productivity. Once again, Generalized Method of Moment (GMM), and Instrumental Variable (IV) estimators were used to correct for possible simultaneity biases. The result showed a higher rate of economic growth, and total factor productivity. For the remaining variances, they could not document any relationship with financial development.

Erdal *et al.,* (2007) empirically examines the relationship between financial development and economic growth in Northern Cyprus using time series data from 1986 – 2004. Empirical result shows that there is negligible positive relationship between financial development and economic growth in Northern Cyprus. In essence, the empirical evidence does not support the view that financial development promotes economic growth in Northern Cyprus. But the study found that there is casual relationship between annual growth rates of real GDP (GY), the ratio of domestic investments to GDP (IY) and the ratio of loan to GDP (LOA) which means that economic growth cause financial development. But financial development does not cause economic growth.

Nnanna (2004) examined financial sector development and economic growth in Nigeria. Using the OLS, the study showed that financial sector development did not significantly affect per capita growth of output.

Nzotta and Okereke (2009) studied financial deepening and economic development in Nigeria. Using data covering the period between1986 and 2007, the study found that financial deepening did not support economic growth in Nigeria.

Samson and Elias (2010) studied financial sector development andeconomic growth in Nigeria. Their study covered the period between 1960 and 2009. They tested the competing finance-growth nexus hypothesis using Granger causality test in a VAR framework. They found that various measures of financial development granger cause output even at 1 percent level of significance with the exception of ratio of broad money to GDP. They also found that net domestic credit is equally driven by growth in output, indicating unidirectional causality.

Nzotta and Okereke (2009), based on two stages least analytical framework for a period starting from 1986 t0 2007, concluded that financial deepening did not support economic growth in Nigeria.

Eatzaz and Malik (2009) analysed the role of financial sector development in economic growth, their studies reported that domestic credit to private sector is instrumental in increasing per worker output and hence promoting economic growth in the long-run.

Mallik and Chowdhury (2001) examine the relationship between inflation and GDP growth for four South Asian countries (Bangladesh, India, Pakistan and Sri Lanka). It was found that a long-run positive relationship between GDP growth rate and inflation for all four countries exist. There are also significant feedbacks between inflation and economic growth as moderate inflation was found to be helpful to growth. In a related study in Bangladesh, Ahmed and Mortaza (2005) found that there exists a statistically significant long-run negative relationship between inflation and economic growth. In addition, the estimated threshold model suggests 6% as the threshold level (i.e., structural break point) of inflation above which inflation adversely affects economic growth.

Furthermore, Ndebbio (2004) studied the relationship between financial deepening and economic growth and development using selected sub-Saharan African countries for just one decade (from 1980-1989). He used M2/GDP and growth rate of per capita real money balances (PCRMB) to represent financial deepening and other control variables which affect economic growth such as the rate of inflation, human capital and the growth rate of labor as explanatory variables as against real per capita GDP which is dependent variables. His regression results showed that financial deepening does positively affect per capita growth of output in these selected SSA countries, even though his parameter estimate of the variable of financial deepening was insignificant in one of his equations and he attributed this to shallow finance and the absence of well-functioning capital market in most SSA countries.

Earlier on Jao (1976), Fry (1978) and Ogun (1986) had carried out a study on similar topic using the same variable M2/y to represent financial deepening in their respective studies. Their results were in line with the result of Ndebbio (2004). The study found that out of 34 SSA countries used in the study, Mauritius had financial depth of over 45%, six others had financial depth of above 30% and the rest of 25% countries had financial depth of below 30%.

3.0 METHODOLOGY

This section describes the method that is considered suitable for the purpose of achieving the set objectives of the paper.

3.1 Model Specification

The empirical model for this study draws from the neo-classical growth model;

$$Y=F(A_{t,}\ K_{t,}\ L_{t}) \qquad (1)$$

Where real aggregate output growth is a linear function of total factor productivity (A), real aggregate capital stock (K), and labour (L) (see Rebelo, 1991; Pagano, 1993; Jalil and Feridum 2011). Following a detailed review of previous studies and improving upon the theory, economic growth Yt is expressed as a function of financial development, Ft and a set of control variable, Zt as amplified in the works of Adu, Marbuah and Mensah (2013), Victor and Samuel (2013).

This is expressed as below; $Yt = f\{Ft, Zt\}$ (2)

Improving upon the theoretical postulate in equation (2) above, the equation above will be expanded to accommodate the indicator of financial development such as credit to private sector and money supply, as well as set of growth determinant, such as trade openness and inflation rate. Thus,

$$Yt = \alpha_0 + \alpha_1 Ft + \alpha_2 Zt + u \qquad (3)$$

However, to examine the impact of financial development on economic growth in Nigeria, the study Used the following multivariate model below:

$$GDPGR = f(CPSY+\ M2Y\ +\ TROP+\ INF) \qquad (4)$$
$$(+) \quad (+) \quad (+) \quad (-)$$

Where:

RGDP=real growth rate of gross domestic product (proxy for economic growth)

CPSY= credit to private sector ratio to GDP (proxy by private sector credit as a ratio to GDP)

M2Y = money supply (proxy by broad money supply as ratio to nominal GDP)

INF= inflation rate (proxy by consumer price index)
TROP= savings (proxy by ratio of sum of exports and imports to nominal GDP).

For econometrics analysis, the functional equation above is been transformed into a linear function as;

$$'GDPGR = \beta_0 + \beta_1 CPSYt + \beta_2 M2Yt + \beta_3 INFt + \beta_4 TROPt + Ut \quad .....(5)$$

The a priori expectation about the signs of the coefficient of the parameter estimates; CPSY, M2Y and TROP is expected to be positive, while inflation is expected to be negative.

3.2 Nature and Sources of Data

This study utilized annual time series data for the period 1980-2017 obtained from World Development Indicators (WDI) and Central Bank of Nigeria (CBN) Statistical Bulletin.

3.3 Estimation Technique

The estimation technique begins with the descriptive statistics, correlation test and determining the time series properties of the data. Thereafter, the system estimation is performed using the Ordinary Least Square (OLS) regression technique. The OLS estimation technique is preferred due to its inherent ability to produce unbiased estimators that is, it is the Best Linear Unbiased Estimator (BLUE) and it has minimum error. Analysis is done using Economic view (E-view 9.0) statistical package.

4.0 RESULTS AND DISCUSSION OF FINDINGS

This section presents the results of the various estimation techniques used to achieve the objectives of the paper.

4.1. Descriptive Statistics

This section examines the normality of distribution of the variables which was ascertained using skewness, kurtosis and Jarque-Bera (JB) probability test.

Note: For normal distribution, *skewness = 0*, *kurtosis = 3*, the JB statistics is expected to be statistically indifferent from zero thus: H_0: JB=0 (normally distributed) and H_1: JB≠0 (not normally distributed). Rejection of the null hypothesis for any of the variable would imply that the variables are not normally distributed. Table 4.1 below represents the results of the descriptive statistics of all the variables.

Table 4: Descriptive Statistics

	RGDP	CPSY	M2Y	INF	TROP
Mean	31676.60	11.20221	44.20134	19.99821	49.59842
Median	22071.04	8.209316	16.93048	13.80151	51.77000
Maximum	69780.69	23.07600	735.1019	76.75887	81.81000
Minimum	6793.120	5.917270	8.577088	0.223606	20.72000
Std. Dev.	18197.45	5.778388	125.2726	18.22426	17.10720
Skewness	0.919163	1.013831	4.876634	1.641672	-0.158932
Kurtosis	2.404209	2.296865	26.33741	4.755528	1.979707
Jarque-Bera	5.912820	7.292539	1012.955	21.94853	1.808224
Probability	0.052005	0.026088	0.000000	0.000017	0.404901
Sum	1203711.	425.6841	1679.651	759.9319	1884.740
Sum Sq. Dev.	1.23E+10	1235.421	580649.0	12288.58	10828.28
Observations	38	38	38	38	38

In summary, table 4.1 shows that the skewness coefficients for the variables, indicates that the distribution of RGDP and TROP are symmetrical around the mean and thus reveals approximate normality of these variables; however, CPSY, M2Y and INF indicates distribution of long right tail, implying that they are asymmetrical around the mean, thus deviating from normal distribution.

The kurtosis of normal distribution is 3, but RGDP, CPSY, TROP are platykurtic (flat) relative to normality, while M2Y and INF indicates a leptokurtic (peaked) distribution relative to the nomality.

The jacque-Bera statistics implies that RGDP and TROP are normally distributed since their probability value is above 5percent significance level. On the other hand, CPSY M2Y and INF with probability values less than 5 percent is not normally distributed. From these preliminary tests, all the variables do not exhibit a normal distribution pattern. However, we may not reject the nullhypothesis that these variables are normally distributed until we subject the data to further tests (Gujarati, 2004).

Result of Correlation Analysis

Correlation ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. The sign of the correlation coefficient indicates the direction of the association. Gujarati, Porte and Gunasekar, (2012) state that if the correlation coefficient between two variables is above 0.8, it signifies high correlation of the variables thus multicollinearity becomes a problem. Multicollienearity, a phenomenon in statistics occurs when two or more independent variables within a stated model are confirmed to portray a great height of correlation with each other. When this happens, the

estimated coefficient of the variables may be caused to vary intermittently when the model or data are modified. However, this study found no evidence of high or exact multicollinearity as all correlation coefficient are less than the 0.8 bench mark. Put differently, the result indicates absence of multicollinearity. This result is shown in the Table 4.2 below.

Table 4.2: Correlation matrix

	RGDP	CPSY	M2Y	INF	TROP
RGDP3	1.000000				
CPS1	0.766850	1.000000			
BM2	0.476430	0.364831	1.000000		
INF2	-0.355826	-0.251223	-0.141547	1.000000	
TROP	-0.152216	-0.306725	-0.328320	0.021535	1.000000

4.3 Unit Root Tests

The time properties of the data will be examined to find the order of integration of the variables. This is done in order to avoid spurious regression. The orders of integration of the variables are examined using the Augmented Dickey-Fuller (ADF) and the Phillip-Perron (PP) test statistics. The result of this test is presented in Tables 4.3.

Table 4.3: Unit Root Test

Variable	Augmented Dickey Fuller (ADF) Test		Phillip Peron (PP) Test		Order of Integration
	Levels	First Difference	Levels	First Difference	
LOG(RGDP)	-5.756698		-5.758977		I~ (0)
LOG(CPSY)	-3.462238	-7.557197	-3.481730	-8.471462	I~ (1)
LOG(M2Y)	-0.515904	-7.967320	-3.387185	-12.06639	I~ (1)
INF	-2.771266	-5.639643	-3.338941	-6.423849	I~ (1)
LOG(TROP)	-0.940114	-7.596972	-1.657280	-7.508279	I~ (1)

Notes: The ADF and PPT critical value at 5% level is -3.536601. *All the series had intercepts with trends respectively. The critical values are based on Mckinnon criterion.*

The result shows that the two tests are consistent, suggesting that economic growth (RGDP) is stationary at level which implies that it is integrated of order zero I~ (0), while all other variables: broad money supply to GDP (M2Y), credit to private sector to GDP (CPSY), inflation (INF) and trade openness (TROP) possess unit roots and became stationary only after been transformed to their first differences, meaning they are integrated of order one I~ (1).However, the variables under the study are integrated at either I(0) or I(1).

4.4 Analysis of Result

Dependent Variable: LOG(RGDP)				
Method: Least Squares				
Date: 07/07/19 Time: 18:28				
Sample: 1980 2017				
Included observations: 38				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.461934	0.868029	7.444379	0.0000
LOG(CPSY)	0.593894	0.169467	3.504481	0.0013
LOG(M2Y)	0.233252	0.096058	2.428233	0.0208
INF	-0.005091	0.003530	-1.442223	0.1587
LOG(TROP)	0.466495	0.172686	2.701408	0.0108
R-squared	0.576536	Mean dependent var		10.21491
Adjusted R-squared	0.525207	S.D. dependent var		0.547135
S.E. of regression	0.377005	Akaike info criterion		1.008962
Sum squared resid	4.690379	Schwarz criterion		1.224434
Log likelihood	-14.17028	Hannan-Quinn criter.		1.085626
F-statistic	11.23217	Durbin-Watson stat		2.007125
Prob(F-statistic)	0.000007			

The Interpretation Of The Above Result In Terms Of The Coefficient Is Given As Follows:

The intercept is = 6.461934, this shows that when all explanatory variable are held constant, economic growth will be 6.461934.

The analysis showed that credit to private sector (CPSY) affected economic growth (RGDP) positively with a coefficient of 0.593894. In accordance with apriori expectation, there exist a positive and significant relationship between credit to the private sector and economic growth at 1% level of significance.

This implies that a 1% rise in credit to private sector will increase the growth of the economy by 59.3%. This shows that loans given to the private sectors are normally used for productive functions. This partly explains why the private sector is indeed a good driver of economic growth.This result is in support of the findings of Eatzaz& Malik (2009).

The result of the positive relationship between money supply (M2Y) and economic growth (RGDP) with a coefficient of (0.233252) reported in this study is consistent with general evidence in the empirical literature. A possible explanation is that money supply has been effectively channeled into functional investments, which in turn has facilitated productivity and potentially increased economic growth. The result was statistically significant at 5% and conforms to the a priori expectation. This findinds agrees with the findings of Ndebbio (2004), but contradicts the finding of Nzotta&Okereke (2009).

The estimated results showed a negative sign for inflation rate (INF) with a coefficient of (-0.005091) implies that there is an inverse relationship between economic growth and inflation in Nigeria. This means that increased inflation is harmful to economic growth and by extension, pernicious to economic development. This conforms to the apriori expectation. This finding agrees with the findings of Malik & Chowdhury (2001), who found inflation affecting economic growth negatively, but contradicts the finding of Ahmed &Mortaza (2005).

The result indicates that trade openness is positively related to economic growth with a coefficient of 0.466495. This implies there is a direct relationship exists between real GDP and trade openness in Nigeria. This means that a 1% increase in trade openness increases economic growth by 46.6%. This findinds agrees with the findings of Georgios (2003), Chimobi (2010), but contradicts the finding of kingsley *et al.*, (2004).This result is in accord with the a priori expectation and was statistically significant at 1%.

4.4.1 Evaluation Based on Statistical Criteria

The R-Squared and Adjusted R- Square Test

The overall goodness of fit of the estimated equation was high with the R^2 value of 0.576536, shows that the explanatory variables explains the variation of economic growth by 57.65% during the period under study.

After adjustment for the degree of freedom, the adjusted R-Square value of 0.525207 indicates that 52% of Gross Domestic Product (GDP) is explained by the independent variables in the model. This therefore indicates the independent variables have contributed to the dependent variable.

The -F-Test

The F-test is used to test the overall significant of the model. It follows F-distribution with k-freedom in the number and n-k degree of freedom in the denominator.

$$F= R2/k-1 / (1-R2)/n-k$$

The F-test for the model is statistical significant as the computed value of 11.23217 is greater than the table value. It implies that the data fits the model.

The Durbin Watson (DW) Statistic

The Durbin-Watson statistic is used tests for presence of autocorrelation in the statistical regression analysis. The Durbin-Watson statistic is always between 0 and 4. A value of 2 means that there is no autocorrelation in the sample, value approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation. From the table above, the Durbin-Watson value is 2.007125, we conclude that there is no autocorrelation.

5.0. CONCLUSION AND RECOMMENDATIONS

The study was set out to investigate the impact of financial sector development on economic growth in Nigeria using annual data spanning the period of 1980 – 2017. The study applies the Ordinary Least Square regression to address the objectives. This study, in line with the theoretical literature, revealed a positive impact of financial sector development as measured by money supply ratio to GDP and private sector credit ratio to GDP on economic growth of Nigeria. In the light of the above and the debate over the finance-growth nexus, the findings of this study should not be viewed as conclusive empirical evidence, but rather an additional motivation for further research in this area with regards to the use of financial sector development indicators.

Recommendations

Taking cognizance of the findings from the study, the following recommendations are proposed:

- Government through its intervention program should ensure that credits are readily available to the private sector to promote entrepreneurship response in various sector of the economy which will in turn spurs economic growth. This is because the private sector over the years has been the main driver of the economy.

- Government policies should be directed towards manipulating money supply in such a way that will lead to economic growth in Nigeria.

- Controlling inflation is a necessary condition for promoting economic growth. Thus policy makers should focus on maintaining inflation at a single digit (low rate) in order to enhance the growth of Nigeria economy.

- The positive impact of trade openness on economic growth in Nigeria in this study recommends that continuing opening of services sector will help domestic suppliers to further strengthen their competitiveness which has the potential to turn Nigeria into a net – exporter of services.

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