



Financial Inclusion and Economic Growth in Nigeria

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ABSTRACT

This study examined the relationship between financial inclusion and economic growth in Nigeria. The study employed the Ordinary Least Square multiple regression to analyze the data obtained from secondary sources for the period 1991-2021. The findings revealed that combined effect of ratio of broad money to GDP, credit to private sector to GDP, aggregate loan-to-deposit ratio and liquidity ratio of commercial banks influenced economic growth in Nigeria. Based on the findings from the study, the researcher therefore conclude that the provision of banking services to the unbanked and active poor will contribute positively to the growth of Nigeria economy and recommends that banks should be encouraged to grant loans to private businesses and small scale enterprises so as to further promote economic growth.

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1.0 Introduction

The concept of financial inclusion can be traced back to the early 2000s, emanating from research finding that emphasized poverty and low level of economic growth as a direct consequence of financial exclusion. Financial inclusion is a very essential tool, which the government uses to stimulate economic growth due to its capacity for efficient allocation of productive resources, thus decreasing the cost of capital (Nwafor and Aremu, 2018). This practice can also be referred to as an inclusive financial system as it improves the daily activities pertaining to management of finances, and as well as reduces the growth of non-formal sources of credit (such as money lenders), which are often found to be manipulative or exploitative (Onaolapo, 2015).

In recent times, financial inclusion has assumed greater level of importance owing to its apparent prominence as a driver of economic growth. Financial inclusion is also perceived as the delivery of financial services at affordable costs to some disadvantages and low-income segment of the economy (Harley, Adegoke and Adegbola, 2017). The motivation for financial inclusion is aimed at ensuring all adult members of the society have easy access to extensive financial products, personalized towards their needs and provided at affordable costs. These products include payments, savings, credit, insurance and pensions (Onaolapo, 2015).

There has been no conclusive definition of financial inclusion. The World Bank (2006) defines financial inclusion as the degree that households and small enterprises could gain an access to financial services, such as deposits, loans, payments, remittances, and insurance. Financial inclusion is the process that ensures the ease of accessibility, availability, and affordability of formal financial services for all members of an economy (Sarma 2008). Enhancing financial innovation and Access (EFIA, 2013) defines financial inclusion as the provision of a broad range of high-quality financial product such as savings, credit insurance, payment and pensions which are relevant appropriate and affordable for the entire adult population, especially the low-income segment of the economy. It could also be said to be the delivery of financial services at affordable costs to the un-banked and low-income segments of the society.

Nigeria presently operates a dual financial system, with the formal and informal financial sectors operating side by side but with little or no interaction. Through financial inclusion more people will be involved in the formal financial system by having more of the currency circulating in the banking system, provision of more credit for productive purposes, and ultimately enhancing GDP growth (Aina and Oluyombo, 2014). As far as the individual is concerned, absence of financial inclusion forces the un-banked into non-formal banking sectors characterized by high interest rates and small amount of available fund.

The importance of financial inclusion therefore cannot be over emphasized due to its key role of bringing integrity and stability into an economy's financial system. It is more pertinent in the case of Nigeria to use financial inclusion as a platform not just for growing the financial sector but as an engine for driving economic growth (Moghalu, 2010). Financial inclusion helps broaden financial network in order to create an efficient financial flow within a country's border. The inclusion is expected to improve people's likelihood, alleviate poverty and enhance economic growth and development. Statistics have illustrated that many nations have recorded to set financial inclusion implementation as a formal goal to support their economic growth and development (Sahay et al. 2015). Financial Inclusion will help pave way for sustainable economic growth by providing financial services to individuals and communities that traditionally have limited or no access to the formal financial sector. Globally, the levels of financial inclusions vary among regional blocks, gender, age, educational and income brackets

(Nwankwo & Nwankwo, 2014). It is believed that when everybody in the world has access to financial services, their joint contributions to the entire development process will create faster and more quantitative and qualitative impact.

Without financially inclusive system, the poor would rely on their limited savings for future investments and small enterprises would not be able to pursue promising growth opportunities because they would have to rely on their limited earnings, this is the reason for the persistent income inequality and drag in the economic growth of most developing countries.

Financial Inclusion is seen as “a state in which all who can use financial facilities have access to a complete set of quality services, provided at cheap prices, in a fitting method, and with dignity for the customers”. A financially inclusive system is very essential for the efficient running of the economy because, ensuring a balanced financial flow within a country is a quick-fix for a solid and stable financial sector.

Awe and Olawumi (2012) reported that more than half the country’s wealth is shared by only 10% of the population. This has posed a serious negative effect on the economy such as retarded economic growth, increased poverty levels, high information and transaction costs in the financial system, illiteracy, insecurity and unemployment. Furthermore, Nigeria has visibly exhibited financial exclusion with majority of money in the economy residing outside the banking system which leads to an uneven distribution of income, and has widened the disparity between the rich and the poor.

Against this backdrop, this study aims to investigate the extent to which financial inclusion affects economic growth in Nigeria.

1.1 Objectives of the Study

Stemming from the problem stated above, this study investigates the effect of financial inclusion on the economic growth in Nigeria.

The Specific objectives include:

1. To determine the relationship between ratio of broad money and economic growth in Nigeria.
2. To ascertain the relationship between credit to private sector and economic growth in Nigeria.
3. To investigate the relationship between loan to deposit ratio and economic growth in Nigeria.
4. To examine the relationship between the liquidity ratio of commercial bank and economic growth in Nigeria.

1.2 Research Hypothesis

1. **HO₁**: There is no significant relationship between ratio of broad money and economic growth in Nigeria.
2. **HO₂**: There is no significant relationship between credit to private sector and economic growth in Nigeria.
3. **HO₃**: There is no significant relationship between loan to deposit ratio and economic growth in Nigeria.
4. **HO₄**: There is no significant relationship between the liquidity ratio of commercial bank and economic growth in Nigeria.

2.1 Conceptual Review

2.1.1 The Concept of Financial Inclusion

Evidence from available literature tends to show that there are different views on the concept of financial inclusion. The traditional idea of financial inclusion is the provision of access to and usage of diverse, convenient, affordable financial services. Access to and use of financial services is one of the major drivers of economic growth. Meanwhile, The Center for Financial Inclusion (2014) defines full financial inclusion as a state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner with respect and dignity. It is a state where financial services are delivered by a range of providers, most of them private sector, and reach everyone who can use them, including the poor, disabled, rural, and other excluded populations. Wikipedia (2013) define financial inclusion as the delivery of financial services at affordable price and terms to the generality of the populace especially the disadvantaged and low-income segment of the society.

The World Bank (2006) report states that financial inclusion or broad access to financial services is as a result of absence of price and non-price barriers in the use of financial services. The report recognizes the fact that financial inclusion does not imply that all households and firms are able to borrow unlimited amounts or transmit funds across the world for some fee. It makes the point that creditworthiness of the customer is critical in providing financial services. The report also stresses the distinction between ‘access to’ and ‘use of financial services as this difference has implications for policy makers. Access, essentially refers to the supply of services, whereas use is determined by “demand” as well as “supply”. Among the non-users of formal financial services, a clear distinction therefore needs to be made between voluntary and involuntary exclusion. Financial inclusion addresses the ‘involuntarily excluded’ as they are the ones who despite demanding.

Financial Inclusion is achieved when adults have easy access to a broad range of financial products designed according to their needs and provided at affordable costs. These products include payments, savings, credit, insurance and pensions. This definition is anchored on four thrusts. The first is ease of access to financial products and services which implies that financial products must be within easy reach for all groups of people and should avoid rigorous requirements, such as challenging Know-Your-Customer procedures. Secondly, a broad range of financial products and services should be made available to the un-banked too. Financial Inclusion implies access to a broad range of financial services such as payments, savings, credit, insurance and pension products. Thirdly, the products are expected to be designed according to the need of the un-banked, taking their income levels and access to distribution channels into consideration and lastly, it must be provided at an affordable cost. Formal financial services should be affordable even for low-income groups, particularly when compared to informal services, e.g., esusu or money lenders (CBN-NFIS, 2012). The core objective of financial inclusion is to contribute to economic growth which leads to poverty reduction by freeing needed funds for investment.

Onaolapo 2015, asserted that without financially inclusive systems, the poor would rely on their inadequate savings for future investments and micro or small businesses will not be capable of pursuing favorable growth prospects because they will have to depend on their meagre earnings, which is the cause of the persistent income disparity and encumbrance to the economic growth of most developing countries.

2.1.2 Indicators of Financial Inclusion

Basically, the key financial inclusion indicator/variable which are parameters used in measuring financial inclusion in Nigeria are financial services accessibility, financial services availability; financial services usage (Kempson, Alkinson and Pilley, 2004). The idea of these broad indicators of financial inclusion is on the premise that in Nigeria, it is not enough to own a bank account because the un-banked or under banked people do not make the most use of the financial services despite having access to the formal financial institutions. This can be attributed to factors which include but not limited to inability to afford the costs attached to banking services, a dearth of banking facilities in remote locations. The combination of these indicators with the bank serving as the gateway no doubt brings about inclusive financial system. In this study, the bank is being used as analogous to financial inclusion.

These core indicators are operationally defined as follows:

2.1.3.1 Accessibility of financial services: This is measured by banking penetration (i.e., the proportion of adult people having bank account with official financial institutions). The proportion of deposit account is also a proxy for bankable adults; because an inclusive financial system should penetrate widely amongst its users to increasing the size of the banked population.

2.1.3.2 Availability of financial services: This is measured by the number of bank outlets or branches and number of functional ATM per 100,000 adult people; believing that an inclusive financial system should have banking services that are easily available to the users (Sarma, 2012). Accordingly, Sarma believed that number of bank employees per customer can also be used as financial service. But keeping in mind the fact that growing trends in electronic banking, no availability and inconsistent data on number of bank employees, we decide to step it down.

2.1.3.3 Users of financial services: This is measured by the volume of credit and deposit by adult population as a percentage of GDP.

2.1.4 Financial Inclusion and Economic Growth

Economic growth refers to the sustained rise in the economic activities over a given period of time within a country. Economic growth is an achievement through a process supported by various sectors in the economy, one of which is the financial sector. There are four roles of the financial sector that are beneficial for the economy, such as being able to reduce risk, mobilize savings, reduce transaction and information costs, and encourage specialization (Levine, 2004). Furthermore, Fabya (2011) added that the financial sector is able to provide borrowers various financial instruments with high quality and low risk, which ultimately will accelerate economic growth.

2.1.5 Strengthening and Expansion of Financial Inclusion

CBN (2013) opined that the action plans to ensure that more Nigerians are captured into the formal financial system can be expanded and strengthened for quicker result. Hajiah (2013) insisted that the apex bank is ever open to suggestions from the financial sector stakeholders to come out with robust framework for effective and efficient achievement of financial inclusion goal as obtained in advanced countries of the world. She noted that with what is already on ground in CBN, once a bank customer has any issue with his service provider within a maximum of two weeks, resolution must surely come or else, such a customer has the right to directly approach the apex bank for necessary intervention. Central Bank of Nigeria (CBN) believed that financial inclusion can radically change the status of Nigerian by stating that the interest draws back guidelines in NIRSAL loan processing which make it

possible for farmers to enjoy some form of rebate and Agriculture credit scheme for small and medium enterprises (SMEs) which mainly targets women is one of initiatives already introduced by CBN in to tap into financial inclusion policy. Emeka (2013) submitted that the issue of financial inclusion is fiscal policy issue rather than monetary affair which is outside the scope of CBN. According to him, the CBN was dabbling into financial inclusion policy which basically seeks to alleviate poverty in the society. He expressed worry that such encroachment of finance ministry's domain by the CBN remains an aberration even as he urged the relevant ministry to wake up from slumber and take leadership role in strengthening financial inclusion. This is because, once one is lifted above poverty, he/she does not need to be told to open bank account and use necessary financial products that would make him/her relevant to the system.

2.2 Theoretical Review

2.2.1 Finance-Growth Theory

The Finance-Growth nexus can be traced back to the work of Bagehot during 1870s and was advanced by the contributions of Schumpeter (1934), Goldsmith (1969) and Shaw (1973). This theory will be adopted for the theoretical framework in this study because of the belief that financial development creates a dynamic productive environment for growth through 'supply leading' or 'demand-following' effect. This theory will also recognize the lack of access to finance as a critical factor responsible for persistent income inequality as well as sluggish growth. Hence, access to a safe, easy and affordable source of finance is acknowledged as a precondition for quickening growth and reducing income disparities and poverty which create equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to the development and shield themselves against economic shocks. (Serrao, Sequeira, and Hans 2012).

This theory will be important to this study because if the populace has easy access to financial services, it will go a long way to foster economic growth, as a result of proper implementation of financial inclusion.

2.3 Empirical Framework

Numerous empirical study aims to investigate the relationship between financial inclusion and economic growth which were carried out by various researchers in different countries (Nigeria and abroad).

Nwafor and Yomi (2018) empirically studied the relationship between financial inclusion and economic growth in Nigeria. Two hypotheses were formulated, corresponding data (spanning from 2001 to 2016) were obtained and tested using Two staged Least Squares Regression Method. Findings revealed that financial inclusion have significant impact on economic growth in Nigeria and that financial industry intermediation have not influenced financial inclusion within the period under review. It was recommended that Nigerian banks should develop financial products to reach the financially excluded regions of the country as this will increase GDP per capital of Nigeria and consequently economic growth.

Onalo, Lizam and Kaseri (2017) investigated the relationship between financial inclusion and economic growth with particular reference to micro finance for the period 1992 to 2013. Employing the Johansen Cointegration test, the study revealed that the activities of micro finance as one of the financial inclusion strategies significantly contribute to economic growth. They recommended that micro finance banks concentrate efforts on low-cost deposits to reach large number of people and increase in financial education to enlighten the public on benefits of financial services.

Babajide, Adegboye and omankhanlen (2015) investigated the impact of financial inclusion on economic growth in Nigeria. Using the Ordinary least square regression model, the result showed that financial inclusion is a significant determinant of the total factor of production, as well as capital per worker, which invariably determines the final level of output in the economy.

Okaro (2016) examined the effects of financial inclusion on the Nigerian economy from 1990 to 2015. The study employed the Ordinary least squares (OLS) regression technique and adopted the analytical method of data analysis. The major findings were that Deposit Money Bank's financial intermediation activities, financial deepening, financial accessibility and institutional infrastructures all have positive significant effect on economy growth (Real GDP) while there was no relationship between financial inclusion and poverty eradication in Nigeria.

Standard Chartered Bank (2014) examined the impact of financial inclusion on the economic growth of Nigeria for the period 2003 to 2015 using Ordinary Least Square Technique (OLS) and multiple regression analysis. The results show that Deposits of rural branches of commercial banks and ATM transactions exert a positive and significant impact on economic growth in Nigeria while loans of rural branches of commercial banks exert a negative and insignificant impact on economic growth of Nigeria for the period under study.

Balele (2019) investigated the impact of financial inclusion on economic growth using a panel of 25 Sub-Saharan African countries, each observed over six years from 2009 - 2014. The study tested whether an increase in the level of financial inclusion, controlling for gross savings and gross primary school enrollment leads to economic growth. The findings based on a two-way random effect estimation revealed that Gross savings lead to economic growth, but gross primary school enrollment has an unexpected negative impact.

Bigirimana and Hongyi (2018) examined the relationship between financial inclusion and economic growth of Rwanda using annual data from 2004 to 2016. The study used Auto Regressive Distributive Lag model and it revealed that there is long-run relationship between financial inclusion and economic growth. They recommended that government set policies that ease loan access for more people to take loans.

Onaolapo (2015) examined the effects of financial inclusion on the economic growth of Nigeria for the period of 1982 to 2012. Using the Ordinary Least Square (OLS) method, the result revealed that financial inclusion greatly influenced poverty reduction, but marginally determined national economic growth and Financial Intermediation. Given these findings, it was concluded that financial system indicators are correlated with the Nigerian economic growth. The study recommended the need to create deposit and borrowing windows at affordable cost to the poor and to the income group erstwhile tagged the un-bankable.

Nkwede (2015) investigate the effect of financial inclusion on economic growth in Africa with focus on Nigeria. Archival time series data from 1981 to 2013 from various years of central bank of Nigeria statistical bulletin, World Bank inclusive data and annual audited financial statement of banks were used for the study. The study adopted the statistical analysis using multiple ordinary least regression which showed that all the independent variables and specification variables have a significant effect on economic growth measured by gross domestic product.

Otiwu, Okoro, Uzowuru and Ozuzu (2018) study tried to establish the relationship between financial Inclusion and economic growth with focus on micro finance for the period 1992 to 2013 in Nigeria. The study adopted ordinary least square method and employing the Johansen cointegration tests to test run

and short relationship among variables. The findings indicate total deposits mobilized, number of bank branches and investment have an insignificant effect on economic growth while total loans and advances shown a significant effect on economic growth. They recommended that micro finance banks concentrate efforts on low-cost deposits to reach large number of people and increase in financial education to enlighten the public on benefits of financial services.

Kim, Yu and Hassan (2018) examined the relationship between financial inclusion and economic growth in 55 Organization of Islamic Cooperation (OIC) countries from 1990 to 2013. Using panel veto-autoregression, impulse response functions and panel granger causality tests. They concluded that financial inclusion has positive effect on the economic growth in OIC countries. Their study was adequately conducted given the large number.

From the forgoing arguments, it is obvious from available literature that all financially inclusive systems have the potential to enhance economic growth by expansion of formal financial services to all segments of the economy and reduce informal financial services, which will enhance resource allocation and economic growth in the country.

3.1 Research Methodology

The research design used for this study is ex-post facto since there is already a manifestation of the outcome of the explained and explanatory variables of which the researcher has no control over. The data to be utilized for this study are secondary data that will be obtained from the central Bank of Nigeria statistical bulletin, National Bureau of Statistics (NBS), World Bank inclusive data and Nigeria Deposit Insurance Corporation (NDIC) Statement of Accounts and Annual Reports of various issues.

The study will adopt the ordinary least square (OLS) of multiple regression analysis following the quantitative nature of the data. The economic growth in Nigeria is proxy with GDP (Gross Domestic Product) being the dependent variable, which forms the major basis for the study while the independent variable being financial inclusion is proxy with credit to private sector, loan-to-deposit ratio, liquidity ratio and broad money supply growth.

3.2 Model Specification

The model in functional form is stated as:

$$GDP = f(RBM, CPS, LDR, LQR) \quad 1$$

Where;

GDP = Gross Domestic Product

RBM = Ratio of Broad Money to GDP (M2/GDP)

CPS = Credit to Private Sector to GDP (CPS/GDP)

LDR = Aggregate loan-to-deposit ratio

LQR = Liquidity ratio of commercial banks

The econometric form of this model is therefore formulated as follows:

$$GDP = \alpha + \beta_1 RBM + \beta_2 CPS + \beta_3 LDR + \beta_4 LQR + \mu_t \quad 2$$

Where;

GDP, RBM, CPS, LDR and LQR are as explained in equation 1.

α = Constant Parameter/ Slope

$\beta_1, \beta_2, \beta_3, \beta_4$ = Estimation parameters

μ_t = Stochastic error term

4.1 Data Analysis

4.1.1 Presentation of Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889*	.791	.759	.82229

a. Predictors: (Constant), LQR, CPS, LDR, RBM

b. Dependent Variable: GDP

ANOVA*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	66.598	4	16.650	24.624	.000 ^b
1 Residual	17.580	26	.676		
Total	84.178	30			

a. Dependent Variable: GDP

b. Predictors: (Constant), LQR, CPS, LDR, RBM

Coefficient*

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.	Correlations			Tolerance	Collinearity Statistics
	B	Std. Error				Zero-order	Partial	Part		
(Constant)	3.998	1.128		3.543	.002					
RBM	.059	.127	.194	.466	.645	.835	.091	.042	.046	21.528
CPS	.185	.118	.638	1.568	.129	.820	.294	.141	.049	20.597
LDR	.015	.012	.125	1.290	.208	.051	.245	.116	.849	1.178
LQR	.032	.011	.298	2.761	.010	.334	.476	.247	.688	1.453

Dependent Variable GDP

Collinearity Diagnostics

Model Dimension	Eigenvalue	Condition Index	Variance Proportions				
			(Constant)	RB M	CPS	LDR	LQR
1.	4.730	1.000	.00	.00	.00	.00	.00
2.	.177	5.174	.01	.00	.02	.03	.06
3.	.073	8.054	.01	.00	.00	.18	.49
4.	.017	16.517	.61	.00	.02	.57	.16
5.	.003	42.282	.37	.99	.96	.21	.29

Dependent Variable GDP

Residuals Statistics*

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	7.6602	12.8224	9.8875	1.48995	31
Residual	-1.78910	1.25409	.00000	.76551	31
Std. Predicted Value	-1.495	1.970	.000	1.000	31
Std. Residual	-2.176	1.525	.000	.931	31

4.2 Test of Hypotheses

Decision Rule

The null hypothesis (H₀) will be rejected if computed t-value is greater than the tabulated t-value. That is, we reject H₀ if $t_{cal} > t_{tab}$. By rejecting the null hypothesis, it implies that we shall accept the alternative hypothesis *ceteris paribus*.

Hypothesis One

H₀₁: There is no significant relationship between ratio of broad money and the Gross Domestic Product.

H_{A1}: There is a significant relationship between ratio of broad money and the Gross Domestic Product.

Decision

We rejected the alternative hypothesis and accepted the null hypothesis because the t-cal. Value of .466 is lesser than the t-tab. Value of 1.96. By implication, we conclude that there is no significant relationship between ratio of broad money and the Gross Domestic Product

Hypothesis Two

H₀₂: There is no significant relationship between credit to private sector and the Gross Domestic Product.

H_{A2}: There is a significant relationship between credit to private sector and the Gross Domestic Product.

Hypothesis Two

H₀₂: There is no significant relationship between credit to private sector and the Gross Domestic Product.

H_{A2}: There is a significant relationship between credit to private sector and the Gross Domestic Product

Decision

We rejected the alternative hypothesis and accepted the null hypothesis because the t-cal. Value of 1.568 is lesser than the t-tab. Value of 1.96. By implication, we conclude that there is no significant relationship between credit to private sector and the Gross Domestic Product

Hypothesis Three

H₀₃: There is no significant relationship between loan to deposit ratio and the Gross Domestic Product.

H_{A3}: There is a significant relationship between loan to deposit ratio and the Gross Domestic Product

Decision

We reject the alternative hypothesis and accept the null hypothesis because the t-cal. Value of 1.290 is lesser than the t-tab of 1.96. Based on this result, we conclude that there is no significant relationship between loan to deposit ratio and the Gross Domestic Product

Hypothesis Four

H₀₄: There is no significant relationship between Liquidity Ratio and the Gross Domestic Product.

H_{A4}: There is a significant relationship between Liquidity Ratio and the Gross Domestic Product

Decision

We accept the alternative hypothesis and reject the null hypothesis because the t-cal. Value of 2.761 is greater than the t-tab. Value of 1.96. By implication, we conclude that there is a significant relationship between Liquidity Ratio and the Gross Domestic Product

The descriptive statistics shows that there is no significant dispersion between the independent and dependent variable of the study. The correlation result shows that the relationship between independent variables and dependent variable ROA is weak and negative. Also, the hypotheses were tested at 5% significant level and the regression result shows that the independent variables have no significant impact on the dependent variable of the study. Thus, the null hypotheses were accepted and the alternative hypothesis rejected thereof.

4.3 Discussion of Findings

The result from the model summary shows a multiple correlation (R) of .889 which represent the combined correlation (RBM, CPS, LDR and LQR). The adjusted R² revealed that 75.9% of the variation in Gross Domestic Product can be explained by variations in the four independent variables. This leaves 24.1% unexplained. The ANOVA summary sub table indicates that the overall model of the four independent variable's F value of 24.624 is statistically significant with a P > .000. Thus, the probability of obtaining these results if the null hypothesis is true is less than 1 in every 1000. This indicates a highly significant multiple regression.

The results from the coefficients sub-table reveals that RBM .645 (not significant) CPS .129 (not significant) LDR =.208 (not significant) while LQR =.0 10 (significant). This indicates that LQR make significant contribution to the prediction while RBM, CPS and LDR do not significantly contribute to the model. The relevant part correlation squared (sr²) showed the magnitude of the unique contribution. The variance inflation factor (VIF) result indicates the absence of collinearity as the values are within the acceptance criterion. Using the standardized beta weight 'to compare the relative contributions of each independent variable we have a constant of 3.998 +.059 (RBM) + .185 (CPS) + .015 (LDR) + .032(LQR).

The hierarchical multiple regression was conducted to determine how the predictors (RBM, CPS, LDR and LQR) effect on the dependent variable (GDP). The adjusted R² was significantly different from zero (F = 24.624, P> .000) and 75.9% of the variation in GDP was explained by RBM, CPS, LDR and LQR. Amongst the predictors LQR uniquely and significantly contribute to the prediction of the GDP while the RBM, CPS and LDR were found not to contribute to the prediction of the GDP.

5.0 Conclusion

The major objective of the study as stated earlier is to investigate the effect of financial inclusion on economic growth in Nigeria.

The first hypothesis was tested and the result revealed that there is no significant relationship between ratio of broad money and the Gross Domestic Product. The result from the data analysis shows that the t-cal. value of .466 is lesser than the t-tab. value of 1.96.

The result from the data analysis on the second hypothesis reveals that the t-cal. Value of 1.568 is lesser than the t-tab. Value of 1.96. By implication, this means that there is no significant relationship between credit to private sector and the Gross Domestic Product

The findings from the third hypothesis revealed that there is no significant relationship between loan to deposit ratio and the Gross Domestic Product. The result from the data analysis shows that the t-cal. value of 1.290 is lesser than the t-tab. value of 1.96.

The fourth hypothesis was tested and the outcome shows that there is a significant relationship between the liquidity ratio of commercial bank and the Gross Domestic Product. The result from the data analysis shows that the t-cal. value of 2.761 is greater than the t-tab. value of 1.96.

5.1 Recommendation

The following suggestions are recommended for implementation.

- 1) Banks should be encouraged to grant loans to private businesses and small scale enterprises so as to further promote economic growth.
- 2) Banks should provide incentives to depositors and savers so as to encourage deposits and positively improve economic growth.
- 3) The government and monetary authorities should ensure the promotion of banking services and the establishment of bank branches in the rural areas and equally support these banks to meet the demands of these areas efficiently
- 4) In setting monetary targets, the monetary authorities must adopt policies that ensures that a large majority of the narrow money supply (M1) is made up of currency in circulation; thereby reducing the amount of money outside banks.

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