B.O. Kazeem

Osun State University, Nigeria, Osogbo
e-mail: oyerokazeem60@gmail.com

IMPACT OF FINANCIAL DEVELOPMENT
ON INCLUSIVE GROWTH IN NIGERIA

This study examined the impact of financial development on inclusive growth in Nigeria using a time series data obtained from secondary sources between 1999 and 2019. Financial development was measured using broad money supply and domestic credit to private sector, while inclusive growth was measured from income perspective using per capita GDP and from expenditure perspective using household consumption expenditure. The data were mainly obtained from World Development Indicators data base for various years. The data were analysed using Autoregressive Distributed Lag Bound test approach. The results of the ARDL revealed that financial development proxy with broad money supply exert significant positive impact on per capita income and household consumption expenditure in both short and long run. On the contrary, domestic credit to private sector has significant negative impact on per capita income in short and long run while the impact on household consumption expenditure was not significant in both short and long run. The study therefore recommends that the government can use broad money supply as one of the financial development instruments to promote inclusive growth in Nigeria. in addition, attention should be paid to the allocation of funds to private sector and the efficiency of such fund in order to reverse unproductive impact of fund allocated to private sector on inclusive growth in Nigeria.

Key words: inclusive growth, financial development, trade openness, broad money supply.

Б.О. Казим

Осун мемлекеттік университеті, Нигерия, Осогбо қ.
e-mail: oyerokazeem60@gmail.com

Қаржылық дамудың
Нигериядағы инклюзивті өсуге әсері

Бұл зерттеуде 1999 және 2019 жылдар аралығындағы екінші көздерден алынған уақыттық қатарларды пайдалана отырып, қаржылық дамудың Нигериядағы инклюзивті өсуге әсері зерттелді. Қаржылық даму ақша массасы мен жеке секторға ішкі несие беру арқылы өлшенді, ал инклюзивті өсім жан басына шаққандағы ЖІӨ-ні пайдаланатын табыс тұрғысынан және үй шаруашылығының тұтыну шығыстарын пайдалана отырып, шығыстар тұрғысынан өлшенді. Деректер негізінен әртүрлі жылдардағы Дүниежүзілік банк деректер базасынан алынды. Деректер үлестірілген лаг авторегрессия сынағы арқылы талданды. ARDL нәтижелері ақша массасының қаржылық даму көрсеткіштері жан басына шаққандағы табыс пен үй шаруашылығының тұтыну шығындарына қысқа мерзімді және ұзақ мерзімді перспективада айтарлықтай оң әсер ететінін көрсетті. Керісінше, жеке секторға ішкі несие қысқа мерзімді және ұзақ мерзімді перспективада жан басына шаққандағы табысқа айтарлықтай теріс әсер етеді, ал үй шаруашылықтарының тұтыну шығындарына әсері қысқа және ұзақ мерзімді перспективада айтарлықтай болған жоқ. Сондықтан, зерттеу үкіметке Нигериядағы инклюзивті өсуге жәрдемдесу үшін қаржылық даму құралдарының бірі ретінде кең ауқымды ақшаны пайдалануға кеңес береді. Сонымен қатар, жеке секторға бөлінген қаражаттың Нигериядағы инклюзивті өсімге өнімсіз әсерін жою үшін жеке секторға қаражат бөлуге және мұндай қордың тиімділігіне назар аудару керек.

Түйін сөздер: инклюзивті өсу, қаржылық даму, сауданың ашықтығы, кең ақша массасы.

Б.О. Казим

Государственный университет Осуна, Нигерия, г. Осогбо
e-mail: oyerokazeem60@gmail.com

Влияние финансового развития на инклюзивный рост
в Нигерии

В этом исследовании изучалось влияние финансового развития на инклюзивный рост в Нигерии с использованием временных рядов, полученных из вторичных источников в период с 1999 по 2019 год. Финансовое развитие измерялось с использованием широкой денежной массы и

внутреннего кредита частному сектору, а инклюзивный рост измерялся с точки зрения доходов с использованием ВВП на душу населения и с точки зрения расходов с использованием потребительских расходов домохозяйств. Данные в основном были получены из базы данных Всемирного банка за разные годы. Данные были проанализированы с использованием авторегрессионного теста с распределенным лагом. Результаты ARDL показали, что показатели финансового развития с широкой денежной массой оказывают значительное положительное влияние на доход на душу населения и потребительские расходы домохозяйств как в краткосрочной, так и в долгосрочной перспективе. Напротив, внутренний кредит частному сектору оказывает существенное негативное влияние на доход на душу населения в краткосрочной и долгосрочной перспективе, в то время как влияние на потребительские расходы домохозяйств не было значительным как в краткосрочной, так и в долгосрочной перспективе. Поэтому в исследовании рекомендуется, чтобы правительство могло использовать широкую денежную массу в качестве одного из инструментов финансового развития для содействия инклюзивному росту в Нигерии. Кроме того, следует уделить внимание выделению средств частному сектору и эффективности такого фонда, чтобы обратить вспять непродуктивное воздействие средств, выделенных частному сектору, на инклюзивный рост в Нигерии.

Ключевые слова: инклюзивный рост, финансовое развитие, торговая открытость, широкая денежная масса.

Introduction

Attainment of inclusive growth has continued to be a top priority of most developing countries. Hence, it continues to attract attention in public discussions, theoretical and empirical literature. The attention it has received is based on the understanding that inclusive growth can mitigate the socio-economic challenges of a country (Adediran et al., 2017). A growth is described as inclusive if it does not only benefit the poor but also offer them the opportunity to participate in growth process. Apart from creating new economic opportunities for the majority of the population, it also ensures equity in access to such economic opportunities. Nigeria like many other African countries has been witnessing increasing level of inequality amidst relatively high level of economic growth in recent times.

Contrary to body of growth studies who suggest trickling down effect of economic growth, recent growth successes recorded in Nigeria have not been matched with commensurate drop in poverty rate, level of unemployment and overall improvement in standard of living as majority of the citizens still live in abject poverty. Recent reports from the World Bank put Nigeria as the world poverty capital from 2018 while Recent release by the national bureau of statistics stated that Nigeria unemployment rate jump from about 27 percent from 2019 to about 30 percent in 2021 (NBS, 2021).

Also, in terms of GDP per capital, available statistics show that Nigeria has relatively low per capital GDP as its per capita GDP of $2033 is lower compared to countries in the continent such as Kenya, Egypt and South Africa who respectively have per capita GDP of $2201, $2573 and $6354 despite that Nigeria is the biggest economy in Africa in terms of GDP. The situation Nigeria find itself may not be unconnected with the fact the growth in Nigeria is not inclusive (Greenwald & Stiglitz, 2013). Hence, a major concern for Nigerian government and other stakeholders in recent time is to find the factors that shape inclusive growth in Nigeria. This is based on the belief that inclusive growth would exert more trickling down effect on the countries poor. A section of theoretical literature posits that financial development is a catalyst for inclusive growth. Leading the pack is Schumpeter (1934) who submitted that development of financial system is essential for jumpstarting growth and development process. Goldsmith (1969) also built on the earlier contribution to postulate a key role of financial development on economic growth. It is argued that financial development enhances the optimum capital allocation in any economy. It also lessens the costs of effectively executing transactions and makes implementation of transaction more effective (Guru & Yadav, 2018).

In addition, by expanding financial access, financial development facilitates dynamic efficiency in the system induced structural changes to the whole economy through innovation and inclusive welfare gain (Ntow-Gyamfi et al., 2019). One of the attributes of a sound financial system is the ability to channelize the savings of the entire economy into profitable investment (Stiglitz & Weis, 1983; Diamond, 1984). Das and Guha-Khasnobis (2008) further argued that credit allocated through efficient financial system works as a channel between real and financial sectors which can be used by market participants as working capital and investment in

fixed capital which respectively raise production and enhances real sector productivity.

However, there has been opposing theoretical argument which rejects the proposition that financial development promotes growth. Robinson (1952) for instance asserted that the role played by finance on economic growth is at best a weak one, while Wijnberg (1983) and Buffie (1984) argued that financial development prompted the shift of borrowers from informal sector to formal sectors which reduces the total supply of credit. The reduction in the total credit would then eventually stifle economic growth and welfare gains of the concerned economy. In his contribution to the theoretical debates, Lucas (1988) also submitted that financial development plays a very weak role in economic development process. More recently, Shan (2005) put forward an argument that the 1997 Asian crisis which caused by the inability of the financial markets to allocate large inflow of funds to profitable ventures casts doubt on the ability of financial development to drive growth.

There have been several empirical studies on the link between financial development and economic growth in different socio-geographical settings using varying techniques. These empirical studies have produced various views on the relationship between financial development and economic growth. Some of the studies reported that financial development spur growth (Beck et al., 2011; Cecchetti & Kharroubi, 2012; Law & Singh, 2014), some other reported results contrary to the first strand as they submitted that financial development cannot be associated with growth (Menyah et al., 2014).

In recent times, few studies have expanded the earlier development by examining the nexus between financial development and inclusive growth. Some of the studies found evidence in support of the positive and significant impact of financial development on inclusive growth (Dhrifi, 2013; Imran & Khalil, 2012; Uddi et al., 2014), others fail to establish significant link (Law & Singh, 2014). Within Nigeria context, there have been few attempts directed at examining the link between financial development and inclusive growth where they measure inclusive growth using majorly, GDP per capital and poverty level. One of such is documented by Adediran et al. (2017) who used time series data between 1970 and 2015 to analyse the link between financial development measured by broad money supply and domestic credit to private sector, and inclusive growth measured by real per capital GDP. Ayinde and Yinusa (2016) also studied the nexus between financial development and inclusive

growth between 1980 and 2013 where financial development was proxy with broad money supply and inclusive growth was proxy with GDP per capital.

These studies used data that cover both military and democratic period which are characterized with different institutional arrangement without accounting for the dynamic in their study. Whereas, studies have shown that institutional arrangement may affect the link between financial development and inclusive growth (Iheanacho, 2016). Hence, this study avoids this imbroglio by focusing on the Nigeria 4th republic characterized with about 21 years uninterrupted democratic government. This is to our knowledge is the first study of this nature.

In addition, this study improves on previous empirical work by including another important dimension of inclusive growth, household consumption expenditure since it is a dimension of poverty in a society (Bruck & Kebede, 2013). In line with the gaps identified above, the main objective of this study is to examine the short and long run impact of financial development on inclusive growth in the current democratic dispensation popularly referred to as 4th republic which covers the period ranging from 1999 to 2019.

Objectives of the Study

The main objective of the study is to examine the impact of financial development on inclusive growth in Nigeria.

The specific objectives of the study are to:

− Investigate the impact of broad money supply on per capita GDP in Nigeria.

− Evaluate the effect of domestic credit to private sector on per capita GDP in Nigeria.

− Analyse the influence of broad money supply on household consumption expenditure in Nigeria.

− Examine the influence of domestic credit to private sector on per capital GDP.

Literature Review

Conceptual Review
Inclusive Growth

Inclusive growth as a concept constitutes a type of growth process and outcomes in which all sections of the society including the rich and poor have contributed and that which from everyone equitably benefited thereby facilitating reduction in income inequality (Prasanna, 2016). Unlike economic growth, inclusive growth does not only concern with aggregate income growth but also the distribution of the income among the citizens. Thus, while economic growth is usually measured

in terms of GDP, inclusive growth is measured in terms of GDP per capita.

Financial Development

Financial development enhances the ability of surplus units to provide capita for the deficit spending units within an economy space. Thus, financial development constitutes any form of actions that facilitates the financial sector effectiveness and efficiency.

Theoretical Review

This study is anchored in finance-growth theory. The earlier contributors to the theory were Schumpeter (1934) and Goldsmith (1969) who posited that financial development is crucial for economic growth and development. Schumpeter in his early contribution submitted that higher income inequality and wealth concentration are characteristic features that cannot be wished away in the early stages of economic development, hence development can be enhanced through extensive system of finance that is capable of mobilizing savings and channel the generated funds to promote various economic activities. Thus, they argue that financial development characterized with higher access to finance is essential factor that can fast track growth and improve welfare gain in any society

According to the hypothesis, development in financial sector will amplify competition, induce increase in savings by raising interest rates. The raise in savings increases the supply of loanable funds which promotes investment and consequently facilitates economic growth and overall economic well-being. Bittencourt (2012) tested finance-growth prediction and it was found that financial development through more access to finance empowers entrepreneurs to invest more in productive ventures which lead to economic growth and improved well-being.

Empirical Review

Using panel data collected from 77 countries across the world for 30 years period covering 1960 to 1989, King and Levine (1993) reported significant positive impact of financial development on growth in real per capita GDP, real per capita stock and productivity. Similarly, Leitao (2010) found in a study based on panel data of 27 European countries and five BRICS countries between 1980 and 2006 that financial development exerts significant positive effect on economic growth. A study by Adusei (2013) using panel data for 24 selected African countries covering the period 1981 and 2010 which were analysed using system GMM revealed significant positive relationship between financial development and economic growth. Several other studies outside

Nigeria have reported significant positive impact of financial development on economic growth (Saci et al., 2009).

Adediran et al. (2017) studied the impact of financial development on inclusive growth in Nigeria using time series data collected from 1970 to 2015. The data were analysed using ARDL bound testing approach. The study proxy inclusive growth with real per capita GDP while financial development was measured using domestic credit to private sector as percentage of GDP and broad money supply as percentage of GDP. The results of their study revealed that financial development has significant positive impact on inclusive growth measured by real per capita GDP in the long run, but the impact was negative and significant in the short run. The study however suffers from analytical defect as the results were obtained without controlling for important macroeconomic variables.

In a study to investigate the impact of financial development on poverty reduction, Dhrifi (2013) used data from 89 developed and developing countries which were analysed using 3 stage least squares. The results of the study indicate that financial development had significant positive impact on poverty reduction through insurance service, savings and access to credit. Ntow-Gyamfi (2019) studied the impact of financial development measured by domestic credit to private sector and domestic credit provided by financial sector using sample of 48 African countries over a 27-year period. The results of the study show that domestic credit to private sector has significant negative impact on inclusive growth.

Further analysis of the study however revealed that the impact of financial development is made positive by good institutional framework. Ihenacho (2016) examined the influence of financial development on economic growth in Nigeria using ARDL approach to cointegration. The study was based on time series data collected from 1981 to 2011. The results of the study revealed that financial development has significant negative impact on economic growth in the short run and insignificant negative impact on economic growth in the long run. He attributed the results to the oil-dependent nature of Nigerian economy. The study measured economic growth using GDP per capita while financial development was measured with domestic credit to private sectors (% GDP), liquidity liabilities (% GDP), deposit money bank assets (% GDP) and bank deposits (% GDP).

The reviewed literature above has provided evidence that the debate on the nexus between financial

development and economic growth is not over yet as the empirical results have yet to produce a robust consensus on the roles play by financial development in triggering growth and economic development. While some argue that financial development spurs growth, others argue that institutional framework matters for the link between financial development and growth (Ntow-Gyamfi et al., 2019). The very few literature focusing on Nigeria cover the period consisting of both military and democratic era each of which is characterized with different institutional setting which could have affected the outcome of their studies. This study overcomes the barrier by focusing on the Nigerian current democratic dispensation (dubbed the 4th republic) which began in 1999. In addition, the existing literature mostly measure inclusive growth from income side, this study expands the literature by also measuring inclusive growth from expenditure side using household consumption expenditure.

Methodology

This study employed secondary data to achieve the objectives of the study. The secondary data consist of annual time series data collected over the period of 21 years from 1999 to 2019. The period corresponds to Nigeria 4th republic under which Nigeria has enjoyed uninterrupted democracy. The data required for the study are those related to the country per capita income, gross fixed capital formation, broad money supply, domestic credit to private sector, household consumption expenditure, trade openness and urbanization.

These data were obtained primarily from the World Development Indicators data base for the year 2019. Regarding the method of analysis, the data collected were analysed using both descriptive statistics tool of means, standard deviation and range, and inferential statistics tool of Autoregressive Distributed Lag Model (ARDL) bound test approach to co-integration. The use of ARDL ECM is informed by the dynamic nature of the model as shown in the theoretical model as well as the results of the various diagnostic tests especially, unit root and co integration tests. The method is also suitable for decomposing the effect of financial development on inclusive growth into short and long run components.

The study used Augmented Dickey Fuller (ADF) test for unit root to test for the stationarity or otherwise of the series while the long run relationship among the variables were examined using Bound test for co integration. The use of Bound test for co integration is informed by the results of the unit root test which reveal that the series are combination of I(O) and I(1). Based on the outcome of the bound test, the study used Bound test ARDL to estimate the short and long run impact of financial development on inclusive growth in Nigeria.

Model Specification

Accordingly, the model for this study is stated as follows:

$$INCG = (FIND, X) \qquad (1)$$

where: INCG = inclusive growth

FIND = Financial development made up of broad money supply and domestic credit to private sector

X = vector of control variables including gross fixed capital formation, trade openness and urbanization. Then

$$INGC = (GFCF, BMS, DCPS, TOP, URB) \quad (2)$$

The equation expresses inclusive growth as a function of gross fixed capital formation, broad money supply, domestic credit to private sector and urbanization where f is the functional relationship linking inclusive growth with the independent variables of the study.

Table 1 – Definition of Variables and Sources of data

Variables	Nature of Variables	Proxy	Measurement
Inclusive Growth)	Dependent Variable	GDP per capita (GDPPC)	GDP as a proportion of the total population. Sourced from the World Bank Development Indicator
		Household Consumption Expenditure (CONS)	Source from WDI data base (1999 –2019)
Financial Development	Independent variable	Broad Money Supply (BMS)	Broad Money supply in Naira

Variables	Nature of Variables	Proxy	Measurement
		Domestic credit to Private sector (DCPS)	Domestic credit to private sector as percentage of GDP
Urbanization	Control variable	Percentage of the population leaving in urban area (URB)	Ratio of urban population to total population expressed in percentage. World Development Indicator, 2019
Gross fixed capital formation	Control Variable	Gross Fixed Capital Formation (GFCF)	World Development Indicator (WDI), 2019
Trade openness	Control Variable	The extent to which an economy is opened to the rest of the world (TOP)	The sum of total export and import expressed as percentage of GDP. Source from WDI 2019
Note – compiled by author			

Results and Discussion

The Impact of Financial Development on Per Capita GDP

The results obtained on the impact of financial development and other control variables on per capita GDP are presented in Table 2. The results represent the short run impact of financial development and other control variables on per capita GDP in Nigeria.

From the results, the estimated coefficient of -0.02831 with its corresponding p value of 0.0015 indicates that domestic credit to private sector has significant negative impact on per capita GDP in the short run. In line with the results, an increase in the domestic credit to private sector by 1 percent, result to reduction in per capita income by 0.02 percent in the short run. The estimated impact of domestic credit to private sector in the long run with an estimated coefficient and p value of -0.062 and 0.0067 shows that domestic credit to private sector has significant negative impact on per capita GDP in the long run. An increase in credit to private sector as percentage of GDP by 1 percent reduces per capita income by 0.062 percent. Thus, the results of the ARDL ECM show that domestic credit to private sector has significant negative impact on per capita income in both short and long run. The estimated coefficient 0.204 and corresponding p value of 0.040 in Table 5 indicate that brood money supply has significant positive impact on per capita GDP in the short run. An increase in the broad money supply by 1 percent is associated with an increase in per capita income by 0.204 percent in the short run. Similarly, the estimated coefficient of 0.908 and corresponding p value of 0.006 in Table 3 revealed that broad money supply has significant positive impact on GDP per capita in the long run. According to the results, an increase in broad money supply by 1 percent would increase per capita income by 0.9 percent in the long run. Thus, the results in Tables 2 and 3 revealed that broad money supply has significant positive impact on per capita GDP in both short and long run.

The long run results in Table 3, an estimated coefficient 0f 0.734 and corresponding p value of 0.0012 show that gross fixed capital formation has significant positive impact on per capita income implying that increase in gross fixed capital formation would increase the per capita income in the long run. Therefore, the results of the study provide evidence that gross fixed capital formation has significant positive impact on per capita income in both short and long run. Furthermore, the results in Table 2 reveal that first lag of trade openness has significant positive impact on financial development in the short run given the estimated coefficient and p value of 0.003 and 0.0312. The long run results in Table 6 show that trade openness has significant negative impact on per capita GDP in the long run given the estimated coefficient and p value of -0.017 and 0.0043. Also, the results show that first lag of urbanization has significant positive impact on per capita income given the estimated coefficient of 0.488 and p value of 0.0015. However, the long run results in Table 3 reveal that urbanization has significant negative impact on per capita GDP given its estimated coefficient and p value of – 0.188 and 0.0070 respectively.

Table 2 – Estimated Short Run Impact of Financial Development on Per Capita Income

Dependent Variable LOG(GDPPC) Selected Model: ARDL (2, 2, 1, 1, 2, 2) Co integrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(GDPPC(-1))	-0.319879	0.277972	-1.150757	0.3019
DLOG(GFCF)	0.151386	0.040305	3.756018	0.0132
DLOG(GFCF(-)	-0.148073	10.093152	-1.589590	0.1728
D(DCPS)	-0.028314	0.004489	-6.308016	0.0015
DLOG(BMS)	0.204094	0.075363	2.708148	0.0424
D(TOP)	-0.003058	0.002409	-1.269511	0.2601
D(TOP(-1))	0.003239	0.001091	2.969123	0.0312
D(URB)	0.075335	0.129047	0.583777	0.5847
D(URB)	0.488219	0.077914	6.266124	0.0015
Con Eq(-1)	0.617051	-0.163107	-3.783098	0.0128
Note – compiled by author				

Table 3 – Estimated Long Run Coefficients for Per Capita Income

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(GFCF)	0.734076	0.110493	6.643663	0.001
DCPS	-0.062063	0.013960	-4.445652	0.0067
LOG(BMS)	0.908159	0.146202	6.211671	0.0016
TOP	-0.017281	0.003499	-4.939589	0.0043
URB	-0.187732	0.042651	-4.401544	0.007
C	-27.438502	3.128494	-8.770514	0.0003
Note – compiled by author				

Impact of Financial Development on Household Consumption Expenditure

The results obtained for the impact of financial development on household consumption expenditure is presented in this section. Table 4 shows the estimated short run coefficients while Table 5 showed the corresponding long run results. The results of the short run analysis presented in Table 4 reveal that broad money supply has significant positive impact on household consumption expenditure in the short run given its estimated coefficient of 0.082 and corresponding p value of 0.6894. The estimated coefficient of 0.327 and p value of 0.028 in Table 4.4 for long run results indicate that broad money supply has significant positive impact on household consumption expenditure in the long run. An increase in the broad money supply by 1 percent in the long is associated with an increase in house-hold consumption expenditure by 0.326 percent in the long run. The results in Table 5 also reveal that credit to private sector has no significant impact on household consumption expenditure in the short run. The estimated coefficient and corresponding p value of 0.8 in Table 5 show that credit to private sector has positive but insignificant impact on household consumption.

For the control variables, the results of the study show that gross fixed capital formation has negative and insignificant impact on household consumption expenditure in the short run given its estimated coefficient of -0.148 and p value of 0.315. The estimate respective coefficient and p value of 0.236 and 0.1177 reveal that gross fixed capital formation has no significant impact on household consumption in the long run. In addition, the results in Table 4.3 revealed that trade openness has insignificant negative

impact on household consumption in the short run while it has significant negative impact on household consumption in the long run given its estimate coefficient and corresponding p value of -0.0108 and 0.0670 respectively.

The results of the short run ECM further show that urbanization has significant positive impact on household consumption in the short run with its estimated coefficient of 1.099 and p value of 0.0057. Similarly, the respective estimated coefficient and p value of 0.072 and 0.0832 in the long run results presented in Table 4.4 indicate that urbanization has significant positive impact on household consumption expenditure in the long run.

Table 4 – Estimate Short Run Impact on Household Consumption

Co integrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(CONS(-1)	0.108631	0.113117	0.960337	0.3740
DLOG(GFCF)	-0.147536	0.134536	-1.096628	0.3149
DLOG(BMS)	0.082430	0.196469	0.419555	0.6894
D(DCPS)	0.003597	0.008314	0.432656	0.6804
D(DCPS(-1)	-0.022847	0.015510	-1.473032	0.1912
D(TOP)	-0.008681	0.004770	-1.819983	0.118
D(URB)	1.098729	0.262004	4.193566	0.0057
D(URB(-1)	0.924642	0.379087	2.439127	0.0505
ContEq(-1)	-1.191670	0.202029	-5.898497	0.0011
Note – compiled by author				

Table 5 – Estimated Long Run Expenditure Impact on Household Consumption

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(GFCF)	0.235613	0.129065	1.825538	0.1177
DCPS	0.001887	0.007321	0.257775	0.8052
LOG(BMS)	0.326678	0.113570	2.876455	0.0282
TOP	-0.010809	0.004841	-2.232776	0.0670
URB	0.072125	0.034745	2.075863	0.0832
C	10.199716	3.456238	2.951104	0.0256
Note – compiled by author				

This result aligns with the expectation of this study as well as findings in previous empirical literature that broad money supply positively impact on per capita income in Nigeria (Adediran et al., 2017; Dhrifi, 2013). This result may not be unconnected with the fact that increase broad money supply increases the general public access to finance which they can use to venture into productive activities that can enhance their income per capita. Similarly, the results show that broad money supply has positive and insignificant impact on household consumption in the short run, but the impact is positive and significant in the long run. The implication of these results is that there is consistent evidence that broad money supply which is a measure of financial development significantly improve inclusive growth in Nigeria. This finding agrees with the expectation of this study as well the report of the previous empirical studies such as Dhrifi (2013) who reported that broad money supply significantly reduces poverty among households.

Furthermore, the results of the study show that domestic credit to private sector exert significant negative impact on per capita GDP in both the short and long run while the impact on household consumption was not significant in both the short and long run. This result is contrary to the expectation. However, the results agree with the finding of Ihaenacho (2016) who found that domestic credit to private sector has significant negative impact on inclusive growth in Nigeria and Ntow-Gyamfi et al. (2019) who reported significant negative impact of domestic private sector in a sample of 48 African countries. The finding in this study raises question on the productivity and efficiency of the domestic credit given to the private sector in Nigeria.

Conclusion

The study has been able to examine the impact of financial development on inclusive growth in Nigeria focusing on the current democratic dispensation which started in 1999. The study follows the practice in empirical studies on financial development by using domestic credit to private sector and broad money supply to proxy financial development. The study extends the literature by measuring inclusive growth with household consumption expenditure in addition to per capita GDP.

The major conclusions derive from this study is that broad money supply impacts positively on inclusive growth in Nigeria through its impact on per capita GDP and household consumption expenditure aligning with the finance-growth led hypothesis in both short and long run. It was also found in the study that domestic credit to private sector is negatively associated with inclusive growth in Nigeria through its impact on per capita GDP and household consumption expenditure which raised questions on the efficacy of the money allocated to the private sector of Nigeria economy as it fails to trickle down to the people at the bottom of the income ladder.

In line with the findings, this study recommends that government can use broad money supply as one of the financial development instruments to promote inclusive growth in Nigeria. in addition, attention should be paid to the allocation of funds to private sector and the efficiency of such fund in order to reverse unproductive impact of fund allocated to private sector on inclusive growth in Nigeria.

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