



MALETE JOURNAL OF ACCOUNTING AND FINANCE

A Publication of the Department of Accounting and Finance, Faculty of Management and Social Sciences, Kwara State University, Malete

Vol. 4 No. 1, December, 2023

ISSN: 2735-9603

FINANCIAL INCLUSION AS A PARADOX FOR ECONOMIC GROWTH IN NIGERIA

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Abstract

Access to financial services at affordable rate is one of the major concerns of financial inclusion in both advanced and developing nation around the globe since the subject matter is considered as a key driver for economic growth acceleration. This paper sought to empirically examine how financial inclusion variables (financial deepening, access to finance, saving mobilization and liquidity ratio) contribute to economic growth in Nigeria (2008-2022). Data for the study were collected secondarily from Statistical Bulletins of the Central Bank of Nigeria (C.B.N.) and Federal Office of Statistics (F.O.S.). Specifically, data consisting of economy and bank parametric which include GDP, financial deepening represented by (FD1 and FD2), Total loan and advances of the deposit money banks (LA), Total Deposit of the deposit money banks (TD) and Liquidity ratio (LQR) of deposit money banks spanning about twenty five-year period; 2008 to 2022 were extracted. OLS regression analysis was adopted, and the entire outcomes of the regression analysis indicates a positive relationship exist between the financial inclusion and economic growth in Nigeria given cognizance to the reported coefficients on each of the adopted variables. Therefore, it was recommended that financial regulators should request for comprehensive and adequate policy guidance that will encourage financial inter-mediation across board as this will no doubt foster economy growth.

Keywords: Economy Growth, Financial Inclusion

Jel code: C10,C51, EO2

INTRODUCTION



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Due to its potential to drive economic growth and ensure stability, financial inclusion has attracted considerable attention in development finance and economics worldwide. Many people globally face barriers to accessing formal financial institutions, leading to potential loss of savings, investment opportunities, and hindering the broader economy's capacity to generate wealth. It is widely understood that access to financial services can foster greater accumulation of capital and facilitate credit creation, thereby boosting investments and overall economic vitality. According to Martinez (2015), as referenced by Aremu (2022), a crucial tool wielded by governments and policymakers to boost economic growth is ensuring access to financing. When finance is both accessible and affordable for economic players, it stimulates heightened economic activity, subsequently leading to increased output. Financial inclusion forms the cornerstone for integrating individuals from both high and low-income brackets into the financial system, fostering inclusive growth.

Sanusi (2023) posits that Financial deepening in Nigeria has played a crucial role in inducing economic growth by enhancing the efficiency and effectiveness of the financial system through a better allocation of capital by providing a variety of financial instruments which allows businesses to access funds more easily, leading to increased investments in productive activities and savings mobilization thereby enhanced access to finance. Ajayi (2021) opined that Nigeria has recognized financial inclusion as a tangible instrument for attaining sustainable economic growth and development over the years owing largely to the fact that economic growth cannot be considered inclusive in a country if majority of the population is financially excluded because of limited access to credit and other instrument facilities. Sanusi (2016), cited by Ademola (2022), posit that Nigeria's economic development and sustainability heavily rely on the complete execution of the CBN's financial inclusion strategy. Additionally, he emphasizes that without attaining a considerable level of financial inclusion, no economy can secure financial stability, sustain economic growth, or foster inclusivity.

According to Sanusi (2023), despite the Central Bank of Nigeria's efforts over the past decades, the current data shows that Nigeria isn't faring as favourably as other countries in its category in terms of financial inclusion net regarding credit accessibility. For instance, roughly 2% of Nigerians have formal access to credit, significantly lower compared to approximately 32% of South Africans. Similarly, in terms of access to a formal payment system, only just over 21.6% of Nigerians have such access, contrasting with 46% in South Africa. Cyn-Young and Ragelio (2014), referenced by Ahmed (2020), Nigeria ranks 135th out of 176 countries in the financial inclusion index. This ranking aligns with the primary objective of promoting rapid economic development by ensuring the comprehensive participation of all economic participants in the financial system. Some of the recent studies relating to financial inclusion in the Nigeria context which include Onaolapo (2020), Ahmeed (2020) and Sanusi (2023) among many other scholars that made contributions to the subject matter focus on how microfinance institutions banking activities induced financial inclusion of the rural dwellers by implications they only gave it a narrow look. Thus, there is need to give cognizance to the fact that financial inclusion strategies usually focus on the totality of the adults in an economy both the rural and the urban dwellers.



Therefore, to have a broader look at financial inclusion, this study sought to empirically examine the link regarding how financial inclusion in terms of financial deepening, access to finance and saving mobilization efforts of deposit money banks affect economic growth in Nigeria.

To guide the thrust of this research work, the following hypotheses were tested:

Ho₁: There is no significant relationship between financial inclusion (financial deepening) and economy growth in Nigeria

Ho₂: Financial inclusion (access to finance) does not significantly influence economy growth in Nigeria

Ho₃: Financial inclusion (saving mobilization) has no significant influence economy growth in Nigeria

LITERATURE REVIEW

Conceptual Review

Financial Inclusion

Although there are different interpretations of financial inclusion by frontiers of literature, they generally share a common emphasis on information and thus convey a similar concept. Onaolapo (2017) defined financial inclusion as a practice that guarantees the ease of access, availability, and usage of the formal financial system by all members of an economy. Sanusi (2023) describes financial inclusion as having access to formal financial services like credit, savings accounts, and insurance opportunities. He points out that the lack of financial inclusion is a complex socio-economic issue influenced by factors such as geography, culture, history, religion, socio-economic disparities, economic structure, and policies. Highlighting its crucial role, Sanusi (2023) emphasizes that financial inclusion significantly drives economic development and growth, closely linked to a nation's productivity and capital generation. The main focus areas concerning financial inclusion involve how people use financial services and their ability to access them.

In the opinion of Abifarin and Bello (2015) cited Ayo (2022) view financial inclusion as a household's or group's capacity to obtain suitable financial services or goods. People who lack this capacity are sometimes labelled as financially excluded. Providing financial services to underprivileged and low-income groups in society at reasonable pricing is known as financial inclusion. Speaking on the same note, Sakshi and Khushboo (2014) opined that inclusive financial system is centre broader access to financial services and products that has the tendency of promoting equitable growth. Similarly, they asserted that financial inclusion allows the low income and poor households to secured their financial resources thereby reducing their vulnerability to economic shocks considering the fact that majority of the economically excluded groups are women, senior citizens, migrants, urban slum dwellers, landless labourers, marginal farmers, self-employed individuals, and unorganised sector businesses with limited access to financial services. Over the past few decades, the banking sector has experienced remarkable growth in both volume and complexity. There are still worries that banks have not been able to provide basic banking services to a large portion of the population, particularly the impoverished segments of society, despite making great progress in all areas related to financial service sustainability.



Financial deepening

According to Ayo (2022) financial deepening refers to the increasing complexity and sophistication of a financial system, involving the expansion of financial services and instruments. In the context of financial inclusion, it plays a crucial role in fostering economic growth by providing broader access to financial resources and services. Financial deepening involves the development of a wide range of financial products and services, including banking, insurance, and investment options. This expansion allows individuals and businesses, especially those in underserved areas, to access and utilize financial tools that were previously unavailable to them. Onaolapo (2017) opined that a deepened financial system facilitates capital formation by providing efficient channels for savings and investments. Individuals can accumulate wealth through savings, and businesses can raise capital for expansion through various financial instruments. This capital can then be channelled into productive investments that will foster economic growth.

Access to Finance

Ademola (2022) stated that access to a broader range of financial services enables businesses to invest in new technologies, machinery, and human capital. This, in turn, leads to increased productivity and efficiency, contributing to overall economic growth. A balanced and well-managed approach is essential to harness the positive impacts of access to finance to ensure both financial inclusion and economic growth.

Saving mobilization

Aremu (2022) opined that saving mobilization plays a crucial role in fostering financial inclusion and economic growth in Nigeria. By encouraging individuals to save money, financial institutions can mobilize funds that can be channelled into productive investments, thereby contributing to economic growth. Ahmed (2020) stated that financial inclusion can be achieved through effective saving mobilization that a larger portion of the population has access to formal financial services. This empowers individuals, especially those in rural areas, to save, invest, and participate in economic activities. As people build savings, they become more resilient to economic shocks. Kayode (2019) assert that a significant portion of the Nigerian population remains unbanked or underbanked, promoting saving mobilization becomes a tool for inclusive growth. Digital financial services and innovative banking solutions can enhance accessibility, allowing people to save and transact without the need for a traditional bank account. Furthermore, the mobilization of savings contributes to the capital formation necessary for economic expansion. Financial institutions, with increased deposits from savers, have more resources to provide loans for businesses and individuals. This, in turn, stimulates the overall economic productivity.

Economic Growth and Financial Inclusion

Ayo (2022), opined that economic growth is all about an increase in an economic variable over successive periods of time which may be in terms of real or nominal growth. The Growth in real economic variable such as Gross Domestic Product (GDP) for short periods may occur by simply having similar activities conducted on a large scale. Rapid or persistent growth is likely to involve



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positive changes in economic activity while financial inclusion could contribute to the quality of saving and investment in an economy thereby accelerating the rate of economy activities.

In the opinion of Adebayo (2021), the implementation of inclusive finance, which enables vulnerable and financially excluded groups to access and utilise the formal financial system at a reasonable cost, will have a lasting impact on economic activity. These financing activities will benefit low-wage workers and independent contractors in urban areas who work as shopkeepers, foreign exchange officers, street vendors, small-scale farmers, operators of small gold and diamond mines in rural areas, and other people involved in subsistence income-generating activities like food processing and petty trade, particularly women and children of banking age.

Accordingly, Ogunleye (2015) draws a connection between financial stability and inclusion, saying that the former fosters the latter by enabling inclusive growth. Kayode (2019) posits that financial inclusion is crucial for ensuring economic growth since financial inclusion serve as financial sector development drives which provide impetus for economic growth by mobilizing savings and investment in the productive sector.

Theoretical Framework

This study adopts the theory of inter-mediation as the theoretical underpinning considering its connectivity with study objectives. The inter-mediation theory beams a search light on the fundamental significance and the justification behind the existence financial service operators in an economy. The theory explains that financial intermediaries and financial markets are two important institutions that voraciously contribute to the optimal allocation of resources in an economy. Gurley and Shaw (1960) posits that the main products of financial service operators are the loans deposits. Bisignano (1998) with Leland and Pyle (1977) identified and deposited in their literature 4 manners and ways in distinguishing financial intermediaries: Initially, their primary categories of liabilities (deposits) are listed for a fixed amount that is unrelated to a portfolio's performance. Second, compared to their assets, the deposits usually have a significantly shorter term. Third, a sizable amount of their debts is deferred (may be paid back at any time). Fourth, many of their assets and obligations are not transferable. The consistent transfer of money from the surplus units to deficit units is the intermediaries' most significant contribution.

Scholtens and van Wensveen (2003) state that the creation of specialised financial commodities is the primary function of the financial intermediary. These are produced anytime a middleman realised it can sell them for amounts anticipated to pay for all production expenses, as well as opportunity and direct costs. The inter-mediation role of financial institutions ensure that the deficit and the surplus end of the economy is connected with a view of mobilizing resources for economy activities thereby promoting financial inclusiveness. The Theory of Financial Intermediation was deemed appropriate for this study because it fulfilled the goals that the study aims to accomplish. Financial institutions like Deposit Money Banks, which raise deposits to fund loans to these marginalized people and provide other financial services, are essential in providing the necessary supports for the acceleration of economic activity since the vibrancy and efficiency



of a county financial system in terms of financial deepening, access to finance and saving mobilization usually has a huge impact on the rate of economy development. This, therefore, justified the choice of this theory to serve as the theoretical framework for this study.

Empirical Review

Matu (2019) delves into Kenya's trajectory in inclusive finance, examining the reforms, initiatives, and consequent impacts of efforts in financial inclusion on the lives of Kenyans. The focus is particularly on the effects on poverty reduction and the creation of employment opportunities. The study investigates the impacts of financial inclusion in Kenya, specifically addressing its influence on employment generation and the alleviation of poverty. Additionally, it outlines potential risks associated with embracing innovative and inclusive finance across Kenya. The paper concludes by offering recommendations and suggesting steps to enhance financial inclusion, aiming to diminish poverty, foster job creation, and promote sustainable economic development in the country.

Tita and Meshach (2019) conducted a study on the impact of financial inclusion on welfare in sub-Saharan Africa. Using the Findex 2011 dataset, the study explored the relationship between different factors of financial inclusion and income inequality in the region, aiming to pinpoint the factors significantly influencing income disparity. The findings revealed a positive correlation between income inequality and the utilization of formal company accounts, electronic payments, and formal savings. This relationship suggests a limited level of financial inclusion in the area. Additionally, it suggests that merely having a formal account doesn't guarantee easier access to loans. Issues like information imbalances and moral hazards, linked to insufficient financial infrastructure, persist, with many account holders likely being first-time users. Consequently, this may lead banks to hold onto more liquidity and issue fewer loans.

Onaolapo (2020) in a study titled 'financial inclusion as tools for survival in globally competitive environment: lessons for Nigerian banks' investigated the reasons behind Nigeria's financial exclusion and found financial inclusion tactics that banks may adopt to thrive in a highly competitive global market. Data was gathered from all microfinance bank managers in Osun state, Nigeria, through in-person interviews. The study report pinpointed Nigeria's financial exclusion's root reasons. Strategies for financial inclusion that microfinance banks can use to increase savings in rural areas and thrive in a highly competitive global market were recommended. The outcome suggested that financial inclusion tactics would need to be used if Nigerian microfinance banks were to meet their goals and contend with their international counterparts.

Okoye, Adetiloye, Erin, and Modebe (2022) analysed historical data spanning from 1986 to 2021 to explore the influence of financial inclusion on economic growth and development in Nigeria. They employed regression analysis using the ordinary least squares method for their investigation. The study considered variables such as the loan to deposit ratio (LDR), financial deepening indicators (FDI), loans to rural areas (LRA), and branch network (Bbranch) to measure financial



inclusion. Broad money supply to GDP and private sector credit to GDP served as indicators of financial deepening. GDP growth over time was used as an indicator of economic growth, while per capita income (PCI) was utilized as a measure of poverty and, subsequently, as an index for development.

The research found that credit delivery to the private sector has not significantly supported economic growth in Nigeria and financial inclusion has promoted poverty alleviation in Nigeria through rural credit delivery.

Using system GMM, Gebrehiwot and Makina (2022) revealed that financial inclusion in Asia is significantly affected by income level and mobile infrastructure, while population was reported not to have an impact on financial inclusion. The study measured financial inclusion which is used as the dependent variable. However, the methodology suffers shortcomings as earlier mentioned. Nevertheless, the study used system GMM estimator which takes care of the problem of serial correlation, endogeneity and heteroskedasticity which might be plagued by previous studies.

Naceur, Barajas, and Massara (2022) investigated the impact of Islamic banking on financial inclusion using pooled OLS and Fixed Effect Estimator. The result shows that physical access to financial services has increased more in member countries of Organization of Islamic Countries (OIC) but are still less financially inclusive than the rest of the world in recent time. However, the study used a single measure of financial inclusion and did not provide a justification for using the two methodologies together. Further, the proxy for Islamic banking might not be appropriate. Similarly, the study used the OIC which some of the members do not practice Islamic banking and some non-members practicing Islamic banking were excluded

Empirical Gap

An eye bird view of the above empirical literature review, indicate that most of the previous works on the subject matter were concentrated on how financial inclusion activities contribute to economic growth with special emphases on the rural populace regarding financial service/product accessibility and affordability. However, it is important to note that not all the urban dwellers are equally financially included, due to some factor such as low-income level and poor saving habit among other reason. Therefore, in an attempt to have a broader look of the schematic relationship that exist between financial inclusion and economy growth, this study sought to investigate the extent at which the activities of deposit money bank have contributed to financial inclusion in Nigeria bearing it in mind that financial inclusion serves as a ladder for economy growth due to the fact deposit money bank assume a strategic position in the financial inclusion campaign and credit creation in the economy.

METHODOLOGY

This study adopts an expo facto research design method for analysing the collected data. The population for this study was restricted to the total number of deposit money banks licensed by the Central Bank of Nigeria and actively operating in Nigeria as of January 9, 2022 (CBN, 2022). In



addition, there are other financial institutions performing special functions in Nigeria. However, this study focuses on the deposit money banks, understanding that they are the main driver of Nigerian economy which enable them to assume a special position in the Nigerian financial inclusion strategies.

Data for the study was obtained from the Central Bank of Nigeria annual statistical Bulletin and the World Bank World Development Indicator (WDI). Data on Financial Deepening, Loan and Advances to the Agricultural sector, Total Deposit of the deposit money banks and the total Loan and advances to rural area in Nigeria. These data were collected within period spanning from 2008 – 2022, this was based on the fact that the last bank consolidation exercise by Central Bank of Nigeria took place 2008 and 2022 is the most recent data that could be gotten for the purpose of this research.

Model Specification

Impact of Financial Inclusion on economy growth in Nigeria was analysed using regression analysis. The term "economic growth" describes the steady increase in the value of economic activity inside a nation over a given length of time. The Gross Domestic Product (GDP) is a useful metric for assessing an economy's overall value. Economy growth was considered as the dependent variable and it was measured by GDP while Financial inclusion being the independent variables was proxied by financial deepening which was represented by (FD1 and FD2) FD1 represents the ratio of Broad Money to GDP (M2/GDP), while FD2 is the ratio of Credit to Private Sector to GDP (CPS/GDP), Total loan and advances of the deposit money banks (access to finance), Total Deposit of the deposit money banks (saving mobilization) and Liquidity ratio (LQR) of deposit money banks was considered as a control variable because a financial system with good a higher liquidity ratio suggests a more extensive financial inclusion platform.

This study adapts the model of Ajinaja and Odeyale (2017); Onaolapo (2020) and Emeka and Udom (2015). Specifically, this study will adapt the model of Onaolapo (2020) which analysed the Effects Of Financial Inclusion On The Economic Growth Of Nigeria.

The functional model of the equation is presented as:

$$GDP = f(fICA)$$

$$fICA = FD1 + FD2 + AF + SM + LQR$$

Therefore:

$$GDP = FD1 + FD2 + AF + SM + LQR$$

The econometric model of the model is presented as follow:

$$GDP_t = \beta_0 + \beta_1 FD1_t + \beta_2 FD2_t + \beta_3 AF_t + \beta_4 SM_t + \beta_5 LQR_t + \mu_t \dots \dots \dots 3.1$$

Where:

GDP= Gross domestic product

FD1&2= Financial deepening

AF = Access to Finance

SM = Saving Mobilization

LQR = Liquidity ratio

β = Coefficient of estimators

μ = error term

t = time period

Methods of Data Analysis

Tables were used to present the data. Simple regression analysis was used to investigate the extent at which financial inclusion affect economy growth in Nigeria within the period of 2008 and 2022. This is to enable the researchers to identify the pattern and the magnitude of relationship that exists between the dependent and independent variables. The stationarity of individual variable was examined using unit root test to ensure that the data satisfy the conditionality of regression analysis.

Variable measurement

Determinant	Variables	Proxies	Notation	Expected signs
Economy growth	Y	GDP	GDP	
Financial deepening	X1	M1(Broad Money to GDP)	FD1	Positive
	X2	M2 (Credit to Private Sector to GDP)	FD2	Positive
Access to Finance	X3	Total Deposit money banks Loans and Advances	LA	Positive
Saving Mobilization	X4	Total value of Deposit mobilized by deposit money banks	TD	Positive
Control Variable				
Liquidity ratio	X5	Loan and advances/Total deposit	LQR	Positive

Source: Author's computation (2023).

RESULTS AND DISCUSSION

This section presents the result of normality test and descriptive statistics relating to the impact of financial inclusion on Nigerian Economy Growth. It also presents the correlation matrix among the adopted variables. And finally, the empirical analysis results of the schematic relationship between the dependent variable and the independent variables with the aid of OLS Regression analysis.

Descriptive summary

Table 1 Descriptive statistics

	lnFD1	lnFD2	lnLA	lnTD	lnLQR
Mean	5.191699	3.441566	5.098793	0.895246	0.550229
Median	5.181627	3.410165	5.031025	0.907187	0.974997
Maximum	6.064158	3.955093	8.570000	1.183270	0.920236
Minimum	3.877696	3.098654	0.419956	0.545183	0.920113
Std. Dev.	0.750180	0.270288	2.476106	0.128155	0.451297
Skewness	-0.229373	0.281256	-0.478328	-0.377991	-0.367237
Kurtosis	1.661201	1.710890	2.202041	4.148595	4.854997
Jarque-Bera	2.086282	2.060649	1.616593	1.969564	2.346807
Probability	0.352346	0.356891	0.445617	0.373521	0.315097
Sum	154.7925	111.0392	127.4698	22.38114	22.1450
Sum Sq. Dev.	13.50650	1.753331	147.1464	0.394168	0.32210
Observations	25	25	25	25	25

Source: E-View 9

The above table presents the descriptive statistics of all our variables. The summary statistics indicate that the average value of logFD1 and logFD2 stood at 5.19% and 3.44% respectively. This reveals that the financial inclusion and the Nigerian economy growth at an average level of 5.19% and 3.44.5%. In addition, s economic growth indicators, while LA, TD and LQR were placed at 5.098%, 0.895% and 0.55% respectively. The skewness value of -0.229373, 0.281256, -0.478328 -0.377991 and -0.367237 respectively this confirms the normality in the distribution of the series.

Correlation Result

Table 2 Correlation matrix

	LnFD1	LnFD2	LnLA	LnTD	LnLQR
LnFD1	1.000000	0.641568	-0.069163	0.682558	0.076484
LnFD2	0.641568	1.000000	-0.449531	0.155376	0.546647
lnLA	-0.069163	-0.449531	1.000000	-0.195543	0.498366

LnTD	0.062558	0.155376	-0.195543	1.000000	0.553733
LnLQR	0.553733	0.423444	0.563441	0.64724	1.000000

Source: E-View9

The findings of correlation analysis between the variables are summarised in the table above. This practise accomplishes two key goals. The first step is to ascertain whether each pair of dependent and independent variables has a bivariate connection. The second is to make sure that there are no multi-collinearity issues caused by excessively strong correlations between the explanatory variables. According to Gujarati (2020) the correlation among the adopted series for any model must not be more than 70%. From the above table, it is worthy of note that all independent variables were not significantly correlated with each other this confirmed the absence of multi-collinearity in the variables adopted.

Unit Root Tests

Unit root test was adopted to determine whether the time series variables were in a stationary state. The findings of the Augmented Dickey-Fuller test were displayed in table 3 below.

Table 3 Unit Root Tests result: At 99% Critical Levels

VARIABLES	Augmented Dickey Fuller		Remarks @LEVEL	Other of integration
	t-Statistic	Prob.*		
LnFD1	1.142006	0.1877	Stationary	I (0)
LnFD2	1.374272	0.1677	Stationary	I (0)
lnLA	1.100795	0.1261	Stationary	I (0)
lnTD	1.113051	0.1170	Stationary	I (0)
lnLQR	1.120721	0.1240	Stationary	I (0)

Source: E-View, 9

The above result indicate that all the adopted series are stationary at levels given credence to the result of Augmented Dickey-Fuller 1% level. Therefore, one can draw a line of conclusion that there was absence of unit root in the time series variables used in the model

Table 4.4 Regression Analysis Result

Dependent Variable: lnGDP		
Method: Least Squares		
Date: 25/10/23 Time: 09:59		
Sample: 1998- 2022		
Included observations: 25		

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LnFD1	3.968244	1.141155	3.377392	0.0008
LnFD2	0.280804	0.203744	1.378221	0.0008
lnLA	0.145676	0.120041	1.213552	0.0004
lnTD	2.145660	2.110563	1.016629	0.0005
lnLQR	0.275410	0.210674	1.307280	0.008
C	2.746762	2.016032	1.362458	0.0005
R-squared	0.686426	Mean dependent var	9.190801	
Adjusted R-squared	0.616743	S.D. dependent var	0.664767	
S.E. of regression	0.411542	Akaike info criterion	1.274507	
Sum squared resid	1.524301	Schwarz criterion	1.395733	
Log likelihood	-4.647040	Hannan-Quinn criter.	1.229624	
F-statistic	9.850694	Durbin-Watson stat	2.714559	
Prob(F-statistic)	0.00000			

Source: Researcher's Computation, 2023

This paper sought to empirically examine how financial inclusion influence Nigeria Economy Growth. To do this, OLS regression analysis was used and the result was presented in the above table. From the regression result above R-square stood at 0.686426 (69%), which indicate that the adopted independent variables (regressors) were able to explain 69% of the total variation in economic growth proxies by lnGDP. By implication this indicate that the model has a robust goodness of fit and the remaining 31% represent the stochastic element of the model which has been dumped into the error terms. The F-statistic value stood at 9.850694 which is significant at 1% indicating that all the explanatory variables put together have a serious implication on Gross domestic product being the proxy of economy growth (dependent variables).

Moreover, Durbin-Watson statistic stood at 2.715 which was quite impressive this indicate that there is no serial auto correlation.; thus, affirming the reliability of the result. The results also shows that all independent variables are jointly significant at 1% in explaining lnGDP this is in line with the expected apriori expectation. Financial deepening1 (FD1) proxy by the ratio of Broad Money to GDP (M2/GDP) was significant at 10% with coefficient of 3.968244. This implies that a unit increase in Financial deepening1 will result to about 3.968244 units rise in GDP. This is in line with the expected a priori expectation and the finding of Ayo (2021), who also found a positive relationship between Financial deepening (FD1) and economy growth proxied by GDP.

Financial deepening2 (FD2) represent the ratio of Credit from deposit money banks to the Private Sector reveals a positive coefficient of 0.280804 and it is significant at 10% implying a unit increase in Credit from deposit money banks to the Private Sector will result to about 0.280804 rise in economic growth proxies by GDP. Total loan and advances of the deposit money banks



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Vol. 4 No. 1, December, 2023

ISSN: 2735-9603

(LA) to all the Sectors of the economy reveals a positive coefficient of 0.145676 and it is significant at 5% implying a unit increase in loan and advances from the deposit money banks to all Sectors of the economy will result to about 0.145676 rise in economic growth proxies by GDP.

Total Deposit of the deposit money banks (TD) from account holders across all Sectors of the economy reveals a positive coefficient of 2.145660 and it is significant at 5% implying a unit increase in Total Deposit of the deposit money banks will result to about 2.145660 rise in economic growth proxies by GDP because customers saving enable banks to embark on credit creation which stimulate economy development. Liquidity ratio (LQR) of deposit money banks reveals a positive coefficient of 0.275410 and it is significant at 10% implying a unit increase in Deposit money Banks Liquidity ratio will result to about 0.275410 rise in economic growth proxies by GDP because the degree of Banks Liquidity usually induces the lending activities which will no doubt stimulate economy development.

Discussion of Findings

Financial inclusion has been a critical factor in shaping Nigeria's economic landscape. The summary of this study indicates a positive correlation between financial inclusion and economic growth based on the reported coefficient for each of the independent variables which led to the rejection of the null hypotheses for the acceptance of alternatives hypotheses. This implies that as more individuals and businesses gain access to formal financial services, several noteworthy impacts emerge. Enhanced financial inclusion allows individuals and businesses to access credit and investment opportunities thereby ultimately contribute to economic expansion because an improved access to financial services can lead to increased productivity among businesses. This is particularly evident in sectors where capital is crucial for efficiency and expansion. As businesses thrive, they contribute to overall economic growth.

CONCLUSION AND RECOMMENDATION

The overall result of this study shows that each of the adopted variables influence economy growth in Nigeria in a varying dimension. The empirical result of this study specifically indicates that there exists a positive relationship between financial inclusion and economy growth in Nigeria. A percentage increase in Broad Money to GDP and the velocity Credit facilities from banks to the Private Sector of the economy (FD1&2) will result to a spontaneous rise on the vibrancy of the economy.

Given cognizance to the inferences of the study finding a robust saving mobilization (TD) through customers deposits usually induce lending activities also a rise in customers saving will enable banks to embark on credit creation which stimulate economy development. A good financial inclusion in the population will no doubt influence economy development bearing it in mind that financial inclusion is a widely accepted poverty reduction strategy aimed at ensuring access to funds productive usage. The study recommends that the CBN should accelerate financial deepening to enable industries have access to financial resources for productive usage as this will



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increase saving mobilization thereby contributing positively to economic development. Also, financial regulator should come up with appropriate rules or policies that promote financial intermediation across board this will no doubt foster economy development. Therefore, the main focus of this study policy recommendations is the necessity of opening up deposit and borrowing windows for the underprivileged and the income group previously known as the "unbankable" at reasonable prices.

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MALETE JOURNAL OF ACCOUNTING AND FINANCE

A Publication of the Department of Accounting and Finance, Faculty of Management and Social Sciences, Kwara State University, Malete

Vol. 4 No. 1, December, 2023

ISSN: 2735-9603

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