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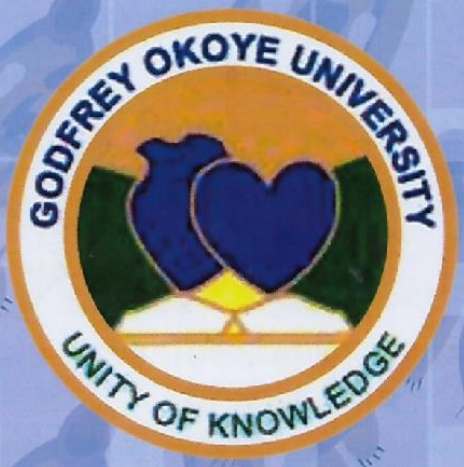

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Deposit Money Banks Sectoral Allocation of Credit and Economic Growth in Nigeria

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Abstract

The size of Deposit Money Banks sectoral credit allocation keeps expanding over the years and one wonders if such increases have been accompanied by expanding economic growth in Nigeria. This research examines the impact of Deposit Money Banks sectoral credit allocation on economic growth in Nigeria for the period 1980 - 2014. To achieve this, time series data obtained from the Central Bank of Nigeria were analysed using The Vector Error Correction Model (VECM) estimation technique and VEC Granger Causality Wald test. The findings indicate that only Deposit Money Banks sectoral credit allocation to Production has statistically significant positive impact on economic growth while the other explanatory variables have negative significant impact on economic growth. The causality test indicates that there is no causal relationship between Economic Growth and Deposit Money Banks sectoral credit allocation and interest rate. From the findings, 1% increase in credit to the production sector leads to 3.5% increase in economic growth. It is recommended that the monetary authorities should direct Deposit Money Banks through the Credit Policy Guidelines to give priority and grant more credit to the production sector. The findings also indicate that a 1% increase in sectoral credit to General Commerce and Services/ Government/Personal/Professional/ Miscellaneous results in 1.4% and 1.95% decrease in economic growth respectively. A further recommendation therefore is that the Banking Supervision Department of the Central Bank of Nigeria should conduct thorough field investigation to ensure that loan amounts reportedly allocated to these sectors by the Deposit Money Banks are not diverted to other uses.

Keywords: Deposit Money Banks, Credit, Economic Growth, Vector Error Correction Model, Nigeria.

Background to the Study

A mixed economy such as Nigeria is made up of two units in terms of funds availability- the surplus spending units and the deficit spending units. In discharging their primary function of intermediation, banks mobilize deposit from the surplus spending units of the economy and lend it out to the deficit spending units in form of loans and advances (Kalu, 2009). The role of the financial system in mobilizing and channeling funds to the real sectors of the economy is of vital importance. Sound financial system is a necessary and sufficient condition for rapid growth and

development of a modern economy (Sanusi, 2012).

The financial system in any economy consists of institutions such as banks, insurance, stock/capital market and other financial institutions. The banking sector is an integral and vital part of the Nigerian financial system. Its importance in the Nigerian financial system is seen as it accounts for about 90% of the total assets in the system and about 65% of market capitalization of the Nigeria stock market (Soludo, 2009). However, the contribution of the banking sector to the growth and development of the Nigerian economy has not been significant as expected in view of its prime importance in the economy. The poor performance of the sector could be attributed to a number of factors which include inadequate capital, high level of non performing risk assets, which had led to frequent distress in the sector and the collapse of some banks in the past (Sanusi, 2012).

If banks cannot grant loans and advances to the deficit economic units within their immediate operational environment, the business sector will not grow, deposits will be limited and this will hinder the ability to generate income (Galac, 2001). Loanable funds for most banks account for about 55% or more of their total assets and about half to two-thirds of their revenue (Udoka and Effiong, 2006). Thus, lending is the first and most important function of banks. The lending function is very vital due to a number of reasons. The first is that the viability and stability of a bank is assessed by the banking public on their lending ability. Banks that are willing and able to give out loans and advances as at when due are considered more viable and stable than those that mostly rejects loan proposals.

The next reason is that lending is part of the legal requirement by the monetary authorities which may stipulate certain percentage of bank lending to particular sectors such as agriculture, small and medium scale industries, etc. Lending is also used as a monetary policy tool by the government which affects money supply and demand in the economy. The pattern of production, hence of entrepreneurship, aggregate output and overall productivity in an economy is also affected by the level of bank lending. It is also a generally held and accepted view that there is a positive relationship between bank credit and economic growth (Oluitan, 2009).

Economic growth consists of a positive change in the national income or level of production of goods and services by a country over a certain period of time (Oluitan, 2009). Economic growth is measured in terms of level of production within the economy, factor productivity, technological change, physical capital accumulation and real gross domestic product (GDP) (Odedokun 1998; Allen and Ndikumame 1998; King and Levine 1993). Therefore, economic growth is the expansion in the productive capacity of a nation.

According to Oluitan (2009), information abound on Nigerian banking industry and its activities but little information is available on how Commercial Banks lending specifically affect economic growth. However, studies available have divergent opinions/

conclusions on their research findings. While Ogege and Boloupremo (2014) for example posits that only credit allocation to production has significant positive effect on Nigeria's economic growth, Fapetu and Obalade (2015) reported that credit allocated to government, personal and professional have significant positive contribution to economic growth during intensive regulation and that bank credit do not contribute significantly to economic growth during deregulation.

The total loans and advances reportedly given out by commercial banks to the various sectors of the Nigerian economy for the years 2012, 2013, and 2014 were ₦8,150 billion, ₦10,005.6 billion and ₦12,889.4 billion respectively (CBN, 2015).The Central Bank of Nigeria computed the figures from the various Commercial Banks returns and they are quite colossal. Out of these sums, loans and advances to production or the real sector for the same period 2012, 2013 and 2014 were ₦3, 696 billion, ₦4,406.2billion and ₦5,575.5 billion respectively. This represents 45%, 44% and 43% of total Commercial Banks loans and advances disbursements for the years 2012, 2013 and 2014 respectively.

Commercial banks loans and advances are vital in driving economic growth in developing economies and therefore, the researchers are motivated to embark on this study to empirically ascertain the impact of deposit money banks sectoral allocation of credit on economic growth in Nigeria.

Literature Review

Credit is the money from the lender to the borrower (Nwanyanwu, 2010). According to Spencer (1977), credit implies a promise by one party to pay another for money borrowed or goods and services received. Credit is an integral part of the banking sector as banks serve as intermediaries through which funds are received in the form of deposits from the surplus spending units of the economy and transferred unto the deficit spending units that need the funds for productive purposes. Banks therefore become debtors to the depositors of funds from the surplus spending units and creditors to the borrower of funds from the deficit spending units.

Bank credit is the borrowing capacity availed to an individual, government, firm or an organization by the banking system in the form of loans and advances. Credit and advances channel savings unto productive investment thereby encouraging economic growth.

Todaro and Smith (2006) defined economic growth as a steady process by which the productive capacity of the economy is increased overtime to bring about risen levels of national output and income. Dewett (2005) viewed economic growth as an increase in the net national product in a given period of time. He further explained that economic growth is a quantitative change in economic variables, normally persisting over successive periods. Jhingan (2006) viewed economic growth as an increase in output. In addition to these definitions, Ochejele (2007) noted that the main characteristics of economic growth are

high rate of structural transformation, international flows of labour, goods and capital.

The study of Ogege and Boloupremo (2014) on the role of banks on economic growth in Nigeria indicated that credit allocated to production sector having a significant positive effect on economic growth. In their study Akujuobi and Chimaijem (2012) examined the effect of commercial bank credit to the sub sectors of the production on growth between 1960 and 2008 and established that while credits to agriculture, forestry and fishery, manufacturing, mining and quarrying and real estate and construction are negative and insignificant, credit through the mining and quarrying sub-sector have significant positive contribution on economic growth.

According to Uzomba, Chukwu, Jumbo and Nwankwo (2014) who investigated the impact and the determinants of Deposit Money Banks' loans and advances granted to agricultural sector in Nigeria, deposit money banks' loans and advances have positive impact on the agricultural sector.

Ebi and Emmanuel (2014) investigated the impact of commercial bank credit on Nigeria industrial subsectors and found that an increased bank credit to industrial sector is significant in determining industrial sector growth in Nigeria.

The study of Nwakanma, Nnamdi, and Omojefe (2014) evaluated the long-run relationship and the directions of prevailing causality between bank credits to the private sector and the Nigeria's economic growth. The study established based on the Autoregressive Distributed Lag Bound (ARDL) and Granger Causality that bank credits have significant long-run relationship with economic growth but without significant causality in any direction.

Ogege and Shiro (2013) in a study "Does depositing money in bank impact on economic growth? Evidence from Nigeria" discovered a long-run relationship between deposit money bank and economic growth and concluded that commercial credits contribute positively to economic growth in the long run. Shittu (2012) further examined the impact of financial intermediation on economic growth in Nigeria and found that financial intermediation notably deposit mobilization is significant in determining economic growth in Nigeria.

Fapetu and Obalade (2015) investigated the impact of sectoral allocation of deposit money banks loans and advances on economic growth of Nigeria during the intensive regulation, deregulation and guided deregulation regimes. The results showed that only credit allocated to government, personnel and professional have significant positive contribution on economic growth during the intensive regulation.

Makali (2014) examined the effect of commercial bank loans on Kenya's economic growth based using data covering the period of 2008 to 2012 and all the 43 commercial banks in Kenya. The research concludes that economic growth in Kenya is not driven by changes in lending. This is an indication that Kenya economic growth is not strongly

determined by loans and advances issued by banks to private borrowers.

According to Lang and Nakamura (1995) bank lending alone cannot lead to economic growth. They believe that other monetary policies of Central Banks are equally important in making bank loans to have the desired impact on economic growth. This is an important contribution to the discourse on supply-leading hypothesis. The study Swiston (2008) conducted in USA detected quantitatively, the significance of bank lending on economic growth. He posited that credit availability is an important driver of the business cycle, accounting for over 20% of the typical contribution of financial factors to growth. He further argued that a net tightening in lending standards of 20% reduces economic activity by 0.75% after one year and 1.25% after two years. The key findings of all the studies are that financial intermediaries (proxy deposit money banks (DMBs), have significant positive impact on productivity of factors of production which leads to increase in real GDP and economic growth.

Zhang, Wang & Wang (2012) conducted a study on financial development and economic growth in China. The objective of the study was to investigate and establish the relationship between financial development and economic growth in China. The study was done at city level. 286 Chinese cities were studied over the five year period between 2001 and 2006. The study applied both traditional cross-sectional regression and first-differenced and system GMM estimators for dynamic panel data. The results of the research suggested that most traditional indicators of financial development like Credit, Deposit, Savings, the share of fixed asset investment financed by domestic loans relative to that financed by state budgetary appropriation positively related to economic growth. However, the ratio of corporate deposits to total deposits had a negative effect on economic growth. This study showed that credit had positive effect on economic growth.

The study by Aurang (2012) was done on the contribution of the commercial banking sector on economic growth in Pakistan. The aim of the study was to investigate the contributions of the commercial banking sector on Pakistan's economic growth. The study was done on 10 banks for the period of 1981 to 2010. Analysis of the data from the 10 banks was done using the Augmented Dickey Fuller (ADF), Philip Perron unit root test, ordinary least square and the granger causality test. The regression results indicated that deposits, investments, advances, profitability and interest earnings had significant positive impact on economic growth. The Granger-Causality test confirmed that there was a bidirectional causal relationship between deposits, advances and profitability and economic growth. The study concluded that activities in the banking sector, including advances by the commercial banks, affected economic growth.

Abubakar and Gani (2013) carried a study on financial development and economic growth in Nigeria. The aim of the study was to examine and establish the long run relationship between financial development indicators and economic growth in Nigeria. The study found that in the long-run, liquid liabilities of

commercial banks exerted significant positive influence on economic growth while credit to the private sector, interest rate spread and government expenditure exerted significant negative influence. The study concluded that credit to the private sector deterred economic growth.

Data and Methodological Issues

This study was motivated by the objective of ascertaining the impact of deposit money banks sectoral allocation of credit on economic growth in Nigeria. Data were sourced from various issues of Central Bank of Nigeria via www.cenbank.org. The theoretical underpinning of this study is the Cobb-Douglas production function. This theory explains the relationship between output (economic growth), and input (labour and capital). The capital component provided the link through which lending enters the equation. A significant portion of credit borrowed from Deposit Money Banks or elsewhere is used for capital accumulation. The accumulated capital therefore becomes one of the variables of economic growth in the Cobb-Douglas theory (Ghani & Suri, 1999). In relation to this study, credits provided by the banks are utilized as capital for the production process whose change indicates growth. This theory also supports the claim by other endogenous growth theories which states that finance spurs growth in an economy.

The multivariate model is thus specified in the log form in line with the Cobb – Douglas production model as follows:

$$\text{Log (RGDP)}_t = \beta_0 + \beta_1 \text{ log PROD}_t + \beta_2 \text{ log COMM}_t + \beta_3 \text{ log SGPPM}_t + \beta_4 \text{INT}_t + \mu \quad \ldots\ldots (1)$$

Where, RGDP is Real Gross Domestic Product (proxy for economic growth), PROD is Deposit Money Banks credit to Production Sector, COMM is Deposit Money Banks credit to General Commerce, SGPPM is Deposit Money Banks credit to Services, Government, Personal, Professional and Miscellaneous, INT is Interest Rate. The a priori expectations would require that the parametric coefficients in equation (1) be $\beta_1 - \beta_3 > 0, \beta_4 < 0$

Empirical Results

Unit Root Test for Stationarity

Under this test, we engaged the Augmented Dickey Fuller (ADF) technique. It is specified as follows: $\Delta x_t = \alpha_t + \beta_1 x_{t-1} + \partial t + \sum_{i=1}^{n} \theta i \, \Delta x_{t-1} + \varepsilon_t$ ..... (2)

Where, Δ is the first-difference operator; t is the time trend, and ε_t is the stationary random error, n is maximum lag length and x_t is the time series variable.

Table 4.1: Result of ADF Unit Root Test

S/N	Variables	ADF t-statistic	5% critical values	Order of Integration	Decision
1	LRGDP	-38.24282	-2.954021	I(1)	Stationary at first difference
2	LPROD	-5.431709	-3.552973	I(1)	Stationary at first difference
3	LCOMM	-7.853594	-3.552973	I(1)	Stationary at first difference
4	LSGPPM	-8.928196	-3.552973	I(1)	Stationary at first difference
5	INT	-6.607152	-2.957110	I(1)	Stationary at first difference

Source : Author's Computation using E – Views.

Table 4.1 above indicates that all the time series variables were integrated at first difference where the absolute ADF t-statistic were all above the 5% critical values. Therefore we move on to test if they have long run relationship.

Johansen Cointegration Test

To ascertain the long run relationship between economic growth and commercial banks credit to production, general commerce, services / other sectors and interest rate, the Johansen cointegration procedure is utilized (Johansen, 1991) and Johansen and Juselius (1990). The procedure involves the estimation of a vector error-correction model (VECM) in order to obtain the likelihood-ratios (LR). The VECM used in the study is as follows: $\Delta y_t = \theta_0 + \sum_{i=1}^{m} \theta i \, \Delta y_{t-1} + \alpha\beta' y_{t-k} + \varepsilon_t$ ..... (3).

Table 4 .2a: Result of Johansen Cointegration Analysis (Trace Test)

Series: LRGDP LCOMM LPROD LSGPPM INT				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.660128	77.40174	69.81889	0.0109
At most 1	0.542807	41.78860	47.85613	0.1647
At most 2	0.233021	15.96116	29.79707	0.7150
At most 3	0.195046	7.206393	15.49471	0.5538
At most 4	0.001404	0.046377	3.841466	0.8295
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Table 4 .2b: Result of Johansen

Cointegration Analysis (Rank Test: Maximum Eigenvalue))

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.660128	35.61314	33.87687	0.0307
At most 1	0.542807	25.82744	27.58434	0.0825
At most 2	0.233021	8.754770	21.13162	0.8517
At most 3	0.195046	7.160016	14.26460	0.4704
At most 4	0.001404	0.046377	3.841466	0.8295
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: Author's computation using E – Views.

The result above in Table 4.2 (a & b) indicates that cointegration does exists since the value of the computed Statistic exceeds the 5% critical values in the null hypotheses for both Trace and Maximum Eigenvalues tests criteria (indicating one cointegrating equation). Therefore, there is a long run relationship between Real GDP and the explanatory variables (Commercial Bank credit to Production, General Commerce, service / other sectors and interest rate). Since Cointegration exists, and the time series variables were all integrated at first difference, the appropriate model to use in estimating the parameter estimates for this study is the Vector Error Correction Model (VECM).

Model 1: Estimation Technique: Vector Error Correction Model

The Vector Error Correction Model (VECM) was employed for estimating the model of this study. The long run estimation of the impact between Commercial Banks sectoral credit allocation and Economic Growth nexus was examined with the VECM procedure based on VAR. This procedure is particularly attractive over the standard VAR because it permits temporary causality to emerge from (1) the sum of the lagged coefficients of the explanatory differenced variable and (2) the coefficient of the error correction term. In this study, the Vector Error Correction model is based on:

$$\Delta RGDP_t = \alpha_{t-1}^{*} - \sum_{i=1}^{n} \omega_i \Delta RGDP_{t-i} + \sum_{i=1}^{n} \beta_i \Delta PROD_{t-i} + \sum_{i=1}^{n} \delta_i \Delta COMM_{t-i} + \sum_{i=1}^{n} \pi_i \Delta SGPPM_{t-i} + \sum_{i=1}^{n} \pi_j \Delta INT_{t-j} + u_{1t} \quad \ldots(1.1a)$$

$$\Delta PROD_t = \alpha Z_{t-1} + \sum_{i=1}^{n} \omega_i \Delta RGDP_{t-i} + + \sum_{i=1}^{n} \beta_i \Delta PROD_{t-i} + \sum_{j=1}^{n} \rho_j \Delta COMM_{t-j} + \sum_{j=1}^{n} \tau_j \Delta SGPPM_{t-j} + \sum_{j=1}^{n} \tau_j \Delta INT_{t-j} + u_{2t} \quad \ldots(1.1b)$$

$$\Delta COMM_t = \delta Z_{t-1} + \sum_{i=1}^{n} \gamma_i \Delta RGDP_{t-i} + + \sum_{i=1}^{n} \beta_i \Delta PROD_{t-i} + \sum_{j=1}^{n} \delta_j \Delta COMM_{t-j} + \sum_{j=1}^{n} \gamma_j \Delta SGPPM_{t-j} + + \sum_{j=1}^{n} \pi_j \Delta INT_{t-j} + u_{3t} \quad \ldots(1.1c)$$

$$\Delta SGPPM_t = \vartheta Z_{t-1} + \sum_{i=1}^{n} \gamma_i \Delta RGDP_{t-i} + - \sum_{i=1}^{n} \beta_i \Delta PROD_{t-i} + \sum_{j=1}^{n} \delta_j \Delta COMM_{t-j} + \sum_{j=1}^{n} \gamma_j \Delta SGPPM_{t-j} - + \sum_{j=1}^{n} \pi_j \Delta INT_{t-j} + u_{4t} \quad \ldots(1.1d)$$

$$\Delta INT_t = \varepsilon Z_{t-1} + \sum_{i=1}^{n} \gamma_i \Delta RGDP_{t-i} + + \sum_{i=1}^{n} \beta_i \Delta PROD_{t-i} - \sum_{j=1}^{n} \delta_j \Delta COMM_{t-j} + \sum_{j=1}^{n} \gamma_j \Delta SGPPM_{t-j} + + \sum_{j=1}^{n} \pi_j \Delta INT_{t-j} + u_{5t} \quad \ldots(1.1e)$$

Where $\alpha_i, \delta_i, \gamma_i, etc$ are parameter estimates of the linear function z_{t-1} represents the error correction term lagged by one period.

Estimation Result

Table 4.3: Vector Error Correction Model

Vector Error Correction Estimates
Standard errors in ( ) & t-statistics in [ ]

Cointegrating Eq:	CointEq1
LOG(RGDP(-1))	1.000000
LOG(PROD(-1))	3.517279 (0.51311) [6.85484]
LOG(COMM(-1))	-1.403039 (0.25002) [-5.61167]
LOG(SGPPM(-1))	-1.953551 (0.27237) [-7.17228]
INT(-1)	-0.096531 (0.01804) [-5.34970]
C	-15.82383

Error Correction:	D(LOG(RGDP))	D(LOG(PROD))	D(LOG(COMM))	D(LOG(SGPPM))	D(INT)
CointEq1	-0.004765	-0.394424	-0.121873	0.039373	1.5957 64 (1.855 21) [0.8601 5]
	(0.01967)	(0.12166)	(0.19895)	(0.23571)	
	[-0.24227]	[-3.24193]	[-0.61258]	[0.16704]	

Source: E-Views 9

The result above indicates that the t-statistic for all the explanatory variables were statistically significant in determining economic growth over the period under study. Commercial bank's sectoral credit allocation and interest rate have significant impact on economic growth in Nigeria. For a one percent increase in commercial bank credit allocation to production sector, GDP increases by 3.58 per cent. A one per cent increase in commercial bank credit allocation to general commerce, results in real GDP decline by 1.4 percent. Also, for a one per cent increase in commercial banks credit allocation to services, government, personal, professional and miscellaneous sector, the economy's output falls by 1.95 per cent. In addition, the finding shows that when interest rate increases by one percent, economic growth falls by 0.096 percent. The behavior of interest rate in this model agrees economic apriori expectations. Higher interest rates increases cost of credit and tighten credit availability. This increases cost of production and eventually lowers output level. The negative sign of the ECM term (-0.0047) meets apriori expectation. It could be interpreted as meaning that the speed by which the economy is restored back to equilibrium after a shock is 0.47%. This speed is poor and not statistically significant.

Model 2: Estimation Technique: Granger Causality Wald Test

The Wald test Model was employed for determining the causality relationship between sectoral Commercial Banks credit allocation and economic growth in Nigeria. As usual, the Granger causality test is used for causal testing among macroeconomic variables. In summary, if the past values of a time series variable Y can predict Xt+1 , we conclude that Y is a Granger cause of X and vice versa. In other words, this famous test is two-variable auto-regressive model as follows;

$$x_t = \alpha_0 + \sum_{i=1}^{m} \alpha_i x_{t-i} + \sum_{j=1}^{m} \beta_j y_{t-j} + u_t \quad (4)$$

$$y_t = \sigma_0 + \sum_{i=1}^{m} \sigma_i y_{t-i} + \sum_{j=1}^{m} \delta_j x_{t-j} + v_t \quad (5)$$

Table 4.4:VEC Granger Causality/ Block Exogeneity Wald Test Results

S/N	Hypothesized Relation	Wald Statistic	Probability	Remark

1	LRGDP→LPROD LPROD→LRGDP	0.009974 0.003827	0.9204 0.8005	No causality No causality
2	LRGDP→LCOMM LCOMM→LRGDP	0.039462 0.001433	0.8426 0.9698	No causality No causality
3	LRGDP→SGPPM LSGPPM→LRGDP	0.023041 0.001309	0.8754 0.9711	No causality No causality
4	LRGDP→INT INT →LRGDP	0.017632 0.004192	0.8944 0.9484	No causality No causality

Source: Authors calculations using E – Views.

The above result indicates that there is no causal relationship between Commercial Banks loans and advances to Production, General Commerce, Services / Government, Personal, Professional and Miscellaneous, Interest rates and Nigeria's economic growth. This implies that the past values of Commercial Banks sectoral credit allocation and interest rate cannot be used to predict future values of real GDP and vice versa.

Summary and Recommendations

This study on Deposit Money Banks Sectoral Credit Allocation and Economic Growth in Nigeria established that Only Deposit Money Banks credit to Production has significant positive impact on real GDP. A 1% increase in credit to production sector results in a 3.5 % increase in real GDP. Deposit Money Banks credit to General Commerce, Services / Government, Personal, Professional, Miscellaneous and interest rate have significant negative impact on real GDP (economic growth). 1% increase in credit to General Commerce, Services / Government, Personal, Professional, Miscellaneous and interest rate leads to 1.4 %, 1.95 %and 0.096 % decrease in economic growth respectively. Furthermore, Deposit Money Banks credit to Production, General Commerce, Services / Government, Personal, Professional, Miscellaneous and interest rate do not granger cause economic growth and vice versa.

This study, therefore recommends that Monetary Authorities should direct Deposit Money Banks through the Credit Policy Guidelines to give priority and grant more credit to the Production sector. This is in view of the fact that a 1 % increase in credit to the Production sector leads to 3.5 % increase in economic growth. Production sector is the real sector of the economy which is very vital and strategic for economic growth. In addition, that Banking Supervision Department of the Central Bank of Nigeria should go beyond just routine examination of Deposit Money Banks records and conduct thorough field investigation to ensure that loan amounts reportedly allocated to General Commerce, Services / Government, Personal, Professional and Miscellaneous are not diverted to other uses. This is informed by the research findings which indicate that a 1 % increase in sectoral credit to General Commerce and Services / Government, Personal, Professional, Miscellaneous leads to 1.4 % and 1.95 % decrease in economic growth respectively.

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