Fiscal Policy and Small-Medium Scale Enterprise, Implication on Economic Growth in Nigeria

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ABSTRACT
The study evaluates the implications of fiscal policy and small-medium scale enterprise on economic growth in Nigeria for the period of 1993-2022. Time series data were used while Johansen co-integration test was employed to test the long-run effects of fiscal policy and SMEs on economic growth.The result of the findings showed that government expenditure has a positive impact on economic growth in Nigeria, while SMEs has a negative impact on economic growth in Nigeria. Furthermore, the result of the dependent variable and independent variables showed that labour and fiscal policy (government expenditure) have positive relationship with economic growth while gross fixed capital formation, the employment generation growth rate and the deposit bank loans have negative relationship with the economic growth (proxy by the real gross domestic product). Based on these findings, the paper concludes that the government should enhanceinfrastructure to increase employment rate in the economy and also, government should introduce target incentives and policy measures to motivate an increase in the lending to SMEs.
Key words: Fiscal policy, Small and medium enterprises, deposit bank loan, economic growth.

I. Introduction

Industrialization has been a key focus of Nigeria's economic transformation since independence in 1960. Initially, previousgovernments emphasized the establishment of large and medium-sized companies to drive industrialization. However, in 1988, the industrial policy shifted towards supporting small and medium-sized enterprises (SMEs) while recognizing the importance of the private sector (Adekunle, Adesanye& Collins, 2022,). SMEs have emerged as vital contributors to Nigeria's industrial sector and have significantly contributed to its economic growth (Udo and Mohammed,2022; Mbatu, 2018). SMEs play an important role in achieving global economic growth and development, contributing to national economic growth, job creation, and various other socio-economic benefits. SMEs have a direct impact on employment opportunities, investments, local technologies, entrepreneurship, innovation, exports, and industrial diversity (Udo and Mohammed, 2022). In Nigeria, SMEs are classified as businesses with 10 to 250 employees, while micro firms have fewer than 10 employees (Thabet et al 2021). According to the Federal Office of Statistics, SMEs account for 97% of Nigeria's economy, highlighting their significant presence and influence, SMEs have historically played a crucial role in driving economic expansion, reducing poverty, and creating employment opportunities in industrialized countries (Hassan et al, 2020). Within the realm of economic policy, fiscal policy holds a prominent position and has a significant impact on achieving national economic objectives. Over the years, various previous governments have implemented various macroeconomic policy options to promote economic expansion and development, with fiscal policy playing an important role in influencing economic growth (Gbande, Udoh& Frank, 2018; Ehikoya et al, 2018). Fiscal policy serves as a crucial determinant of economic expansion and provides governments with versatile tools to regulate and

guide the economy. In Nigeria, challenges such as unemployment and extreme poverty have been exacerbated by the lack of support for sustainable development initiatives, particularly those benefiting SMEs (Alabi, David &Aderinto, 2019). Fiscal policy plays a significant role in influencing economic performance through government expenditure, borrowing, and other factors. By focusing on macroeconomic indicators like employment, national income, and price levels, fiscal policy becomes a primary tool for stimulating the economy (Oloni, 2021). SMEs are frequently subjected to higher interest rates and credit restrictions because there is a dearth of available collateral. The problems that develop with funding vary greatly between new and old businesses, as well as between those that expand slowly and those that expand quickly. The emergence of private equity markets, especially unregulated markets, has considerably increased start-ups and SMEs access to venture capital, even if there are still substantial disparities across countries. SMEs are frequently known to be funded by the founders' personal or family funds as well as by the government. However, this source of capital for the establishment, growth, and development of new and existing SMEs is ineffectively low due to Nigeria's high level of poverty rate and consequently low levels of savings. This may help to explain why the majority of SMEs in Nigeria frequently lack sufficient capital at the beginning and prepare to shut down when the financial assistance from the government or financial institutions fail to come or reach them.(Etaleand Light., 2021)

SMEs appear to have had substantial difficulties as a result of government initiatives. The introduction of "stabilization measures" in 1982, which led to import prohibitions and severe budget cuts, marked the beginning of the government's harsh policies directed at SMEs. These in turn had a detrimental effect on the financial institution subsidies designed to aid in the financing of SMEs. Significant problems have arisen for domestic investors as a result of their foreign competitors' choice to use Nigeria as a depository for their output. State and local government organizations usually bring up the subject of illegitimate taxes (taxes placed on this or that), such as business development taxes, business registration taxes, business premises taxes, sanitation fees, signboard fees, stickers, etc. As a result,SMEsin Nigeria are compelled to operate in expensive and unfavorable business conditions.

II.   The Objectives of the Study

The purpose of this research is to examine the impact of government policies especially government expenditure (fiscal policy) affect the growth and success of small and medium-sized businesses (SMEs) in Nigeria, and how this, in turn, impacts the overall economy. It also examined the effect of fiscal policy and SMEs on economic growth in the long-run.

III.   Emperical Review

Thabet, Haq, Natarajan, and Akram (2021) conducted a study in the Kingdom of Bahrain to examine the impact of fiscal policies on small and medium-sized enterprises (SMEs). The researchers employed the Ordinary Least Squares (OLS) technique and the Augmented Dickey Fuller (ADF) unit root test to analyze time series data. The findings revealed that fiscal policy, along with the literacy rate, has a positive influence on SME growth in Bahrain. Conversely, the real interest rate was found to have a negative effect on SME growth. These results indicate that government fiscal policies, including taxation, public spending, and literacy-enhancing programs, play a crucial role in supporting SME growth in Bahrain. Agu, Onwuka, and Aruomah (2019) focused on the impact of taxes on the performance of SMEs in Aba, Nigeria. The researchers employed statistical analysis methods such as one-sample t-test and multiple regression analysis. The findings emphasized a strong correlation between taxes and SME success, highlighting the significance of the tax environment, including tax assessment, collection, and utilization, in influencing the performance of SMEs in Aba. This suggests that a supportive tax system and effective tax administration are catalysts for the success and development of SMEs in Nigeria. Chidume and Nenbee (2022) conducted a study examining SME operations in the Obio-Akpor Local Government Area of Rivers State, Nigeria. The researchers utilized the Small and Medium Enterprise Survey Questionnaire (SMEQ) and employed logistic regression and descriptive statistics for their analysis. The findings revealed that increasing employee salaries and expanding business size can enhance SMEs' prospects of supporting economic growth as well as alleviating poverty in the state. This underscores the importance of human capital development and business expansion for SMEs to contribute effectively to local economic development.

Etale and Bibiere (2021) examined the relationship between the expansion of SMEs and Nigeria's overall economic growth. The researchers made use of secondary time series data from various

sources. The findings revealed that the combined asset base and capitalization of SMEs had minimal direct impact on the country's Gross Domestic Product (GDP). Additionally, the overall regression model was not statistically significant. This suggests that while SMEs are one of the key components of the production sector of the economy, their direct contribution to overall economic growth in Nigeria may be limited. Gbande et al (2018) studied the effect of fiscal policy on the expansion of SMEs on the economy. The researchers employed the Error Correction Model (ECM) and the Johansen co-integration approach to analyze time series data. The results indicated that while there was no significant relationship between the tax rate and SME growth, government spending had a substantial impact on SME growth. This implies that government policies related to public spending and investment play a crucial role in supporting SME expansion and development in Nigeria.

A study on the relationship between Nigeria's fiscal policies and economic growth was carried out by Efe (2021). Using time series data, the researcher employed the use of some statistical tests, such as the Johansen Cointegration test, the Error Correction Model (ECM), the Augmented Dickey Fuller unit root test, and descriptive statistics. The results showed a strong positive correlation between non-oil revenue, capital spending, and recurrent spending and economic growth. I addition, the findings also revealed a negative relationship between economic development and both external and domestic debt as well as the fiscal deficit.The research concludes that fiscal policy plays a significant role in influencing economic growth in Nigeria. Ikechukwu and Obiageli (2021) conducted a study in Nigeria to examine the relationship between government spending and the performance of small and medium-sized businesses (SMEs). Their findings revealed that government borrowing had a negative and insignificant impact on SMEs, while capital expenditures on roads, agriculture, and education, as well as recurrent expenditures, positively and significantly influenced SME growth. The researchers concluded that government spending plays a vital role in supporting SMEs and contributing to Nigeria's economic growth.

Alabi et al (2019) focused on the impact of government policies on SME expansion in South Western Nigeria. Their study utilized primary and secondary data, employing structured questionnaires for data collection. The findings indicated a significant relationship between government policies and SME expansion in the region, underscoring the importance of government support in facilitating SME growth. Akanbi, OluwakemiOlaronke, and Olarewaju (2021) examined the impact of Nigeria's post-COVID-19 fiscal policy on SME sustainability. Through a survey of SMEs in the Ado Odo Ota Local Government Area, the researchers found that Value Added Tax (VAT) and government spending significantly and positively influenced SME sustainability. These results highlight the role of fiscal policies in supporting SMEs in the post-COVID-19 era. Edokobi, Scholastica, and Otugo (2018) explored the impact of small and medium-sized businesses on Nigeria's economic development. Their study, employing the Ordinary Least Square (OLS) estimator, found positive relationships between SMEs, government spending, job creation, commercial bank credit, lending rates, and economic growth. However, in Nigeria,corruption was identified as a detrimental factor affecting economic development.

Bello et al (2018) focused on the impact of small and medium-scale enterprises (SMEs) on economic growth in Nigeria. Their study, using time series data from 1986 to 2016 The study employed ordinary linear (OLS) to process the data.The results of the findings showed a positive correlation between small and medium enterprises and output growth, indicating that SMEs contribute positively to Nigeria's economy. Adekunle, Adesanya, and Collins (2022) investigated how Nigeria's fiscal policies impact the expansion of SMEs. Through the use of methods such as Ordinary Least Square (OLS), Logit, and Probit, they identified significant predictors of SME growth, including ownership status, ease of access to energy and financing, capacity utilization, and theft. However, they also found that the current tax system and the degree of competition posed challenges to SMEs in generating sales. Joseph, Naenwi, Lekue, and Nordum (2016) examined the effects of public expenditures on SMEs in Nigeria using secondary data. Their analysis, including statistical tests such as ADF, PP, KPSS, Johansen's co-integration test, and ARDL bounds testing strategy, supported the hypotheses of increasing public spending relative to national income and its positive impact on economic growth and development in Nigeria.

IV. Methodology
4.1 Data Collection
Data for the variables used in the analysis were time series data sourced from the Nigerian Statistical Bulletins for the period between 1993 and 2022. Data were collected on the following variables; real gross domestic product, fiscal policy, deposit bank

loans, gross fixed capital formation, labour and employment generation growth rates for 30 years.

4.2 Theoretical Framework

The theories backing this study encompasses two theories, economic growth theory by Solow (1956) and the fiscal policy theory by Markiw (2000). The growth theory developed by Solow is concerned with the production function Y= f(K, L) which symbolizes capital and labour as a function of economic growth. The second theory, the Savers Spender theory of fiscal policy which deals with the government spending and its effects of crowd-out capital in the long run (Eze-ogiji, 2013). It also looked at the effect of tax and government expenditure on consumption, and interest rate margins on investment, output and employment. Economists such as Adam Smith, David Ricardo, and Robert Malthus, provides a framework for understanding the long-term trends in economic growth. According to this theory, every economy has a steady state GDP, and any deviation from that steady state is temporary and will eventually return to it.

4.3 Sources of Data

Data for this study were collected from the Nigerian Statistical Bulletins and the World Development Indicators from 1923-2022. The data were on the Real Groos Domestic Product,Fiscal Policy (tax),Deposit Bank Loans, Gross Fixed Capital Formation,Labour,and the Employment Generation Growth Rate.

4.4 Model Specification

This research focuses on fiscal policy, SMEs and their effect on economic growth in Nigeria. To archive the general objective one of the study; the following model on the variables are stated as;

RGDP= F (FP, DBL, GFCF, LAB, EMG) ………………………………………. (1)

The model can further be stated in a linear form thus;

RGDP=β_0 + β_1FP + β_2DBL + β_3LAB + β_4GFCF + β_5EMG + υt…………………..(2)

Where RGDP: Real Gross Domestic Product, FP: Fiscal policy, DBL: Deposit bank loans, GFCF: Gross fixed capital formation, LAB: Labor and EMG: Employment generation growth rate

To achieve objective one of the study, which is to examine the long-run effect of fiscal policy on economic growth in Nigeria using the following linear equation (3)

RGDP=$\alpha+\sum_{i=1}^{n} \beta_1\Delta RGDP_{t-1}+\sum_{i=1}^{n} \beta_2\Delta FP+\varphi_1$in $(RGDP)_{-1} + \varphi_2(FP)_{t-1}+Ut$…………..(3)

To achieve objective two, which is to examine the long-run effect of SMEs on economic growth in Nigeria using the following linear equation (4)

RGDP=$\alpha+\sum_{i=1}^{n} \beta_1\Delta RGDP_{tl}+\sum_{i=1}^{n} \beta_2\Delta DBL+\sum_{i=1}^{n} \beta_3\Delta LAB+\sum_{i=1}^{n} \beta_4\Delta EMG+\varphi_1in(RGDP)_{t-1}+\varphi_2(DBL)_{t-1}+\varphi_3(LAB)_{t-1}+ \varphi_4(EMG) +Ut$…………………………………..(4)

5.1 Presentation of Result and Data Analysis

Table 1: Descriptive Statistic

Source: Authors computation.

	INRGDP	INLAB	INGFCF	INFP	INEMG	INDBL
Mean	17.44066	17.67665	29.78146	1.224449	4.043356	11.52118
Median	17.47173	17.69141	29.75995	1.539983	4.059995	10.77826
Maximum	18.06114	18.04428	30.06865	2.245839	4.065310	15.35932
Minimum	16.77037	17.30714	29.55679	-0.092955	3.974528	9.282464
Std. Dev.	0.497294	0.214342	0.140750	0.830169	0.029261	2.200720
Skewness	-0.047789	-0.058967	0.304860	-0.277413	-1.145179	0.793120
Kurtosis	1.376765	1.942733	1.992244	1.519813	2.698949	2.023879
Jarque-Bera	3.305034	1.414651	1.734162	3.123480	6.670460	4.336208
Probability	0.191567	0.492961	0.420176	0.209771	0.035606	0.114394
Sum	523.2197	530.2995	893.4437	36.73347	121.3007	345.6354
Sum Sq. Dev.	7.171737	1.332334	0.574505	19.98622	0.024829	140.4519
Observations	30	30	30	30	30	30

The above table provides the mean values for the given variables: RGDP, FP, DBL, GFCF, LAB, and EMG. The mean is a statistical measure that calculates the average value by summing all values and dividing them by the total count. The mean values for the variables are as follows: RGDP (17.44066), FP (17.67665), DBL (29.78146), GFCF (1.224449), LAB (4.043356), and EMG (11.52118). These mean values represent the average levels of the respective variables in the dataset. Analyzing the mean values helps us understand the central tendency and typical magnitudes of the variables, providing insights into their average behavior. The table above displays the median values for the variables RGDP, FP, DBL, GFCF, LAB, and EMG. The median represents the middle value in a dataset when arranged in ascending order. For RGDP, FP, DBL, GFCF, LAB, and EMG, the respective median values are 17.47173, 17.69141, 29.75995, 1.539983, 4.059995, and 10.77826. From the median value in the table, the maximum values for RGDP, FP, DBL, GFCF, LAB, and EMG are 18.06114, 18.04428, 30.06865, 2.245839, 4.065310, and 15.35932, respectively. These maximum values provide insights into the upper bounds or extreme values within the dataset, allowing for an understanding of the range and variability of the variables. The minimum value represents the lowest value within a given dataset. For the given variable, the minimum values for RGDP, FP, DBL, GFCF, LAB, and EMG are 16.77037, 17.30714, 29.55679, -0.092955, 3.974528, and 9.282464, respectively. These minimum values provide insights into the lower bounds or extreme values within the dataset, helping to understand the range and variability of the variables. The Standard deviations for RGDP, FP, DBL, GFCF, LAB, and EMG are 0.497294, 0.214342, 0.140750, 0.830169, 0.029261, and 2.200720, respectively. A higher standard deviation showed a greater dispersion of values from the mean, suggesting a wider variability in the dataset. In the table above, GFCF and DBL have a positive skew, indicating outliers towards higher values. On the other hand, RGDP, FP, LAB, and EMG have a negative skew, suggesting outliers towards lower values. In the above table, RGDP, FP, GFCF, LAB, EMG, and DBL all have kurtosis values less than three, suggesting a flatter distribution compared to a normal distribution. This information helps in understanding the shape and characteristics of the variables' distributions.

5.2 Unit Root Test
Table 2. Augmented Dickey-Fuller (ADF)
Source: Authors computation.

	ADF Statistic	Critical Value (5%)	Remarks	ADF Statistics	Critical Value (5%)	Remarks	Order of integration
LAB	-0.314768	-2.976263	Non-stationary	-5.424007	0.0001	Non-stationary	I (1)
GFCF	-0.430346	-2.976263	Non-stationary	-9.969537	-2.976263	Non-stationary	I (1)
FP	-1.338521	-2.967767	Non-stationary	-5.525068	-2.971853	Non-stationary	I (1)
EMG	-1.461880	-2.971853	Non-stationary	-4.038513	-2.976263	Non-stationary	I (1)
DBL	-1.509612	-2.967767	Non-stationary	-6.626352	-2.971853	Non-stationary	I (1)

The table above presents the results of the unit root test conducted on the variables. The test examines whether the variables are stationary or non-stationary over time. In this case, both at the level (I(0)) and after taking the first difference (I(1)), all of the variables (LAB, GFCF, FP, EMG, DBL) were found to be non-stationary. The non-stationarity of the variables implies that they exhibit a trend or some form of systematic pattern over time, indicating a lack of stability or equilibrium. To further explore the relationships among these variables, a Johansen Co-integration test can be conducted.

5.4 Johansen Co-integration Rank Test
Table 3. (Unrestricted Trace Statistics)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.953354	246.1452	95.75366	0.0000
At most 1 *	0.919565	163.3858	69.81889	0.0000
At most 2 *	0.868072	95.33748	47.85613	0.0000
At most 3 *	0.521238	40.64895	29.79707	0.0019
At most 4 *	0.447268	20.76205	15.49471	0.0073
At most 5 *	0.161451	4.754230	3.841466	0.0292

Trace test indicates 6 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

Source: Authors computation.

Based on the result of table 3above, the co-integration result indicates that the null hypothesis is rejected. This rejection suggests the presence of co-integration between the variables. The trace test value surpasses the trace 5% critical value, further supporting the existence of co-integration

5.4 Johansen Unrestricted Co-integration Rank Test
Table 4. (Maximum Eiggenvalue)
Source: Authors computation.

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.953354	82.75945	40.07757	0.0000
At most 1 *	0.919565	68.04830	33.87687	0.0000
At most 2 *	0.868072	54.68853	27.58434	0.0000
At most 3	0.521238	19.88690	21.13162	0.0739
At most 4 *	0.447268	16.00782	14.26460	0.0262
At most 5 *	0.161451	4.754230	3.841466	0.0292

* denotes rejection of the hypothesis at the 0.05 level

In line with the previous test, the co-integration test result using the maximal Eigenvalue also leads to the rejection of the null hypothesis. The maximal Eigenvalue test value exceeds the maximal Eigenvalue 5% critical value, providing additional evidence of co-integration between the variables.

5.5 Normalized co-integrating coefficients (standard error in parentheses)
Table 5

INRGDP	LNLAB	LNGFCF	LNFP	LNEMG	LNDBL

1.000000	-2.192323	2.627554	-0.160717	6.400308	0.028557
	(0.10821)	(0.20419)	(0.01144)	(0.41232)	(0.00662)

Source: Authors computation.

The normalized co-integration coefficient of LNLAB is inelastic at -2.192323 <1 meaning that 1% increase in LNLAB will lead to about a 219.23 increase in economic growth on average in the long-run ceteris paribus. This corresponds with our a-priori expectation. A 1% increase in labor would lead to a 219.23 increase in economic growth. The relationship is statistically significant with a t-statistic of 20.2598928 >2. The normalized co-integration coefficient of LNGFCF is elastic at 2.627554 >1 meaning that 1% increase in gross fixed capital formation would lead to a 262.76 decrease in economic growth on average in the long-run ceteris paribus. The result shows that in the long run, LNGFCF has a negative relationship with economic growth. This does not correspond with our a priori expectation that gross fixed capital formation is supposed to increase economic growth. The relationship is statistically significant with a t-statistic of 12.8681816 which is greater than 2.

The normalized co-integration coefficient of LNFP is inelastic <1 at -0.160717, i.e 1% increase in government expenditure would lead to a 16.07 increase in economic growth on average in the long-run ceteris paribus. The result shows that in the long run, LNFP has a positive relationship with economic growth and this is in line with our a priori expectation. This relationship is statistically significant with a t-statistic of 14.04868881 >2. The normalized co-integration coefficient of LNEMG is elastic <1 at 6.400308 meaning that a percentage increase in employment rate generation would lead to 640.03 decrease in economic growth on average in the long-run ceteris paribus. Result shows that in the long-run, LNEMG has a negative relationship with economic growth and this does not correspond with our priori.Expectation employment generation growth rate should have a positive relationship with economic growth. Here, a 1% increase in employment rate generation would lead to a 640.03 decrease in economic growth. This relationship is statistically significant with a t-statistic of 15.52199942 which is greater than 2. The normalized co-integration coefficient of LNDBL is elastic <1 at 0.028557 meaning that 1% increase in deposit bank loan would lead to a 2.85 decrease in economic growth on average in the long-run ceteris paribus. The result also shows that in the long-run, LNDBL has a negative relationship with economic growth and this is also not in line with our a priori expectation, debit bank loans should have a positive relationship with economic growth. This relationship is statistically significant with a t-statistic of 4.313746224 which is greater than 2

5.6 Vector Error Correction Model Result

Table 6.

Source: compiled by researchers.

The VECM result from the table shows that the estimated error correction factor is negative and between 0 and 1.

Variables	D(LNRGDP)	D(LNLAB)	D(LNGFCF)	D(LNFP)	D(LNEMG)	D(LNDBL)
CointEq1	-0.005247	-0.022405	-0.833336	1.514323	-0.021327	-0.863317
	(0.03994)	(0.02462)	(0.10875)	(0.60451)	(0.02460)	(1.92051)
	[-0.13137]	[-0.91004]	[-7.66284]	[2.50504]	[-0.86711]	[-0.44952]

It is also statistically significant, meaning it's reliable. This indicates that any deviations from the long-run equilibrium in the model get corrected over time. The coefficient of -0.005247 in the VECM model suggests that when the economy grows by one unit, the dependent variable decreases by around 0.005247 units. In simpler terms, as the economy grows, the variable we're studying tends to go down, and when the economy shrinks, the variable tends to go up.

6.1Conclusion

From the table normalized co-integration coefficient, the t-statistic of the of both the deposit bank loans and employment growth rate are both statistically significant because it is greater than 2, thus we reject the null hypothesis and conclude that there is a significant effect of Small-Medium scale enterprise and economic growth in Nigeria on the long run. The study test for objective two using the Johansen co-integration test and the normalized co-

integration coefficient. From the result, fiscal policy (government expenditure) as the independent variable shows a positive impact on economic growth (rgdp) at 5 percent. In their study, Udo, Ekere, and Inibeghe (2020) provide reasons to support the notion that an increase in government expenditure would contribute to economic growth in Nigeria. This perspective aligns with the Keynesian theory, which emphasizes the importance of government intervention in the economy through fiscal policy instruments. The findings of Udo, Ekere, and Inibeghe's study indicate that variables such as fiscal balance (FISB), labor force (LF), and inflation rate (INFL) have a positive long-run impact on economic growth in Nigeria. These variables are seen as crucial factors that can contribute to the overall economic performance of the country.

6.2 Recommendations

To enhance economic growth and stimulate the growth of small and medium enterprises (SMEs) in Nigeria, the study recommends the proper utilization of public funds. It suggests directing these funds towards the provision of critical social and economic infrastructure, such as security, electricity supply, and road infrastructure. These aspects are considered essential prerequisites for effective economic performance and have the potential to foster an environment conducive to the growth of SMEs. In the context of this study, the second objective was to examine the long-run impact of small and medium enterprises (SMEs) on economic growth in Nigeria. This investigation was conducted using the Johansen co-integration test and the normalized co-integration coefficient. The results revealed that, in the long run, there is a negative relationship between deposit bank loans and economic growth. Additionally, the employment growth rate was also found to have a negative relationship with economic growth in Nigeria in the long run. Supporting these findings, Oloni (2013) provides insights into the statistically insignificant relationship between aggregate bank lending and economic growth in Nigeria. According to Oloni, the banking sector in Nigeria exhibits a weak capacity and limited activities in financing the Nigerian economy. In order to address this issue, the study recommended that the government, through the central bank (CBN), should focus on strengthening the banking sector. This could be achieved by ensuring an improved credit flow to the various sectors of the economy, given their strategic importance in fostering economic growth

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