

Impact of Credit Facilities to Private Sector Businesses on Nigeria's Real Gross Domestic Product (RGDP), 1980 – 2021



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ABSTRACT: The research looked at how provision of credit facilities to private sector businesses did (or didn't) affect the rate of economic expansion in Nigeria between the years 1980 and 2021. We used log-linear multiple regression to investigate both the short-term and the long-term dynamics of the connection between credit facilities to private businesses and overall economic expansion. The empirical findings demonstrated that provision of financial resources to private sector businesses had a considerable and favourable impact on economic expansion in Nigeria between the years 1980 and 2021. The findings also demonstrated that Nigeria's economic climate is adversely affected by the country's exchange rate and interest rate. In the short run, government spending in Nigeria has a big and beneficial impact on real gross domestic product (RGDP), but in the longer run, it has a detrimental impact on the economy. As a result, the report suggests that the government should make it a priority to ensure that private businesses have simple access to credit facilities. It is imperative that the public sector and the private sector work together to develop a fruitful partnership, with the public sector acting as a facilitator and the private sector committing to adhering to the rules and providing goods and services that are of high quality at prices that are competitive. In addition, the study suggested that Nigeria government should focus its policymaking efforts on achieving an optimal exchange rate, interest rate, and level of government expenditure to the private sector. This is so that these factors will have a stronger effect on the level of productivity in the private sector, thereby fostering faster economic growth.

KEYWORDS: Credit facilities, Government expenditure, Exchange rate, Interest rate, real Gross domestic product (RGDP),

1. INTRODUCTION

Over the course of several decades, Nigeria's economy was defined by the growing dominance of the public sector, an overreliance on a single commodity (oil), and the pursuit of an industrial strategy that was largely import-dependent while also seeking to import-substitute. Although these policy directions were appropriate when they were first conceived, time has demonstrated that growth based on expanding public spending, import substitution industrialization, and reliance on the export of a small number of key commodities is neither effective nor sustainable. Multiple indicators of suboptimal performance make it clear that the strategy was unsuccessful in Nigeria. These indicators include a low GDP per capita, a low GDP growth rate, a weak industrial base with declining industrial output and capacity utilization, large budget deficits and deterioration in social and infrastructure facilities, low productivity in the real sector, and a high level of unemployment.

The private sector has been plagued by problems stemming from the inherent flaws in its lopsided structure. It is controlled by a small number of major multinational corporations that are heavily dependent on imports and operate primarily as enclaves, as well as by a huge number of small and medium-sized firms that have very little relation to the multinational corporations, if any linkage at all. The sector is governed by a culture of rent-seeking and unproductivity that is overdependent on government favours and contracts, with very little value being generated. Because of these causes, Nigeria has developed into a nation of traders despite having a domestic private sector that is quite weak and has not advanced in a long time. The high cost of imported raw materials, equipment, and replacement parts; a shortage of skilled labour; insufficient local demand; limited patronage by institutions within the public sector; limited access to appropriate financing; bad state of physical

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infrastructure; high cost of proper financing; The expansion of the private sector is also critically dependent on the policies of the nation's government, the conditions of the surrounding environment, and the flows of investment capital.

The level of credit extended to the private sector (also known as CPS) continues to be a significant factor in determining macroeconomic strategy (Michael, Babatunde and Joseph, 2017). CPS is an essential means of reaching possible increases in living comforts and standards as well as economic progress. When someone extends credit to another party, that party's control of the resources that are borrowed is effectively transferred to the borrower (or borrowers), but only at the expense of the lender (in the form of interest payments). The resources will have been made available either by savings, taxation, or the establishment of credit. Borrowed money or credit extended to the private sector businesses are both examples of credit. Examples of credit to the private sector businesses include: trade credits, loans and advances, purchases of non-equity securities, and other accounts receivable that produce an entitlement for reimbursement (Ebere and Iorember, 2016).

This creates a challenge for the private sectors of the economy in many developing nations, since the demand for financing and subsidies typically exceeds the available resources. At the same time, government spending in this area is typically restricted. According to Bolarinwa and Oyeyinka (2005), insufficient credit provision has had a dramatic impact on production, to the point that the importation of both food and materials has been steadily rising over the past few years. In Nigeria, the entire production activity is hampered by the poor provision of credit facilities to the private sector, which has a significant and negative impact on the economy. The decline in economic activity that has been experienced in Nigeria, particularly from 2016 until the present, can be attributed to the absence of a formal national credit policy and the scarcity of credit institutions. Such policies and institutions should assist the private sector in increasing production of goods and services. In Nigeria, the average value of Credit facilities to Private Sector businesses as a percentage of GDP during the years 1960 and 2017 was 8.44 percent. In the previous 58 years, its value was at its peak point of 38.35 percent in 2009, while its value was at its lowest point of 3.70 percent in 1960. In 2017, the percentage is 14.154 percent. The message here is that bolstering the private sector in order to help it achieve a state of self-sufficiency in the production of products and services is something that should be done as soon as possible.

Credit to private sector (% of GDP) in Nigeria was reported at 12.13 % in 2020, according to the World Bank collection of development indicators, compiled from officially recognized sources. Nigeria - credit to private sector (% of GDP) - actual values, historical data, forecasts and projections were sourced from the World Bank on September of 2022 (World Bank, 2022). Credit institutions have, over the years, shied away from giving credit facilities to private entrepreneurs, citing reasons such as high default rates, difficulty in monitoring numerous individuals whose loan facilities do not provide much return on investment, as well as the fact that numerous governments have come up with numerous programmes to address the inability of the private sector output to keep pace with the nation's demand for agricultural and manufacturing outputs. This is despite the fact that successive governments have come up with numerous programmes to address the inability of the private sector output to keep pace. Even while the government has made some headway in increasing access to financing, the vast majority of current and aspiring business owners still do not have access to the technology that is required for growing and intensifying output.

Researchers Olowofeso, Adeleke, and Udoji (2015) found that nations with well-organized credit systems grew at a quicker rate, whereas countries with disorganised credit systems ran a greater chance of having their banks fail. In addition, financial institutions play the role of an intermediary between the economy's extra and deficit sectors. Therefore, an improved credit system reduces the impact of external funding limits, which impede the expansion of credit as well as the growth of businesses and industries (Anthony 2012). In light of the information presented above, the purpose of this study was to investigate the connection that exists between private sector credit and the overall performance of the Nigerian economy.

The purpose of the study is to investigate the influence of credit extended to the private sector businesses on the actual growth of GDP in Nigeria. In keeping with the goal, the following counterfactual hypothesis was developed: the real GDP growth in Nigeria will be higher if the credit given to the private sector is increased.

2. LITERATURE REVIEW

Credit can be defined as the utilization of funds and possession of services without immediate payment (FAO and World Bank 2001). Credit facilities to the private sector businesses is the provision of financial resources to the private sector by financial corporations, such as in the form of loans, purchases of non-equity securities, trade credits, and other accounts receivable, which establish a claim for repayment. Examples of credit facilities to the private sector businesses include loans, trade credits, and other accounts receivable. These financial corporations include monetary authorities and deposit money banks, in addition to other financial corporations such as finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies. Also included are financial corporations that are monetary authorities and deposit money

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banks. It is possible to award credit based on the power of this component to animate or stimulate other aspects of production. When it comes to encouraging the implementation of a more efficient technique of manufacturing, credit is of the utmost importance. In support of this viewpoint, (FAO and World Bank, 2001) emphasized that credit is required for the improvement of the land, for the purchase of fertilizer, seeds, and supplies, for the payment of wages for labour, for the purchase of inputs, machinery, and breeding stock, etc. Credit is the power or key that unlocks latent ability, abilities, visions, and possibilities, which in turn function as the mover of economic growth and development. Credit can be thought of as the "key" to economic growth and development.

FAO and the World Bank (2001) emphasized further that entrepreneurs that have access to financing are able to train workers of the appropriate calibre, attract qualified workers when it is practicable, and provide workers with an atmosphere that is favourable to their best possible performance. Credit provides one with the right calibre of management personnel, with which the proprietor can confidently hope for a proper organization of his business. Because trained manpower is quite necessary for a healthy economy, illiterates and unskilled persons are highly limited in their ability to go beyond their defects. Additionally, it enables producers to satisfy the cash needs induced by the production cycle, which is characteristic of activity in the private sector: the acquisition of land space, the purchase of inputs, payments of wages to labour, etc. all need to be made in cash. This is made possible by the fact that the commodity can be traded. The availability of credit enables a bigger purchase of industrial inputs, which in turn leads to a rise in production and consumption, which in turn raises the standard of living for both consumers and producers.

A. A Review of the Theoretical Literature

In a number of different theories, the significance of capital in bridging the gap between inadequate credit to the private sector businesses and the organizational challenges that must be overcome in order to stimulate economic growth was emphasized.

The Theory of the Massive Push

The "Big Push" theory, which is commonly associated with Rosenstein-Rodan (1968), as cited in Jhingan, (2016), postulates that a comprehensive programme is required in the form of a high minimum amount of investment to overcome the obstacles to development in an underdeveloped economy and to launch it on the path of progress. Jhingan, (2016) cites Rosenstein-Rodan as the source for this theory. A precondition for successfully launching economic growth and development is the presence of external economies and invisibilities deriving from a minimal quantity of investment. The theory suggested that in order to successfully industrialize a less developed economy, a comprehensive and simultaneous strategy is necessary, rather than an approach that takes things one step at a time. Therefore, credit to the private sector is required for the simultaneous establishment and modernization of technically independent agricultural and manufacturing industries, the training of labour on skill acquisition and capacity building, and the provision of infrastructure facilities such as a good transport system, power and steel, and telecommunication system, etc., in order to promote both forward and backward linkages.

The Theory of Financial Growth

According to Ayman, Khalaf, and Alkhazaleh (2017), the financial sector of any country acts as a stimulus to economic advancement and makes it easier for people to gain access to credit. Financial institutions generate superior knowledge, increase resource allocation by financing companies with the most advanced technologies, and stimulate growth as a result (Ganiyu, Eboime, Yusuf, and Maximillian, 2017). It is objectively evident that there is a probable positive link between the credit market and monetary advancement. This is the case since credit is vital for the development of many economic sectors in even the most sophisticated economies, which does not exclude emerging countries. Therefore, the financial sector ought to take the lead in driving the agenda for economic growth in every country. Financial services function in every economy, whether it is developed or developing, to enhance investment and resourceful capital build-up (Ganiyu, Eboime, Yusuf, and Maximillian, 2017). This is accomplished through the effective utilisation of available resources and the expansion of credit.

B. Empirical Literature Review

A number of empirical studies have shown that the efficient provision of credit has an encouraging and substantial value on real gross domestic product growth, and that the associated unproductive financial resources or credit to the private sector (CPS) system alters real gross domestic product growth. This has been demonstrated by the efficient provision of financial resources having an encouraging and substantial value on economic growth. Therefore, the connection between domestic CPS and economic growth has been the subject of controversy on empirical grounds, with various findings being drawn by academics depending on the technique that was utilized. Using a technique known as fully modified least squares (FMLS), Gsniyu, Eboime,

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Yusuf, and Maximillian (2017) investigated the local conditions and policy environment that impact the absorptive capability of credit in the Nigerian economy for the period 1993-2013. Their research focused on the period from 1993-2013. According to the findings, credit is beneficial to economic expansion even in conditions characterised by low levels of trade openness, monetary policy, investment environment, and infrastructure. Additionally, the examination of the combined local condition index revealed that CPS increased economic growth when national circumstances were favourable, and the absorptive capacity of the domestic sector for credit was anticipated to be 29 percent of the GDP in 2013. Based on these findings, there appears to be adequate opportunity for growth-enhancing credit expansion in Nigeria.

Kenza and Eddine (2016) investigated how the expansion of the monetary sector influenced the growth of the economies of the MENA region. The Middle East and North Africa (MENA) region serves as the focal point of this study, which aims to investigate how a rise in financial wealth affects economic expansion in that region. The study embraced a number of metrics of financial development such as CPS/GDP, M2/GDP, the ratio of commercial bank assets to the total of commercial bank assets and central bank assets.

Kenza and Eddine used growth rate of real GDP as the dependent variable and financial development and a few control factors as independent variables. A fragmented sample of eleven MENA nations was used for the study, and panel and time series data were collected for each indicator starting in 1980 and continuing through 2012. Kenza and Eddine performed an analysis on the data by using the autoregressive distributed lag (ARDL) framework to estimate the values of the pooled mean group (PMG), the mean group (MG), and the dynamic fixed effect (DFE). According to the final conclusions derived from PMG estimators, the financial intermediary has a negative impact, both in the short run and the long run, on the growth rate in the MENA countries. The paper advocated for the necessity of implementing financial reform in the economies of the MENA region, which will lead to increased levels of competition and, ultimately, excellent financial services.

Over the course of the years 2006-2012, Korkmaz (2015) investigated the effect that banks' credit had on economic growth as well as inflation. The inquiry provided evidence that the workings of the economy would be understood to the extent that nations would be able to increase their levels of financial expansion. Therefore, the development of the financial sector would play a vital role in the primary process of transporting monies that were created by banks into the actual economy. Through the use of panel data analysis, the effects of the credits generated by banks will be observed on macroeconomic variables such as economic growth and inflation for 10 specified European economies. Korkmaz demonstrated that the domestic credits that were produced by the banking industry in ten European countries have a detrimental effect on inflation but a beneficial effect on economic growth.

From 2008 to 2014, Mazelliu and Zogjani (2015) conducted research to determine the impact of Kosovo's financial industry on the country's overall economic growth. Descriptive statistics, ordinary least squares analysis, and correlation analysis were the primary methods of analysis utilized in this investigation. According to the findings that Mazelliu and Zogjani uncovered, between 2008 and 2014, Kosovo's economic growth was positively affected by the financial sector, positively affected by the inflation rate, and negatively affected by the exchange rate. All of these factors combined had a positive effect on economic growth.

We found that none of the studies that explored the short-term and long-term effects of credit to the private sector businesses on economic growth in Nigeria between 1980 and 2021 used the log-linear OLS multiple regression technique. This was something that we noticed in the existing body of research. This study fills in the gaps by using the log-linear ordinary least squares (OLS) multiple regression technique to investigate the connection between lending financial resources or credit to the private sector businesses and the economy of Nigeria between the years 1980 and 2021.

3. METHODOLOGY

A. Model Specification

We scoured both the theoretical and empirical literature and came up with a model in which the real growth in gross domestic product is the dependent variable, and the independent variables are credit to the private sector (CPS), government expenditure (GEX), exchange rate (EXR), and interest rate (ITR). The following is a specification of the functional model:

$$RGDPG = f(CPS, EXR, GEX, ITR) \quad (1)$$

And the econometric form of the model is;

$$RGDPG_t = \varphi_0 + \varphi_1 \ln CPS_t + \varphi_2 EXR_2 + \varphi_3 \ln GEX_3 + \varphi_4 ITR_4 + \mu_t \quad (2)$$

Where,

RGDPG = real gross domestic product growth

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CPS = Credit to private sector businesses

EXR = Exchange rate

GEX = Government expenditure

ITR Interest rate

B. Description of Variables in the Model

The real gross domestic product growth (RGDPG) is a metric that is used in the model to assess economic performance. It is expressed as a percentage (%), after having been adjusted for inflation.

The model uses the ratio of credit to the private sector to gross domestic product (CPS/GDP).

Exchange rate, often known as EXR, refers to the amount of naira that can be purchased with one dollar in the United States. It was expressed in terms of naira. It is presently about 490 naira to one (1) dollar in US currency.

The total amount of money that the government spends in a given year is referred to as the government expenditure, abbreviated GEX.

The amount of money that is owed back to the lender is referred to as the interest rate (ITR). The value is expressed as a percentage (%).

4. RESULTS AND DISCUSSION

Table 1 - ADF Unit Root Test Results

Augmented -Dickey Fuller Test							
Variables	Levels			First Difference			Order of integration
	ADF Stat	Test critical value (5%)	Inference	ADF Stat	Test critical value (5%)	Inference	
RGDPG	-1.919	-3.536	NS	-4.718	-3.540	S	1(1)
Ln CPS	-0.334	-3.548	NS	-4.256	-3.562	S	1(1)
EXR	-3.123	-3.540	NS	-7.026	-3.544	S	1(1)
Ln GEX	-3.238	-3.540	NS	-5.264	-3.544	S	1(1)
ITR	-3.383	-3.540	NS	-6.531	-3.544	S	1(1)

Note: the ADF tests for $H_0: X_t$ as $I(1)$ against $H_1: X_t$ as $I(0)$.

Source: Authors computation

The results of the ADF unit root test are presented in table 1, and they indicate that at the first difference, all variables became stable in absolute terms at a significance level of 5%. To put it another way, the outcome of the unit root test, which takes into account trends and intercepts, shows that all of the independent variables are of order 1, (1).

Table 2 – ADF Unit Root Test Results

Variables	Levels			First Difference		Order of integration
	PP Stat	Test critical value (5%)	Inference	PP Stat	Test critical value (5%)	
RGDPG	-3.165	-3.536	NS	-32.787	-3.540	1(1)
CPS	-2.646	-3.548	NS	-31.694	-3.557	1(1)
EXR	-3.130	-3.540	NS	-5.5716	-3.544	1(1)
GEX	-3.123	-3.540	NS	-9.3666	-3.544	1(1)
ITR	-3.115	-3.540	NS	-7.8959	-3.544	1(1)

Note: the ADF tests for $H_0: X_t$ as $I(1)$ against $H_1: X_t$ as $I(0)$.

Source: Authors computation

At the level of significance of 5%, the results of the PP unit root test that were displayed in table 2 demonstrated that at initial differences, RGDPG, CPS, EXR, GEX, and ITR became stable in absolute terms. The results of the PP, including trends and intercepts, show that all of the independent variables are in the same order, 1(1). Co-integration refers to a situation in which two or more series are integrated in the same sequence.

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Table 3 - Trace Cointegration Test

Included observations: 38 after adjustments Trend assumption: Linear deterministic trend Series:

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.766111	154.1850	114.90	124.75
At most 1 **	0.654797	106.2390	87.31	96.58
At most 2 **	0.549211	71.13939	62.99	70.05
At most 3 *	0.472491	44.84645	42.44	48.45
At most 4	0.380221	23.74001	25.32	30.45
At most 5	0.214160	7.953051	12.25	16.26

Trace test indicates 4 cointegrating equation(s) at the 5% level
 Trace test indicates 3 cointegrating equation(s) at the 1% level
 *(**) denotes rejection of the hypothesis at the 5%(1%) level

Source: Authors computation

The results of the co-integration trace test are displayed in Table 3, and they reveal a long-term link between the variables that are being considered. From 1980 to 2021, the analysis of the long-term relationship reveals that the variables under investigation can be represented by a four (4) co-integrating equation. **MacKinnon-Haug-Michelis (1999) p-values: a value of * indicates that the alternative hypothesis is preferred over the null hypothesis at the 0.05 level.

Table 4 - Johansen Co-integration Test Result (Max-Eigen test)

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None *	0.766111	47.94604	43.97	49.51
At most 1	0.654797	35.09958	37.52	42.36
At most 2	0.549211	26.29295	31.46	36.65
At most 3	0.472491	21.10643	25.54	30.34
At most 4	0.380221	15.78696	18.96	23.65
At most 5	0.214160	7.953051	12.25	16.26

Max-eigenvalue test indicates 1 cointegrating equation(s) at the 5% level
 Max-eigenvalue test indicates no cointegration at the 1% level
 *(**) denotes rejection of the hypothesis at the 5%(1%) level

Source: Authors computation

The findings of the Max-Eigen co-integration test statistic, which are presented in Table 4, indicated the existence of integrating equations at a significance level of 0.05 percent among the variables that were taken into consideration between the years 1980 and 2021. According to the normalized estimation of the unrestricted co-integrating equation(s), there is a specific and distinct link between the variables that make up the model that exists over the long run. Therefore, it can be concluded that there is a co-integration relationship between the variables, contrary to the null hypothesis

Table 5 - Short- Run Multiple Regressions at Log-Linear

Variables	Coefficients	Std Error	t-Statistic	Prob
C	0.033795	0.017190	1.965982	0.0615
LnCPS	0.009243	0.003515	2.629856	0.0150

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EXR	-1.086872	0.470299	-2.311024	0.0301
In GEX	4.542025	0.678357	6.695624	0.0000
ITR	-2.87E-08	1.82E-08	-1.575630	0.1288
R ² = 0.854321, AdjR ² = 0.844391, F-Stat = 96.10269 D.W = 1.916839; AIC = 0.499217; SCC = 0.782106				

Source: Authors computation

The findings of the short-run multiple regression test are presented in Table 5. It demonstrates that 84 percent of the differences in real GDP growth can be explained by the independent variables that are included in the model. The remaining 16% can be attributed to factors that were not included in the analysis, but which were taken into account by the white noise term. The overall statistical significance of the model can be inferred from the fact that its F* value is 96.10269, which was calculated at the 5% confidence level. Therefore, the disparities in the real GDP growth in Nigeria can be explained by all of the explanatory variables that are utilized in the model at the same time.

The Durbin-Watson test yielded a score of 1.916839, which indicates that the model does not contain any positive first-order serial autocorrelation. Both the Akaike criteria (0.499217) and the Schwarz criterion (0.782106) produce results that are relatively near to the value zero. This indicates that the result from the test may be relied upon for use in the formulation and implementation of economic policy.

LENDING TO PRIVATE SECTOR BUSINESSES

Table 5 displays the findings of the short-run multiple regression estimation, which revealed that the coefficient of CPS is 0.009243 percent and the matching t-statistic figure is 2.629856. These findings can be found in conjunction with one another. According to the data, lending financial resources or credit to private sector businesses had a positive and considerable impact on the economy of Nigeria between the years 1980 and 2021. This conforms to what would have been expected a priori. This suggests that a percentage increase in CPS resulted to a 0.009243 percent increase in the real GDP growth. The null hypothesis that there is no positive significant relationship between the variables (lending to private businesses and real GDP growth) is rejected in favour of the alternative hypothesis because the t* value of 2.629856 is greater than the p-critical value of 0.0150 at the 5 percent level of significance. In order to foster a climate that is welcoming to business and has the potential to provide employment opportunities, the financial authorities in Nigeria should ensure that the private enterprises have simple access to loans. If access is restricted, the true function of a loan or credit could be undermined.

EXCHANGE RATE (EXR)

According to the findings of the short-run multiple regression presented in table 5, the coefficient of EXR is found to be -1.086872 percent, and the associated t-statistic figure is found to be -2.311024 percent. This suggested that the exchange rate had a large and negative impact on real gross domestic product growth in Nigeria between the years 1980 and 2021. The growth rate of real gross domestic products dropped by -1.086872 percent as a direct result of an increase in the exchange rate of one (1) percent. The alternative hypothesis was accepted since the t-value was greater than the p-value of 0.0301 at the 5 percent level of significance, which meant that the null hypothesis, which stated that there was no positive significant correlation between exchange rate and real GDP growth, was rejected. This is in line with either the economic theory or the apriori assumption. Because businesses are dependent on the importation of inputs from other countries, the strategy of expenditure switching, which involves devaluation and revaluation, should be encouraged in order to stabilize the EXR. A high EXR brings to a fall in export value, which in turn makes export products unaffordable for people who would like to purchase them from Nigeria.

EXPENDITURE MADE BY THE GOVERNMENT (GEX)

The coefficient of GEX was found to be 4.542025 percent, and the related t-statistic figure was found to be 6.695624. This was shown in Table 5. According to the numbers, between 1980 and 2021, government spending in Nigeria had a considerable and favourable impact on the country's economic growth. The real growth of GDP is increased by 4.542025 percentage points for every one (1) percentage point that the GEX grows. Because the t* value of government expenditure was higher than the p-critical value of 0.0000, the null hypothesis that there is no significant positive association between government expenditure and real GDP growth was rejected in favour of the alternative hypothesis, which was accepted at a significance level of 5 percent. Because the coefficient of GEX has the expected sign, this indicates that it is consistent with economic theory or a priori

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predictions. There should be a policy that directs increased government spending on priority areas, particularly the private sector. This policy should be propagated under a system that has the death penalty as an option for any public officer who steals money from the government, regardless of their position.

INTEREST RATE (ITR)

In addition, it was found that the coefficient of ITR is -0.00028 percent, and the t-statistic value that corresponds to that coefficient is (-1.575630). The numbers suggested that interest rates had a negative impact on the economy of Nigeria during the years of 1980 and 2021. The real growth of GDP is reduced by -0.00028 percentage points for every one percent that the interest rate (ITR) increases. ITR's t* value is -1.575630, which is lower than the p-critical value of 0.1288 in this scenario. The alternative hypothesis was rejected at the 5 percent level of significance due to the fact that the t* value was less than p value, which was 0.1288. This meant that the null hypothesis, which states that there is no positive significant link between ITR and real GDP growth, was accepted. However, it is essential to highlight the fact that there is a silver lining to the increase in the interest rate. A high interest rate is one factor that encourages investment from outside the country in the domestic economy. The result that was produced might not be completely unrelated to the incompetent handling of the profits made by outside investors during the course of the period. The government of Nigeria ought to centre its attention on formulating an appropriate interest rate policy (ITR). Should the interest rate (ITR) always be greater than what would be considered desirable, the true purpose of lending credit might be lost.

Table 6 - Results of Parsimonious Error Correction Model Estimation

Dependent Variable: D(RGDPG)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-21.80809	2.016774	-10.81336	0.0000
D(CPS)	0.148227	0.070703	2.096475	0.0459
D(EXR)	0.005864	0.002363	2.481266	0.0191
D(ITR)	0.081980	0.012621	6.495701	0.0000
D(GEX)	-0.505695	0.146767	-3.445569	0.0018
ECM(-1)	-0.776859	0.058911	-13.18711	0.0000
R-squared	0.933010	Mean dependent var		0.347059
Adjusted R-squared	0.920359	S.D. dependent var		9.270888
S.E. of regression	6.556414	Akaike info criterion		6.833018
Sum squared resid	7.049524	Schwarz criterion		6.233461
Log likelihood	-23.75120	Hannan-Quinn criter.		6.995436
F-statistic	71.33072	Durbin-Watson stat		1.887374
Prob(F-statistic)	0.000000			

Source: Authors computation

The results of the parsimonious error correction are presented in table 6. It was discovered that the coefficient of ECM (-1) is -0.776859, and the t-statistic value that corresponds to this is -13.18711. The coefficient of the error term displayed the appropriate sign and had a great degree of importance. The numbers suggest that the transition from the short-run disequilibrium or dynamics to the long-run equilibrium is occurring at a high rate of speed. It is more evidence that the dependent variable and the variables that explain it are, in fact, co-integrated.

The value of the coefficient of the CPS is 0.148227, and the corresponding value of the t-statistic is 2.096475. The numbers suggested that lending to the private businesses had a favourable but not very large impact on the economy of Nigeria during the years 1980 and 2021. The results for the t-statistic that correlate to the EXR coefficients are 2.481266, whereas the EXR coefficients themselves are -0.005864. The numbers suggested that there was a detrimental impact of exchange rate on the economy of Nigeria between the years 1980 and 2021.

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At a level of confidence of 0.05 percent, the coefficient of GEX is found to be -0.505695, and the value of the matching t-statistic is found to be -3.445569. The findings suggested that government expenditure had a negative influence, albeit a relatively minor one, on the economy of Nigeria between the years 1980 and 2021. This runs counter to what one would assume a priori. The result may be due to improper distribution of governmental expenditures over the time period under review. Between 1980 and 2021, government expenditure did not take into account the fundamental role that the private sector plays in the expansion of the economy. In addition, the coefficient of ITR is found to be -0.081980, and the related t-statistic is found to be -6.495701 as shown in Table 6. The value of t does meet the criteria for statistical significance at the level of confidence of 5%. The numbers suggested that the interest rate had a negative effect on the economy of Nigeria between the years 1980 and 2021, however it was not a major one.

5. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

- i. Between 1980 and 2021, credit facilities to the private sector businesses had a positive impact, albeit a relatively minor one, on the economy of Nigeria. To put it another way, the Nigerian economy is hampered in its expansion by the restricted availability of the private sector to various credit facilities.
- ii. Between 1980 and 2021, the economy of Nigeria was negatively impacted by both the exchange rate and the interest rate. Exchange rate and interest rate in Nigeria are both excessively high compared to what would be desirable for the nation's economy to achieve sustainable growth. To put it another way, the current exchange rate and interest rate in Nigeria do not correspond to the macroeconomic challenges that are now being faced in the country.
- iii. The impact of government expenditures on the economy of Nigeria throughout the research period was unfavourable but did not have a major influence. This result illustrated the inappropriate distribution of rising government spending in Nigeria between the years 1980 and 2021.

B. RECOMMENDATIONS

In light of the outcomes of the study, the following are some recommendations we have for policy makers:

- I. The government of Nigeria has a responsibility to facilitate simple access to credit facilities for the real private sector of the country's economy. It is necessary to establish a fruitful partnership between the public sector and the private sector, with the public sector acting as a facilitator and the private sector committing to playing by the rules and providing goods and services that are of high quality and offered at prices that are competitive.
- II. The government should consider lowering the existing exchange rate in order to alleviate the strain that inflationary pressure puts on the Nigerian economy and to mitigate any other adverse effects that may result.
- III. The interest rate that is now in place in Nigeria ought to go through a process of reduction so that it is more in line with the country's various macroeconomic issues. A rate of interest that is appropriate will stimulate borrowing by the private sector for investment, which will in turn restructure the entire economy for higher productivity.
- IV. Increasing the amount of money that the government spends on the private sector in order to reinforce the effect that government spending has on the productivity of the private sector and to boost overall economic growth.

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