RESEARCH ARTICLE

THE ROLE OF BANK CREDITS ON POVERTY REDUCTION IN NIGERIA

Augustine Okon Jacob^{a*}, Okon Joseph Umoh^b, Jackson Ibanga Ibanga^c^aDepartment of Management, School of Management Science, Heritage Polytechnic, Ikot Udota, Eket, Nigeria^bDepartment of Economics, University of Uyo, Uyo, Nigeria^cObong University, Obong Ntak, Nigeria*Corresponding Author Email: drjacob.ao@gmail.com

This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

ARTICLE DETAILS

Article History:

Received 02 February 2021

Accepted 13 March 2021

Available online 07 April 2021

ABSTRACT

This study examines the role of bank credits on poverty reduction in Nigeria. Despite different measures by the government in channelling bank credits to the private sector. Poverty is still one of the greatest challenges facing Nigeria today. The study adopts econometrics quantitative methods in analysing annual time series data to achieve the objectives of the study. From the results, the granger causality test shows that there is no causal relationship between bank credit and poverty level in Nigeria. There is a unidirectional causal relationship between agricultural loan and poverty flowing from poverty. The OLS result indicate that there is a significant positive impact of bank credit on poverty reduction and there is a significant negative impact of agricultural loan on poverty level in Nigeria. This study recommends that federal government should ensure agriculture loan is redirected to the proper farmers in the country to reduce poverty in the country.

KEYWORDS

Agriculture, Domestic Capital, Loan, Ordinary Least Square.

1. INTRODUCTION

Historically, banking industries emerged with development of money exchanging stores in the 15th and 16th centuries. Banks demonstrated development within historical process and became regulatory institutions that were of great assistant to economic and commercial activities in the 19th century. Existence of a smoothly operating and non-fragile financial structure in developing countries is one of the most crucial indicators for financial development and growth. So, banks that are present in this financial structure appear as institutions which facilitate economic life. Banks are institutions that conduct operations on money, capital and credits and fulfil every need of private, state and corporate individuals. Among other primary functions of banks include collecting deposits from clients, preserving them and lending some part of their collected deposits in exchange for a certain price (interest rate). The credits provided by these financial institutions are sue as finance which is required by different people, organizations and other economic agents for different purposes. To provide the needed finance, there are varieties of institutions rendering financial services. The role of credit in economic development has been recognized as credits are obtained by various economic agents to enable them meet operating expenses. For instance, business firms obtain credit to buy machinery and equipment. Farmers collect loans to buy seeds, fertilizers erect various kinds of farm buildings. Government bodies obtain credits to meet various kinds of recurrent and capital expenditures.

Furthermore, individuals and families also take credit to buy and pay for goods and services they could not afford at that given time (Anthony et al., 1993). The credit is spread into the future for easy repayment. Provision of credit for business purpose can be used to generate self-employment opportunities. This is because credit helps to create and maintain a reasonable business size as it is used to establish or expand the business,

to take advantage of economics of scale. This can directly or indirectly affect the level of poverty in an economy. It can also be used to improve informal activity and increase its efficiency. This is achievable through resource substitution, which is facilitated by the availability of credit. While highlighting the role of credit (Akerlof, 1970), further, explained that credit can be used to prevent an economic activity from total collapse in the event of natural disaster, such as flood, drought, diseases or fire. Credit can be garnered to revive such an economic activity that suffered the set back. The banking sector helps to make these credits available by mobilizing surplus funds from savers who have no immediate needs of such funds and thus channel such funds in form of credit to investors who have brilliant ideas on how to create additional wealth in the economy but lack the necessary capital to execute the ideas (Leland and Pyle, 1977).

Many researchers have postulated that the provision of financial services to the poor is a powerful means of providing low income households with the chance to escape from poverty and to transform their lives. It is also evident that there is a strong demand for small-scale commercial financial services both credit and savings from low-income households (Ram et al., 1999). The strong demand for financial services by low income households, together with the evidence that access to credit reduces household poverty, provides clear incentives for policy makers to develop a framework for providing financial services to low-income households with access to financial services, the service providers help them improve their productivity and management skills, create jobs, smooth income and consumption flows, enlarge and diversify their business, and increase their income and other benefits, such as health care and education.

Also, every economy is made up of different economic agents contending for scarce resources available within the economy with a view to achieve

Quick Response Code

Access this article online

Website:

www.socvsoc.com

DOI:

[10.26480/svs.01.2021.29.33](http://doi.org/10.26480/svs.01.2021.29.33)

their goals. The need of each of the economic agent within the economy within the economy varies in accordance with their functions. To meet with these pressing needs, each of the economic agents contends for scarce financial resources available within the financial system. However, to provide these economic agents with their needed credit, various institutions that render financial services comes to play. These institutions otherwise known as financial institutions have banks as a major player among them. This banking institution is responsible for financial intermediation in the Nigerian financial system, which enable the channel of funds from surplus unit of the economy to the deficit unit of the same economy, thereby converting deposit to credit (loan). According to (Akerlof, 1970; Leland and Pyle, 1977), the provision of credit with sufficient consideration to growth potential in the real sector as well as price system in the economy is one of the ways to generate employment opportunities and by so doing contributing to the reduction in poverty level of the economy at large. This can be made possible because, bank credit contribute immensely to the expansion of business enterprises, increases scale of production which results to growth in the overall economy.

Therefore, the contribution of bank credit to the poverty alleviation of the Nigeria household cannot be overemphasized considering the contribution of the financial sector to the overall growth of the Nigeria economy. Over 40 % of Nigerian populations are employed in the informal sector which has enormous growth potential. So, the availability of credit of these economic drivers help to reduce poverty, harness their growth potential which in turn contribute meaningfully to the advancement of the economy. On the same note, the activities of the formal sector of the economy have improved tremendously with the help of bank credit available to them. The sector unlike the informal sector accesses credit easier, because their structure enables them to easily meet with most conditions for bank credit with places them ahead of the informal sector in the credit market. The increase in the contribution of formal sector to the growth of the Nigerian economy is an indication that the sector has improved and this can be attributed to bank credit available to them. It is obvious from the foregoing that bank credit is a vital macroeconomic tool whose contribution to both formal and informal sectors in Nigeria cannot be underestimated. Reacting to this, (Ademu, 2006) highlighting the role of bank credit explained that it can be used to prevent an economic activity from total collapse in the event of natural disaster. To him credit can help to revive the economy that suffered such set back in their economic activities. The important of bank credit to the Nigeria economy has led to sustained increase of credit to productive sectors of the Nigerian economy. Central Bank of Nigeria annual report (2011a), noted that credit to the core private sector by the Deposit Money Bank grew by 10.26 % between 2009 to 2010 stood at 1.7, 15.3 0.6 and 12.8 per cent, respectively. Credit flows to the core private sector in 2010 amounted to 10,140, 947 million naira.

Basher (2013) observed that in making credit available, banks are rendering a great social service, because through their actions, production is increased, capital investment are expanded and a higher standard of living as well as poverty reduction is realized. It is against this background that this study seeks to examine the extent to which bank credit has impacted on poverty reduction in the Nigeria economy, with a particular reference to its long-term effect.

2. THEORY

Based on its mutli-dimensional nature, poverty is usually perceived using different criteria. This account for the numerous attempts in defining poverty, each definition tries to capture the perception of the author or the poor as to what the term is. (Demircuc-kunt and Makismovis, 1998) succinctly posit that "poverty also may look quite different, seen through the eyes of a poor man or a woman". This is reflected in the differences in the various definitions, as poverty is considered to be a relative term. (Diamond and Dybvig, 1983) captured the definition from the point of view of the poor in different countries in the following perspectives: "Poverty is humiliation, the sense of being dependent and of being forced to accept rudeness, insults and indifference when we seek help".

From a social researcher's point of view, poverty is a complex phenomenon influenced by a large number of factors and which can be studied from many different perspectives. The study and interpretation of poverty isn't a simple task, as there are as many ways of measuring poverty as there are ways of defining it. Depending on the point of view adopted and the aspects that need to be highlighted, different poverty analyses can be carried out. Within the huge variety of possible studies, a first classification refers to the type of base information used and which can be termed objective and subjective poverty; likewise, depending on the scale o reference used to set the thresholds, we can speak of absolute

and relative poverty. Finally, it is important to distinguish the static studies from the dynamic studies. Dynamic studies include an essential dimension, the length of duration of poverty. In this way, a difference arises between transversal poverty (in a fixed year) and long term or persistent poverty. From a completely different perspective, analyses based mainly on the impossibility of access to certain basic consumption elements are carried out, as it is understood that these limitations can result in a lack of social integration. The study of this aspect of social exclusion, which is strongly linked to poverty, is called multi-dimensional deprivation.

2.1 Financial Development and Economic Growth

The importance of access to the financial sector of an economy which comprises of intermediaries and regulatory framework in simulating economic growth is widely recognised in developing economics. Yet, economists hold different opinions regarding the importance of the financial system for economic growth. (Bloc and Tony, 2003) argued that the financial system plays critical role in igniting industrialization by facilitating the mobilization of capital for projects. He contends that well-functioning formal financial institutions such as banks spur technological innovation by identifying and funding entrepreneurs.

In contract, (Campbell and Kracaw, 1980) noted that economic development creates demand for particular types of financial system responds automatically to these demands. The argument of finance growth relationship notwithstanding, the development of efficient financial sector is a good predictor of future rate of economic growth, capital accumulation and technological change. One of the major functions of the financial system is facilitating capital allocation, mobilizing savings and ensuring the trading of goods, services and financial contracts. Credit facilitates the transfer of capital or money thereby increasing the productivity of capital by placing it where it will be most effectively and efficiently used.

Inadequate financial services especially in the rural areas constitute an impediment to sustainable economic development. Credit among other constraints has reminded a key handicap in expanding the productivities of investors including the rural farmers (CBN 2011b). Accessibility to credit and other financial services is the soul of modern business. Credit is the most feasible option for business financing. Even where alternative sources of financing are available, credit may constitute a more desirable option because of its potential and effect on other financial sectors, especially financial leveraging (Modigliani and Miller 1958). Through the process of financial intermediation, the financial sector acts as the engine of growth and especially in emerging markets such as Nigeria.

However, empirical studies in Nigeria finance growth dynamic are not only limited in number but restricted in scope in terms of measure of financial development. (Islam and Oslam, 2011), using the ordinary least square regression framework, found that the financial sector development weakly affects per capita growth of output. He attributed the result of shallow finance and absence of well-functioning capital market. The finding of (Khaled and Samer, 2006) was more disturbing. He, also using ordinary least square regression technique, concluded that financial sector development did not significantly affect per capital growth of output. Similarly, (King and Levine, 1993), based on two stages least analytical framework for a period starting from 1986 – 2007, concluded that financial depending did not support economic growth in Nigeria. However, (Bencivenga and Smith, 1991), using three least square estimation technique on a data spanning 1970 – 2006, found that a developed financial system alleviates growth financial constraints by increasing bank credits and investment activities with resultant rise in output. The finding of (Berthelmy and Varoudakis, 1998) is quite different from other researchers in Nigeria. They employed the augmented Granger causality test to ascertain the direction of causality between financial depending and economic growth in Nigeria between 1970 and 2005. Their finding revealed evidence to support both demand and supply leading hypotheses depending on the financial deepening variables that are used.

3. METHODOLOGY

3.1 Model Specification

This study is anchored on Harold-Domar growth theory as its theoretical frameworks. Harold-Doamr growth theory offers useful link through which accumulated savings (deposits) held by banks are channelled to productive investments (through lending activities) for economic development. This model is specified in order to capture the research objectives of the model. This research work adopted one model for the

research objectives. It employed a multiple regression model for the objectives using Ordinary Least Square (OLS) estimation because of its reliable traits as the best linear unbiased estimator (BLUE properties). Its error term is also assumed to have a minimum and equal variance. In specifying the model for this study, the equation is stated, thus

$$POV = f(GFCF, CPS, LNDR, FDEP, LAB, AGL) \quad 1$$

where

POV = Poverty index (use as proxy for poverty level)

CPS = Credits to private sector

LNDR = Lending interest rate

FDEP = Financial deepening (measured by ratio of money supply to GDP)

LAB = Labour force

AGL = Agricultural loan in Nigeria

GFCF = Gross fixed capital formation

3.2 Evaluation of the model

Ordinary Least Square technique will be used to evaluate the relationship between financial intermediation and economic development. The adoption of this technique will be based on the premise that the Ordinary Least Square is assumed to be the best linear unbiased estimator (Uremadu, 2002). It also has minimum variance according to (Anyanwu, 2000).

3.3 Data and Sources

The study used secondary data, which is an annual time series data for the period 1980 – 2016 collected from the Central Bank of Nigeria (CBN) statistical bulletin, annual reports and mid-year economic review.

3.4 Model Estimation Procedure

Based on the specific objectives of this study, we approached the methodology thus: objective 1 and 3 was achieved by using the Ganger causality test to ascertain the causal relationship between financial

intermediation and economic development in Nigeria. The Granger causality test is a statistical hypothesis test for determining whether one time series is useful in forecasting another. In other words it is a test to check if the action or performance of one variable has an effect or causes the existence of another.

While objective 2 and 4 were achieved by using the Ordinary Least Square (OLS) regression technique to determine the relationship between bank credit and poverty reduction in Nigeria. In statistics, Ordinary Least Square (OLS) is a method for estimating the unknown parameters in a linear regression model. This method minimizes the sum of squared vertical distances between the observed response in the data set and the responses predicted by the linear approximation. Data collected for this study is analysed and the hypotheses of this study tested using the Ordinary Least Square technique to determine the impact of the independent variables on the dependent.

The Ordinary Least Square (OLS) estimate will be used to estimate the parameters of the model of this study. The estimators used based on Gauss Markov theorem which states that OLS is the best linear unbiased method among linear estimators provided the assumptions that U has zero mean and constant variance (Demetriades and Hussein, 1996).

The adjusted R², t-values, DW and F-ratio shall be used to evaluate the statistical reliability of the result estimated.

4. RESULTS

4.1 results of test of time series properties

Testing for the existence of unit root is paramount as there is a general tendency for time series data to contain a unit root. Consequently, an attempt has been made to render the data stationary prior to specification and estimation. Moreover, as the residuals of non-stationary time series are correlated with their own lagged values, a standard assumption of Ordinary Least Square (OLS) theory, that disturbances are not correlated with each other, is violated. Hence, OLS estimates of such series are biased and inconsistent, and standard errors computed with such random walk variables are generally underestimated, hence the need to establish the unit root status of each of the macroeconomic indicators in the estimated model prior to estimation. The results of the unit root test are summarized and presented in table 1.

Table 1: Unit Root Test

Variable	ADF level Statistic	ADF 1 st Diff.	ADF 2 nd Diff.	1 % critical level	5 % critical level	10 % critical level	Order of integration
POV	-0.126042	- 9.654741	- 6.125218	- 3.632900	- 2.948404	- 2.612874	I (1)
CPS	3.208389	- 19.15594	- 4.240859	- 3.699871	- 2.976263	- 2.627420	I (0)*
LNDR	- 2.730568	- 6.700483	- 10.60564	- 3.626784	- 2.945842	- 2.611531	I (0)**
FDEP	- 3.275219	- 5.416547	- 8.280069	- 3.632900	- 2.948400	- 2.612874	I (0)*
GFCF	6.800730	4.110772	2.190286	- 3.679322	- 2.963972	- 2.622989	I (0)
LABFC	2.728301	- 6.249480	- 9.204486	- 3.670170	- 2.963972	- 2.621007	I (0)**
AGL	0.746654	- 6.517755	- 5.821401	- 3.639407	- 2.951125	- 2.614300	I (1)

The result in table 1 shows that of all the seven variables in the estimated model, most of them are integrated at level except poverty and agricultural loan which are integrated at order one. Gross fixed capital formation (GFCF) is stationary at I (0) using Augmented Dickey Fuller (ADF). While lending rate is integrated at 10 per cent, financial deepening is integrated at 5 per cent. The same unit root result is shown for credit to private sector and labour force respectively.

4.2 Granger Causality Test

To determine the direction of causality between the variables in the estimated model, a pair wise Granger causality test was conducted, table 2 presents the results of this test.

Table 2: Summary of pair wise Granger causality result

Pairwise Granger Causality Tests				
Null Hypothesis	Obs	F-statistic	Prob.	Remark
CPS does not Granger cause AGL	35	3.25485	0.0526	Reject
AGL does not Granger cause CPS		1.21506	0.3109	Accept
GFCF does not Granger cause AGL	35	0.61468	0.5475	Accept
AGL does not Granger cause GFCF		3.80376	0.0337	Reject
LABFC does not Granger cause AGL	35	3.15858	0.0569	Reject
AGL does not Granger cause LABFC		1.45889	0.2485	Accept
POV does not Granger cause AGL	35	2.08393	0.1421	Reject
AGL does not Granger cause POV		0.39910	0.6744	Accept
GFCF does not Granger cause CPS	35	4.49958	0.0195	Reject
CPS does not Granger cause GFCF		6.29325	0.0052	Reject
POV does not Granger cause CPS	35	0.37849	0.6881	Accept
CPS does not Granger cause POV		0.35627	0.7032	Accept
LNDR does not Granger cause FDEP	35	3.51913	0.0424	Reject
FDEP does not Granger cause LNDR		0.30656	0.7383	Accept
POV does not Granger cause FDEP	35	0.44445	0.6453	Accept
FDEP does not Granger cause POV		0.42916	0.6650	Accept
LABFC does not Granger cause GFCF	35	9.69750	0.0006	Reject
GFCF does not Granger cause LABFC		0.85997	0.4333	Accept
POV does not Granger cause GFCF	35	1.18651	0.3192	Accept
GFCF does not Granger cause POV		0.46792	0.6308	Accept
POV does not Granger cause LABFC	35	0.87102	0.4288	Accept
LABFC does not Granger cause POV		3.63886	0.0385	Reject
POV does not Granger cause LNDR	35	3.86477	0.0321	Reject
LNDR does not Granger cause POV		1.08521	0.3507	Accept

From the result we discover that there is bidirectional causality between credit to private sector and gross fixed capital formation. There is a unidirectional causal relationship between poverty level and agricultural loan, flowing from poverty to agricultural loan. However, there is no causal relationship between poverty and bank credit to private sector. While there is a unidirectional causality between poverty level and labour force flowing from labour force to poverty in the estimated model. The result indicates a feedback effect between poverty as the dependent variable and some of the explanatory variables. These variables are; credit to agricultural sector and lending interest rate in the financial sector. Also, there is no causal relationship between labour force in the country and credit to private sector, financial deepening while there is unidirectional causality between credit to private sector (CPS) and agricultural loan flowing from credit to private sector. Poverty also have a unidirectional causality with lending rate in the financial sector flowing from poverty others are lending rate and financial deepening (FDEP) flowing from lend rate (LNDR), labour force and gross fixed capital formation (GFCF) flowing from labour force (LABFC). The rest of the pair wise causal relationships indicate that there is no causal relationship existing between the macroeconomic variables in the estimated model.

4.3 Presentation of the Estimated Results

Table 3.: Result of Estimated Model

Dependent Variable: POV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	- 5.855491	4.770075	- 1.227547	0.2292
CPS	2.86 E - 7	2.68 E - 7	1.068818	0.2936
FDEP	- 0.137376	0.086073	- 1.596039	0.1210
GFCF	- 0.000309	0.000147	-2.109948	0.0433
LNDR	0.018452	0.100105	0.184323	0.8550
AGL	- 4.47 E - 7	3.90 E - 7	- 1.146172	0.2608
LABFC	1.91 E - 6	1.13 E - 7	16.88636	0.000
R-squared	0.982100	F-statistic		274.3349
Adjusted R-squared	0.978520	Durbin-Watson stat.		1.884281

Table 3 present the result of the estimate model at the natural values of the variables. The result shows that the intercepts are negative and not

statistically significant, while gross fixed capital formation (GFCF) has a negative relationship with the dependent variable and is statistically significant in the estimated model. Other variable with negative impact on poverty are; agricultural loan (AGL) and financial deepening. However, only gross fixed capital formation and labour force are statistically significant among these estimated coefficients of the variables. In the entire estimated model, labour force, credit to private sector and lending rate have positive impacts on the dependent variable (poverty) with credit to private sector (CPS) and lending rate not statistically significant. The adjusted R-squared shows that the explanatory power is strong, showing that 97.8 % of changes in the economy is explained by the explained by model while only 2.2 % of the variation is cause by variable outside the model (error term). The estimated model was logged to put all the variables in the level of distribution.

4.4 Logarithm Model Estimated Result

Table 4: Result of logarithm model

Dependent Variable: POV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	- 19.45865	2.314142	-8.408581	0.0000
Log (CPS)	0.015268	0.008380	1.821953	0.0784
Log (FDEP)	- 0.086779	0.039269	- 2.209883	0.0349
Log (GFCF)	- 0.032739	0.007174	- 4.563790	0.0001
Log (LNDR)	- 0.000727	0.001915	- 0.379645	0.7069
Log (AGL)	- 0.015903	0.014184	- 1.121235	0.2711
Log (LABFC)	1.378052	0.143380	9.611184	0.0000
R-squared	0.977623	F-statistic		218.4426
Adjusted R-squared	0.973147	Durbin-Watson stat.		1.991257

Table 4 presents the result of the estimated model in their logarithm form. The result indicates that the constant term is negatively related to the dependent variable and is statistically significant in the model. The log of domestic capital (GFCF) has a negative sign, showing a negative impact on the dependent variable and is significant. In the case of labour force, this variable has a positive sign, implying a positive impact on the dependent variable with high statistical significance in the estimated model. However, financial deepening and lending rate both have negative signs in

the estimated model. This shows an indirect relationship between these variables the dependent variable in the model. Credit to private sector has positive impact on the dependent variable but statistically not significant in the estimated model. Credit to agricultural sector (AGL) indicates a negative relationship with the dependent variable (poverty) but statistically not significant. The coefficient of multiple determinations (adjusted R-squared) shows a strong explanatory power of the model. The F-statistics indicates that the entire model is statistically significant, given its high value of 218.4 which is definitely higher than the tabulated F-ratio at different level of significant.

5. DISCUSSION

5.1 Unit Root

The stationary status of the series is established by considering the order of integration of each series using the Augmented Dickey-Fuller (ADF). The test for unit root among the variables employed in the regression equations are shown in table 1. First, poverty is integrated at order one, showing that poverty indicator has unit root at level but stationary when different once. Gross fixed capital formation (GFCF) is stationary at level according to the result, while lending rate has a unit root at 1 per cent and 5 per cent level of significance, but stationary at 10 per cent level. The ADF tests strongly support the hypothesis that some of the variable used are non-stationary. Thus, the hypothesis of being stationary is rejected for them. The result shows that these variables are integrated of order one and become stationary after first differences. We thus conclude that they have no unit root.

The results also show that poverty (POV) and Agricultural loan (AGL), are stationary at first difference using the Augmented Dickey-Fuller test while the other variables are stationary at level. Thus, this means that all the explanatory variables in the models do not have the same order of integration

5.2 Granger Causality

From the pair wise granger causality result, which is used to achieve objective one and three in this study, the study discovers that there is no causal relationship between bank credits and poverty in Nigeria, while there is a unidirectional causal relationship between bank credit and poverty, flowing from poverty to agricultural credits in Nigeria. Also, there is bidirectional causality between credit to private sector and gross fixed capital formation (GFCF). This result indicates that credit to private sector has no causal relationship with poverty reduction in Nigeria. However, the result indicates that poverty level granger causes the level of agricultural loan in Nigeria but agricultural loan does not contribute to poverty reduction in Nigeria.

5.3 Regression Model

From table 4, the model estimated to test the role of financial bank credits on poverty reduction in Nigeria, the result shows that financial deepening in the economy reduces poverty level in the country by an elastic change of 0.086 and is statistically significant in the estimated model. The bank credits to private sector increase poverty in Nigeria economy contrary to economic theory. This shows that the credit to private sector is not channelled to appropriate people that are poor as the poor citizens don't have access to bank credits in the financial sector in Nigeria. Also, the level of domestic capital (GFCF) in the economy is negatively impacting on poverty. This shows that capital in the economy reduces poverty level in Nigeria. This is in line with a priori expectation and is statistically significant. An increase in domestic capital will reduce poverty in Nigeria by an elastic change of 0.032 in the economy. The result again indicates that agricultural loan in the economy helps to reduce poverty. This is evident from the estimated result as agricultural loan has a negative coefficient of 0.015. Moreover, labour force has a direct impact on poverty level in Nigeria. This implies that an increase in population will cause an elastic increase of 1.37 of poverty level.

In addition, the entire model's result will be accepted given the Durbin-Watson value of 1.99 which is close to 2 showing that there is no serial correlation among the explanatory variables in the model and it is statistically significant with F-ratio of 218.4 and the goodness of fit shows that 97.3 per cent of changes in the Nigeria economic system is explained by the model while only 2.7 per cent of its variation is caused by variables outside the model i.e. error term.

6. CONCLUSION

The primary objective of the study was appraisal of the role of bank credits on poverty reduction in Nigeria. The analysis showed that the economic variables employed have high and obvious effect on the poverty indicator in Nigeria. This is seen in the high coefficient of determination and the F-ratio of the entire model specified. The D.W shows that the functions are stable and therefore good for economic policy making. It suggested that more research should be made to ensure delivery of provided loans to agricultural sector.

REFERENCES

- Akerlof G. 1970. The market for lemons, quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 48, 488 – 500.
- Anthony W. 1993. Financial development and economic growth in Barbados. *Causal Evidence*, 17(4), 379 – 390.
- Basher O.K. 2013. Open market, financial sector development and economic growth in Nigeria, *European Scientific Journal*. 28(8), 80 – 85.
- Bencivenga V.R. and Smith B.D. 1991. Financial intermediation and endogenous growth. *Review of Economic Studies*. 58, 195 – 209.
- Berthelmy J.C. and Varoudakis A. 1998. Financial development, financial reforms and growth: A panel data approach. *Revue Economique*. 49(1), 195 – 201.
- Bloch H. and Tony S. 2003. The role of financial development in economic growth: *Progress in Development Studies*. 3(3), 24 – 31.
- Campbell T.S. and Kracaw W.A. 1980. Information production, market signalling and the theory of financial intermediation. *The Journal of Finance*. 35, 863 – 882.
- Central Bank of Nigeria. 2011a. Nigerian major economic financial and banking indicators
- Central Bank of Nigeria. 2011b. CBN brief's research and development department.
- Demetriades P. and Hussein K. 1996 Does financial development cause economic growth? Time series evidence from 16 countries. *Journal of development economics*. 51(2), 387 – 411.
- Demircug-kunt A and Makismovis V. 1998. Law, finance and firm growth. *Journal of finance*. 53(6), 2107 – 2137.
- Diamond D.W. and Dybvig P.H. 1983. Bank runs, deposit insurance and liquidity. *Journal of Political Economy*. 91, 40 – 49.
- Islam M. and Oslam J. 2011. Development impact of non-bank financial intermediaries on economic growth in Malaysia: An empirical investigation. *International Journal of Business and Social Sciences*. 14(2), 187 – 198.
- Khaled A. and Samer A. 2006. Financial development and economic growth. New empirical evidence from the Mena countries, 1989 – 2001. *Journal of Applied Econometrics and International Development*. 6(3), 37 – 58.
- King R.G and Levine R. 1993. Finance growth Schumpeter might be right. *Quarterly Journal of Economics*. 717 – 736.
- Leland H.E. and Pyle D.H. 1977. Information asymmetries, financial structure and financial intermediation. *The Journal of Finance*, 32, 371 – 387.
- Modigliani F. and Miller M.H. 1958. The cost of capital corporation finance and the theory of investment, *The American Economic Review*. 48, 268 – 297.
- Ram R. 1999. Financial and economic growth: Additional evidence. *The Journal of Development Studies*. 35, 16 – 21.
- Uremadu, S. O. 2002. Academic Research Methods: As applied to accounting, banking and finance, Business Management and Economics. Benin City, Mindex Publishing Company Limited.