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THE IMPACT OF FINANCIAL DEEPENING AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

The study examines the effect of financial deepening on the economic growth of Nigeria. The model built for the study proxy gross domestic product as the endogenous variable measuring economic growth as a function of Financial Deepening, ratio of credit to private sector, inflation, and exchange rate proxy as the exogenous variables. Annual time series data was gathered from the Central Bank of Nigeria Statistical bulletin from 1980 to 2010. The econometric techniques of Ordinary Least Square (OLS), Augmented Dickey-Fuller (ADF) Unit Root test and the Co integrated test were employed in the empirical analysis. The Ordinary Least Square (OLS) result shows that a positive relationship exist between Financial deepening and Economic Growth variables the cointegration test result reveals that there is a long run relationship between financial deepening and economic growth. The study recommends that to sustain the existing relationship between economic growth and financial sector development, there is need to adequately deepen the financial system through innovations, adequate and effective regulation and supervision, efficient mobilization of funds and making such funds available for productive investment, and improved services.

Key Words: Financial Deepenings, Money Supply, Economic Growth, Consumer Price Index and Exchange Rate