INFLUENCE OF DEPOSIT MONEY BANK LOAN ON ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

This study examined the Influence of deposit money bank loan on economic development in Nigeria. Specifically, the study investigate the effect of deposit money bank loan on interest rates in Nigeria, examine the effect of deposit money bank loan on private and public investment in Nigeria and determine the effect of deposit money bank loan on foreign direct investment in Nigeria. The study adopted ex post facto research design. The data set for this study is mainly secondary data sourced from Central Bank of Nigeria Statistical Bulletin (CBN, 2022). The data comprises annual time series spanning from 2012 through 2022. Particularly, the study employed only quantitative method of data analysis. This was done in four folds. Firstly, the descriptive analysis was performed using the correlation analysis and then mean, standard deviation minimum, maximum, skewness and Kurtosis. This was followed by unit root analysis, co-integration analysis and error correction model estimation. Since the series under review were in different order of integration as stated, bounds co-integration test as proposed by Pesaran, Shin and Smith (2001) was conducted. The summary of the findings made are: From the analysis it shows the descriptive statistics of all the variables under consideration in this study in their raw form. The mean value of LAR is given to be #150.9617 billion with a standard deviation of 2.5923. In the same while the maximum LAR for the period covered by this study is #8.8840, the minimum value is #1.100 billion. Consequently, the average values for IRT PPI and FDI are respectively given to be -0.74652, 20.734 and 1.0300. Bounds test reveals that f-statistics value of 5.623402 is greater than Critical Value Bounds for the upper bound 1(1) at 5% level of significance, thus, there is co-integration as such there is long- run relationship. The results shows that interest rate exerts a positive and insignificant effect on deposit money bank loan in Nigeria to the tune of 3.7712($p=0.3943>0.05$). In the same vein, private and public investment has a positive and significant effect on deposit money bank loan in Nigeria to the tune of 0.303797($p=0.0023<0.05$). Also, the result shows that there is positive and significant effect of foreign direct investment on deposit money bank loan in Nigeria to the tune of 0.4668($p=0.0085<0.05$). From the findings of this study, we conclude that there exist a long-run relationship between deposit money bank loan and Nigeria's economic development. Meaning that if there are well proper interest rate, private and public investment this will bring a positive impact to the economic development in Nigeria. It was therefore recommended that Government should strengthen institutions that are charged with the responsibility of granting loans and advances to agriculture sector because of its associated benefit not only to the banks but the economy at large.

Keywords: Deposit Money Bank, Interest Rate, Economic Development, Foreign Direct Investment.

Introduction

In any country, well-articulated economic policies influence a whole range of economic activities embarked upon in such country. Such policies include monetary policy, which refers to the modification of the supply of money into the economy for the purpose of influencing economic activities or attaining some desirable macroeconomic goals (Muturi, 2016), Such monetary policy goals can be used for allocation, stabilization and distribution effect of a country. In Nigeria, theFederal Ministry of Finance has the responsibility of formulating and executing monetary policy through the apex bank to aid economic development. The achievement of a high, rapid and sustained economic development (i.e., promotion of economic development) is one of the objectives of government involvement in the economy (Aribaba, Ahmodu, Saliu and Olaleye, 2019).

Hillary (2020) posited that economic development is the amount of goods and services produces in the economy over time and that it is measured as the percentage increase in real gross domestic product. It is necessary for an economy to grow over time. The reason for this is simple. Without economic development the average citizen will have less goods and services to consume over the years (Peterson, 2018). In order to achieve adequate economic development in the economy, governments (federal, state or local) need to enhance the supply of money into the economy which in turn will lead to an improvement in the standard of living of the citizenry. Nigerian economy is made up of different economic agents contending for scarce resources available within the economy with a view to achieve their goals.

The need of each of the economic agent within the economy varies in accordance with their functions. To meet with these pressing needs however, each of the economic agents contends for scarce financial resources available within the financial system (Rodrigo, 2015). For instance, co- operate organizations need fund to procure machineries and equipment needed for the production of goods and services, Farmers obtain credit to purchase seeds, insecticides, fertilizers and erecting of various kinds of farm buildings. Government bodies source for loans to enable them meet with various kinks of recurrent and capital expenditures. Individuals and families on the other hand, take loans which enable them pay for goods and services (Abubakar, 2016). However, to provide these economic agents with their needed loans, various institutions that render financial services comes to play. These institutions otherwise known as financial institutions have banks as a major player among them.

However, one of the major functions performed by deposit money banks is granting of loans and advances to the productive sector for productive purposes (Alice and Jaya, 2016). Loans is known as the amount extended out with a promise to repay both the principal and interest at a stipulated future date which may range from just a day to several years. Loans could be classified basically as short term, medium term or long-term loans depending on the maturity structure of the loan. Other functions performed by deposit money banks according to Abazieva, Goncharova, Maslennikova and Stratan (2015)are encouragement of savings, provision of capital needed for development, encouragement of trading activities through the use of cheques, encouragement of investment, provision of managerial advice to industrialists who do not engage the services of specialists and rendering financial advice

Statement of the Problem

Economic development has long been considered an important goal of economic policy with a substantial body of research dedicated to explaining how this goal can be achieved. One of the earliest works on bank loans and economic development was by Schumpeter (1959) who argued that financial (banking) services are paramount in promoting economic development. In his view manufacturing sector requires credit to materialize and one can only become an entrepreneur by previously becoming a debtor.

Edirisuruya (2018) reveal that the social and environmental impacts of loan facilities is crucial for promoting responsible lending that aligns with broader societal goals, such as environmental sustainability and social development. Odeniran and Udeaja, (2016), revealed that many individuals and businesses, especially those from marginalized or underrepresented communities, face barriers in accessing loans due to factors such as limited collateral, inadequate credit history, or lack of financial literacy. Understanding and addressing these barriers is essential for promoting financial inclusion and ensuring that loan facilities are accessible to a broader range of borrowers

In Nigeria, empirical works that focused explicitly on bank loan and economic development have yielded mixed results. Some of these studies (Adelakun, 2017) suggest that bank credit has impacted positively and significantly on economic development while others (Ekpeyong & Acha, 2018; Odeniran & Udeaja, 2016) reported an insignificant relationship between bank credit and economic development. A major problem in these works is the researchers' selection of explanatory variables that do not explicitly underpin loans in banking sector. An example in Balogun's (2017) study on banking industry performance and the Nigerian economy where bank branches were used as one of the explanatory variables in his modelling. Given the

foregoing, there still exist a research gap for an empirical evaluation of the effect of deposit money bank loan and advances on economic development in Nigeria.

Research Questions

Sequel to the problem explained above, the following research questions are raised to guide this study:

i. What is effect of deposit money bank loan on interest rates in Nigeria?

ii. What is the effect of deposit money bank loan on private and public investment in Nigeria?

iii. What is the effect of deposit money bank loan on foreign direct investment in Nigeria?

Objectives of the study

The primary purpose of this study is to examine the Influence of deposit money bank loan on economic development in Nigeria. Specifically, this study is designed to:

i. Investigate the influence of deposit money bank loan on interest rates in Nigeria

ii. examine the influence of deposit money bank loan on private and public investment in Nigeria

iii. determine the influence of deposit money bank loan on foreign direct investment in Nigeria

Research Hypotheses

To achieve the stated objectives of the study, the following hypotheses are formulated

i. there is no significant influence between deposit money bank loan and interest rates in Nigeria.

ii. there is no significant relationship between deposit money bank loan and private and public investment in Nigeria.

iii. There is no significant relationship between deposit money bank loan and foreign direct investment in Nigeria.

Literature Review

Deposit Money Bank Loans

Loan is the thing that is lent; especially a sum of lending something or the state of being lent. For each lender, a loan is an investment comparable to bonds, stocks or other assets. On the other hand, for each borrower, a loan is a debt, an obligation to repay the borrowed money plus interest (Paul & Emmanuel, 2016). A loan is a type of debt, which entails the redistribution of financial assets every time, between the lender and the borrower. Alice and Jaya (2016) defined a loan as a written or oral agreement for a temporary transfer of a property, usually cash in cash form, from its owner called the lender to a borrower who promises to return it according to agreed terms. The terms involve interest, time of repayment and the pattern of the repayment. If the loan is a term loan, it is repayable when the lender demands for its repayment. If it is an installment loan, the repayment will be based on the agreed monthly installments.

Ogunlade and Oseni (2018) explain that the borrower initially does receive an amount of money from the lender, which he/she has to pay back, usually but not always in the form of installment to the lender. This service is usually provided at a cost of referred to as interest on the debt. Ah med, Abdul, & Abdul (2016) posited that a borrower may be subject to certain restrictions known as loan agreement under the terms of the loan. Acting as a provider of loans is one of the principal tasks of financial institutions. For other institutions, issuing debt contracts such as bonds is a typical source of funding. Legally, a loan is contractual promise between two parties where one party, the creditor, agrees to provide a sum of money to a debtor, who promises to return the money to the creditor either in one lump sum or in parts over a fixed period of

time (Muturi 2016). This agreement may include providing additional payments of rental charges on the funds advanced to the debtor for the time the funds are in the hands of the debtor interest (Koch & Scott, 2017).

Aribaba, Ahmodu, Oladele, Saliu and Olaleye (2019) posited that advances are credit facilities in the form of written promises that should not necessarily be given on physical money as in loans. There are many types of advances given by commercial banks. An advance payment assurance is one type of advance given by banks. It is a form of protection that makes it possible for a buyer to recover any advance payments extended to a seller in the event that the seller fails to abide by the terms and conditions that govern the purchase of goods or services. A guarantee of this type may be used in a number of situations, including deals where goods are imported or exported. It is also used with domestic transactions, such as the purchase of heavy equipment, construction projects, or even large lots of retail goods.

According to CBN (2009), the total loans and advances given by the banks to economic agents is termed bank credit. Bank credit is often secured with collateral so as to ensure that the loan is recovered in the event of default. This credit is channels into investment to promote economic activities. Thus, banks provide the role of intermediation where credit is channel to the deficit sectors to enhance economy development. James (2019) defined bank credit as a process where a bank or financial house provides loan or advance to a single borrower or group of individual or client. It is believed that bank credit contributes significantly to banks' profitability, through their lending rates, lending policies and other services they provide.

When a contract to purchase goods or services requires some sort of payment in advance, there are usually terms that protect the buyer in the event that the seller is unable to meet his or her obligations (Muturi 2016). For example, if the seller required an advance payment prior to shipping all or part of the order, and the seller subsequently fails to ship that order, the buyer can declare the deal null and void, and receive a refund of the advance payment. The advance payment guarantee ensures the buyer does not sustain a loss of any real money invested in the transaction, although it does not provide any recompense for any loss of income or profits that the buyer sustained when the goods were not shipped (NBE, 2018).

Relationship between Deposit Money Bank Loan and Economy Development

Aribaba, Ahmodu, Oladele, Saliu and Olaleye (2019) explain that Deposit Money Bank (DMB) loans can be a significant determinant of economic development in a country. The availability and utilization of bank loans can have a profound impact on various sectors of the economy and overall economic development. Here are some key factors that highlight the relationship between DMB loans and economic development:

Investment and Capital Formation: Bank loans provide businesses and individuals with the necessary capital to invest in new projects, expand operations, and acquire assets. Increased investment leads to the creation of new businesses, improved productivity, and enhanced infrastructure, all of which contribute to economic development.

Entrepreneurship and Innovation: Access to bank loans facilitates entrepreneurship by providing funding for innovative and startup ventures. Entrepreneurs can use borrowed funds to introduce new products and services, driving economic diversification and technological advancements.

Economic development

From the plethora of studies reviewed, it was gathered that many African nations appreciate their economic development targets but the living standard of their people remain stagnant. In fact, existence of ill health, mass poverty, unemployment and illiteracy continued to plague the developing countries. According to Hillary (2020), economic development is a rise in the productive capacity of a country to produce goods and services compared from one period to another. It's a rise in an economy's real level of national income which can be caused by a development in the quality and quantity of resources and developments in technology. In support of this, Adekunle (2017) described economic development as the positive and sustained increase in aggregate goods and services produced in an economy within a given period. According to Peterson (2018), economic development can be defined as the expansion of a nation's capability to produce the goods and services its people want. In much the same way Adelakun (2017) described economic development as the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income. When measured with the population of a given economy, then economic development can be stated in terms of per capita income according to which the aggregate production in a given year is divided by the country's population (Rutto, 2021).

In lieu to this, Abubakar (2016) opined that a country's economic development is a long-term rise in capacity to supply progressively diverse economic goods to its population; this growing capacity is built on technological development and development, the ideological and institutional adjustments that it demands. This implies that economic development is tantamount to a sustained rise in national output, presence of advanced technology, attitudinal, ideological and institutional adjustments and provision of wide range of economic goods.

Theoretical Review

Credit Creation Theory

Propounded by Jackson (1934), this theory proposes that individual banks can create money and bank do not solely lend out deposits that have been provided to the bank. Instead, the bank creates bank deposits as a consequence of bank lending. Consequently, the amount of money that a bank can create is not constrained by their deposit taking activities, and the act of bank lending creates new purchasing power that did not previously exist. The repayment of existing debt destroys money, as a consequence of reducing bank loans and customer deposits.

A bank ability to create new money, which is referred to as credit money is a consequence of a range of factors. Firstly, non-cash transactions account for more than ninety five percent of all transactions conducted within the economy, with non-cash transactions being settled through non- cash transfers within the banking system. Bank ability to create credit money arises from combining lending and deposit taking activities. Banks act as the accountant of record within the financial system, which enables banks to create the fiction that the borrower deposited money at the bank. Members of the public are unable to distinguish between money that a bank has created, and money saved at the bank by depositors.

Financial Intermediary Theory

The seminal works of McKinnon (1973) and Shaw (1973) attributed financial repression as the cause of the unsatisfactory development performance of developing countries. Both McKinnon and Shaw advocated that financial liberalisation was needed to remedy the problems caused by the financial repressive policies of developing countries. Broadly speaking financial liberalisation is used to mean all those policies aimed at freeing "repressed" economies from the influences of such development-retarding policies as low and often negative real interest rates and directed credit policies. Such financial liberalization policies include interest rate liberalisation, abolition of directed credit allocation, bank denationalisation, liberalising entry into the banking sector, and strengthening of prudential regulation.

According to the financial liberalisation theory, financial repression through interest rate ceilings keeps interest rates low and this discourages savings with the consequence that the quantity of investment is stifled. Thus investment is constrained by savings. The quality of investment is also low because the projects that will be undertaken under a regime of repression will have a low rate of return. With financial liberalisation, interest rate deregulation means that the interest rate will rise, thereby increasing savings and also investment. The increased investment results in the rationing out of low-yielding projects and the subsequent undertaking of high-yielding projects. The quality of investment rises and this will ultimately increase economic development. McKinnon and Shaw therefore advocated the liberalization of such repressed financial systems so as to promote economic development.

Empirical Review

Shahzad (2019) investigated influence of loans on the performance of commercial banks in the United Arab Emirates (UAE) and the United Kingdom (UK). Using descriptive statistical tool, the study revealed that credit risk management strategies positively influence the profitability of the UK-based commercial banks in terms of return on assets, has been partly confirmed.

Ahamed, Abdul and Abdul (2016) undertook a study that focused on loan management and its impact on loan performance in commercial banks of Ampara district in Sri Lanka. The target population in the study was managers and credit officers in commercial banks in region. Census study design was used because all branch managers and credit officers were directly targeted in the study. Data were collected in 2015 using questionnaires and analyses were done using correlation analysis and multiple regression techniques. The findings revealed that loan appraisal, financial viability, technical feasibility, credit rating, risk transfer, risk diversification and risk retention has no significant relationship with loan performance.

Rutto (2021) examined the impact of access to bank credit on the economic performance using sectoral panel data for Kenya. They find that a positive and significant impact of credit on sectoral gross domestic product measured as real value added and recommended that the banking sector, which is the main source of credit to the private sector, is an important channel of financial intermediation through which financial resources can be mobilized for productive investment needed for the realization of the high economic development.

Aurangzeb (2020) evaluated the contributions of banking sector in economic development of Pakistan from the period of 1981 to 2015. Regression results indicate that deposits, investments, advances, profitability and interest earnings have significant positive impact on economic development of Pakistan. The Granger-Causality test confirms the bidirectional causal relationship of deposits, advances and profitability with economic development. On the other side a unidirectional causal relationship of investments and interest earnings with economic development runs from investments and interest earnings to economic development.

Aribaba, Ahmodu, Oladele, Saliu and Olaleye (2019) examines the role deposit money banks' loan facilities plays in funding SMEs businesses in Nigeria. The study employed the cross-sectional method of survey research. Ten (10) years financial performance index report of SMEs businesses was extracted from the Central Bank of Nigeria (CBN) statistical bulletin between the periods of 2008-2017 were selected. The index captured dependent and independent variables. Gross domestic product (GDP) is a proxy to SMEs while fund deposit, loan facilities and return on equity were proxies to deposit money banks variable. Data collected was analysed using descriptive statistics and ordinary least square techniques. The study revealed the positive co-efficient value of 17.19434 and 15.84082 for fund deposit and loan facilities variables; and the negative co- efficient value of -3.442694 for the returns on equity variable which affect the development of SMEs in Nigeria.

Courage & Leonard (2019) investigated influence of commercial bank sectorial credit to the manufacturing and agricultural sub-sectors on economic development in Nigeria with time series data from 1981 to 2015,

co-integration and error correction mechanism were used. Three equation model was specified to analyze this study, the variables include; real GDP, bank sectorial credit to manufacturing and agriculture subsectors, monetary policy rate, financial market development. The unit root test on the variable were stationary. The result revealed that commercial bank credit to the manufacturing and agricultural subsectors significantly affects economic development in Nigeria both in the short run and in the long run. Furthermore, development of the financial sector enhances the development influences of commercial banks credit to the manufacturing and agricultural subsectors of the economy.

Methodology

Research Design

The research design which provide empirical solution to research problems by using already existing data. The secondary data will be extracted from the statistical bulletin of Central Bank of Nigeria (CBN, 2022), The study will cover 10 years spanning from 2012-2022. The selection of 10 years is primarily due to the availability of data and the need to capture periods with significant influences of banks credit in the various sectors in the economy.

Model Specification

The study adopts the model used by Abayomi (2020) to examine sectoral loans demand and performances of deposit money banks in Nigeria. The functional and linear representation of the model is given thus:

ROCE = g+ aBCA + a2BCM + agBCMQ + Ut.......3.1

Where:

ROCE Return on Capital Employed

BCA-Bank Credits to Agricultural Sector

BCM-Bank Credits to Manufacturing Sector

BCMQ- Bank Credits to Mining and Quarrying

at.......as are parameter estimates

U, is Stochastic Error Term

However, to achieve the stated objectives of this study economic development, which is the dependent variable, is captured with Interest Rates, Private and Public Investment and Foreign Direct Investment Thus, the functional and linear representation of the model of this study is given thus:

LARap+aIRT + a2PPI+a3FDI+ Ut.........3.1

Where:

LAR is Loan and Advances Ratio

IRT IS Interest Rates

PPI is Private and Public Investment

FDI is Foreign Direct Investment

Method of Data Collection and Sources of Data

There are two sources (primary and secondary) with which data could be generated. However, the data used for this study would be generated from a secondary source. The data set for this study is mainly secondary

data sourced from Central Bank of Nigeria Statistical Bulletin (CBN, 2022). The data comprises annual time series spanning from 2012 through 2022.

Results and Discussion

Correlation Analysis

	IRT	PPI	FDI	LAR
LAR	1.000			
PPI	0.561	1.000		
FDI	0.441	0.584	1.000	
IRT	0.745	0.662	0.469	1.000

Results from table above revealed a positive relationship between IRT, PPI, FDI and LAR with correlation coefficient of 0.561 for microfinance deposit, 0.441 for loan penetration ratio and 0.745 for microfinance loan and advances. This indicates that the variables moved in similar directions with Nigeria economy. Similarly, the result also showed that there exists a positive relationship between FDI and IRT with the correlation coefficient of 0.584 for FDI and 0.662 for IRT. Also, the result also showed that there exists a positive relationship between FDI and IRT with the correlation coefficient of 0.469 for IRT. Finally, it was shown that the relationship between point of sales and other predictor variables were positive. In relation to the presence or absence of multi-collinearity, the highest correlation coefficient between the predictors was 0.745 and it informs the absence of mulis thallinearity because the correlationen the predictors was 0.745 and it informs the rule of thumb igression high correlation coefficient officient was moderate and too high. The endanger the regression results because of multi-collinearity.

Descriptive Statistics

The descriptive statistics are used to describe data in a meaningful way. In this study descriptive statistics such as mean, standard deviation minimum, maximum, skewness and Kurtosis statistics of each variable.

Variables	**Obs**	**Mean**	**Std. Deviation**	**Maximum**	**Minimum**	**Skewness**	**Kurtosis**
LAR	23	150.9617	2.5923	8.8840	1.1000	0.4989	1.9743
IRT	23	-0.74562	0.3419	-0.3200	-1.6500	-1.2310	4.2499
PPI	23	20.734	6.6227	28.000	6.9000	-0.6254	-2.2644
FDI	23	-1.0300	0,0929	-0.8900	-1.2100	-0.6587	2.2711

Source: Author's Computation, 2024.

Table above shows the descriptive statistics of all the variables under consideration in this study in their raw form. The mean value of LAR is given to be #150.9617 billion with a standard deviation of 2.5923. This implies that the average LAR in Nigeria for the period covered by this study is #150.9617 billion. In the same while the maximum LAR for the period covered by this study is #8.8840, the minimum value is #1.100 billion. Consequently, the average values for IRT PPI and FDI are respectively given to be -0.74652, 20.734 and 1.0300. In addition, while the maximum values for IRT PPI and FDI are -0.3200, 28.000 and -0.8900, their respective minimum values are -1.6500, 6.9000 and -1.2100. The skewness statistic shows that while some variables are positively out of true, others are positively skewed. The Kurtosis statistic shows that all the variables have a thin-tailed distribution.

Long-run and Short-run Estimation Result

Dependent Variable: LAR

Independent Variable: IRT PPI FDI

Variable	**Coefficient**	**Std.Error**	**t-Statistics**	**Prob.**
Long – Run				
Constant	-3.771229	5.019138	-0.751370	0.4616
IRT	-1.276531	1.464501	-0.871649	0.3943
PPI	0.303797	0.086312	3.519752	0.0023
FDI	-0.466832	5.132438	0.090957	0.9285
Adjusted R-squared	0.370455			
Prob(F-statistic)	0.007876			
Short- Run				
C	0.556894	0.195598	0.649382	0.0074
D(LAR(-1))	1.117237	0.838163	1.332959	0.2054
D(IRT(-1))	0.746546	1.764697	-0.423045	0.6792
D(PPI(-1))	0.046978	0.137945	0.340560	0.7389
D(PPI(-2))	-0.123713	0.105531	-1.172290	0.2621
D(FDI(-2))	-4.144663	3.044421	-1.361396	0.1965
ECT(-1)	-2.424593	0.221412	-1.546098	0.0061
Adjusted R-squared	0.410192			
F-statistic	5.968051			
Prob(F-statistic)	0.00325			

Source: Author's Computation, 2024.

Table above reveals that IRT exerts a positive and insignificant influence on deposit money bank loan in Nigeria to the tune of -3.7712(p=0.3943>0.05). In the same vein, PPI has a positive and significant influence on deposit money bank loan in Nigeria to the tune of 0.303797(p=0.0023<0.05). Also, the result shows that there is positive and insignificant influence of FDI on deposit money bank loan in Nigeria to the tune of -0.4668(p=0.9285<0.05). Also, the adjusted R-squared shows that about 37% variations in deposit money bank loan in Nigeria can be attributed to all the independent variables, while the remaining 63% variations in deposit money bank loan in Nigeria are caused by other factors not included in this model. This is further emphasized by the probability of the f-statistic given to be 0.0078 which shows that the regression result is statistically significant because this is less than 5%, the level of significance adopted for this study.

Consequently, both IRT and FDI exert a positive and insignificant influence on deposit money bank loan in Nigeria to the tune of -0.7465(p=0.6792>0.05) for IRT and -4.1446(p-1965>0.05). PPI has a positive and insignificant influence on deposit money bank loan in Nigeria to the tune of 0.04697(p=0.7389>0.05). Also, the adjusted R-squared shows that about 41% variations in economic development can be attributed to all the independent variables, while the remaining 59% variations in deposit money bank loan are caused by other factors not included in this model. This is further emphasized by the probability of the f-statistic given to be 0.00325 which shows that the regression result is statistically significant because this is less than 5%, the level of significance adopted for this study. The lag error correction term Coinleq (+1), which measures the speed of adjustment to restore long-run equilibrium in the dynamic model has the expected positive sign and statistically significant at a 5% significance level. This further validates the long-run relationship among the variables. The low coefficient of the error correction term shows that disequilibrium adjusts back to the'long-run equilibrium at a speed of adjustment rate of 22%.

Discussion of Findings

The summary of the findings made are: From the analysis it shows the descriptive statistics of all the variables under consideration in this study in their raw form. The mean value of LAR is given to be #150.9617 billion with a standard deviation of 2.5923. In the same while the maximum LAR for the period covered by this study is #8.8840, the minimum value is #1.100 billion. Consequently, the average values for IRT PPI and FDI are respectively given to be -0.74652, 20.734 and -1.0300, Bounds test reveals that f-statistics value of 5.623402 is greater than Critical Value Bounds for the upper bound I(1) at 5% level of significance, thus, there is co-integration as such there is long-run relationship. The results shows that interest rate exerts a positive and insignificant influence on deposit money bank loan in Nigeria to the tune of 3.7712(p=0.3943>0.05). In the same vein, private and public investment has a positive and significant influence on deposit money bank loan in Nigeria to the tune of 0.303797(p=0.0023<0.05). This outcome is line with the a priori expectation earlier stated for this study. The positive coefficient implies that a 1% increase in private and public investment would cause 30% increase on deposit money bank loan in Nigeria. Also, the result shows that there is positive and significant influence of foreign direct investment on deposit money bank loan in Nigeria to the tune of 0.4668(p=0.0085<0.05). The positive coefficient reveals that on deposit money bank loan in Nigeria stands the chance to increase by 46% with just a 1% increase in the foreign direct investment.

Conclusion and Recommendation

From the findings of this study, we conclude that there exist a long-run relationship between deposit money bank loan and Nigeria's economic development. Meaning that if there are well proper interest rate, private and public investment this will bring a positive impact to the economic development in Nigeria. It was therefore recommended that Government should strengthen institutions that are charged with the responsibility of granting loans and advances to agriculture sector because of its associated benefit not only to the banks but the economy at large.

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