



An Examination of the Impact of Financial Deepening on Inclusive Growth in Nigeria

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Abstract

The study carried out an examination of the impact of financial deepening on inclusive growth in Nigeria using time series data for the period of 1986 to 2019. The study utilized time series data on the addition of Gini coefficient and GDP per capita as proxy for inclusive growth while the ratio of money supply to GDP, ratio of credit to private sector to GDP, ratio of Gross National Savings to GDP and lending rate were used as proxy for financial deepening. The study utilized Autoregressive Distributed Lag (ARDL) as its estimation technique. It was revealed based on the results that the ratio of money supply to GDP, ratio of credit to private sector to GDP and ratio of gross national savings to GDP had a positive impact on inclusive growth in Nigeria. However, lending rate had a negative impact on inclusive growth. Based on the findings, the study recommended that; government should deepen her financial system through increase in ratio of money supply to GDP, ratio of credit to private sector to GDP, ratio of Gross National Savings to GDP and decrease in lending rate towards achieving inclusive growth.

Keywords: Financial Deepening, Financial Reform, Gini Coefficient and Inclusive Growth.

JEL Code: G10, G53, O10, O40.

Contribution/Originality:

The paper contributes to the existing body of knowledge as most of the extant studies focused on financial deepening and economic growth without little attempt on the inclusiveness of economic growth due to financial deepening in the Nigerian economy. The paper is original as it acknowledged all works cited.

1.0 Introduction

Financial deepening enhances the provision of financial services. Financial deepening can have a macroeconomic effect for a country. Thus, financial deepening generally increases the ratio of money supply to GDP. Thus, it can have the effect of increasing liquidity. Notably, having access to money can provide more opportunities for investment and growth in an economy.

A developed financial system broadens access to funds; conversely, in an underdeveloped financial system, access to funds is limited and people are constrained by the availability of their own funds and have to resort to high cost informal sources such as moneylenders. Lower the availability of funds and higher their cost, fewer would be the economic activities that can be financed and hence lower the resulting inclusive growth (Özşahin & Uysal, 2017).

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Financial deepening is one of the operational changes and empowering element for faster inclusive growth, which results out of the tendency of financial development to reduce income inequality by raising income of the poor in an economy (Nwaolisa & Cyril, 2018). Nevertheless, Sub-Saharan Africa (SSA) countries had over the years faced the challenges on how to restructure and reshape their economies towards the path of sustainable growth while lessening poverty and improving social indicators such as; education and health among the populace (World, 2019).

Similarly, in the 1980s and 1990s, to promote financial deepening, many SSA countries particularly Nigeria embark on reforms in her financial sector through interest rate liberalization, directed credit phasing out, adoption of indirect instruments of monetary policy, restructuring banks and improving banking supervision (Nwanna & Chinwudu, 2016). However, these reforms failed to provide the expected target of inclusive growth as economic growth not fairly distributed across the populace to reduce poverty level (Central Bank of Nigeria, 2019).

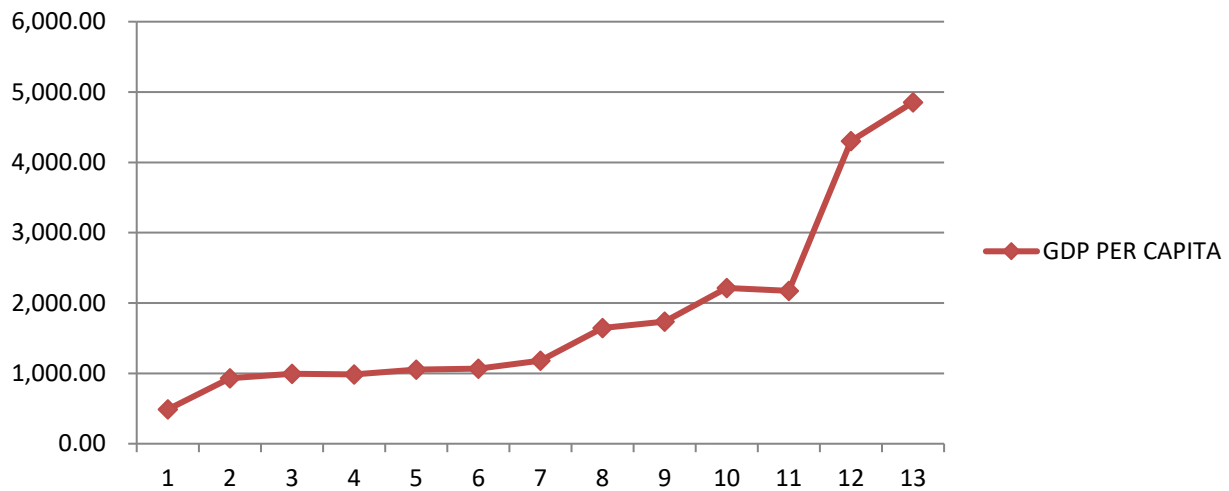
Financial deepening enhances financial conditions of the populace by creating opportunities for all through improved viable effectiveness within financial markets thus ultimately helping non-financial sectors of the economy (Ifeanyi & Chinyere, 2015). Inclusive growth, which is economic growth that is distributed fairly among the teeming population, is attained through financial deepening because; financial development increases the provision and choices of financial services aids reduction in income inequality and poverty level.

Financial deepening dynamically draws the pool of savings and idle cash and distributes same to economic agents such as; households, entrepreneurs, business firms, and government for investments projects and other determinations with a vision of incomes or returns, which forms the basis for inclusive growth (Okafor, Onwumere & Ezeaku, 2016).

Nigeria recorded financial deepening in terms of ratio of money supply to GDP (M3/GDP in %) to reflect 15.54% in 2007, 22.93% in 2014, 22.18% in 2015, 23.90% in 2016, 25.16% in 2017, 23.31% in 2018 and 23.75% in 2019 (Central Bank of Nigeria, 2019). Nigeria also recorded financial deepening in terms of ratio of credit to private sector to GDP (CPS/GDP in %) to reflect 11.12% in 2007, 17.67% in 2008, 20.55% in 2009, 20.77% in 2016, 19.43% in 2017, 17.63% in 2018 and 17.28% in 2019 (Central Bank of Nigeria, 2020).

As showed on figure 1.0, ensuing financial deepening in Nigeria to attain inclusive growth, GDP per capita stood at ₦1131.147 billion in 2007, ₦6951376 billion in 2008, ₦857449 billion in 2009, ₦1091.968 billion in 2010, ₦527.2314 billion in 2011, ₦963.537 billion in 2012, ₦2514.1 billion in 2013, ₦2486.22 billion in 2014, ₦ 2739.852189 billion in 2015, ₦297. 9 billion in 2016, ₦484.415 billion in 2017, ₦3203.244296 billion in 2018 and ₦2640.290739 billion in 2019 (World Bank, 2019).

Figure 1: GDP Per Capita in Nigeria 2007-2019



Source: Author's Computation using Data from CBN, 2021.

Despite all the financial sector reforms, the rate of financial deepening had been on decline lately and thus reducing GDP per capita. Arguably, the reduction in GDP per capita resulted to decline in creating opportunities for the populace as many Nigerians on the daily basis live below \$2.00 per day (World Bank, 2019). In extant literature, considerable number of studies such as; Nwaolisa and Cyril (2018), Özşahin and Uysal (2017), Nwanna and Chinwudu (2016), Okafor, Onwumere and Ezeaku (2016) and Virgin, (2015) had been carried out in this area of research interest. However, most of the previous studies focused on financial deepening and economic growth in Nigeria as a whole without little attention on financial deepening and inclusive growth in Nigeria. It is the bid to fill this gap that the study intends to examine financial deepening and inclusive growth in Nigeria.

2.0 Literature Review

2.1 Theoretical Framework

This study which is financial deepening and inclusive growth in Nigeria is anchored on financing theory propounded by Modigliani and Miller (1958). The study is based on this theory because the theory stated that the extent of financial development spurs growth in an economy. The theory also states that financial development could be attained through increased in financial control, reduction in financial risk and creating favourable financial condition in an economy. This implies that this theory explains this study because creating a favourable financial condition for all the teeming population would help to distributed growth fairly among them, which is an evidence of “inclusive growth”. Based on the foregoing, the modelling framework for the financing theory is expressed as showed in Equation [0.1]

$$Q = \eta_0 + \lambda_1 F^d \quad (0.1)$$

Where; Q growth rate, F^d is represents financial development (financial deepening), η_0 represents the autonomous component of the financing model while λ_1 is the estimate of financial deepening which includes; ratio of money supply to GDP, ratio of credit to private sector to GDP, ratio of Gross National Savings to GDP and lending rate.



2.2 Conceptual and Empirical Literature Review

Financial deepening is conceptualized as a condition where there exists sufficient liquidity and smooth process of financial institution carrying out the financial intermediation process (World Bank, 2019). It as a process involving specialization in financial functions and institutions through which organized domestic institution and markets relate to foreign markets (Virgin, 2015). In the context of this paper, financial deepening can be summarized as to the increased provision of financial services with a wider choice of services geared to the development of all levels of society and ensuring financial inclusiveness of all sectors both formal and informal sectors. Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth benefits incurred by every section of society (Özşahin & Uysal, 2017). Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all (Adu, Marbuah & Mensah, 2013). In the context of this paper, inclusive growth is that which strikes a balance between economic and sustainable development to create opportunities for all.

Empirically, there is dearth of literature on financial deepening and inclusive growth in Nigeria. However, the following are the related review of literatures in this area of research interest. These include; John and Happiness (2020) investigated the impact of financial deepening on economic growth in Nigeria using time series data sourced from CBN Statistical Bulletin for the period of 1981 to 2018. The study employed classical least squares as its technique of estimation. The study revealed that financial deepening had significant positive impact on economic growth in Nigeria.

Nzotta and Okereke (2019) examined financial deepening and economic growth in Nigeria using time series data for the period of 1986 and 2017 sourced from National Bureau of Statistics. The study employed two stages least squares. The study revealed that financial deepening is positively related to economic growth in Nigeria.

Nwaolisa and Cyril (2018) examined impact of financial deepening on the growth of Nigerian economy using time series data for the period of 1990 to 2016. The data for the study was analyzed using Ordinary Least Square technique of regression analysis. The study revealed that financial deepening indicators such as broad money supply and credit to private sector has significant positive impact on growth of Nigerian economy. The study concluded the increase in financial deepening resulted into increase in the growth of Nigerian economy.

Özşahin and Uysal (2017) examined the relationship between financial deepening and economic growth for twelve MENA countries using panel data for the period of 2000-2014. The study utilized panel regression analysis as its technique of estimation. The study revealed that financial deepening is positively related to economic growth for the countries under review. The study concluded that increase in financial deepening led to increase in economic growth in Nigeria.

Nwanna and Chinwudu (2016) examined the effect of financial deepening on economic growth in Nigeria using time series data for the period of 1985 to 2014 using Ordinary Least Squares as its technique of analysis. The study showed that financial deepening had positive impact on economic growth in Nigeria. The study concluded that increase in financial deepening led to increase in economic growth in Nigeria.

Okafor, Onwumere and Ezeaku (2016) examined causality and impact of financial deepening on economic growth in Nigeria using time series data for the period of 1981 to 2013. The study used Error Correction Model and Granger causality test. The study revealed that financial deepening



indicators such as broad money supply and private sector credit had positive impact on economic growth in Nigeria. The Granger causality test showed absence of causality between financial deepening and economic growth in Nigeria. The study concluded that increase in financial deepening led to increase in economic growth in Nigeria.

Virgin (2015) examined the impact of financial deepening on economic growth in India using time series data for the period of 1980 to 2010. Autoregressive Distributed Lag (ARDL) was employed as its technique of estimation. The study used financial deepening indicators such as; ratio of money supply to GDP, ratio of credit to private sector to GDP, ratio of gross national savings to GDP and Gross Domestic Product as proxy for economic growth. The study revealed that ratio of money supply to GDP, ratio of credit to private sector to GDP and ratio of gross national savings to GDP had significant positive impact on economic growth in Nigeria. The study concluded that increase in financial deepening led to increase in economic growth in India.

Ifeanyi and Chinyere (2015) examined financial deepening and economic growth in Nigeria using time series data for the period of 1985 to 2014. The study used Ordinary Least Square to analyze the data. The study revealed that financial deepening had significant positive impact on economic growth in Nigeria. The study concluded that the increase in financial deepening led to increase in economic growth in Nigeria.

Luqman (2014) studied financial deepening and economic growth in Pakistan using time series data for the period of 1985 to 2011. The study used vector error correction technique of analysis. The study revealed that financial deepening had positive impact on economic growth in Pakistan. It was concluded that rise in financial deepening led to rise in economic growth in Pakistan.

Ayadi, Ben-Naceur, and De Groen (2013) determined the relationship between financial deepening and economic growth in northern and southern Mediterranean countries using panel data for the period of 1985-2009. The study based on the results, showed that money supply, credit to the private sector and gross national savings as financial deepening indicators were negatively related to economic growth. It was concluded that rise in financial deepening led to rise in economic growth in Nigeria.

Ohwofasa and Aiyedogbon (2013) assessed the level of financial deepening in the banking sector and its impact on economic growth using time series data for the period of 1980 to 2011. The study employed Vector autoregressive (VAR) technique of estimation. The study revealed that money supply, credit to private sector and gross national savings had positive impact on economic growth in Nigeria. The study concluded that increase in financial deepening led to increase in economic growth.

Adu, Marbuah and Mensah (2013) studied financial deepening and economic growth in Ghana using time series data for the period of 1986 to 2019. The study used financial deepening indicators such as; private sector credit ratio to GDP, money supply ratio to GDP, total domestic credit to GDP and total bank deposit liabilities to GDP. The study used Ordinary Least Square technique. It was revealed that financial deepening had a positive effect on economic growth in Ghana excluding broad money supply to GDP.

Sulaiman, Oke and Azzez (2012) explored the effect of financial deepening on economic growth in Nigeria using time series data for the period of 1987 to 2009. The study used cointegration and error correction model (ECM). The study revealed that financial deepening had positive impact on economic growth in Nigeria. It was concluded that increase in financial deepening led to increase in economic growth in Nigeria.

Onwumere, Ibe, Ozoh and Mounanu (2012) examined the impact of financial deepening on economic growth in Nigeria within the time frame of 1992 to 2008. The study used Ordinary Least technique of estimation. The study revealed that financial deepening had positive impact on economic growth in Nigeria. The study concluded that increase in financial deepening led to increase in economic growth in Nigeria.

There is no research without a gap. In extant literature, considerable number of studies such as; Nwaolisa and Cyril (2018), Özşahin and Uysal (2017), Nwanna and Chinwudu (2016), Okafor, Onwumere and Ezeaku (2016) and Virgin, (2015) had been carried out in this area of research interest. However, most of the previous studies focused on financial deepening and economic growth in Nigeria as a whole without little attention on financial deepening and inclusive growth in Nigeria. It is the bid to fill this gap that the study intends to examine financial deepening and inclusive growth in Nigeria.

3.0 Methodology

The study employed time series data for the period of 1986 to 2019. Data on ratio of money supply to GDP (X_1), ratio of credit to private sector to GDP (X_2), ratio of Gross National Savings to GDP (X_3) and lending rate (X_4) were considered as proxy for financial deepening while the addition of Gini coefficient and GDP per capita (Y) was the proxy for inclusive growth. The data was sourced from Central Bank of Nigeria (CBN) Statistical Bulletin and World Bank Popular Indicator (2019). The study used both descriptive and analytical tools. The descriptive involves descriptive statistics while the analytical tools include; the unit root test, Bounds cointegration test, Autoregressive distributive lag (ARDL) and diagnostic tests. Particularly, ARDL is a least squares regression approach involving the lag of both the endogenous variable and exogenous variables. ARDL model is normally denoted using ARDL notion ($p_1, q_1, q_2, q_3, \dots, q_k$). P denotes the number of lags of the endogenous variable and q_1 is the number of the lags of the first exogenous variable, and q_k is the lags of the k^{th} exogenous variable. In building the ARDL model, the study adopted the model of Virgin (2015) who considered ratio of money supply to GDP, ratio of credit to private sector to GDP and ratio of gross national savings to GDP as proxy for financial deepening. This model is thus modified with the inclusion of lending rate as one of the variables. Hence, the functional form of the model is expressed as showed in Equation [0.2]

$$Y = F(X_1, X_2, X_3, X_4) \quad (0.2)$$

Where; Y represents the addition of Gini coefficient and GDP per capita as proxy for inclusive growth being the dependent variable while X_1 represents ratio of money supply to GDP, X_2 represents ratio of credit to private sector to GDP, X_3 represents ratio of Gross National Savings to GDP and X_4 represents lending rate. The ARDL model based on the functional form of its model specification in Equation [2], is represented in Equation [0.3]

$$\begin{aligned} \Delta LY_t = & \alpha_0 + \sum_{i=1}^p \delta_i \Delta LY_{t-i} + \sum_{k=0}^p \beta_k \Delta LX_{1,t-k} + \\ & \sum_{k=0}^p \varepsilon_k \Delta LX_{2,t-k} + \sum_{l=0}^p \gamma_l \Delta LX_{3,t-l} + \sum_{m=0}^p \varphi_m \Delta LX_{4,t-m} + \lambda_1 LY_{t-1} + \lambda_2 LX_{1,t-1} + \\ & \lambda_3 LX_{2,t-1} + \lambda_4 LX_{3,t-1} + \lambda_5 LX_{4,t-1} + \mu_t \end{aligned} \quad (0.3)$$

Where α_0 and μ_t is the autonomous component and white noise respectively. The expression with the signs of summation in the equation is error correction. The parameter coefficient denotes the short run effects while λ is the corresponding relationship in the long run.

4.1 Analysis of Data

Table 4.1: Descriptive Statistic Result

	Y	X ₁	X ₂	X ₃	X ₄
Skewness	1.2600	0.4970	0.1132	1.1070	0.1746
Jarque-Bera	5.9482	7.5648	4.6047	9.6552	5.8236
Probability	0.1389	0.0173	0.0107	0.0251	0.0018
Obs	33	33	33	33	33

Source: Researcher's Computation using Eviews version 10.

Table 4.1 revealed 33 observations for all the variables of interest in this study. Based on the descriptive statistics, all the variables were positively skewed as the Jarque-Bera statistic displayed that individually, all the variables were not normally distributed. The result of their probability also long-established non-existence of normal distribution among individual variables since their p-values were less than 0.05 based on the rule of thumb. Hence, the prerequisite to carry out unit root test for stationarity. Based on the unit root test, to determine the order of integration of the variables, the study employed Augmented Dickey Fuller (ADF) test as showed in table 4.2

Table 4.2 showed that all the independent variables (X₁, X₂, X₃ and X₄) were stationary at first difference because their ADF Statistic at first difference were greater than their critical values at first difference for 5% level of significance except the dependent variable (Y) that attained stationarity at level because its ADF statistic at first difference was greater than the critical value at first difference for 5% level of significance

Table 4.2: Unit Root Test Results

Variables	ADF Statistic at level	ADF Statistic at first difference	Critical values of 5% at level	Critical values of 5% at first difference	P-values at level	P-values at first difference	Order of integration
Y	-5.8974	-2.3456	2.9604	-2.9639	0.0001	0.0784	I(0)
X ₁	2.6293	-4.6056	-2.9604	-2.9639	0.0981	0.0009	I(1)
X ₂	-1.5231	-6.3985	-2.9604	-2.9639	0.5089	0.0030	I(1)
X ₃	-2.0259	-5.2369	2.9604	-2.9639	0.2748	0.0002	I(1)
X ₄	-1.5872	-7.1550	-2.9604	-2.9639	0.4770	0.0000	I(1)

Source: Researcher's Computation using Eviews version 10, 2021

Table 4.3: ARDL Bound Test to Co-integration



F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	3.8481	10%	1.9923	2.9434
K	4	5%	2.2745	3.2245
		1%	2.8819	3.7823

Source: Researcher's Computation using Eviews version 10, 2021

Since the calculated F-statistic (3.84) is greater than all the lower bound and upper bound critical values at 1%, 5% and 10% level of significance, the null hypothesis of no long-run relationship among the variables of the selected ARDL (1, 1, 2, 2, 2) is to be rejected. Thus, the variables employed in this study were co-integrated which implied the existence of long run relationship.

Table 4.4: ARDL Result

Dependent Variable: D(LNY)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.5417	1.4862	0.3645	0.0462
<i>Short Run form of ARDL</i>				
D(LNY(-1))	0.5421	0.1025	5.2888	0.0055
D(LNX ₁ (-1))	0.3484	0.0543	6.4079	0.0006
D(LNX ₂ (-1))	0.3742	0.0804	4.6515	0.0094
D(LNX ₃ (-1))	0.0975	0.0564	1.7281	0.1076
D(LNX ₄ (-1))	-0.5368	0.6312	-0.8504	0.4105
ECT(-1)	-0.9420	0.4118	-2.2871	0.0396

Long Run form of ARDL

LNY	0.2361	0.2517	0.9380	0.3653
LNX ₁	0.5681	0.0881	6.4474	0.0010
LNX ₂	0.7103	0.0985	7.2119	0.0002
LNX ₃	0.5416	0.0669	8.0925	0.0000
LNX ₄	-0.4545	0.0794	-5.7228	0.0091
R-squared	0.7239	Durbin-Watson stat		1.9599
Adjusted R-squared	0.4054			
F-statistic	21.7304			
Prob(F-statistic)	0.0000			

Source: Researcher's Computation using Eviews version 10, 2021

Table 4.5: Serial correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:



F-statistic	2.5244	Prob. F(2,2)	0.2837
Obs*R-squared	9.3114	Prob. Chi-Square(2)	0.0795

Source: Researcher's Computation using Eviews version 10, 2021

From table 4.5, since the probability value of the serial correlation LM test which is (0.0795), is greater than 0.05, we accept the null hypothesis and reject the alternative hypothesis and conclude that there is no serial correlation in the short run and long run models.

Table 4.6: Heteroskedasticity Test Breusch- pagan-Godfrey

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	2.7969	Prob. F(8,4)	0.1678
Obs*R-squared	11.0285	Prob. Chi-Square(8)	0.2001
Scaled explained SS	0.7663	Prob. Chi-Square(8)	0.9993

Source: Researcher's Computation using Eviews version 10, 2021

From table 4.6, since the probability value of the heteroskedasticity test which is 0.2001 is greater than 0.05, we accept the null hypothesis and reject the alternative hypothesis and conclude that there is no heteroskedasticity in the short run and long run models.

Table 4.7: Ramsey RESET Test

Ramsey RESET Test			
	Value	Df	Probability
t-statistic	0.4008	3	0.7153
F-statistic	0.1607	(1, 3)	0.7153
Likelihood ratio	0.6784	1	0.4101

Source: Researcher's Computation using Eviews version 10, 2021

From table 4.7, since the probability value of the Ramsey RESET test is greater than 0.05, we accept the null hypothesis and reject the alternative hypothesis and conclude that there is no specification error in the short run and long run models.

Fig 1.0: CUSUM Stability Test

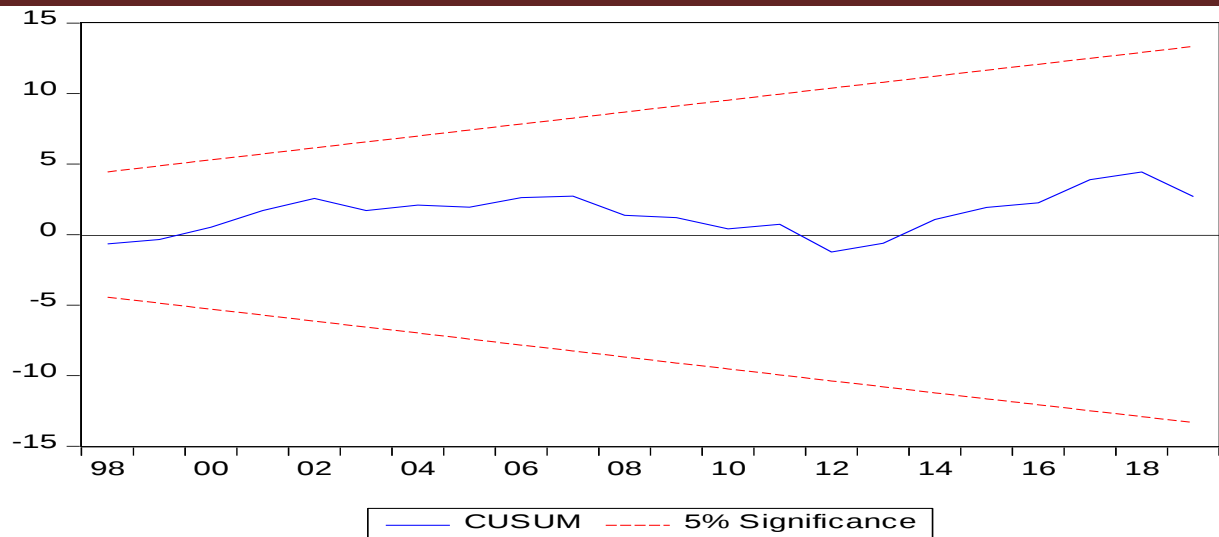
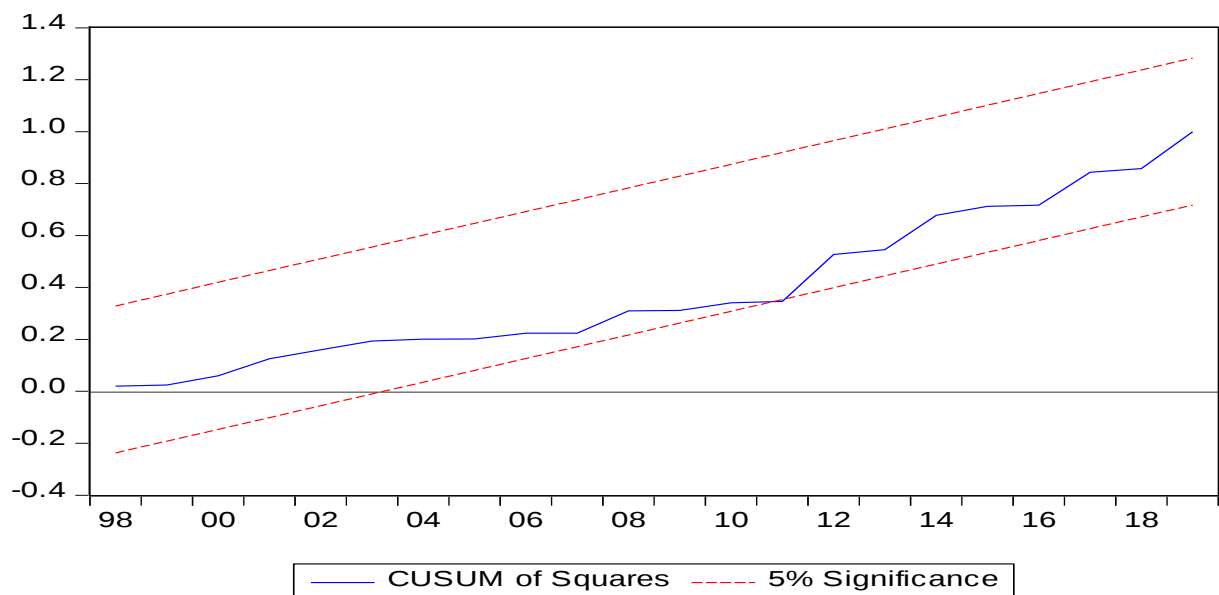


Fig 1.1: CUSUM of Squares Stability Test



Source: Researcher's Computation using EViews version 10, 2021

The result of the *CUSUM* test in figure 1.0 which is the necessary condition for stability of a model shows that the blue lines lies inside the dotted red line and it indicates that the model is dynamically stable at 5% level of significance. The result of the *CUSUM* of squares test in figure 1.1 which is the sufficient condition for stability of a model shows that the blue lines lies inside the dotted red line and it indicates that the model is dynamically stable at 5% level of significance.

5.0 Discussion of Findings

The model accounts for the speed of adjustment to long run equilibrium of the variables employed. Thus, the speed of adjustment of the model to long run equilibrium is measured by the coefficient of the first lag of the Error Correction Term (ECT (-1)). The Error Correction Term (-0.94) has the right a priori sign and it is statistically significant. Hence, the result of the ECT (-1) showed that 94% of the

deviation of the variables in the short run will be restored in the long run within one year. Also, the result of the short run and the long run models in table 4 showed that the independent ratio of money supply to *GDP*, ratio of credit to private sector to *GDP*, ratio of Gross National Savings to *GDP* and lending rate explained about 72% of the total variations in inclusive growth as proxy by addition of Gini coefficient and *GDP* per capita while the remaining 28% unexplained is captured by the error term. Considering the prob(F-statistic) of 0.000042 which is less than 0.05, thus the overall parameter estimates of the model are statistically significant.

The long run form of the *ARDL* model showed that the ratio of money supply to *GDP* has an estimated coefficient of 0.568151. This means 1% increase in the ratio of money supply to *GDP* led to 57% increase in inclusive growth. Hence, the ratio of money supply to *GDP* had a positive impact on inclusive growth in Nigeria. This finding is in line with that of Virgin (2015) who revealed that the ratio of money supply had positive impact on growth. The long run form of the *ARDL* model showed that the ratio of credit to private sector to *GDP* has an estimated coefficient of 0.710387. This means 1% increase in the ratio of credit to private sector to *GDP* led to 71% increase in inclusive growth. Hence, the ratio of credit to private sector to *GDP* had a positive impact on inclusive growth in Nigeria within the period under review. This finding is also in line with that of Virgin (2015), Nwaolisa and Cyril (2018) who revealed that the ratio of credit to private sector had positive impact on growth.

The long run form of the *ARDL* model showed that the ratio of gross national savings to *GDP* has an estimated coefficient of 0.541696. This means 1% increase in the ratio of gross national savings to *GDP* led to 54% increase in inclusive growth. Hence, the ratio of gross national savings to *GDP* had a positive impact on inclusive growth in Nigeria. The long run form of the *ARDL* model showed that lending rate has an estimated coefficient of -0.454563. This means 1% increase in lending rate led to 45% decrease in inclusive growth. Hence, lending rate had a negative impact on inclusive growth in Nigeria.

6.0 Conclusion and Recommendations

Finance-growth had over the years captured the attention of growth analyst, finance experts and researchers including policy makers in recent times given the unstable experiences of the financial sector and its associated consequences in the Nigerian economy. Hence, study sought to examine the impact of financial deepening on inclusive growth in Nigeria for the period of 1986 to 2019. The study utilized time series data on the addition of Gini coefficient and *GDP* per capita as proxy for inclusive growth while the ratio of money supply to *GDP*, ratio of credit to private sector to *GDP*, ratio of Gross National Savings to *GDP* and lending rate were used as proxy for financial deepening. Based on the findings, the study concluded that the ratio of money supply to *GDP*, ratio of credit to private sector to *GDP* and ratio of gross national savings to *GDP* had a positive impact on inclusive growth in Nigeria. The study therefore generalized that increase in financial deepening indicators such as; the ratio of money supply to *GDP*, ratio of credit to private sector to *GDP* and ratio of gross national savings to *GDP* led to increase in inclusive growth in the Nigerian economy within the study period. Also, the study concluded that lending rate had a negative impact on inclusive growth in Nigeria. This implied that increase in lending rate led to decline in inclusive growth in Nigeria within the study period. Finally, in line with the findings identified in this study over the finance-growth nexus, the results of this study should not be out looked as beyond question empirical verification, but rather an extra impetus for more research in this area with regards to the utilization of indicators of financial deepening.



Based on the findings, the following policy recommendations were made. These include;

- i. Government through the financial sector should ensure that the amount of money in circulation in terms of its ratio to GDP is increase over time in the Nigerian economy towards achieving the desired level of inclusive growth. This can be achieved if the government can create opportunities for all the teaming populace to live under good financial condition, financial control and reduction in financial risks.
- ii. Government through the financial sector should also make sure that the amount of credit to private sector in terms of its ratio to GDP is increased in the Nigerian economy in order to boost inclusive growth. This can be achieved if the government allow availability of credit facilities to other leading sectors in the Nigerian economy.
- iii. Government through the financial sector should continue to make provision for increase in gross national savings in terms of its ratio to GDP towards accelerating inclusive growth in Nigeria. This can be achieved if the government encourages savings with the financial institutions with the hope to increase availability of loans to investors towards boosting investment drive of the economy.
- iv. Finally, government should make sure that financial institutions reduce lending rate to boost financial development in order to enhance inclusive growth in the Nigerian economy. This can be achieved through proper utilization of the interest rate deregulation policy by all monetary authorities in the Nigerian economy.

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