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PERFORMANCE OF DEPOSIT MONEY IN THE BANKS ON ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT
This study examined the effect of commercial banks' performance on economic development in Nigeria, which aims to evaluating the impact of bank credit on economic development in Nigeria and to appraise the impact of growth in liquidity liabilities of banks on economic growth in Nigeria. The collection of data for this research work is done through the administration of questionnaire with the sample size of 20. However, the methods of data collection were both primary and secondary method of data collection. Also the hypothesis was tested using ANOVA and meaningful suggestions were put forward in order to realize the organizational objective. Findings were made among them that that bank credit advancement is a tool for economic development. also, that availability of bank credit advancement can increase entrepreneurial development. The study therefore recommends that credit to the private sector should be directed at priority sectors for its impact to be felt in the economy. Also, commercial banks should always give credit advance to the owners of entrepreneurship businesses, who have proven characteristics and behaviour together with business viability and authenticity which in turn will boost the Nigerian economy.
Keywords: Commercial Bank, performance, Economic development, Liquidity liabilities, Credit advancement

INTRODUCTION
The precise link and direction of causation between financial development and economic growth has remained at the centre of empirical debates for decades. The debate arguably gathered momentum with the empirical works of King and Levine (2015) who, in a cross country study comprising data from 77 countries over the period 1960-1989, found that the level of financial development stimulates economic growth. Deidda and Fattouh (2016) with the same data but a threshold regression confirms the positive relationship between the level of financial depth and economic growth for countries with high income per capita but no significant relationship for lower-income countries, which is consistent with the non-monotonic relationship implied in the model. Again, Rousseau and Sylla (2017) in their cross-country study covering 17 countries over the period 1850-1997 also find evidence of a leading role for finance. Their result was further supported by Rousseau and Wachtel (2016) who, examining the links between the financial and real sectors for five countries that underwent rapid industrialization over the 1870-1929 period, are able to confirm that financial intermediation Granger-cause real output, especially before the Great Depression, with little evidence of feedback from output to intermediation. Allesandra (2015) has argued that the strongest critique to all these studies comes from Arestis and Demetriades (2014). Some scholars have also approached the subject from the perspective of time series in a bid to find a common ground of consensus but here also, the results have been contentious. For instance, Harrison, Sussman and Zeira (2016) using a panel of data

for 48 US states from 1982-1994, find a feedback effect between the real and the financial sector that helps to explain intra-national differences in output per capita. Luintel and Khan (2014) using the VAR technique on 10 developing countries with yearly data from the 1950s to the mid-1990s find two co-integrating vectors identified as long-run financial depth and output relationship was linking financial development to economic development. They also find causality between the level of financial development (depth) and growth in per capita income in all sample countries. This confirms the findings of Demetriades and Hussein (2017) who, with data on 16 developing countries, with 30-40 yearly observations from the 1960s, find that in most countries evidence favour bi-directional causality and in quite a few countries economic growth systematically causes financial development.

Allessandra (2015) further argued the fact that many time-series studies yield unreliable results due to the short time spans of typical data sets cannot be ignored. It was for this reason that Christopoulos and Tsionas (2014) analyze 10 developing countries but resorted to a panel context that increases the sample size. With panel unit root tests and panel co-integration analysis the authors find a single a unique co-integrating vector, implying one-way causality from financial development to economic growth. From the foregoing, it seems that despite works on the contrary, there is a broad consensus that financial development spurs economic growth.

STATEMENT OF THE PROBLEM

In Nigeria, empirical works that focused explicitly on banking sector performance and economic growth have yielded mixed results. Some of these works suggest that banking sector performance has impacted positively and significantly on economic growth (Adelakun, 2014) while others reported an insignificant relationship between banking sector performance and economic growth (see. Ekpeyong & Acha, 2015; Odeniran & Udeaja, 2016). A major problem in these works is the authors' selection of explanatory variables that do not explicitly underpin banking sector performance. An example is Balogun's (2017) work on banking industry performance and the Nigerian economy where bank branches were used as one of the explanatory variables in his modelling. Ayadiet and Williamson (2015) also suggest that financial development has been intensively studied in developed countries, with result indicating a strong and positive relationship between growth and financial sector development. They also affirm that studies in developing countries are sparse and where they exist, tend to support a negative and insignificant relationship between banking sector performance and economic growth. Given the foregoing, there still exists a research gap for an empirical evaluation of the impact of banking sector performance on economic growth using more robust and broad based explanatory variables.

OBJECTIVES OF THE STUDY

The overall objective of this study is to investigate how commercial banks' performance affects economic development using data from Nigeria. The study strives to accomplish the following specific objectives:

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i. To evaluate the impact of bank credit on economic development in Nigeria.
ii. To appraise the impact of growth in liquid liabilities of banks on economic development in Nigeria.

RESEARCH QUESTIONS

The following questions will aid the research objectives:

i. To what extent does bank credit advancing have effect on economic growth in Nigeria?
ii. What effect does growth in liquid liabilities of banks have on economic growth in Nigeria?

RESEARCH HYPOTHESES

Based on these objectives, the following hypotheses were formulated:

Hypothesis 1

H_1: Bank credit have exerted positive and significant impact on economic growth in Nigeria

Hypothesis 2

H_1: Growth in liquid liabilities of banks exerts positive and significant impact on economic growth in Nigeria.

CONCEPT OF BANKING SYSTEM

According to Otto, Lahn and Gupter (2017), there are four vital components of a financial system. These include; financial institutions, financial markets, the regulatory authorities and financial instruments. The study also noted that the system in Nigeria has undergone remarkable changes in terms of ownership structure, the depth and breadth of instruments employed, the number of institutions established, the economic environment and the regulatory framework within which the system operates currently. The Nigerian financial system includes banks, capital markets, insurance, pension asset managers and other financial institutions with the Central Bank as the apex institution. The banking industry in Nigeria is dominated by the commercial banks. The commercial banks dominate in both size and profitability. In Nigeria, the financial system is the hub of productive activity, as it performs the vital roles of financial intermediation and effecting good payments system, as well as assisting in monetary policy implementation. Ofanson and Kuyt (2016) noted that the process of financial intermediation involves the mobilization and allocation of financial resources, through the financial (money and capital) markets by financial institutions (banks and non-banks) and by the use of financial instruments (savings, securities and loans). The alternative/complementary source for financing development projects is the development of debt or equity markets which at best, is at the rudimentary stage of development. It is in this regard that specialized financial institutions, including government owned development banks have been established in Nigeria to bridge the gap.

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THE BANKING INDUSTRY PERFORMANCE INDICATORS

There are varied indicators of the level of banking industry performance. Several authors have adopted different traditional and non-traditional indicators; however, this study will closely review the following:

i. Size
ii. Credit to Private Sector
iii. Asset Ratio
iv. Profitability / Efficiency

Size/Liquid Liabilities

Some works adopted the size of the formal financial intermediary sector relative to economic activity, to measure financial sector development. King and Levine (2015) posit that users of this measure of financial development hypothesize that the size of financial intermediaries is positively related to the provision of financial services. The concept of financial sector development is also referred to as financial depth. Similarly, Khan & Senhadji (2014) also identified liquid liabilities of the banking system as a key indicator of financial depth.

Loans to Private Sector

King & Levine (2015) suggest that a financial system that simply funnels credit to the government or state owned enterprises may not be evaluating managers, selecting investment projects, pooling risks and providing financial services to the same degree as financial systems that allocate credit to private sector. Consequently, they computed the proportion of credit to private enterprises by the financial system to access its impacts on the economy. The study excluded financial private sector credits. King & Levine (2015) states that this measure equals the ratio of claims on the non-financial private sector to total domestic credit (excluding credit to money banks), and we call this indicator private.

Domestic Asset Ratio

King & Levine (2015) proffer that measurement of relative importance of specific financial institutions could be used as a financial development indicator. The study focuses on the ratio of deposit money banks domestic asset to deposit money banks domestic asset plus Central Bank domestic asset. This was called "Variable Bank"

Profitability / Efficiency

Khan & Senhadji (2014) posits that there is no general theoretical model that can explain why financial intermediaries exist. However, they suggest that there are fundamental frictions that give rise to their existence, which are either of a technological or an incentive nature. Technological friction prevents individuals from having access to economies of scale, while the incentive friction occurs because information is costly and asymmetrically distributed across agents.

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THE CONCEPT OF ECONOMIC GROWTH

Economic growth can be defined as an increase in a nation's output, which is most commonly measured by the gross domestic product (GDP). The benefits stemming from economic growth are wide ranging. (Harper, 2017). Ekpeyong and Acha (2015) also affirm that expansion of economies with intent to improving the welfare of citizens is a desirable goal and this further explains why economic literature is replete with theories and studies investigating variables required by economies to achieve sustainable growth. Economic growth remains one of the macroeconomic goals of every government and there are several studies on the subject. Harper (2017) however suggests that to achieve economic growth, that two options are available. These options are; Using resources 'extensively' (that is producing more by using more of the available resources) or 'intensively' (that is producing more, while using the same amount of available resources).

Bank Performance and Economic Growth

Amongst other indices, banks' performance is basically evident in their level of efficiency and ability to manage costs and post healthy profit figures, but more importantly money creation. Performance reflects in several ways, which include; improved lending to various sectors of the economy, due to enhanced capital base; stronger banks with healthier balance sheets; innovation in banking products/service delivery; improvement in technology and globalization of operations in the industry; employment generation especially at the middle and lower levels of the industry in the short and long run; increased branch network, thereby aiding employment of both capital and labour; more challenges on the supervisory authorities especially in terms of capacity and capability thereby aiding better management of the banking/financial aspect of the economy; adherence to preferential treatment (by policy direction) on certain priority sectors (like agriculture and manufacturing). (Adelakun, 2014).

RESEARCH METHODOLOGY

Data were collected from both primary and secondary sources. Primary data were collected from the staff of Access Bank Plc. Bida Branch of Niger State using survey questionnaire, while the analysis of such data was conducted using descriptive (frequency and percentage) and inferential (Regression and ANOVA) statistics. Related journals were reviewed as the source of information from which the researchers formulated the questionnaire, which consisted only closed-end questions. The researchers administered 27 questionnaires in which only 20 were duly filled and returned by the respondents. Therefore, our sample size is 20.

Table 1: Bank credit advancement is a tool for economic development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	1	5.0	5.0	5.0
	Agreed	10	50.0	50.0	55.0
	Strongly Agreed	9	45.0	45.0	100.0
	Total	20	100.0	100.0	

Source: Field Survey, 2019

Table 1 above shows responses on how bank credit advancement is a tool for economic development. Responses indicate that 1 respondent representing 5.0% were Undecided, 10 respondents representing 50.0% agreed, while 9 respondents representing 45.0% strongly agreed. This implies that majority of the respondents agreed that bank credit advancement is a tool for economic development.

Table 2: Availability of bank credit advancement can increase entrepreneurial development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	1	5.0	5.0	5.0
	Agreed	8	40.0	40.0	45.0
	Strongly Agreed	11	55.0	55.0	100.0
	Total	20	100.0	100.0	

Source: Field Survey, 2019

Table 2 above shows responses on how availability of bank credit advancement can increase entrepreneurial development. Responses indicate that 1 respondent representing 5.0%were Undecided, 8 respondents representing 40.0% agreed, while 11 respondents representing 55.0% strongly agreed. This implies that majority of the respondents strongly agreed that how availability of bank credit advancement can increase entrepreneurial development.

Table 3: Liquid liabilities of bank can be used to facilitate economic development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagreed	1	5.0	5.0	5.0
	Undecided	2	10.0	10.0	15.0
	Agreed	12	60.0	60.0	75.0
	Strongly Agreed	5	25.0	25.0	100.0
	Total	20	100.0	100.0	

Source: Field Survey, 2019

Table 3 above shows responses on how liquid liabilities of bank can be used to facilitate economic development. Responses indicate that 1 respondent representing 5.0% disagreed, 2 respondents representing 10.0% were Undecided, 12 respondents representing 60.0% agreed, while 5 respondents representing 25.0% strongly agreed. This implies that majority of the respondents agreed that liquid liabilities of bank can be used to facilitate economic development.

Table 4: Liquid liabilities of bank is a major tool in the performance of commercial banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagreed	1	5.0	5.0	5.0
	Agreed	12	60.0	60.0	65.0
	Strongly Agreed	7	35.0	35.0	100.0
	Total	20	100.0	100.0	

Source: Field Survey, 2019

Table 4 above shows responses on how liquid liabilities of bank are a major tool in the performance of commercial banks. Responses indicate that 1 respondent representing

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5.0%disagreed, 12 respondents representing 60.0% agreed, while 7 respondents representing 35.0% strongly agreed. This implies that majority of the respondents agreed that liquid liabilities of bank are a major tool in the performance of commercial banks.

TEST OF HYPOTHESES

Test of Hypothesis One:

H_1: Bank credit exerts positive and significant impact on economic growth in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.637[a]	.206	.373	.68438

a. Predictors: (Constant), Bank Credit

Model summary above showed R^2 value of 0.206 indicating that 20.6% variation in profit margin is accounted recognition. Though not close to 1, but the model still proved to be fairly valid to predict an outcome. The ANOVA table below explains more.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.769	1	5.769	12.318	.003[b]
	Residual	8.431	18	.468		
	Total	14.200	19			

a. Dependent Variable: Economic Development

b. Predictors: (Constant), Bank Credit

- This test was conducted at 95% (0.005) confident level.
- Rejection Region: Reject the null hypothesis if p-value is less than 0.05 and if otherwise accept.

From the ANOVA table above, we have F statistics at 12.318 and P-value (Sig) at 0.003. We can at this point see that P-value (Sig) of 0.003 is lesser than 0.005and hence the relationship is statistically valid. Therefore, there exist enough evidence to conclude that Bank credit exert positive and significant impact on economic growth in Nigeria

Test of Hypothesis Two:

H_1: Growth in liquid liabilities of banks exerts positive and significant impact on economic growth in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.517[a]	.268	.227	2.10534

a. Predictors: (Constant), Growth in Liquid Liabilities

Model summary above showed R^2 value of 0.268 indicating that 26.8% variation in profit margin is accounted recognition. Though not close to 1, but the model still proved to be fairly valid to predict an outcome. The ANOVA table below explains more.

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ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.166	1	29.166	6.580	.019[b]
	Residual	79.784	18	4.432		
	Total	108.950	19			

a. Dependent Variable: Economic Development
b. Predictors: (Constant), Growth in Liquid Liability

The ANOVA table, which showed the statistical significance of the regression model that was run to obtain a $p < 0.019$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data). Therefore, we can conclude that an alternative hypothesis be accepted that Growth in liquid liabilities of banks exerts positive and significant impact on economic growth in Nigeria.

SUMMARY OF FINDINGS

This research work is conducted in order to establish the effect of commercial banks' performance to economic development in Nigeria with specific reference to Zenith Bank Plc, Bida branch, a view of findings or proffering solution to the negative effect towards commercial Banks' performance on economic growth and development in Nigeria. The outcome of this study clearly showed that:

a) The study revealed that bank credit advancement is a tool for economic development.
b) The study reveals that availability of bank credit advancement can increase entrepreneurial development.
c) The study also indicated that liquid liabilities of bank can be used to facilitate economic development.
d) Finally, the study revealed that liquid liabilities of bank are a major tool in the performance of commercial banks.

CONCLUSION

The study concludes that the level of financial development stimulates economic growth. Also, there is a positive relationship between the level of financial depth and economic growth for countries with high par capital income but no significant relationship for lower-income countries, which is consistent with the non- monotonic relationship.

RECOMMENDATIONS

The researchers therefore made the following recommendations:

a) Credit to the private sector should be directed at priority sectors for its impact to be felt in the economy

b) Commercial banks should always give credit advance to the owners of entrepreneurship businesses, who have proven characteristics and behaviour together with business viability and authenticity which in turn will boost the Nigerian economy.
c) Banks should create liquidity by using relatively liquid liabilities like demand deposits to fund relatively illiquid assets such as business loans. This will simultaneously satisfy the demand for liquidity by savers and the demand for longer term financing commitments by entrepreneurs.
d) Since liquid liabilities of bank are a major tool in the performance of banks, commercial banks must however take critical look at their liquidity if they want to improve their profitability performance

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