Impact of Real Sector Financing on Economic Growth in Nigerian

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Abstract

Financial systems have long been recognized to play an important role in economic and this is because they play a key role in the mobilization and allocation of savings for real sector growth. However, over the years, instead of progressive performance of the real sector, it has retrogressed to an unimaginable proportion. The study is embarked upon to examine the effect of real sector financing on economic growth in Nigeria from 1986-2017. Ex-post facto research design was adopted by the study; while ordinary least square (OLS) regression technique was utilized in the empirical analysis. Pre-estimation test was carried out on each of the variable to avoid spurious regression results. Co-integration results revealed that long-run equilibrium relationship exist between real sector financing and economic growth in Nigeria. Findings from the study revealed that finance to manufacturing sector have a significant impact of economic growth in Nigeria. More so, it was discovered from the analysis that Agricultural Sector Finance has indeed significantly Influenced Economic growth. Based on these findings, the study recommends that the monetary authority should seek out ways to reduce increase money supply (credit) to sectors such as manufacturing which deposit money banks often time find it difficult to extend credit to. Commercial banks should be encouraged to sustain their lending to agricultural sector as a priority sector. This can be enhanced by relaxing some of their lending conditions. Such lending should take into consideration the long gestation period associated with agricultural production.

Keywords: Real sector, Manufacturing, Agriculture, Financing and Economic Growth

1. INTRODUCTION

Financial institutions play important role in the provision of the financial support to the real sector in an economy, such as Nigeria. As financial institutions, banks perform intermediation roles generally by mobilizing resources from the surplus units and channeling same to the deficit units for productive activities within an economy (Nzotta & Okereke, 2009). The deposit money banks through their credit policy act as lubricants and promote growth in different sectors of the economy, paying attention to the priority sectors of the economy. Ajemba (2015) noted that in the last two decades the link between real sector financing and economic growth has generated a great deal of interest among academics, policy makers and economists around the globe both in developed and emerging economies. The development of any economy is often viewed largely from the perspective of the growth and vibrancy of its banking sector. This show how important investible real sector financing to growth and development. Therefore, the place of banking industry in real sector growth and development of any nation cannot be over-emphasized. Onwumere and Suleiman (2010) have posited that all national economies comprise the public and private sectors, though, the degree and size of each sector differ among countries. They noted that the development of a country's economy involves in part the development of the real sector financing subsumed in these two main sectors. These different sectors may include some or the following; agriculture, industry, mining, commerce, transportation, communication, and etc. These sectors need funds to remain in operation and contribute to the nation's overall performance. For them to survive and perform effectively there must be investment which is synonymous with funding, hence the banking industry becomes a very relevant funnel.

In Nigeria, deposit money banks are the largest financial intermediaries that transfer funds from surplus sector to the deficit sectors of the economy (Soludo, 2004). While highlighting the role of deposit money banks to real sector, Ademu (2015), explained that finance to real sectors can be used to prevent an economic activity from total collapse in the event of natural disaster, such as flood, drought, diseases, or fire. However, despite all attempts in developing the real sector of the economy, the situations of manufacturing and agricultural sector in Nigeria revealed that these sectors have not improved appreciably. The unimpressive performance of the real sector in Nigeria is mainly due to massive importation of finished goods and inadequate financial support for the manufacturing and agricultural sector, which ultimately has contributed to the reduction in capacity utilization of the sector in the country. Enebong (2014) argued that the level of the Nigerian real sector performance will continue to see a decline because as it is now, the producers will have even more problems in assessing raw materials due to stiff competition from the foreign firms who have adequate access to finance. Accordingly, the real sector in Nigeria is faced with the problem of accessibility to funds in the financial market.

Based on the above problem, the seminar raised the following questions:

- **i.** What impact does finance to manufacturing sector has on the growth of Nigerian economy?
- **ii.** How has agricultural sector finance impacted on the growth of Nigerian economy?

In-line with the stated research questions, the following hypotheses was tested:

H01: Finance to manufacturing sector has no significant impact on the growth of Nigerian economy
H02: Agricultural sector finance has no significant impact on the growth of Nigerian economy

Following the introduction, the remaining section of the seminar is organized as follows: section two provides a synthesis on conceptual, theoretical and empirical literature on real sector financing and economic growth. Section three captures the source and methodological framework in the study. Section four deals on the presentation and discussion of the result and this were concluded in section five.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Bank Finance

Bank finance or Credit implies a promise by one party to pay another for money borrowed or goods and services received. Finance cannot be divorced from the banking sector as banks serve as a conduit for funds to be received in form of deposits from the surplus units of the economy and passed on to the deficit units who need funds for productive purposes (investment). Banks are therefore debtors to the depositors of funds and creditors to the borrowers of funds. According to CBN (2013), the amount of loans and advances given by the banking sector to economic agents constitute bank credit. Credit is often accompanied with some collateral that helps to ensure the repayment of the loan in the event of default. Credit channels savings into investment thereby encouraging economic growth. Thus, the availability of credit allows the role of intermediation to be carried out, which is important for the growth of the economy.

According to Nzotta (2012), the factors that determine lending in Nigeria include contact position of the bank, risk and profitability of various types of bank credit, economic condition, monetary policies, ability and exposure of bank personnel, credit need of the area served and the nature of the source of bank. For Nzotta, bank credit means the act of a bank giving out advances to a debtor after considering the risk and profitability that must follow such lending decision.
Anuolam (2008) defined commercial bank credit as a process where a commercial bank 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, with its disparities explained by the difference in their lending rates, lending policies and unavoidable competition that may be between banks.

2.1.2 Concept of Agricultural Finance

Agricultural finance can be defined as the mobilization of resources at all levels in order to increase production and productivity in agriculture and to enhance the productive capacity. Agriculture financing in an emerging world could have positive effects on the growth of Gross Domestic Products (GDP), which translates to the entire economy's wellbeing. Agriculture financing brings about growth and it solves the problems militating against the agriculture sector's productivity. It plays the role of an effective engine for growth for most agriculture-based countries (ADB, 2017). Also, at the instance of high population growth rates, there is a pressure on low input/ output agricultural systems to accelerate increase in food production through finance. Estimates show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture (WDR, 2008). Agriculture financing provides an increased productivity, economic sustainability, poverty reduction, business opportunities, institutional changes, innovation incentives as well as growth (Adesina, 2016). Agricultural finance facilitates access to financial resources needed by farmers for effective performance (Shephard, 1979). Finance plays an important role in the process of agricultural development, and having access to credit facilities for farming purposes is an incentive for increasing the agricultural sector's performance. It is important that financial resources be made available to create access for farmers to contribute to agricultural development. For instance, Olagunju and Ajiboye (2010) argued that the lack of a formal national credit policy and the inadequate number of credit institutions in Nigeria is a major cause for the decline in the contributions of agriculture to the economy.

2.1.3 Concept of Real Sector

The real sector is one of the four distinct and interrelated sectors of the economy. Others are financial, fiscal and external sectors. The sector consists of agriculture, industry, mining, building and construction, and services. The real sector is one of the main drivers of the economy and propels economic growth and development. It directly deals with the production of goods and services using available resources, including capital and labour. A productive real sector, especially agriculture and manufacturing builds linkages in the economy more than any other sector, thus reducing the economic pressures on the external sector. Also, growth in the real sector leads to increase in employment and income generation.

2.2 Empirical Review

Akujuobi and Chima (2012) examined the impact of commercial Bank credit to the production sector on economic development in Nigeria, for the period 1960-2008 using an ordinary least square technique. The commercial banks' credit to the following subsectors of the production sector - agriculture, forestry and fishery, manufacturing, mining and quarrying and real estate and construction were examined against the Gross Domestic Product. The finding of the study revealed that a long-run relationship exists between banks' credits to the production sector and economic growth. Also, the finding showed that, there was a high evidence of a bi-directional causal relationship between two of the explanatory variables and the Gross Domestic Product (GDP) with only the commercial banks' credit to the mining and quarrying sub-sector appearing to be a significant contributor at 1% significant level. Hence, the study concludes that, commercial Banks' lending to the production sector has not performed well in relation to contribution to economic growth. Chinweoke, Egwu, and Nwabeke, (2015), investigated the impact of commercial banks loans and advances to the agricultural and manufacturing sectors on the economic growth in Nigeria for the periods, 1994 - 2013 using an ordinary least square technique, the result of the study shows that banks' loans and advances to agricultural and manufacturing sectors have a statistically significant impact on economic growth.

The study of Adeyinka, Daniel and Olukotun (2015) examined the contributions of commercial banks' credits in financing agricultural sector in Nigeria, secondary data from 2002-2014 on sectoral distribution of commercial banks' loans and advances to agricultural sector, liquidity ratio of commercial banks, cash reserve ratio of commercial banks and money market minimum rediscount rate. Data were analysed using multiple regression of ordinary least square to estimate the model, it was found out cash reserves ratio and rediscount rate is not statistically significant; and liquidity ratio is statistically insignificant; the study recommends that bank should provide a means of monitoring the end use of the loans given to farmers in order for them to manage the loans, effectively and efficiently.

Kolawole (2013) empirically investigated the impact of interest rates and some macroeconomic variables on agricultural performance in Nigeria by employing co-integration and an error correction mechanism (ECM) technique with annual time series data covering the period 1980 to 2011. The results revealed that there was a negative relationship between agricultural value added, interest rate spread, and inflation in the country. By implication, the study deduced that the higher the level of inflation and interest rate spread in the country, the lower the level of agricultural value added will be.
Udih (2014) investigated banks credit and agricultural development. The paper used primary and secondary sources of information that were extracted from five (5) banks and ten (10) agricultural enterprises in Delta State. A simple random sampling technique through the lottery method was adopted to select the samples. The data were analysed using percentage, mean, and Standard Deviation and Pearson product moment correlation to test the hypotheses. The research findings include: that banks' credits and advances to agricultural entrepreneurs promotes agricultural development and productivity, and that regulated banks' credits to the agricultural entrepreneurs has no or little impact on the entrepreneurship performance, and thus, suggested that adequate bank credits should be granted to small scale agricultural farmers to increase productivity: and their farms land should be used as collateral instead the of usual banks loan security to promote entrepreneurship performance.

Kareem, Bakare, Raheem, Olagumela, Alawode and Ademoyewa (2013), examined the factors influencing Agricultural productivity in Nigeria: Macro-economic perspectives. The study seeks to determine the factors influencing agricultural production in Nigeria, and also determine the causality between Agricultural outputs and macro-economic variables. The study adopts regression analysis, descriptive statistics and the Granger causality tests on macroeconomic variables (i.e. Food import value, Interest rate, Commercial bank loans on Agriculture, GDP growth rate and Foreign direct investment) to find the significant relationship between the different variables chosen. The result shows fluctuations in the trend of variables considered (i.e. Interest rate, Commercial bank loans to Agriculture, GDP growth rate and foreign direct investment) in relation to the period under review. The result further shows that foreign direct investment: commercial bank loan, interest rate and food import value have positive relationship with Agricultural output.

Obilor (2013) examined the impact of Agricultural Credit Scheme Fund, agricultural product prices, government fund allocation and commercial banks' credit to agricultural sector on agricultural productivity using OLS regression method and experimental research design. The result revealed that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, while the other variables produced a significant negative effect. Nwankwo (2013) examined agricultural financing in Nigeria and its implication on the growth of Nigerian economy using ordinary least square (OLS) method and quantitative research design. The study revealed that there is no significant relationship between agricultural financing and the growth of Nigerian economy and that the level of loan repayment rate over the years has indeed negatively impacted significantly on the growth of Nigerian economy.

Ogbanje, Yahaya and Kolawole (2012) examined the effect of commercial banks loan on the agricultural sector in Nigeria from 1981 to 2007. Growth in agricultural sector was expressed in terms of agricultural Gross Domestic Product (GDP). Secondary data for the study were obtained from the Central Bank of Nigeria. Findings revealed that commercial banks loan to the agricultural sector increased substantially from N590.6m in 1981 to N4.221.4m in 1990, a 614.76 percent increase. From 1991, the loan stock rose from

N5,012.7m to N146,504.5m in 2000, representing an increase of 2822.67 percent. There was, however, a sharp decline in loan stock from N200,856.2m in 2001 to N149,578.9m in 2007. Over the period of study, agricultural GDP showed declining growth rate. Nevertheless, agricultural GDP grew from N84,428.5m in 1981 to N267,051.7m in 2007. The ordinary least square method, with lagged dependent variable, revealed that commercial banks' loan positively affected agricultural GDP at 0.01 level of probability. Hence, commercial banks' loan has contributed significantly to agricultural development in Nigeria. Enyim, Ewno and Okoro (2013) examined banking sector credit and performance of the Agricultural sector in Nigeria between 1980 and 2012. The study applied econometric tests such as unit root, co-integration and its implied error correction model and Grange causality test, in which changes in AGDP was regressed on commercial bank credit to agriculture. The result of the analysis shows that the total money stated as Government Expenditure on agriculture is not statistically significant and not theoretically in line. However, the result shows that commercial banks' credit to the agricultural sector has a positive relationship with agricultural productivity.

2.3 Theoretical Framework

2.3.1 The Theory of Money

The theory of money has been described by different school of thought in their different opinions. For example, the modern classical schools of thought who are also called the monetarist are concerned with the explanation for the changes in price level. To them, a stable and equilibrating relation exists between the adjustments in the quantity of money and the price level. In other words, they refute any form of monetary influence on real output both in the short-and long-run. This led to the popular paradigm that, "Inflation is always and everywhere a monetary phenomenon". For the less stringent monetarist, they agree that money influences output in the short-run, but only prices in the long-run. Nevertheless, irrespective of the path of adjustment, the monetarist all seem to concur that in order to reduce or curtail inflationary growth, money growth should be less than or equal to the growth in output. The quantity theory of money is hinged on the Irvin Fisher equation of exchange that states that the quantum of money multiplied by the velocity of money is equal to the price level multiplied by the amount of goods sold. It is often replicated as MV= PQ, M is defined as the quantity of money, V is the velocity of money (the number of times in a year that a currency goes around to generate a currency worth of income), P represents the price level and Q is the quantity of real goods sold (real output). By definition, this equation is true. It becomes a theory based on the assumptions surrounding it.

2.3.2 Shaw Financial Deepening Theory

According to Shaw's financial deepening hypothesis, financial liberalisation tends to raise ratios of private domestic savings to income. With real growth of financial institutions, there are many investors having access to borrowing. There arises incentives for saving with many players and borrowings become cheaper. The planning horizon of the savers shifts to distant future. Current consumption is reduced on account of expected increase in income. Savings also tend to rise in the Government sector. With financial deepening, savings from the foreign sector respond to financial liberalization. There is inflow of capital and easy access to foreign capital markets, which remove distortions in relative prices. Liberalization permits the financial process of mobilizing and allocating savings to displace inflation and foreign aid. Liberalization enables superior allocation of savings through widening and diversifying financial markets wherein investment opportunities compete for savings flow. The savers are offered a wider menu of portfolio choice. The market is broadened in terms of scale, maturity and risk. Information is available more cheaply. Local capital markets are integrated and new avenues for pooling savings and specializing in investments are possible. Prices are used to discriminate between investment opportunities. In this context, Shaw states that, "Financial depth seems to be an important pre-requisite for competitive and innovative disposition of savings flows." Thus, financial liberalization and allied Policies bring in equal distribution of income. It reduces monopoly rents arising out of import and other licenses to few importers and bank borrowers. It contributes to the stability of growth in output and employment.

According to Shaw (1973), with the development of the financial system, an alternate financial asset other than money becomes available as repositories of financial savings to be eventually used for investment in productive resources. The savings and investments could take place through accumulation of non-money assets. Thus, in contrast to McKinnon's hypothesis, cash balances are not required to be accumulated prior to investment and hence, there is no complementarity. The negative relationship between money demand and saving imply substitution of money to other non-monetary financial assets as the major repository of saving. Such a relationship implies some level of financial development leading to the emergence of alternate financial assets other than money and would not be consistent with self-financing condition.

Financial intermediation is restricted due to financial repression and investors resort to informal credit market. Therefore, financial liberalization would lead to better integration of formal and informal credit markets, which will result in efficient transfer of funds between savers and investors. Economies of scale will result in reducing cost of financial intermediation, information costs and lowering risks due to diversification.

Shaw (1973) underscores the developmental role of finance by distinguishing between nominal finance and real finance. With financial repression, nominal values in general rise at some buoyant rate and if deflated by any index of prices, their rise is less rapid. The nominal finance takes a high growth path while the real finance takes the lower one. Therefore, the finance in the real sense is partly shallow due to inflation. On the other hand, there are several indicators of financial deepening such as stocks. With financial liberalisation and removal of distortions in financial prices, liquidity increases. There is less intervention. The financial assets grow in relation to income or in proportion to tangible wealth and their range of quality also widens. Maturities are lengthened and there is more entry of debtors in the financial markets. Diversification of financial assets takes place that facilitates borrowers to adjust their debt structures and lenders their portfolios by relatively small margins. Financial flows indicate financial deepening and it eases the strain on taxation and moderates demand for foreign savings as reserves' capital flight and savings are diverted from investments in fixed capital and velocity of money diminishes. Deepening increases the real size of the monetary system and generates profitable avenues for other institutions. Specialisation in financial functions and institutions takes place wherein the domestic institutions benefit as compared with foreign markets and curb markets. Deepening also implies that interest rates reflect opportunities for substitution of investment for current consumption and disinclination of consumers to wait. Real interest rates are high and interest rate differentials tend to diminish, removes leases in relative prices.

2.3.3 Supply Leading Hypothesis

This hypothesis was first put forth by Schumpeter (1911). The conventional view of the supply-leading hypothesis postulates that financial development causes economic growth. In a world with frictionless transaction, information and monitoring costs, no financial intermediaries are needed. If transaction, information and monitoring costs are sufficiently high, no exchange among economic agents will take place. The desire to reduce those costs and enable exchanges led to the emergence of financial institutions and markets that make up the financial sector. The theory posits that a well-developed financial sector provides critical services to reduce transaction, information and monitoring costs and increase the efficiency of intermediation. It mobilizes savings, identifies and funds good business projects, monitors the performance of managers, facilitates trading and the diversification of risks, and fosters exchange of goods and services. These services lead to efficient allocation of resources; lead to a more rapid accumulation of physical and human capital; and lead to faster technological innovation. This eventually results into faster and long-term economic growth (Schumpeter, 1911).

3. METHODOLOGY

The research design adopted for this work is the non-experimental *ex-post facto* research design. Ex-post facto research design is type of research involving events that have already taken place research design. The reason is that non-experimental *ex-post facto* research design combines the theoretical exposition with empirical observation. The data used for this research work is secondary data obtained from the Central Bank of Nigeria (CBN) statistical bulletin. The variables used in this research work are annual data finance to manufacturing sector (FMS), agricultural sector finance (ASF) and real GDP sector for the period of 1986 to 2017. In this work, RGDP is the dependent variable and the BCM and BCA are the independent variables.

This study is based on the use of some statistical and econometric model. The ordinary least square (OLS) linear regression model is used to estimate the variables in this research. This includes estimation of the model in order to examine the impact of real sector financing on the growth of the Nigerian economy. The aim of the linear estimation technique is achieving unique parameter estimates that would enable us to interpret the regression coefficients and consequently give a slightly better fit.

Therefore, the model specifications here are formulated to tests the two hypotheses and they are as follows:

$$RGDP = \beta_0 + \beta_1 FMS + \beta_2 ASF + \mu_t \text{ - - - - - - - - - - - } 1$$

Where;

FMS = Finance to manufacturing sector

ASF = Agricultural sector finance
RGDP = Real Gross domestic product
μ = Error term (or stochastic term).

The justification for the use of regression method is because it measures the relationships existing between two or more variables. It is simple to compute without errors and it helps to illustrate the directional outcome and strength of the variable. It further shows a precise quantitative measurement of the degree of relationships between dependent and independent variables. As a rule of thumb, the usefulness of regression is further to assess the level, nature, and significance of the relationships among the variables, as well as to test the existence of robustness among the variables.

4. RESULTS AND DISCUSSION

Descriptive Statistics

From the descriptive results in Table 1, the analysis of the means(M) and standard deviations(SD) shows the following descriptive statistics RGDP (*Mean (M)*= 10.32, *Standard Deviation (SD)* = 0.506); FMS (*M* = 6.705, *SD* = 1.158); ASF (*M* = 10.92, *SD* = 1.594). The analysis indicates that Skewness which measures the shape of the distribution shows that variables RGD and FMS have values to be positive, which suggests the distribution tails to the right of the mean. However, the skewness for ASF have their values to be negative which suggests that the distribution tails to the left of the mean.

The kurtosis statistics reveals that RGDP is leptokurtic implying that the distribution is peaked relative to the normal distribution. However, the other variables (FMS and ASF) are platykurtic, suggesting that their distributions are flat relative to normal distribution. Jarque-Bera is a statistical test that determines whether the series is normally distributed. The null hypothesis here is that the series is normally distributed (i.e skewness =0) so as to be consistent with skewness test. The Jarque-Bera statistics here accepts the null hypothesis for RGDP, BCM, BCA since their probability values are greater than 0.05. We conclude that financing to real sector and economic growth variables are normally distributed during the period under study.

Table 1: Summary of Descriptive Statistics Results

	RGDP	FMS	ASF
Mean	10.32272	6.705196	10.92800
Median	10.13728	6.475145	10.91854
Maximum	11.14221	8.495003	13.80197
Minimum	9.631547	3.724546	7.824846
Std. Dev.	0.506179	1.158158	1.594720
Skewness	0.327195	0.411247	-0.304487
Kurtosis	1.642651	2.943045	2.674306
Jarque-Bera	2.932886	0.877997	0.616029
Probability	0.230745	0.644682	0.734905
Sum	320.0043	207.8611	338.7679
Sum Sq. Dev.	7.686510	40.23991	76.29396
Observations	32	32	32

Source: Authors Computation, 2018 (Eviews-10)

4.1 Unit Root Test Result

Time series data are assumed to be non-stationary and this implies that the results obtained from the OLS method may be misleading. In this vein, it is cognizant that stationarity test should be conducted. The stationarity test is carried out using the Augmented Dickey-Fuller (ADF) Unit Root Test. The stationarity of data is essential for the Johnasen co-integration test. The decision rule for the ADF Unit root test states that the ADF Test statistic value must be greater than the Mackinnon Critical Value @ 5% (absolute term) for stationarity to be established at level and if otherwise, differencing occurs using the same decision rule.

Table 2: Summary of Unit Root Test Results

Variables	ADF Test Statistic(at first difference)	Order of Integration
RGDP	-3.425221(-3.221728)**	*I(1)*
FMS	-5.327628(-4.309824)*	*I(1)*
ASF	-3.873143(-3.574244)***	*I(1)*

*Notes: ***, ** and * significant at 10%, 5% and 1%, respectively*

Source: Authors Computation, E-views-10

From Table 2, it could be deduced that all the variables were stationary at first difference i.e. I(1) series. This is because their respective ADF statistic value is greater than the Critical Value @ 1, 5 and 10% at absolute term after taking the first difference.

4.2 Johansen Co-Integration Test Result

The co-integration test establishes whether a long-run equilibrium relationship exist among the variables. To establish co-integration, the likelihood ratio must be greater than the Mackinnon Critical Value @ 5% levels of significance and the co-integrating equation is chosen from the normalized co-integrating coefficient with the lowest log likelihood.

Table 3: Summary of Co-integration Estimates

Date: 08/16/18 Time: 22:29
Sample (adjusted): 1988 2016
Included observations: 29 after adjustments
Trend assumption: Linear deterministic trend
Series: RGDP FMS ASF
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.768980	72.16121	47.85613	0.0001
At most 1	0.480177	29.66890	29.79707	0.0517
At most 2	0.257434	10.69514	15.49471	0.2309
At most 3	0.068682	2.063467	3.841466	0.1509

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: Authors Computation, E-views-10

Using the trace statistics, it indicates one co-integrating equations at 5% significance level which implies that long run relationship exists among the variables. This led to the rejection of the hypothesis of no co-integration among the variables. It thus shows that long-run equilibrium relationship exist between real sector financing and economic growth in Nigeria.

4.3 Regression Results

The results obtained under this section were generated using ordinary least square (OLS) regression analysis. The two hypotheses formulated in the study were tested using t-statistics. The level of significance for the study is 5%, for a two-tailed test. The decision rule is that we shall accept the null hypothesis if the critical t- statistic value of ±1.96 is greater than the calculated t- statistic, otherwise we reject the null hypothesis. That is, using the t-test (t-statistic), we say that a variable is statistically significant if the t* (t-calculated) is greater than the critical t- statistic of ±1.96 under 95% (or 5%) confidence levels and it is statistically insignificant if the t* is less than the tabulated value of ±1.96 under 95 %(or 5%) confidence levels.

Table 4: Regression Model Result

Dependent Variable: RGDP
Method: Least Squares
Date: 09/17/18 Time: 22:37
Sample: 1986 2017
Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.670928	0.370475	18.00640	0.0000
FMS	0.149152	0.038987	3.825690	0.0007

ASF	0.366437	0.034241	10.70162	0.0000

R-squared	0.880578	Mean dependent var	10.32272
Adjusted R-squared	0.867309	S.D. dependent var	0.506179
S.E. of regression	0.184384	Akaike info criterion	-0.423673
Sum squared resid	0.917936	Schwarz criterion	-0.238643
Log likelihood	10.56694	Hannan-Quinn criter.	-0.363358
F-statistic	66.36320	Durbin-Watson stat	1.916480
Prob(F-statistic)	0.000000		

Source: Authors Computation, E-views-10

F-statistic:

The F-statistics which is used to examine the overall significance of regression model showed that the result is significant, as indicated by the value of the *F*-statistic, 66.36 and it is significant at the 5.0 per cent level. That is, the F-statistic P-value of 0.000 is less than 0.05.

The R^2 (R-square):

The R^2 (R-square) value of 0.8805 shows that real sector financing has a very good impact on economic growth in Nigeria. It indicates that about 88.05 per cent of the variation in economic growth is explained by real sector financing, while the remaining unaccounted variation of 11.95 percent is captured by the white noise error term.

Durbin Watson (DW) statistic

It was used to test for the presence of serial correlation or autocorrelation among the error terms. The acceptable Durbin – Watson range is between 1.5 and 2.4. The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 1.91. This shows that the estimates are unbiased and can be relied upon for economic decisions.

Statistical Test of Hypothesis

Test of Hypotheses One:

H01: Finance to manufacturing sector has no significant impact on the growth of Nigerian economy.

From the regression result in Table 4, it was observed that the calculated t-value for finance to manufacturing sector is 3.82 and whilst the tabulated (absolute) value is 1.96. Since the t-calculated is greater than the t-tabulated (3.82 > 1.96) it thus falls in the rejection region and hence, we reject the first null hypothesis **($H0_1$)** and conclude that finance to manufacturing sector has a significant impact on the growth of Nigerian economy

Test of Hypotheses Two:

H02: Agricultural sector finance has no significant impact on the growth of Nigerian economy

Mores so, from the regression result in Table 4 the calculated t-value for agricultural sector finance is 2.61 and the critical value is 1.96 under 95% confidence level. Since the t-calculated is greater than the critical value (2.61 > 1.96) it also falls in the rejection region and hence, we reject the second null hypothesis **($H0_2$)**. The conclusion here is that agricultural sector finance has a significant impact on the growth of Nigerian economy

4.4 Discussion of Findings

Findings from the results showed that finance to manufacturing sector have a significant impact of economic growth in Nigeria. The implication of this significant impact is that the output of manufacturing sector in Nigeria has been improved over the years due to adequate funding through bank, occasioned by the culture of the Nigerian banks to finance mainly short-term investment. In addition, it was discovered from the analysis that agricultural sector finance has indeed significantly influenced economic growth in Nigeria thus showing the ability of farmers in accessing formal bank credit. It is also an indication that Commercial banks have made reasonable contribution to agricultural productivity for economic growth. This is in-line with Kareem, Bakare, Raheem, Olagumela, Alawode and Ademoyewa (2013) whose result shows that foreign direct investment: commercial bank loan, interest rate and food import value have positive relationship with economic growth. More so, Obilor (2013) results revealed that Credit Guarantee Scheme

Fund to agriculture produced a significant positive effect on agricultural productivity, while the other variables also produced a significant positive effect.

5. CONCLUSION AND RECOMMENDATIONS

The study re-affirms the fact that one of the most important functions of banks and other financial institutions is to make credit available to the real sector investors at affordable rate most especially to the agricultural sector and manufacturing sector for economic growth. This is because low credit to real sector will amount to low level of investment which transmits to low economic growth. The study thus concludes that real sector financing has a significant impact at stimulating the growth of the Nigerian economy.

i. In view of the statistical significance of bank credit to the manufacturing sector for economic growth, the researcher suggest that the monetary authority should seek out ways to reduce increase money supply (credit) to sectors such as manufacturing which deposit money banks often time find it difficult to extend credit to.

ii. Commercial banks should be encouraged to sustain their lending to agricultural sector as a priority sector. This can be enhanced by relaxing some of their lending conditions. Such lending should take into consideration the long gestation period associated with agricultural production. If possible, a long-term agricultural financing scheme should be evolved to carter for the sector's financial needs.

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