International Journal of Intellectual Discourse (IJID)
ISSN: 2636-4832 Volume 8, Issue 2. June, 2025

Nexus between Financial intermediation and Economic Growth: Evidence from Nigeria

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Abstract
With an Autoregressive Distributed Lag (ARDL) model, this study examined how financial intermediation affects Nigeria's economic growth from 1981 to 2022. The Central Bank of Nigeria Statistical Bulletin and World Bank Indicators provided annual time-series data. We examined how private sector credit (CPS), money supply (MSY), and lending interest rate (LIR) affect real GDP growth. Descriptive statistics reveal the data is significantly different. The average RGDPG, CPS, MS, and LIR are 0.958810, 9406.887, 15007.37, and 17.31613 percent. RGDPGR, CPS, MS, and LIR have standard deviation coefficients of 5.457501, 6828.512, 12710.87, and.673507, respectively. The limits cointegration test (F-statistic = 69.047, p < 0.05) indicates long-term relationship between variables. Long-run ARDL estimates show that CPS positively affects RGDPGR (coefficient = 1.332, p = 0.0485). However, MSY (-8.056, p = 0.6966) and LIR (-2.847, p = 0.6586) exhibit unfavorable but not significant effects. Short-term dynamics demonstrate that MSY has both positive and negative effects, with lagged MSY (-0.168, p = 0.0032) affecting growth. The study found that private credit boosts the economy while high interest rates and money supply impede it. The study's conclusion is that more credit from the private sector helps the economy grow, while high interest rates and too much money in circulation slow it down. Some policy suggestions made are to encourage private enterprises to acquire financing, make sound monetary policy reforms, and diversify the economy to make it more resilient to big economic shocks.

Keywords: Economic growth, financial intermediation, Credit to Private Sector, Lending Interest Rate, Money, Nigeria, Supply.

1. Introduction

The function of financial intermediaries in promoting economic growth has been a focus of rigorous academic research, especially for developing economies such as Nigeria (Mbodj & Laye, 2025; Ezebunwo et al., 2025; Oyetade et al., 2025). As the nation endeavors to attain sustainable economic development, comprehending the methods by which these financial institutions affect growth dynamics is crucial.

The link between Nigerian financial intermediaries and economic progress is both mutually beneficial and constantly changing (Amaegberi & Akarara, 2025 & Mumbole et al., 2025). Financial institutions are important drivers of development. Banks, microfinance institutions, and fintech platforms help close the gap between economic units that have too much and too little by getting people to save money, making it easier to allocate capital efficiently, and lowering transaction costs (Amaegberi & Akarara, 2025 & Mumbole et al., 2025). Real-world research shows that intermediaries that work successfully help growth by providing loans, reducing risk, and

making payments easier (Sabirovna, 2025 & Mumbole et al., 2025).

Financial intermediaries, including banks, insurance firms, and other non-bank financial organizations, are essential in mobilizing and allocating resources within an economy (Ezebunwo et al., 2025; Oyetade et al., 2025; Gbadebo, 2024). By moving money from those who have extra to those who need it, these intermediaries boost investments, improve how resources are shared, and support new business ideas, which helps the economy grow. The financial industry in Nigeria has experienced considerable reforms and restructuring recently, aimed at improving its efficiency, resilience, and contribution to economic development (Ajagbe & Usman, 2025; Aluko et al., 2024). The changes have included merging banks, using risk-based supervision methods, and taking actions to improve the rules and oversight in the financial system.

Notwithstanding these endeavors, the influence of financial intermediaries on Nigeria's economic growth continues to be a topic of persistent discourse and empirical scrutiny. A multitude of studies has investigated this relationship, producing inconclusive outcomes. Some scholars have identified a positive and considerable influence of financial intermediation on economic growth (Adebayo, 2025; Ibrahim Amoo, 2025; Oyadeyi, 2024), while others have observed minimal or negligible benefits (Adebayo, 2025; Longinus & Ibim, 2025; Oyadeyi, 2024; Olufemi et al., 2024).

The contradictory findings highlight the necessity for additional research to comprehend the dynamics and mechanisms by which financial intermediaries affect economic growth in Nigeria. Factors like how well financial intermediaries work, the range of financial services they offer, the rules that govern them, and the overall economic conditions greatly affect how financial intermediation impacts economic growth. This study aims to investigate the impact of financial intermediaries on Nigeria's economic growth by exploring the mediating effects of financial inclusion, regulatory frameworks, and macroeconomic conditions.

2. Literature Review

2.1 Conceptual Review

Financial Intermediation

Financial intermediation is the process through which financial service providers, such as banks, accept deposits from the public and transform them into funds available for lending (Olufemi et al., 2025; Longinus & Ibim, 2025; Oyadeyi, 2024). The evidence indicates that through intermediation, deposit liabilities previously held by surplus economic units are now predominantly utilized by banks to earn interest on loans and advances to deficit economic units. Financial intermediation, as defined by Olufemi et al. (2025), & Longinus and Ibim (2025) is the process of reallocating funds from surplus units to deficit units within the economy for lucrative investments. It involves transforming the liabilities of mobilized deposits maintained by financial intermediaries, such as banks, into bank assets or credits, encompassing overdrafts and loans. The process involves financial intermediaries accepting deposits from depositors and allocating cash to borrowers to facilitate investments and other economic growth initiatives (Olufemi et al., 2025; Longinus & Ibim, 2025; Oyadeyi).

Banks serve as the primary financial intermediaries; they accept deposits and directly extend loans to borrowers (Olufemi et al., 2025; Longinus & Ibim, 2025; Oyadeyi, 2024; Sadilloyevna, 2024).

The Nigerian financial system comprises several markets, institutions, and enterprises that offer financial services.

Real GDP Growth Rate

The real GDP growth rate is a crucial economic statistic that measures the percentage change in a nation's gross domestic product (GDP) over a certain time frame, adjusted for inflation. The economic indicator is a crucial marker of the economy's condition and performance, reflecting the actual rate of growth or contraction (Mankiw et al., 2020). By juxtaposing the GDP of one period with that of a preceding era and adjusting for inflation through indices such as the GDP deflator or the Consumer Price Index (CPI), one can ascertain the real GDP growth rate (Acemoglu & Robinson, 2019). This indicator is closely monitored by corporations, investors, and policymakers as it aids in decision-making processes such as corporate strategy, investment initiatives, and fiscal and monetary policies (Stiglitz et al., 2018).

2.2 Theoretical Review

Supply Leading Theory

This research is based on supply-leading theory. In 1911, Schumpeter introduced the supply-leading hypothesis. The supply-leading theory asserts that the existence of financial institutions, such as Nigerian deposit money banks, and their capacity to provide financial assets, liabilities, and associated services in advance of demand would enhance the efficient allocation of resources from surplus to deficit units. This would subsequently stimulate the growth of additional economic sectors. The central assertion of the supply-leading theory is that economic development depends on financial deepening. It posits that the expansion of the financial sector results in the optimal allocation of resources.

The supply-leading approach posits that economic expansion does not influence the causal relationship between finance and growth. The advancement of the financial sector is essential for economic growth. According to Adebayo (2025), Longinus and Ibim (2025), Oyadeyi (2024), Olufemi et al. (2024), and Rogão (2024), a strong financial sector improves financial services by lowering costs for transactions and monitoring, and by reducing information gaps. A strong financial sector promotes the advancement of financial services and enhances their accessibility in anticipation of demand from the real sector participants of the economy.

The supply-driven concept provides a mechanism to utilize capital for tangible advancement. Analysts assert that its application is more purpose-driven during the initial phases of a nation's development than in subsequent stages. In the economic market, individuals allocate their expenditures based on their income, thereby reinvesting a fraction back into the economy, although Keynes's assertion that increased investment results in elevated income and the tendency of individuals to consume diminishes savings.

2.3 Empirical Review

Mbodj & Laye, (2025) study seeks to ascertain if financial elements have a good or detrimental impact on poverty alleviation. The study used a method called quantile regression analysis to look at how access to finance and the growth of institutions affect poverty levels in different economic situations. The results demonstrate that financial inclusion and financial development significantly contribute to poverty alleviation by broadening access to financial resources and enhancing economic participation. As financial systems evolve, they enhance the accessibility of banking services, credit options, and investment prospects for low-income demographics, thereby fortifying financial security in developing areas. The study underscores the necessity for governments to augment financial inclusion by policies that boost accessibility, service quality, and public awareness of financial instruments.

Oyadeyi's (2025) study analyzed the effects of financial inclusion and electronic payments on economic growth in Nigeria, utilizing quarterly data from the first quarter of 2009 to the fourth quarter of 2021. The study included principal component analysis, autoregressive distributed lag, and Granger-causality methods to obtain the results. The findings indicated that financial inclusion and electronic payments, excluding check transactions, exerted a substantial impact on economic growth in both the short and long term. Moreover, the results indicated that POS payments exerted the most substantial influence on economic growth in Nigeria. This trend was succeeded by ATM payments, smartphone payments, and web payments in that order. The findings indicate that causality flows from real GDP to ATM. The paper suggests that monetary authorities should help improve financial inclusion and electronic payments in Nigeria by making important changes to institutions.

Ajagbe and Usman's (2025) study used a descriptive survey method and time-series data analysis to look at how financial intermediation affected Nigeria's economic growth between 2003 and 2023. Using ordinary least squares (OLS) estimators, the study regressed real GDP against variables such as money supply, lending rates, and private sector credit. With the entire regression model demonstrating statistical significance at the 5% level, the results showed a long-term link between these factors. The results show that financial intermediation has a favorable effect on Nigeria's economic expansion. To promote economic development, the report suggests that monetary authorities push banks to reduce lending rates, restrict the money supply to prevent inflation, and improve credit availability for profitable industries.

An analysis of the impact of financial intermediation efficiency on the amount of cash held by a sizable sample of gazelles from Central, Eastern, and Southeastern Europe between 2006 and 2014 is the goal of the Anthon, (2025) article. The empirical findings point to a negative correlation between cash holdings and the bank lending-deposit spread. On the other hand, this study offers empirical support for a non-linear link between short-term debt and cash holdings. Large businesses, businesses with more physical assets, and businesses with liquid assets other than cash were shown to have less cash on hand. The findings hold up well to various econometric techniques, subsamples, and alternative cash holdings variables.

Zhou (2025) looks at research on the rise of non-bank financial services in developing and emerging regions, focusing on the types of services and products these non-bank organizations provide and the risks that come with this growth. The conventional narrative review of literature is the method used here, which enables the author to choose pertinent papers and other resources to discuss. The description discusses the many role actors in the financial markets as well as the primary kinds of activity carried out by non-bank financial intermediaries in emerging and developing nations. As a result, data on the assets of shadow banking organizations is given, along with a brief overview of current shadow banking concerns for a few chosen growing economies and developing nations. The chapter also shows how the so-called "shadow banks and formal banking institutions" interact, as well as how the non-bank sector fits into the larger financial sector. The chapter concludes by demonstrating how systemic risk may be triggered by the formal banking system's interconnection with non-bank institutions and other businesses.

Iwedi et al. (2024) examine the relationship between banking sector intermediation and economic growth in Nigeria using traditional time series methods, particularly multivariate regressions. The analysis uses a large dataset from 1960 to 2022, sourced from the Central Bank of Nigeria, focusing on three key banking intermediation measures: the Ratio of Private Sector Credit to GDP (RPSC), the Ratio of Currency outside Banks to Broad Money Supply (RCOB), and the Ratio of Total Loan to Total Deposit (RTLD). The study methodology includes both descriptive and econometric analysis techniques. Descriptive statistics give a first look at the data, while econometric methods like unit root tests, vector autoregressive (VAR) models, and cointegration tests help explain how the variables are related and explore their long-term behavior. The results indicate substantial cointegration among the variables, especially between banking intermediation metrics and economic growth.

Efionayi (2024) assessed the impact of financial intermediation on the development of the financial industry in Nigeria. Secondary data was obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, which spans the period from 1990 to 2021. This study utilizes descriptive statistics, correlation analysis, and unit root tests for data analysis. We employed the autoregressive distributed lag (ARDL) method to assess the econometric model. The study determined that the total loans and advances of commercial banks, the total market capitalization of the stock exchange, and interest rates do not significantly affect the financial sector's contribution to gross domestic product.

Oyebowale et al. (2024) analyze indicators of the money market, capital market, and banking sector in Nigeria utilizing annual data from 1961 to 2018. The research used methods like the autoregressive distributed lag (ARDL) bounds testing, the Wald test, and the vector error correction model (VECM) Granger causality tool to study the data. The results indicated that total subscriptions to treasury notes exhibit a statistically significant positive association with real gross domestic product (GDP) in the long run and a negative relationship in the short run. The findings indicate a unidirectional short-run causality from real GDP to the value of transactions on the Nigerian Stock Exchange (NSE). Moreover, our findings substantiate the growth-led finance perspective or demand-following hypothesis, in Nigeria, as they reveal a unidirectional long-term causation from real GDP to both the outstanding value of money market instruments at the end of the period and the total subscriptions to treasury bills.

Alagba et al. (2023) employed the Auto-regressive Distributed Lag (ARDL) approach to analyze the determinants of financial intermediation and their impact on Nigeria's economic development from 1995 to 2019. The total bank deposit (TBD), private sector credits (PSC), broad money supply (BMS), and interest rate spread (IS) compared to real gross domestic product are some of the factors looked at to understand what influences financial intermediation. Between 1995 and 2019, data was sourced from the World Bank database and the CBN statistics bulletin. The ARDL bound cointegration test showed a long-term connection between growth and the factors that affect financial intermediation, while the unit root test gave mixed results on integration. The historical values of TBD, PSC, and BMS directly influenced the Nigerian economy, as seen by the short-term ARDL results. However, prior INS ideals impeded Nigeria's economic advancement. Moreover, regarding the ARDL long-run coefficient, the sole variables that favorably and significantly

fostered development over time were TBD and BMS. Consequently, the research concluded that TBD and PSC only promote development when there is little monetary circulation and narrow interest rate spreads.

Numerous prior studies have concentrated on a limited spectrum of financial intermediaries, predominantly commercial banks, while neglecting the potential contributions of other intermediaries such as insurance firms, pension funds, and non-bank financial institutions (NBFIs). As the financial landscape transforms and diversifies, it is essential to analyze the distinct roles and effects of various intermediaries on economic growth. This study addressed the highlighted gap by examining additional factors influencing financial intermediaries and their impact on Nigeria's economic growth.

3. Methodology

Research Design

In this study, ex-post facto research design was adopted and estimation techniques was autoregressive distributed lag (ARDL). The study gathered annual time series data for the period covering 1981 to 2022 majorly from the Central Bank of Nigeria Annual Statistical Bulletin and World Bank Data Indicators. The study adapt Onuh et al. (2022) model which is stated as follow:

$$RGDPGR = f\ (CPS, AMCU, INFR) - 3.1$$

The proposed model for the study is stated as:

$$RGDPGR = f\ (CPS, MSY, LIR) - 3.2$$

RGDPGR is real gross domestic product growth rate; CPS is credits to private sector;

MSY is money supply; LIR is lending interest rate; *f* = functional term

To express econometrically, equations 3.2 is represented as follow:

$$RGDPGR = \alpha_0 + \alpha_1 CPS_t + \alpha_2 MSY_t + \alpha_3 LIR_t + \mu_t - - - - - - - - - - - - - - - - - 3.3$$

Where: α_0 is a constant which is the value of dependent variable when all the independent variables are held constant, $\alpha_1 - \alpha_3$ are the regression coefficients, μ_t is the stochastic error term.

Estimation Techniques

The main estimation techniques employed in this study is the regression analysis in the form of co-integration. To stem the problem of spurious regression, it is important that the time series properties of the data set are employed.

4. Findings and discussion

Data analysis

Descriptive Statistics

This section presents and discusses the results of the descriptive statistics. The sample descriptive statistic is first presented in Table 4.1 where minimum, maximum, mean, standard deviation, skewness, kurtosis, and Jarque-Bera for the dependent variable and independent variables used in the study are described.

Table 4.1 Descriptive Statistics

	RGDPGR	CPS	MSY	LIR
Mean	0.958810	9406.887	15007.37	17.31613
Median	2.079147	9641.161	11864.89	17.09875
Maximum	3.800280	22026.37	40318.29	24.85000
Minimum	-23.25714	587.9999	878.4573	11.55463
Std. Dev.	5.457501	6828.512	12710.87	2.673507
Skewness	-4.236256	0.137391	0.536601	0.388184
Kurtosis	19.34688	1.797057	2.009207	5.032169
Jarque-Bera	310.7537	1.395695	1.955646	4.338089
Probability	0.000000	0.497655	0.376129	0.114287
Sum	21.09383	206951.5	330162.1	380.9548
Sum Sq. Dev.	625.4706	9.79E+08	3.39E+09	150.1005
Observation	42	42	42	42

Source: Author's Computation, (2024)

Table 4.1 present the descriptive statistics of the dependent variable and independent variables respectively.

From the table, the average of RGDPGR, CPS, MS, and LIR is 0.958810, 9406.887, 15007.37, and 17.31613 respectively, the standard deviation which captures discrepancy indicates that RGDPGR, CPS, MS, and LIR have a standard deviation coefficient of 5.457501, 6828.512, 12710.87, and .673507 respectively, hence MS has the highest discrepancy while LIR has the lowest discrepancy. The max and min indicates the highest value and lowest value of each variable and shows the level of the variability among the variables individually. The skewness shows that all the variables are positively skewed with skewness coefficient signifying CPS, MS, and LIR are tailed to the right except for RGDPGR. The kurtosis measures the sharpness of peak of a distribution, RGDPGR and LIR are leptokurtic with kurtosis coefficient greater than 3 while CPS and MS are platykurtic with kurtosis coefficient lesser than 3.

Correlation Matrix

The Correlation Matrix is a technique of analysis that explains the relationship between dependent and independent variables and also the relationship between the independent variables among themselves. The correlation values were obtained from the Pearson correlation using two-tailed level of significance of the following explained and explanatory variables respectively.

Table 4.2 Pairwise Correlation Matrix

	LCPS	LMS	LLIR
LCPS	1		
LMS	0.17	1	
LLIR	-0.26	0.27	1

Source: Author's Computation, (2024)

Table 4.2 presents the correlation coefficients between each pair of variables relating to CPS, MS, and LIR. The correlation is strong, moderate and weak if the correlation coefficient falls between 0.7 – 0.99, 0.40 – 0.69, and 0.00 – 0.39 respectively either the sign is positive or negative. The result of the study that a correlation coefficient of 0.17 between CPS and MS shows a weak and positive correlation between the two variables. While, the correlation between CPS and LIR shows a weak and negative correlation. The correlation between MS and LIR is weak and positive. The correlation between the variables clearly indicates that there is little possibility of multilinearity among the independent variables with the most of the coefficients falling between the acceptable region of -0.8 to 0.8.

Stationarity Test

The unit root test of the variables are tested using the Augmented Dickey Fuller test. The possible outcome of the test is either at levels or first difference, the test will be based on the significance level of either 1%, 5%, and 10%.

UNIT ROOT TEST RESULTS TABLE (ADF)					
Null Hypothesis: the variable has a unit root					
	At Level				
		RGDPGR	CPS	MS	LIR
With Constant	t-Statistic	-1.394602	-0.910678	-3.355892	-3.496995
	Prob.	***0.5753***	***0.7746***	***0.0188***	***0.0132***
				**	**
	At First Difference				
		d(RGDPGR)	d(CPS)	d(MS)	d(LIR)
With Constant	t-Statistic	-3.459477	-4.522632		
	Prob.	***0.0147***	***0.0008***		
		**	***		

Notes:
b: Lag Length based on SIC
c: Probability based on MacKinnon (1996) one-sided p-values.

Source: Author's Computation, (2024)

From the result in Table 4.3 using ADF test statistics, MS and LIR of the variables is stationary at level. That is MS and LIR of the variable is integrated of order zero (i.e., I(0))

however, all the other variables such as RGDPGR and CPS are stationary at first difference due to the random nature of the data. These can be seen by comparing the observed values (in absolute terms) of the ADF test statistics with the critical values (also in absolute terms) of the test statistics at the 5% level. The hypothesis of no stationary was therefore rejected. Based on the foregoing, the result obtained from the unit root test analysis provided a good justification to use autoregressive distributional lag (ARDL).

Table 4.5 Co-integration Bound Test

Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	69.04675	10%	2.37	3.2
k	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66
			Finite Sample:	
Actual Sample Size	38		n=40	
		10%	2.592	3.454
		5%	3.1	4.088
		1%	4.31	5.544

Source: Author's Computation, (2024)

Table 4.5 revealed that the computed F-statistic (69.04675) for testing the joint null hypothesis that the coefficients of the level variables in the underlying ARDL model are not zero (meaning that there exists a long-run relationship among them) as the values of falls above the lower and upper bounds of 2.79 and 3.67 which implies that the null hypothesis is rejected showing that there is a valid co-integration among the variables used in the study at 5% level of significance.

Table 4.6 ARDL Long Run

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LCPS	1.332084	0.181505	1.127446	0.0485
LMS	-8.056309	20.46221	-0.393716	0.6966
LLIR	-2.846710	6.378975	-0.446265	0.6586
C	23.73982	51.56359	0.460399	0.6485

Source: Author's Computation, (2024)

The log run effect of the independent variables is presented in table 4.7. CPS as a positive and significant effect on RGDPGR with coefficient of 1.332084 and a probability value of 0.0485, this implies that a unit increase in RGDPGR in the long run will lead to 1.332084 increase in RGDPGR in the long run.

While, MS has as a negative and insignificant effect on RGDPGR in the long run with a coefficient of -8.056309 and probability value of 0.6988. This implies that a unit increase in MS in the long run will lead to 8.056309 decrease in RGDPGR in the long run. While, LIR has a negative and insignificant effect on RGDPGR with coefficient of.-2.864710 and a probability value of 0.6485, this implies that a unit increase in LIR in the long run will lead to 2.864710 decrease in RGDPGR in the long run.

Table 4.7 ARDL Short Run Dynamics

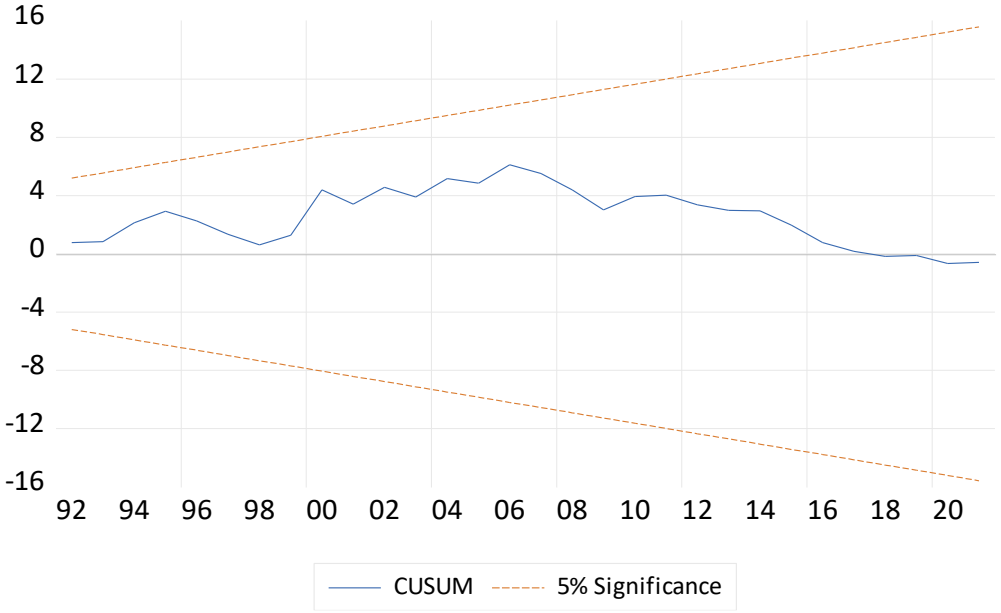
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LMS)	0.093211	0.051543	1.808424	0.0806
D(LMS(-1))	-0.094833	0.055982	-1.693998	0.1006
D(LMS(-2))	-0.167581	0.052338	-3.201915	0.0032
CointEq(-1)*	-0.028165	0.001424	-19.78042	0.0000

R-squared	0.709812	Mean dependent var	0.184509
Adjusted R-squared	0.684207	S.D. dependent var	0.114007
S.E. of regression	0.064067	Akaike LIRo criterion	-2.558481
Sum squared resid	0.139555	Schwarz criterion	-2.386103
Log likelihood	52.61114	Hannan-Quinn criter.	-2.497150
Durbin-Watson stat	2.201775		

Source: Author's Computation, (2024)

Table 4.7 indicates the short run model which measures the short run dynamics of the parameters alongside the error correction term pertaining to the study. Specifically, the study discovered that in the short run, MS exacted a positive insignificant effect on RGDPGR. MS at lag one indicated negative and insignificant effect on RGDPGR in the short–run. MS at lag two exert a negative and significant effect on RGDPGR. The short run dynamics fails to capture the effect of CPS and LIR on RGDPGR in the short run which suggest that both CPS and LIR do not affect RGDPGR in the short run. Finally, the table reveals the adjustment parameter of -0.028 with the probability value of 0.0000. This satisfies the two basic assumption of short-run adjustment parameter and this implies that: long run influence runs from bank lending to economic growth, and 2.8% disequilibrium is be corrected within a year. This suggests that 2.8% disequilibrium in bank lending is corrected/adjusted when the independent variables change by 1 unit. Further, the Durbin-Watson stat indicates that there is no autocorrelation in the model.

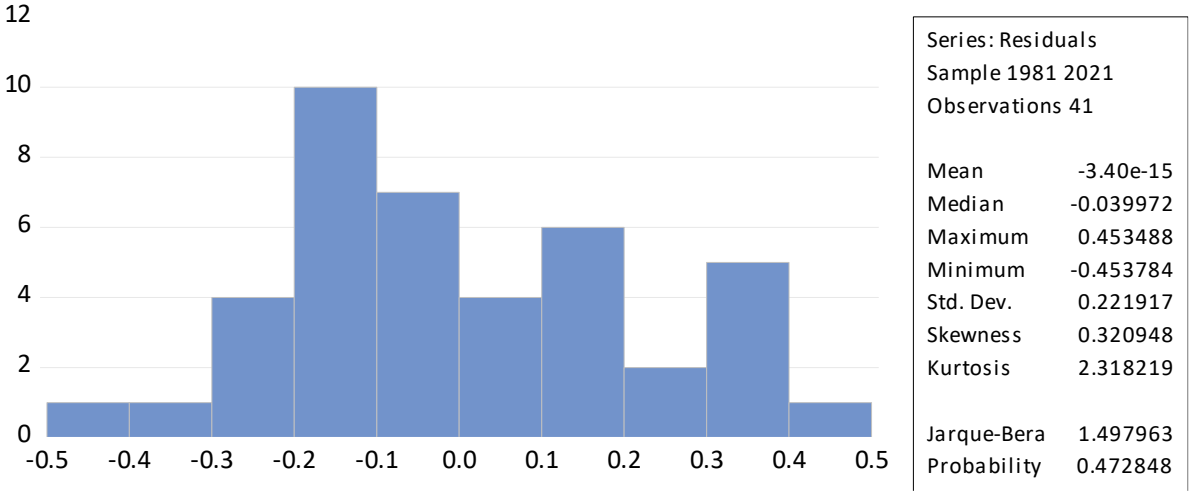
Figure 4.1: Stability Test



Source: Author's Computation, (2022

The stability test which is carried out using the CUSUM test indites that the model is fit, this is ascertained from the CUSUM which does not stray out of the rejection line.

Figure 4.2 Normality Test



Source: Author's Computation, (2024)

From the normality diagnostics, the Jarque-Bera is 1.497963 with a corresponding probability value 0.472848 which is greater than 0.05 hence, the study rejects the null hypothesis that the residuals are normally distributed.

Discussion of Findings

The analytical results demonstrate that credit to the private sector has a beneficial and considerable impact on Nigeria's economic growth. This research indicates that an expansion in credit allocated to the private sector will result in a proportional enhancement of the nation's overall economic growth. This outcome aligns with the conclusions of prior research, including studies by Alhassan et al. (2022) and Onuh et al. (2022), which emphasize the significant importance of private sector lending in fostering economic development.

The analysis indicates that both the bank lending rate and money supply have a negative and considerable impact on Nigeria's economic growth. This indicates

that a rise in the bank lending rate and the overall money supply can adversely affect the nation's economic growth. These findings align with the observations of Alagba et al. (2023) and Orenuga and Babatunde (2022), who have similarly recorded the detrimental impacts of elevated lending rates and excessive money supply on economic performance.

5. Conclusion and Recommendations

Conclusion

The research investigated the impact of financial intermediaries on Nigeria's economic growth. The study's specific objectives are to ascertain the impact of credit to the private sector on the growth rate of real gross domestic product, evaluate the influence of money supply on the growth rate of real gross domestic product, and analyze the effect of lending rates on the growth rate of real gross domestic product. The analysis reveals that credit to the private sector positively influences Nigeria's economic growth, whereas the bank lending rate and money supply exert a negative impact.

Recommendations

Consistent with the study's findings, the following recommendations are proposed: The Central Bank of Nigeria (CBN) should work with commercial banks to create low-interest credit windows just for high-growth industries. This is because private sector credit helps growth, and focused lending can create the most jobs and production while reducing defaults. Also, it should be stressed that capping lending rates to lower borrowing costs is important since it discourages investment. Capping can encourage productive borrowing without putting banks at risk. Credit Guarantee Schemes need to be made better. This will ease collateral limits, which is in line with what we know about how private lending generates growth.

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