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Power of Bank Credit on Economic Growth: A Nigerian Perspective

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Abstract
Bank credit policies in Nigeria are very critical for some reasons. One bank credit is the oil on the wheel of economic growth. Two there is strong empirical evidence that the development of sound financial markets and institutions has significant relationships with long term economic growth. Very importantly again, recent research provides evidence that inappropriate and bad financial sector policies are potentially costly and dangerous in a developing economy as proved by financial sector distress in Nigeria, particularly in the 1990s, through 2011. The study designed to explore the power of bank credit on economic growth applied the survey research design. Data generated were analyzed through tables, frequencies, percentages and the X^2 statistics. It was found that bank credit has significant relationship with economic growth and socio-infrastructural development. Five recommendations were made based on the result of the study.
Keywords*:* bank credit, economic-growth, bank-failures, bricsnations, bail out exercise, stealing public,
JEL: Classification numbers: M10, M12

1. Introduction

Apart from the imagination of some visionary First Republic politicians who canvassed for the reservation of certain economic activities for Nigerians, the quest for real economic growth did not resurrect until after the Nigerian Civil War (CW) in 1970 during the Military government of General Yakubu Gowon. Before this time the Nigerian businessman was nothing more than the glorified agent of transnational organizations like the United African Company, Lever Brothers, John Holt, among others. Even though the average Nigerian businessman could be said to posses the exceptional skill, effort, foresight, resourcefulness and ability to perceive economic opportunities, yet he did not have the financial power to take meaningful advantage of such available opportunities that would bring about economic growth. To drive economic growth in Nigeria, the Nigerian Enterprises Promotion Act of 1977, popularly known as the Indigenization Act of 1977, was promulgated on January 12, with a commencement date of June 29th, 1976. The Act repealed all previous Indigenization Acts, including the Nigerian Enterprises Promotion Decree 1972, the Nigerian Enterprises Promotion (Amendment) Act 1973, 1974, 1976 among others. A major objective of the Act was the immediate replacement of alien control by local ownership, management and control of the economy so that the rich benefits of the abundant economic resources of the nation would flow through to the teaming millions of her population. The Act also required that aliens should sell the ownership interests in their businesses to Nigerian citizens or associations and the Nigerian Enterprises Promotion Committees in the States were to supervise the sale and transfer and see to the general implementation of the Act. (Awujo, 1997, Ejiofor, 1987).

To a high degree, the approach to development differs from country to country. Some feel that development can be better and easily attained through industrialization, many others believe that it can be done through indigenization followed with the expansion of bankcredit in the economy. Again, the role of government in terms of development is still a matter of consensus of opinion among economic pundits as to the level to which government should participate in the economy. However, several studies point to the fact that bankcredit is an essential ingredient of economic growth. While economic theories may not provide the answers to what constitutes economic growth, we should be concerned with implementation implications of such theories. For some time, the confusion between economic development and economic growth has persisted, but experts believe that economic development is not quite the same thing as economic growth. Economic growth means a rise in average per capita income made possible by continuing increase in per capita productivity. It also means a continuing increase on an annual basis in the production of goods and services which will help to raise the living standards of the people of the nation as a whole. The growth rate is usually expressed in percentages and it shows the percentage by which a nation's product increases per year. Substantial economic growth can be achieved through a sound banking system. On the contrary, economic development refers to the changes in economic and social structures that frequently complement economic growth. To emphasize the importance of bankcredit in economic growth, governments of many developing countries like Nigeria have been queuing up for loans from both the International Monitary Fund (IMF) and the World Bank for the purposes of economic growth. This is one

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reason why Nigeria decided to take active participation in banking activities both before and after political Independence in 1960, even though the lofty dreams were washed away by kleptomania. Ezeokonkwo (1998) opines that one of the objectives of development plans is to accelerate the rate of economic growth through proper allocation of resources. The idea of bankcredit developed several centuries ago. At one time, bankers were merely “middlemen”. They made profit by accepting gold and coins brought to them for safety; and then lending coins to borrowers. These early bankers soon found that the written receipts they issued to depositors have been used as a means of payment. By exchanging receipts among several individual borrowers bankers sought to expand credit, as long as people used these receipts as though they represented actual deposits. But occasionally, some bankers issued far too many receipts in excess of actual deposits. When too many people presented their receipts and demanded payment, the bankers soon ran out of gold and coins. As a result, the banks went out of business – they failed, and economic growth is punctuated all the way (Brown and Wolf, 1968, Nzotta, 2004)

Statement of the problem

Because of the important role of finance in economic growth, it may be safe to state that the frequent bank failures in Nigeria over the last 83 years has had a negative impact on economic growth in the country. Throughout history, abuse of the banking system has been one of the major causes of bank failures. Due to the economic implications of bank failures, many countries adopt highly centralized control system for its prevention. In Nigeria, the responsibility to find a workable approach to prevent bank failures resides in the Central Bank of Nigeria (CBN). Brown and Wolf (1968) posit that on October 22, 1907, the customers of the Knickerbocker Trust Company in New York City, fearing that the bank would not be able to meet their demands withdrew nearly eight million dollars within the span of three hours. The panic forced the bank to close its doors. It simply did not have as much cash on hand as people had placed on deposit. The bank failed. History repeated itself in Nigeria between 1951 and 1954 with the failure of indigenous banks. It was as a reaction to the banking boom and failures that the Colonial Administration decided to determine the causes of bank failures in the country then. This also led to the First Banking Legislation in Nigeria known as the 1952 Banking Ordinance. The events of the period no doubt marked a significant slowdown in the way toward economic growth in Nigeria as people who lost their deposits became highly pauperized and even lost a sense of self-worth. Before the 1950s, the first indigenous bank established in 1929, did not survive beyond 1930, thus giving Nigeria a sad history of 83 years of bank failures. The first successful indigenous bank in Nigeria was the National Bank of Nigeria (NBN) established in 1933. This was followed by the establishment of the African Continental Bank (ACB) in 1947.

The attainment of regional autonomy by the Eastern and Western Regions in 1954 came with the policy of liberalizing bankcredit facilities for Nigerian entrepreneurs and encouraging the development of indigenous banking culture that would make room for quick economic growth. While it can be said that the policy was good as conceived on paper, the relationship between the indigenous banks and the individuals at the apex of managing the affairs became issues of debate and public inquiry, because the methods of injecting public funds into the banks as well as the use made of such money became questionable. Consequently, tribunals were set up to probe particularly into the affairs of the African Continental Bank and the National Bank of Nigeria. In the case of ACB, the Foster Sutton Tribunal (1962) found that the manner of injecting public funds into the bank was shrouded in “mystery” because no witness chose to tell the truth. In the case of the NBN the Coker Commission (1962) stated that the finances of the bank did not present a very happy picture because of the following: (a) The huge loans outstanding in the names of the erstwhile directors of the bank and/or persons, or companies in which they were interested, and (b) the loans to the Action Group which were operated in various names and which were not secured in any shape or form. (CBN 1968) As these “hit and miss” games at economic growth persisted, the Federal Government of Nigeria (FGN) took a bold step at reversing the trend in 1977 by the promulgation of the Enterprises Promotion Act. Because of the perceived power of bankcredit in economic growth, the FGN decided as a first step to intervene directly in commercial banking activities by acquiring 40 percent interest in three biggest expatriate commercial banks. The government interest was later increased to 60 percent. While announcing its participation in commercial banking activities, the FGN stated: “The aim of this participation is for the government to get intimately involved in commercial banking activities so as to guide them to operate to the maximum benefit of the economy. This is as much in their own interest as it is in the interest of the country”. (Toby, 1999). To date the 1977 Act, as amended, remains one of the beauties of Gowonism as it was intended to enhance economic growth, even though it was highly abused as in earlier attempts by the Regional Governments in the 1950s and 1960s. The Government kept faith in making bankcredit available for economic growth. With the introduction of the Structural Adjournment Programme (SAP) in 1986, the number of banks rose to 119 by 1991, but by 2009 the number had crashed to 24, and further to 21, including 3 bridge banks into which the CBN injected about ₦700bn public funds in a bailout exercise, in 2011. The exercise invariably means using good public funds to pay for the criminal activities of bank promoters, directors and the stealing public. Whereas if such money was used for productive activities it would go far in enhancing economic growth. (Okorie, 2012)

Hypotheses

This study hypothesizes that bankcredit is a critical factor in economic growth. To test this assumption, these hypotheses were formulated and tested at 0.05 level of significance.

H_1: Bankcreddit has no significant effect on economic growth.

H_2: Bankcredit has significant effect on economic growth

$H_{3:}$ Bankcredit has no significant effect on economic growth and socio-infrastructural development

Delimitation of the study

The study was delimited to Aba and its environs because of the high density of business enterprises in the areas in South-East Nigeria.

Limitations of the study

This research was constrained by finance, but it did not reduce its validity.

2. Literature Review

The Federal Government of Nigeria in 1977 introduced the Rural Banking Programme that stipulated the number of branches each bank should open in the rural areas of the country as a measure toward promoting economic growth (Ogungbenro, 1995). The introduction of the Structural Adjustment Programme (SAP) in 1986 marked the beginning of another major era for financial intermediation in Nigeria. SAP introduced the licensing of new banks, savings and finance companies in order to enhance competition and credit creation, upward review of minimum paid-up capital for commercial and merchant banks from N10m and N6m respectively to N50m and N40m, this was later increased to N25bn during the banking system consolidation of 2004 – 2006. The prudential guidelines were introduced in 1990, which among other things, forced banks to make adequate provisions for non-performing loans and proper classification of loan quality. Abrogation of the 1962 Exchange Control Act and the Nigerian Enterprises Promotion Decree of 1989 and their replacement with the Nigerian Investment Promotion Commission Decree No. 16 and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree No. 17; all in 1995 aimed at liberalizing capital flows. According to Duru (1998) the essence of the 1986 financial reform was to achieve financial and economic efficiency and growth. She opines that empirical studies have also shown that financial sector reforms have positive influence on economic performance depending on their implementation. She emphasizes that successful financial sector reform requires political commitments, conducive macroeconomic environment; appropriate regulatory and supervisory frameworks, sufficient implementation time and external financial support. Despite the robust growth in financial sector's assets and profitability, some problems remained, while new ones developed. The most prominent being the financial sector distress characterized by poor management and regulatory controls, high levels of non-performing loans, embezzlement and mismatch of funds.

The phenomenal growth of banks in 1980/90s was initially hailed as necessary for a healthy competition in the money market and to encourage even spread of resources in the economy. Its apostles still believe that the Nigerian economy is even now underbanked. This probably underscores the injection of about N678bn into some mismanaged banks in 2011 by the Central Bank of Nigeria (The Guardian, 2011). Inept management was evident in credit administration in many banks that led to massive distress in the subsector. Some bank directors who were nominees of major shareholders saw their appointments as opportunities for self enrichment and to them, the loans extended to them and their associates were their own share of the "national cake" (Ademu, 1997). The fragility of the banking system clearly worsened during the 1990s following the imprudent lending practices, which constituted a major cause of distress. Clearly, many of the banks were not interested in intermediating funds from depositors to borrowers, but rather resorted to "trading" and made quick profits through foreign exchange "racketeering", actions and inactions that drew the hands of the clock backwards in terms of economic growth. The major objectives of credit policies in Nigeria between the 1980s and 2000s have focused on the enhancement of credit to the private sector as well as other productive sectors of the economy so as to stimulate growth. To achieve this, credit guidelines were designed to ensure that the financial needs of micro, small and medium enterprises (MSMEs) were reasonably met. Banks were specifically required to extend a certain percentage of bankcredit to the prescribed aggregate and sectorial allocation of their loans and advances to support the broad objectives of the Government. To enhance economic growth in Nigeria, in 2000 the CBN pursued initiatives to strengthen the community banks with a view to enhancing their efficiency and to provide credit at the micro level. It sought to ensure adequate assistance to micro, small and medium enterprises to enhance their performance in terms of output. Accordingly, under the Small and Medium Enterprises Industries Equity Investment Scheme (SMIEIS) banks were mandatorily required to set aside 10 percent of their profit before tax (PBT) for the financing and promotion of MSMEs, to facilitate the achievement of higher economic growth. In recognition of the role of MSMEs in the promotion of economic growth and employment generation, the FGN put in place various programs and schemes to assist them, including the Family Economic Advancement Programme (FEAP), People's Bank of

Nigeria (PBN) among others. (Ugoani, 1999, Essien and Akpan, 2007). As a follow up to the earlier programmes the FGN launched the Microfinance Bank (MfB) project in 2004, all in efforts of promoting economic growth in Nigeria. (Ugoani, 2013) Even the banking sector consolidation exercise of 2006 which was expected to facilitate rapid economic growth suffered a serious setback with the questionable control of the Nigerian Stock Exchange that resulted to its crash and the loss of over N8 trillion with market capitalization having fallen from N13.0 trillion in 2008 to N4.3 trillion in 2009 (Sanni, 2010, Okorie and Uwaleke, 2010). Over the last ten years and more banks have been extending credit to various sectors of the economy in response to government directives to support economic growth. But what remains unclear is whether such credits were for productive or consumption purposes. Again the high incidence of bank failures during this period suggests that such credits were never entirely used for purposes that would guarantee economic growth. Figure 1 shows the amount of loans and advances to the domestic economy between 2001/2011. For example the Nigerian Deposit Insurance Corporation (NDIC) paid N90bn in compensation in respect of 48 failed banks as at 31/12/12 and another N2.52bn in respect of 103 failed micro finance banks in the same period. (Dickson, 2013). Corruption in the banking sector is yet to stop, as some high profile financial institutions are still riddled with corruptive practices. For example, the entire management staff of the Nigerian Economic Reconstruction Fund (NERFUND) has been sacked by government to "halt the erosion of investments, as well as recover non-performing loans advanced by the ousted management". (Okwe, 2013)

Figure 1: Loans and advances by Year (2001/2011)

S/N	YEAR	(₦ MILLION) AMOUNT	(₦ MILLION) CUMULATIVE	REMARKS
1	2001	1,314.00	1,314.00	Cumulative figures calculated by the author.
2	2002	4,310.9	5624.09	
3	2003	9,954.8	15,578.89	
4	2004	11,353.8	26932.69	
5	2005	28,353.8	55286.49	
6	2006	16,450.2	71736.69	
7	2007	22,450.2	94186.89	
8	2008	42,753.06	136939.95	
9	2009	58,215.66	195155.61	
10	2010	52,867.5	248023.11	
11	2011	67,632.4	315655.51	

Source: Central Bank of Nigeria statistical bulletin, 2011

The CBN statistical figures in figure 1 showed that total loans and advances by banks to the domestic economy lept from N1.314bn in 2001 to N67,632bn in 2011 showing a staggering difference of N66bn or about 98 percent. In 2011 the CBN injected about N700bn into three nationalized banks and this almost confirms that the heap of loans and advances within the period under review composed mainly of toxic assets with no productive value. Nigeria Vision (NV) 20:20-20 agenda believes in fostering private sector growth as a key factor of economic growth. It has a clear economic growth imperative, which requires a rapid industrialization of the Nigerian economy, unlocking access to bankcredit. Until the present decade, economic growth posed tremendous challenges to the Nigerian economy especially during the 1980-2010 period. By this time, the performance of the economy, in the light of the SAP policy reforms was highly sluggish. Nigeria vision 20:20-20 project states that economic growth cannot be fully realized without programmes that seek to remove poverty especially those that empower the majority of the people by increasing their access to factors of production, especially bankcredit. To support economic growth, NV20:20-20 aims for 99 million adequately equipped and gainfully employed citizens that are engaged in productive activities and wealth creation. This has implications for micro financing and acquisition of other productive assets or means of production. It says the aggregate credit facilities in Nigeria account for only 0.2 percent of the Gross Domestic Product (GDP) and less than 1 percent of the total credit to the economy. Clearly, the formal financial system in Nigeria provides services to only about 35 percent of the economically active population while the remaining 65 percent are excluded from access to financial services and are served only by the informal financial sector or the "black" market. Nigeria Vision 20:20-20 statement contends that over the years, Nigeria has experienced modest economic growth, driven primarily by other sectors. Also public sector bank borrowing crowds out the private sector and therefore constitutes a hindrance to the financing of the private sector. Furthermore, it encourages adverse selection and leads banks to become more and highly risk averse. It is noted that Nigeria's financial sector has over the years been very active in dealing in government debt instruments and foreign exchange where the risk element is assumed to be minimal while on the other hand, the banking sector has not been quick to finance the real sector adequately. Unfortunately, the focus on collateral security instead of expected cash flows has blocked the MSMEs access to bankcredit. At the same time, the NV20:2020 agenda illustrates that the prevalence of very high interest rates regime has restricted access to bank credit in no small measures. This situation thus acts as a serious constraint to the growth of the real sector and the economy as a whole. On a general level, NV 20:20-20 presents an intention of optimizing the key sources of economic growth. For example, economic activities almost became stagnant following the 2008 stock exchange crisis that wiped out 60 percent of the value of banking stocks. The crisis saw the Central Bank of Nigeria bail out 9 banks to the tune of $4bn, with no much recovery in sight then. (Ibrahim, 2012). To enhance economic growth, Ojiabor (2012) reports that the Federal Government sought Senates approval to borrow $200million to fund pipeline projects under the 2012 – 2014 External Medium Term Borrowing Plan, from the African Development Bank (ADB), and $300million credit facility from the World Bank to provide portable water and low-income housing projects so as to provide affordable houses for Nigerians. According to Bello (2013) the World Bank ranks Nigeria 131 out of 183 countries on the basis of 'ease' of doing business and the government is taking steps to reverse the trend so as to speed up economic growth.

Toward this end, government plans to keep tab on rising interest rates and issue new guidelines on fresh borrowing from the banking sector. Ogbonna (2013[a]) reports that the federal government of Nigeria spent a whopping N699bn on domestic debt servicing in 2012 and opines that government would soon open discussion with banks to find ways of lowering lending rates. According to him, considering the strong influence of the public sector in Nigerian economy banking sector credit to government has always remained very significant. For example, as at end of January 2013, net banking sector credit to the public sector stood at about N2.49 trillion, with government paying interest rates ranging between 18 – 20 percent, a development managers of government business describe as unhealthy. Also, in 2012, the government had borrowed about N1.3trillion to pay salaries of its employees. The need for bankcredit for economic growth is boundary less. For example, Nwokoji (2013) reports that the BRICS nations – Brazil, Russia, China and South Africa – are set to approve the establishment of a new development bank to encourage economic growth. The leaders of the BRICS nations believe that the biggest emerging markets are uniting to tackle underdevelopment and currency volatility by establishing institutions that encroach on the roles of International Monetary Fund and the World Bank. According to Bello (2013), a committee on Doing Business and Competitiveness set up by government identified ten doing business indicators as: starting a business, registering property, getting bankcredit, paying taxes, among others. He reports that the committee prioritized the indicators based on their impact on the competitiveness of the Nigerian business environment and the need for economic growth. In response to the environmental growth programmes of the government, Deposit Money Banks (DMBs) credit to the agricultural sector rose by over 3.7 percent in 2012 financial year. Ogbonna (2013[b]) reports that a statement from the CBN explains that the figure, which was for 2012 represents an increase of 85 percent over the 2 percent growth of the agricultural sector share of banks' credit 5 years ago. Also, the Bankers' Committee notes that between July and November, 2012 banks issued over N6bn in credit guarantees to farmers, with average loan guaranteed amounting to N397million, within a range of N4million to N1.5bn and average duration of 285 days. (Ojiabor, 2012). Besides, there is also a technical assistance facility amounting to $60million meant to equip banks to lend sustainably to agriculture, producers to borrow and use bank loans more effectively and increase output of better quality agricultural products, among others. (Okoro, 2013, Ogbonna, 2013[b]). Anuforo (2013) reports that Nigeria needs $10bn of infrastructure investment a year to keep up with the rising population and expanding economy also that the economy is forecast by government to expand by 6.5 percent in 2012 and that Nigeria needs annual economic growth of 13 percent to bring down unemployment now at more than 25 percent, by year 2020. Because of the power of bankcredit to economic growth, the International Finance Corporation (IFC) plans to fund investments in target areas such as power generation and distribution and gas-to power projects through equity participation. The IFC is also targeting investments in agriculture, the nation's largest employer. The lender is working with government to identify ways to link producers to markets and boost output, and also enabling the private sector to be the engine of economic growth and providing the lead for self-sustaining and self generating growth with a high quantum of bankcredit. As all roads lead to year 2020, it is imperative for Nigeria to put in place a conducive environment, including market-friendly bankcredit policies and competitive business era for investment to thrive and grow with the expected multiplier effects in economic growth. A sustained progrowth strategy requires equitable distribution of means of production and stronger public institutions to prevent private sector excesses, such as embargo on bankcredit that could hinder economic growth. (Leipziger, 2001, Aganga, 2012)) Soludo, (2004,2006[a]) describes the financial system as the hub of the economy; and that reforms in the financial sector take precedence in order to ensure that bankcredit and capital form the basis for the modern Nigerian economy. Mindful of the critical path of bankcredit to economic growth the CBN indicates plans to launch a micro, small and medium enterprises (MSMEs) fund that would strengthen the link between entrepreneurship and access to financial services as the powerful engine for economic growth (Anumihe, 2013). Sometimes credit expands when borrowing and lending go up briskly. At other times, credit contracts when borrowing and lending take place slowly. Modern economy is said to be a credit economy.

Credit is of vital importance for the working of an economy. It is the oil of the wheel of trade and industry and helps in the economic prosperity of a country. It helps to increase productivity. In a developing country in which new banks and financial institutions are set up, such institutions provide credit to tiny, small, medium and large industries, to agriculture, and so on, that help in economic development and growth (Jhingan, 1997). Businesses need credit line by banks to be in a good stead to make reasonable impact in the economy. (Debelak, 2006, Gillis-Hary, 2012, Salako, 2012, Nzenwa, 2000). For many years commercial banks have shied away from financing small holder agriculture and microenterprises under the guise of high transaction costs and that they are also highly unorganized. This situation has given rise to the high level of money remaining outside the banking system in Nigeria because these category of entrepreneurs who have no easy access to bankcredit resort to 'banking-at-home' through the primitive practices such as hiding cash in roof tops, bushes and underground. In recognition of the need to mobilize resources from the informal financial sector, the government introduced various programmes including the Micro Finance Bank (MfB) project in 2004 (Akpala, 2011). Magbagbeola (1999) believes that resources to be mobilized in the informal financial sector are enormous and could have far-reaching impact on the reduction of Nigeria's staggering debt, at alleviating poverty, generating employment and helping the rural and urban poor becoming the most productive segment of Nigeria's population. Unfortunately the problems of bank failures, including the failure of MfBs have not made bankcredit for economic development easy. (Ugoani, 1998, 2006, Ugoani & Dike 2013[a], 2013[b], 2013[c], National Planning Commission, 2009, Soludo, 2006[b])

3. Methodology

The survey research design was used for the study. Researcher designed questionnaire titled "Bankcredit Measurement Questionnaire" on a 5. Point Likert scale and personal interview methods were used to generate data. Based on Yamane's (1967) formula the sample size of 300 was derived from a population of 746 business-people (BP) in Aba, South-East Nigeria. The simple random sampling technique was used to choose the respondents. These two methods of data generation were used to complement, supplement, and validate data through each other. The reliability coefficient of the research instrument was 0.75, derived through Cronbach's Alpha technique. To systematically analyze data, tables, frequencies, percentage, and X^2 Test were used upon which opinions, recommendations and conclusions were based.

4. Analyses and Discussion

Table 1: Population Distribution of the study

Areas of study	Manufacture	Agro. Allied	Merchandising	Metal fabrication	Building and construction	Others	Total
Aba North	20	15	80	30	25	50	220
Aba South	23	18	70	17	127	60	215
Obingwaa	16	10	60	15	19	45	165
Osisioma	14	31	24	17	26	34	146
Total	73	74	234	79	97	189	746

Source: Field work: 2013

As seen from table 3, the calculated value of 13.342 was significantly greater than the table value of 9.488 at 0.05 level of significance with 4 degrees of freedom. The result therefore supports the assumption that bankcredit has significant positive relationship with economic growth. It also supports the view of Jhingan, (1997) that credit is the oil on the wheel of economic growth. Debelak (2006) opines that credit line is imperative for business and economic growth. Literature continues to provide evidence to the importance of bankcredit for economic growth. On the issue of 'ease' of doing business, the question of credit line becomes imperative. The conception of a business plan is merely an intellectual exercise, and without money in the form of bankcredit such ideas may never be translated to reality. You need credit to beef up your initial capital, develop a property, secure machines and equipment, hire labour, pay taxes, among other important issues. Because of the importance of bankcredit to the domestic economy the Central Bank of Nigeria and the Federal Ministry of Finance usually prevail on commercial banks to lend a certain percentage of money to certain sectors to push up economic growth. Organizations in the organized private sector are equally required to set aside a certain percentage of their profit after tax for onlending to indigenous enterprises. The problem in Nigeria has always been that either the banks are unwilling to lend or that they are constrained by environmental factors including corruption. Throughout the era of bank failures in Nigeria it was discovered that much of aggregate lending by banks were insider related and never for the purpose of any meaningful economic growth. The monies were diverted to buy foreign exchange and kept off-shore. Some were used to buy properties around the world, buy special beds, conduct expensive burials, buy exotic cars, and spend more time in casinos and dancing halls, and shopping malls thus, attesting to the classic economic thought that "conspicuous consumption of valuable goods is a means of reputability of the gentleman of leisure". For example, the aggregate lending by bank, rose from N16.450bn in 2006 to N67.632bn in 2011 representing an increase of N51.18bn or about 75.68 percent. But this huge increase did not create any significant improvement on the economy due to abuse of lending processes that even culminated to bank failures. Under normal conditions such increase in bankcredit would have gone a long way in enhancing economic growth of the nation.

Table 2: Characteristics of Respondents

Variables	Measuring group	Frequency	Percentage
Gender	Female	200	66.67%
	Male	100	33.33%
	Total	300	100
Literacy level	No education	52	17.33
	Up to FSLC	74	24.67
	Others	174	58.00
	Total	300	100
Age Group	20 – 35	47	15.67
	36 – 50	86	28.66
	51 – above	167	55.67
	Total	300	100
Dependent relatives	No children	31	10.33
	1 – 3 children	75	25.00
	3 – 10	68	22.67
	Others	126	42.00
	Total	300	100
Occupation	Manufacturing	11	3.67
	Agro. Allied	52	17.33
	Merchandising	107	35.67
	Metal fabrication	40	13.33
	Building and construction	35	11.67
	Others	55	18.33
	Total	300	100

Source: Field work: 2013

Table 3: Test Statistics

Respondents	Agreed	Disagreed	Strongly agreed	Strongly disagreed	Neutral	Total	Calculated value	Table value	Level of significance	d/f
Male	15	20	10	30	25	100				
Female	20	30	50	40	60	200				
Total	35	50	60	70	85	300	3.342	9.488	0.05	4

Despite these steps backwards government continues to pursue elegant initiatives capable of enhancing economic growth. For example, to boost electricity supply in the country, the African Finance Corporation (AFC) in conjunction with United Bank for Africa Plc, as co-arrangers, and First City Monument Bank and Fidelity Bank as co-financiers has provided a N13bn debt financing facility for the acquisition of Ugheli Power Plc. The aggregate commitment of AFC for the acquisition is N8bn. The deal is necessitated to enhance electricity supply in more quantity, especially for the rural areas, which is a necessary requirement for any meaningful economic growth. At present also, government is partnering with Ecobank Nigeria Plc. for a N9bn FG assisted Millennium Development Goals projects ahead of 2020. The bankcredit will be shared among over 56000 households across Nigeria to help in improving their economic wellbeing. This is a positive development in a country where over 67 Youths are unemployed. (Anuforo & Okere, 2013, Adepetun, 2013, Osehobo, 2012, Moses. Ashike, 2012). In many dimensions, the Federal Government of Nigeria has been providing leading ways toward economic growth. In 1986, Nigeria put in place an adjustment programme which was fashioned to fit the standard IMF-World Bank Structural Adjustment Package of getting national policies right. Another significant effort at reinventing the economy towards the path of sustainable economic growth was in 2004 with the launching of the National Economic Empowerment and Development Strategy (NEEDS) (Uniamikogbo, 2007).

5. Conclusion and Recommendations

This study found that bankcredit has significant relationship with economic growth as well as socio-infrastructural development. This underscores the importance attached to the banking system in Nigeria and all over the world. To enhance economic growth there is need for sound management in the banking sector to wedge the tide of frequent bank failures that become impediments to economic growth. Bankcredit is the oil on the wheel of trade and industry that helps in the economic prosperity of a country.

- The Central Bank of Nigeria should not allow banks to place unnecessary embargoes on bankcredit. This will help qualified applicants to obtain credit for entrepreneurship and economic growth.

- The Federal Ministry of Finance through the appropriate agencies should specify sectoral allocations of bankcredit. This will reduce the tendency by banks to pay less attention to the real sector, in favour of general “trading” activities they find more profitable.

- Bank lending rates must be business-friendly. Much of the outstanding bad debts in banks were compounded by interest charges even when the businesses were “dead and buried”.

- Bankcredit applicants should learn to meet the requirements of banks to enable them have easy access to credit. Banks usually require items like business plan, cash flow projection, balance sheet, statement of affairs, etc. These items help them in credit appraisal and approval. Even when banks are reluctant, proper documentation helps in wetting their risk appetite.

- Business groups like the Chambers of Commerce and Agriculture, Manufacturers Association of Nigeria (MAN), and National Association of Small Scale Industries (NASSI) should develop a blueprint to prepare their members on how to access bankcredit. This will mitigate the high rate of loan applications rejected by banks for not meeting their credit appraisal criteria.

Further study should examine the relationship between insider abuse and bank failures in Nigeria. This is important because the incidence of bank failures does not make room for adequate bank lending and this is a set back on economic growth.

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