

**BANK DEPOSIT MOBILIZATION AND ECONOMIC GROWTH IN NIGERIA**

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ABSTRACT

This article empirically analyzed how bank deposit mobilization affected Nigeria's economic growth from 1986 to 2020. The purpose of this study was to determine how bank deposits, government spending, and inflation affected the Nigerian economy. The study employed annual time series data from the CBN statistical bulletin and NBS annual gazette to achieve this goal. Ex-post facto research was used with the ordinary least square (OLS) regression technique and additional diagnostic tests (autocorrelation, normality, CUSUM) to verify the results. The descriptive and empirical analysis showed that bank deposits and government expenditure positively and significantly affected economic growth represented by per capita real income. The empirical results also suggest that inflation hurts Nigeria's economy. Thus, the study found that the variables are vital to Nigeria's economic growth. Since deposits are the main source of funds and driver of economic growth, banks should prioritize deposit mobilization.

Keywords: Deposit mobilization, government expenditure, GDP growth, Nigeria

JEL: C87, G2, G29

INTRODUCTION

One of the common goals of any economy is to achieve sustainable economic growth. A growing economy is one typically characterized by an increase in gross domestic product (GDP), stable prices, low level of unemployment, accretion in wages, and improvement in the standard of living of the citizenry. This can be achieved through various means with the financial system as the nexus to every other sector. A vibrant and well-developed financial system plays a crucial role in economic growth. It facilitates smooth financial intermediation by providing liquidity in the form of cash to the deficit economic units (borrowers). Then, it ensures the financial resources allocated are efficiently utilized to promote economic growth and development (Lagarde, 2019). In Nigeria, this process has been pivotal to banks by providing the necessary capital to lend to businesses and individuals, hence driving economic growth.

Orji (2012) acclaimed that the stability and smooth functioning of the banking system rely on its ability to withstand economic shocks and on the extent of deposits mobilized. Deposit mobilization means encouraging customers to deposit cash with the bank or inducing new clients to come and open accounts with the bank (Tuyishime Memba & Mbera, 2015). Mobilization of deposits plays an important role in improving economic efficiency through the channeling of funds from resource surplus units to those with better opportunities for productive investment (Chinweoke, 2014). The finance literature provides support for the argument that banks with better deposit growth and mobilization grow faster and boost economic growth and development (Patrick, 1966), while inefficient deposit growth and deposit mobilization bear the risk of bank failure and economic collapse (Tuyisime, Memba & Mbera, 2015). However, the recent trend observed in the banking industry (especially Nigeria) is that they have not been able to fully utilize their deposit fund by mobilizing it into productive sectors.



In the Nigerian banking industry, bank deposits can be categorized into three major types namely, demand deposits, saving deposits, and fixed deposits. Among them, saving deposits accounts for the largest proportion of deposit. Ideally, these savings are accumulated from individuals and businesses with no immediate need for the funds and these idle funds are channeled to the government, investors, individuals, and businesses into productive use. Due to the deteriorating economic scenarios and high level of corruption in the economy, a large chunk of the sector's deposits required to meet the growing demand of the banking public through loans has been diverted to unproductive sources. Similarly, it has become worrisome that Nigeria's banks have neglected their core functions of acceptance of deposits and advancement of loans. Allegedly, virtually all the banks are not keeping to the rules of engagement and have been involved in sharp financial practices such as unethical forex manipulation, intermediating drug, and terrorist funds besides other unconventional practices in a bid to make quick money which has negative consequences on the economy (Ebere et al, 2022).

That is why, despite growth in Nigerian bank deposits which rose by N6.92trn from N36.13trbn at the end of October 2021 to N43.05trn in the corresponding period of 2022 (CBN, 2022). There is still a large gap considering that Nigerian bank deposits to GDP as of 2021 are still under 20% compared to other countries of the world. To this end, the successful functioning of commercial banks in achieving sustainable economic growth and development lies greatly on deposit mobilization and then channeling the mobilized deposits in the form of loans to output-enhancing sectors such as manufacturing, general commerce, service, and oil and gas sectors. However, it is without a doubt that the deposit position of a bank from either savings, current, or fixed accounts can be affected by bank-specific factors, macroeconomic factors, and government/central bank regulations (Birhanu, 2015). These factors have a direct relationship with the organization's objective achievement, especially profit maximization and shareholder satisfaction.

Hence, it is germane to employ macroeconomic variables as control variables in this study, since most developing economies like Nigeria are dissuaded from savings due to high inflation rates, low interest rates, and deteriorating disposable income, deterring deposit mobilization. In addition to this, there is also inconsistent findings among researchers. This inconsistency of results might be attributable to the method of data analysis used by different researchers, the period used, the nature of variables used as proxies, and different categories of banks. This calls for a need to carry out this study and add to the existing literature on bank deposit mobilization. Furthermore, this study differs from previous studies in number and scope extending up to 2021, thus providing fresh evidence that will be useful for policy recommendations. Also, the study takes the recommendation for further study made by (Andinet, 2016) & (Dereje, 2017) by introducing government expenditure as an explanatory variable, since credit-to-foot expenditures on capital infrastructure depend to a large extent on the amount of deposits mobilized.

THEORETICAL REVIEW

The supply-led finance theory

The supply-leading hypothesis was a precursor of Schumpeter's theory in 1912 and was supported further by the Keynesian growth models and McKinnon and Shaw (1973) models. The theory was first developed by Patrick in 1966, who stressed that finance is one of the leading aspects of economic development. The theory envisages that financial activities are essentially handmaidens of domestic industry, and respond passively to other factors that produce cross-country differences



in growth. Supply-led finance theory is growth-inducing or growth induced, which means finance is the most significant factor for promoting economic development. The proponents of this hypothesis believe that the activities of financial institutions serve as a useful tool for increasing the productive capacity of the economy. The theory is suitable to the study, because, the efficient and sound functioning of banks, through the amount of deposits they accept and mobilized and the number of loans advanced, make them act as catalysts of economic growth and development.

The Fractional Reserve Banking Theory

This theory holds that a bank is a financial intermediary; however, the banking system creates its money through multiple deposit expansion. The proponents of this theory are; Culbertson (1958), Aschheim (1959), Warren Smith (1959), Paul Smith (1966), and Guttentag and Lindsay (1968). Every bank lends some percentage of its deposits, which in turn becomes another bank's deposit hence, multiple creation of deposits in the banking system. One way of creating multiple deposits is through bank transfers. Deposit creation is the act of recording a transaction entry and by this; banks are making entries of their transactions (Werner, 2015). As the theory puts it clearly, banks are agents of deposit creation which play a crucial role in circulating funds necessary for credit delivery within the network of commercial banks. They provide an avenue for customers to withdraw from one bank and deposit to another bank at the same point without necessarily having to travel to the respective banks' branches. Thus, a bank creates money when mobilizing deposits from the surplus economic units and in turn extends these deposits to the deficit economic units to fulfill a loan agreement, extend an overdraft facility, or purchase assets.

Conceptual framework

Financial institutions play a crucial role in the growth of every economy. Laying credence to the supply-led finance hypothesis, financial development leads to economic growth (Patrick, 1966). Banks while acting as financial intermediaries take deposits from the surplus group and lend the same to the deficit group of the society to accelerate production and increase productivity (Abay, 2010). That is to say, economic activities for both developed and developing economies are greatly influenced by the commercial banking business of the country.

Commercial banks contribute to the process of economic growth and development by converting dispersed savings into meaningful capital investment to aid industry, trade, commerce, and agriculture for the economic development of a nation (Paschal, Chibueze, & Callistus, 2016). It should not be forgotten that a country could hardly achieve its growth of economic development without a strong capital base. As a result, banks play a vital role in performing such bases for financial and economic development by way of deposit mobilization. The need to mobilize deposits through savings in the productive sector is important for the economic development of the country (Ujah, 2017). No doubt commercial banks play a crucial role in the economy by accumulating capital, which is a key variable in the economic development of the country.

Resources scattered or hidden in our closets hold no meaning unless mobilized and utilized efficiently in some productive sectors (Basyal, 2010). It is much more important to canalize the collected deposit in the priority sector of a country. In a developing country like Nigeria, it is, therefore, necessary to promote our business & other sectors by investing the accumulated capital towards productive sectors. Again, instead of the development of a particular sector, the development of every sector should go side by side (Opoku, 2011).



Furthermore, there is a need for deposit mobilization to control unnecessary expenditures in the economy. If there are no savings through deposits mobilized, the extra money that the people have can flow into dead weight activities. So, the government also should help to collect more deposits, steeping legal procedures to control unnecessary expenditures. Thus, to enhance economic development is to increase savings which are dependent on the number of deposits mobilized through the various types of deposit account-savings, current and fixed accounts.

Empirical review

To empirically investigate the impact of deposit mobilization of commercial banks on the economic growth in Nigeria, Ebere et al (2022) explored the effects of bank deposits on Nigeria's economic growth for the period 1985 to 2020. The specific objectives are to establish the impact of commercial and merchant bank deposits on Nigeria's economic growth. The ex-post facto research design was employed. We carried out preliminary tests (unit root and descriptive) and diagnostic tests (autocorrelation, heteroscedastic, normality, CUSUM, etc.). Estimation was done with the autoregressive distributed lag model technique. It was found that bank deposits had a long-run relationship with economic growth and that the error correction term is significant and negatively signed. Thus, we recommended, amongst others, that a substantial share of bank deposits should be directed to the real sectors of the economy like agriculture and manufacturing, as this will act as an economic growth enabler.

New (2019), examined the impact of macroeconomic factors which include real interest rate, GDP per capita, money supply and average exchange rate on deposits mobilization in the case of private commercial banks in Myanmar. The study used a targets sample of 24 private Commercial Banks to show the relationship between deposit and macroeconomic factors. Quarterly data obtained from quarterly financial statistics bulletin of Central Bank of Myanmar and Statistical Year Book published by CSO, Myanmar was used in the analysis. The data were analyzed with correlation analysis, multiple regression analysis, and descriptive analysis using Statistical Package for Social Sciences software (version 23). The study finds that real interest rate, GDP per capita and exchange rate have a positive and significant effect on the deposit mobilization while money supply has a negative and insignificant impact on deposit of private banks. Hence, the study recommends that the policy makers should ensure adopting appropriate macroeconomic policies because macroeconomic factors such as real interest rate and real GDP per capita affect the increase of deposit mobilization.

Dereje (2017) investigated the determinants of deposit mobilization in private commercial banks of Ethiopia using panel data of six private commercial banks from year 2002 to 2012. The study used both quantitative and qualitative research approach. Secondary financial data were analyzed using multiple linear regressions models for the six bank's deposit. Fixed or random effect regression model was applied to investigate the impact of bank branches, exchange rate, real GDP, capital adequacy and liquidity on private commercial banks deposits. Besides, the study used primary data analysis to solicit managers' perception towards the determinants of private commercial banks deposit mobilization. The empirical results from regression analysis showed that bank branches, exchange rate, and real gross domestic product affects deposit of the bank positively whereas, capital adequacy and liquidity affects the deposit of the private banks negatively. On the other hand the feedback of respondents depicted that managerial efficiency, government policy, convenience of bank office, technology, bank size and awareness of savings



by society affected deposit level of the banks significantly.

Similarly, Mamo (2017) conducted an investigation of determinants of deposit mobilization in commercial banks of Ethiopia. Multiple linear regression was adopted for this study, the variables are competitors, interest, branches and loan while dependent variable is total deposit. The result of the econometric indicates that loan provision, branch expansion and number of customers are found to have significant positive impact to induce deposit mobilization. The study fails to carry out all the necessary residuals test to fulfill regression assumption before running the regression.

Alagarsamy & Ganapathy (2017) examined the impact of deposit mobilization of commercial banks a study with special reference to the Western Region in India. The paper attempted to evaluate the growth rate and Compound Annual Growth Rate in deposit mobilization of scheduled commercial banks in the Western Region of India during the period from 2005-2006 to 2014-2015. The banks offer various deposit schemes to the public which include Current Deposit, Saving Deposit and Term Deposit. The result found that the state of Maharashtra the term deposit increase at the same time saving deposit and current deposit decrease because the state of Maharashtra the population is more compare with other western region in India and the state of Maharashtra second-most populous state and third largest state by area.

Venkati (2016) examined the impact of banks deposit mobilization and credit financing on capital formation in Ethiopia. Ordinary Least Square method was adopted for this study, Gross fixed capital formation was used as dependent variable while independent variables included bank credit, bank deposit and bank investment. The study found that bank deposit, bank credit and national saving have a great role on capital formation in Ethiopia. However, but the finding of the study cannot be extrapolated into the Nigeria context due to time and difference in peculiar factors. Andinet (2016) examined the factors influencing deposit mobilization in private commercial banks in Ethiopia. In doing so, the study adopted quantitative methods research approach using secondary data. The study had found variables that can affect the total deposits of the banks. Seven variables are regressed with the dependent variable i.e. total deposit. The explanatory variables are number of bank branches, deposit interest rate, liquid asset to deposit ratio, lagged value of bank deposits, net interest margin, inflation rate and economic growth (GDP). The data for these variables were collected from the respective private commercial banks' financial statements, national bank of Ethiopia, central statistical authority and MOFEC of the sample year 2005 up to 2015. Different diagnostic test were performed to know whether the model is valid or not. All the tests were valid and eventually regression analysis was performed using E-view statistical package. The result from regression analysis showed that number of bank branches, deposit interest rate, net interest margin and GDP were significantly and positively correlated with the explained variable. Lagged value of bank deposit was significantly and negatively correlated with total deposit. However, liquid asset to deposit ratio and inflation rate were insignificantly negatively correlated with bank deposit. Finally the study had recommended what should be done to mobilize more deposits.

Tuyishime, Memeba and Mbera (2015) examined the effects of deposit mobilization on the bank financial performance in commercial banks in Rwanda. A case study of Equity bank Rwanda limited. Financial performance as dependent variable while independent variables include marketing strategies, change of deposits interest rate and Banking technology. The study adopted Pearson and spearman's correlation techniques to analyze the data variables used in the study. The



findings indicated that a positive change in deposits interest rate affects the level of deposits received and later on the profitability of the bank. From the findings of this study, it can be concluded that the deposits mobilization positively affects the financial performance of commercial bank in Rwanda.

Maharana, Choudhury and Panigrahi (2015), evaluate the trend and growth in deposit mobilization of scheduled commercial banks in Bhubaneswar in the period from 2008-09 to 2013-14. Three different types of deposits, namely demand deposit, savings deposit and term deposit is considered for the study taking BOB and Axis Bank. The total number of deposits accounts and total amount of deposits mobilized during the year from 2008-09 to 2013-14 in all scheduled commercial banks in India is gathered from RBI bulletin. The collected time series data are subjected descriptive statistics. Analysis is done taking primary data through a questionnaire to present different factors responsible for deposit mobilization of BOB and Axis Bank in Bhubaneswar city. The study concluded that there was a significant up trend and growth in current deposits but in terms of growth of deposit year by year is fluctuating. Also, there is a significant increase in current deposit and term deposit over the period under study and the mobilization of demand deposit and term deposits by bank of Baroda is more than Axis bank over the period. On the whole, it is concluded that Bank of Baroda in Bhubaneswar city has performed well in deposit mobilization in five years from 2010-11 to 2014-15.

MATERIALS AND METHODS

To achieve the objective of the study, ex-post facto research design have been used. The ex-post facto research design is used in investigating possible events that have occurred already in which the researcher cannot alter or falsify. This study is conducted on the basis of secondary data extrapolated from two major regulating authorities namely Central Bank of Nigeria (CBN) statistical bulletin and Nigeria Bureau of Statistics (NBS) annual gazette for the period 1986-2020.

This study adopted a data regression model using the Ordinary Least Squares (OLS) method where data included time series. The model is represented in its functional form:

PCI = f(BDE).....(Equation 1)

The model is expanded to include:

PCI = f(BDE, INFL, GEP).....(Equation 2)

PCI measures the economy’s growth while BDE represent aggregate bank deposits. The aggregate bank deposits constitute deposits by commercial and merchant banks. The two macroeconomic factors INFL (inflation rate) and GEP (government expenditure) are identified as mediating variables. Presenting the above functional relationship in an econometric model form, we have (3):

PCI = α + β₁BDE + β₂INFL + β₃GEP + μ (Equation 3)

Where α is the constant, β₁, β₂ and β₃ stand for parameters of the independent variables, and μ is the residual.

For the purpose of this research work, the estimated model is carried out using the ordinary least

square (OLS) technique. Correlation analysis was also conducted to see the relationship among the dependent and independent variables. Further, to avoid inappropriate model specification and increase the confidence of the results, residual and stability diagnostic test were investigated.

Description and justification of selected variables

Deposit mobilization (independent variable) can be affected by many factors. In this study, two macroeconomic factors are identified as mediating variables, and all of them are referred based on literature reviews. They are inflation and government expenditure.

1. Bank deposits (BDE)

Bank deposits are crucial for economic growth. Bank deposits (commercial and merchant bank deposits) growth signifies that funds are available for banks to finance economic activities. According to Yakubu and Abokor (2020) as bank deposits is growing overtime it mirrors an economic boom. During periods of high economic boom, the demand for goods and services also increases, and producers will deposit more of their surplus earnings in the bank, and these would encourage borrowing and investment which will in turn enhance economic growth. Thus, it is expected that bank deposits will significantly impact on economic growth as it constitute a crucial variable used in this study.

2. Inflation rate (INFL)

Inflation is one of the most significant factors that can determine bank deposit mobilization and it can be indicated by consumer price index. To understand the impact of bank deposits mobilization on economic growth, it is important to analyze the behavior of depositors in a period of inflation. Inflation can have a negative or positive impact (Orjakor, 1999). Higher inflation rates may depress the demand for bank deposits, causing banks to restrict the supply of credit and thereby inducing declines in economic growth (Kamin and Roger, 2000). Hence, it is expected that inflation rate would have an adverse effects on economic growth by creating distortions in economic activity. Therefore, inflation rate is a critical variable in this study.

3. Government Expenditure (GEP)

Government expenditure has been identified as a key factor that affects bank deposits (Hibret 2015; Ngula 2012). It refers to all monetary expenditures on goods and services made by the government on behalf of the community. Empirical evidence has shown that government expenditures have a direct impact on bank deposits with attendant consequences on the economy (see, Wubetu 2012; Fry 1994). For instance, when government spends more on capital and recurrent expenditures, it create more jobs and injects more money into the hands of the public, which will consistently increase bank deposits and spur up economic activity. Hence, the choice of this variable in this study is critical as it is expected to have a positive sign on economic growth.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Descriptive statistics

From the analysis, per capita income (PCI) proxy for economic growth stood at an average mean of 1318.23, for the period 1986 to 2020. This positive value of PCI implies economic growth was positive in Nigeria. The maximum value of PCI was observed at 3098.98 while minimum value was observed at 270.224. The difference between the maximum and the minimum values, informed the range of data. The standard deviation for PCI was 916.405. This demonstrated that



the PCI is considered to display wide dispersion from its average value. This implies that there was high variation in deposit levels over the study period. The mean value of bank deposits was 4509.600 during the period in Nigeria. It can be noticed that the bank deposit has been on a slow but steady increase in Nigeria, but this is not in commensurate with the level of economic growth. The standard deviation among banks in terms of bank deposit growth was 6269.715; this confirms that there were higher variations of deposit growth among commercial banks during the study period. As shown in the result, inflation rate and government expenditure plays a significant roles in the growth of the economic. The average inflation rate is 20.31229 while government expenditure, was 4.11000. The standard deviation was 18.06389 and 3.01166. This implies that the mediating variables (INFL and GEP) were stable more than other variables.

The skewness and the kurtosis together determine whether a random variable follows a normal distribution or not. The skewness is a measure of departure from symmetry, and as shown from the table above, all the variables were positively skewed, because their median values were less than the mean. Kurtosis is the measure of peakness or flatness of the data relative to the normal distribution, and from the table, the coefficients of the kurtosis of the variable show that deposits and government expenditure has flatness or platykurtic (i.e were found to be below 3.0 relative to the normal distribution) while other variables were peaked or leptokurtic (3.00 and above). The Jarque-Bera (JB) test which measures the difference of skewness and kurtosis of the series with those from the normal distribution shows that the JB value for economic growth (PCI) and government expenditure (GEP) with corresponding probability of less than or equals to 0.05 percent confirms the normality of the series and suitability for generalization.

Correlation analysis

The correlation results show that per capita income (PCI) has a positive correlation of 0.7695 and 0.87797 on bank deposits (BDE) and government expenditures (GEP). However, inflation rate (INFL) has a negative correlation on PCI. Further, bank deposits (BDE) have a positive relationship with government expenditure (GEP) and a strong negative relationship on inflation rate (INFL). Furthermore, the relationship between inflation rate and government expenditure was found to be negative. This implies that there is an inverse relationship between the inflation rate and the government spending in Nigeria during the period. From the correlation results, it can be seen that the independent variables are not highly correlated, and multicollinearity is not a problem for the model.

Diagnostic test of the model

Diagnostic tests were conducted to know whether the model is valid or not and determine if it is OK to continue with the regression. Accordingly, Breusch Godfrey serial correlation test, normality test, and stability test are tested and the results are presented and interpreted.

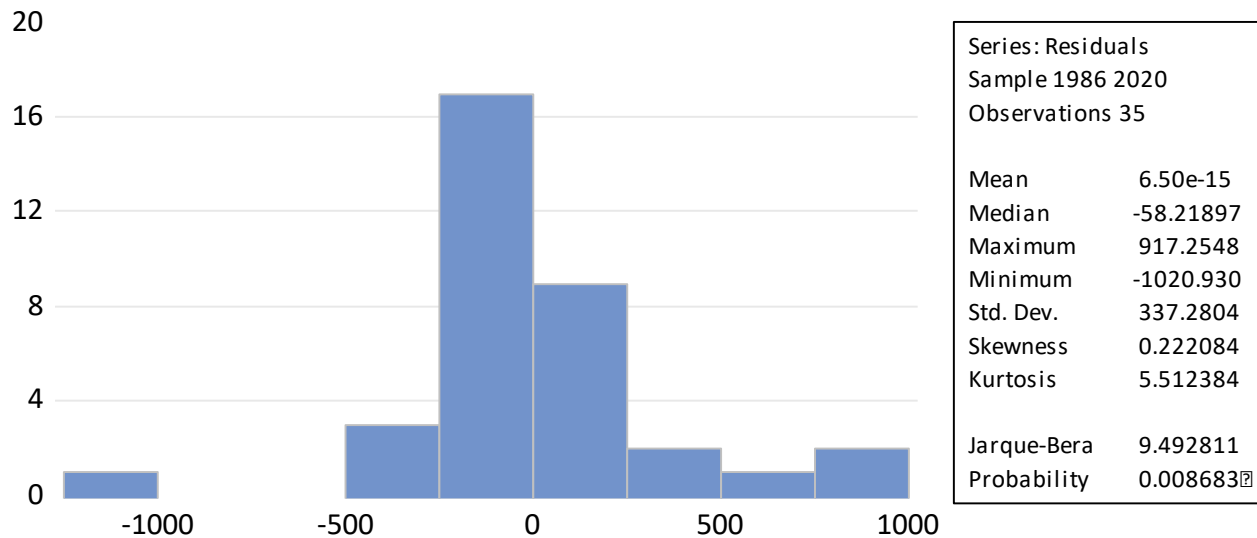
Autocorrelation test

The DW test from the regression has a value of 0.77 which lies between 0 and 2, and that leads us to conclude that there is an absence of autocorrelation among the successive values of the variables in the model. However, the diagnostic residual tests showed that the model was free from serial correlation because the Breusch-Godfrey serial correlation LM test accepted the null hypothesis of no serial correlation in the residual since the probability of the observed R squared is less than the 5% level.

Normality test

A Jarque-Bera normality test was conducted to identify whether the data set is well modelled by a normal distribution or to figure out how likely a related random variable is to be normally distributed. From the figure below, the Jarque-Bera’ value of 9.4829 indicates that the residuals are normally distributed.

Figure 1: Jarque-Bera Normality Test



Source: E-views 12.0 statistical software

Stability test

Stability test was conducted and the results show prove the estimated model and parameters were stable, as the CUSUM lines are within the critical boundaries at 5% significance level. The study therefore proceeded to investigate the impact of deposit mobilization on economic growth in Nigeria.

OLS regression result

The ordinary least square (OLS) regression technique was used to come up with the econometric results and the test statistics of 5% significant level is used to reject or not to reject the null hypothesis.

$$\begin{aligned}
 \text{PCI} = & 440.94 + 0.0515\text{BDE} - 5.931\text{INFL} + 186.15\text{GEP} \\
 & 0.0061^* \quad 0.0002^* \quad 0.1158 \quad 0.0000^*
 \end{aligned}$$

From the result, two explanatory variables (bank deposits and government expenditure), are correctly signed and significant, while one explanatory variable (inflation) is not correctly signed and not significant. The coefficient of the constant term revealed that economic growth (PCI) in Nigeria will experience 440.95 units increase when all other variables (bank deposits, inflation rate, and government expenditure) are held constant. Further analysis of the empirical results revealed that there is a positive relationship between bank deposits and economic growth, which is statistically significant at 5% level of significance, which implies that five percent increase in bank deposits influences economic growth by 0.0515 percent.

Table 2: Summarized test of hypotheses from the regression result

Variables	T-Statistics	Prob.Value	Observation	Decision
BDE	4.170691	0.0002	p-value < 0.05	Reject null
INFL	-1.617782	0.1158	p-value > 0.05	Accept null
GEP	6.999144	0.0000	p-value < 0.05	Reject null

Source: Excerpts from Researcher’s computation

Test of hypotheses

In order to test the already stated hypotheses in chapter one, the following decision rule is stated.

Test of hypothesis one

To test this hypothesis, it is restated in the null and alternative forms as:

H₀: Bank deposit does not have a significant impact on economic growth in Nigeria.

H₁: Bank deposit has a significant impact on economic growth in Nigeria.

Based on the decision criteria, results show that BDE has a t-stat value of 4.1706 with a significant probability value of 0.0002. This signified that there was a positive and significant impact of bank deposit on economic growth in Nigeria. We therefore accepted the alternative hypothesis and concludes that: bank deposit have a significant impact on economic growth in Nigeria.

Test of hypothesis two

To test this hypothesis, it is restated in the null and alternative forms as:

H₀: Inflation has an insignificant impact on economic growth in Nigeria.

H₁: Inflation has a significant impact on economic growth in Nigeria.

Inflation has a t-stats value of 1.61778 with an insignificant probability value of 0.1158. Implying that inflation negatively impacted on economic growth but was found to be insignificant. Hence, the study accepts the null hypothesis that: inflation has an insignificant impact on economic growth in Nigeria.

Test of hypothesis three

To test this hypothesis, it is restated in the null and alternative forms:

H₀: Government expenditure has no significant impact on economic growth in Nigeria.

H₁: Government expenditure has a significant impact on economic growth in Nigeria.

Furthermore, results show that the coefficient of GEP was 186.1552 with a positive t-stats value of 6.9914 and a significant probability value of 0.0000. This signified that there is a positive and significant impact of government expenditure on economic growth in Nigeria. We therefore reject the null hypothesis and accept the alternative hypothesis which concludes that: government expenditures have a significant impact on economic growth in Nigeria.

Discussion of findings

This research work examined impact of bank deposit mobilization on economic growth of Nigeria using annual time series data for 35 years. In order to achieve the stated objectives and hypotheses,



the study employed several empirical tests and submitted the following findings. The correlation results shows that per capita income (economic growth) has a positive correlation on bank deposits and government expenditures. However, inflation rate has a negative correlation on per capita income. The result is further buttressed by the regression output.

The empirical regression results revealed that there is a positive relationship between bank deposit and per capita income, which is statistically significant at 5% level of significance. Bank deposits appeared to be a major determinant of economic growth in Nigeria, and this is in conformity to the prior expectations of the study as the positive relationship is consistent with the findings of Yakubu and Abokor (2020) for Turkey, Azolibe (2019) for Nigeria, Lumuto (2008) for Kenya, and Tun (2019) for Malaysia.

The regression results indicate that the coefficient for inflation is negative and statistically insignificant. The implication to this is that, higher inflation will lead to cash withdraws and a reduction in the level of deposits in general, as people need more money for their day-to-day expenses. The implication of this is that high prices discourage people from saving their money with banks and cause a decline in economic activities. These empirical results also substantiate studies on bank deposits to other economies, in line with the findings of Larbi-Siaw and Lawer (2015) for Ghana, Eriemo (2014) for Nigeria, Yakubu and Abokor (2020) for Turkey, and Azolibe (2019) for Nigeria.

Finally, government expenditure (GEP) has a positive and statistically significant impact on economic growth. The positive relation of government expenditure (GEP) and per capita income (PCI) is consistence with our expectation. Government expenditure has a direct impact on bank deposits with positive consequences on economic growth. Thus, if government expenditure increases, it will create additional job opportunities and enhance the per capita income of the nation. The findings is highly consistent with the apriori expectations.

CONCLUSION

This study was undertaken with overall objective of identifying how bank deposits, inflation and government expenditure impact on the Nigerian economy. In meeting this objective, the study used annual time series data, which were collated from secondary sources, presented, analyzed and interpreted. Based on the result of descriptive and empirical analysis, the study had concluded that bank deposit had a positive and significant impact on economic growth proxy by per capita income. This demonstrates that commercial banks deposits can influence the growth and growth of the Nigeria economy. Government expenditure has positive and statistically significant impact on economic growth. Empirical result also shows that inflation rate negatively affect economic growth in Nigeria. The results of the model imply that bank deposits and selected variables play a role in determining economic growth in Nigeria. Hence, the study concluded that bank deposit mobilization will bring about positive change in economic growth in Nigeria.

Recommendations

From the findings, the study makes the following recommendations for policy and practice:

1. Banks should give due emphasis to its deposit mobilizing tasks since deposit is the main source of funds and a major determining factor for economic growth in the country.
2. Banks should lend to government to finance capital expenditures which in turn create jobs, encourage savings/investments and aid economy growth.



3. Policy makers must enact policies to improving the overall macroeconomic environment, particularly policies aimed at attracting deposits and enhancing economic growth.

Contribution to knowledge

The study extends the limited research on the understanding of deposit mobilization and its impact on economic growth in Nigeria. The study is among the first that introduced government expenditure as a determinant of deposit mobilization. Thus, explaining the mechanism through which government expenditure influences bank deposits and transformed to economic growth. Further, existing research on deposit mobilization lay more emphasis on financial performance. This one is quite different from the other studies as it examines the growth of the economy as a whole using per capita income as proxy.

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