

# Public/private sector, micro-financing, economic and financial management: Nigerian perspective

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## ABSTRACT

This study examined the relationship between public/private sector, micro-financing, economic and financial management in Nigeria. The study covers the period from 1981 to 2023. The secondary data collected for the study were presented in the table and graphs. A multiple linear regression method was adopted to test the research hypotheses. An ex-post facto research design was adopted in the study. The discoveries were that in the private sector, credit to private sector (CTPS) including micro-financing has contributed significantly to the economic growth (GDP). This implies that in the private sector, there is an effective and efficient financial management in Nigeria within the period covered in this study. Also, in the public sector, there was no significant relationship between federal government revenue, federal government expenditure, domestic debt outstanding, external debt outstanding, and economic growth in Nigeria. This implies misappropriation and poor economic and financial management in the public sector of the Nigerian economy. It was concluded that expenditure, domestic and external debts incurred by the Nigerian government, misappropriation of public funds by the leaders due to corruption have hampered effective and efficient economic and financial management in the public sector. However, it was recommended that there is need for effective and efficient management of economic and financial resources by the government in the public sector of Nigerian economy. Also, there is need for the implementation of anti-corruption policy aimed at promoting transparency in the financial management of public funds in Nigeria among others.

## Keywords:

Public/private sector, micro-financing, economic management, financial management, government debt, expenditure and revenue, Nigerian economic growth

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## 1. INTRODUCTION

Public sector is that sector of the economy established and operated by the government or, its agencies, distinguishable from the private sector, and organized on behalf of the whole citizens while the private sector is that sector of economy established and operated by individual. Its agencies are totally different from the public sector. The public sector is intricately linked to the management of state or governmental affairs. By management, we mean the effective utilization of resources (such as human, financial, material) to accomplish pre-determined goals or objectives. According to Shafritz, Russell, and Borick (2009), management is a word that refers “both to the people responsible for running an organization and to the running process itself—the use of numerous resources to accomplish an organizational goal”. Public sector management has to do with efforts directed towards the realization of the public rather than private interest. Ejere (2012) added that the concept of public sector management is commonly associated with the state or government. This is mainly because the public sector is that part of the economy of a country that is owned or controlled by the state or government. Public organizations are concerned with getting the work of government done: they manage the public’s business. A key defining feature of the public sector is the “publicness” of its work. The word “public” is connected to the generality of the people. It relates to the whole society. Government and the services rendered are clearly in the public domain. Thus, public service is synonymous with the public sector. The public sector comprises government organizations that are assigned with responsibility for any business of government. Public financial management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) (2010) as “the system by which financial management resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals.” CIPFA describes public financial management in terms of a “whole system approach.” IFAC (2012) supports a whole system approach to public sector financial management and recognizes the critical importance of the foundations of the system—stakeholder consultation, the demand for services and projects, and governance—which, along with the key process elements, aims to deliver public, community, and individual value as part of the overall objective to deliver sustainable social benefit.

Furthermore, the private sector is intricately linked to the management of individual or business affairs. It covers the activities at micro level compared to the macro level activities covered by the public

sector. The objective of private sector financial management is to maximize the welfare of individuals and business organizations. While the objective of public sector financial management is to maximize the welfare of its citizens. Microfinance is a term referring to the provision of a variety of services such as small loans, saving facilities, and other financial services designed for people excluded from conventional financial services on account of lack of collaterals, illiteracy, etc. The institutions engaged in delivering microfinance services to the poor or low-income operators are known as Microfinance Institutions (MFIs). Therefore, the peculiar economic characteristics and requirements of this category of borrowers require that credit should be accompanied by savings products, supervision, advisory services, training, and other services. The provision of credit alongside these other services constitutes micro-finance, and the process is referred to as micro-financing. Oji (2008) added that the clients of microfinance institutions (MFIs) are usually small-scale operators and firms in the informal sector of the economy. These operators are usually engaged in a variety of activities ranging from artisanship, weaving, metal-working, furniture-making, soap-making, crafts, shoes production, automobile mechanics, petty-trading, food-processing, agriculture, etc., using simple technologies. They flexibly employ simple implements and tools, a few employees, mostly household members, and a small capital base to produce limited volume of output. The micro-producers are usually of low educational level, and skills acquisition and accumulation is largely by traditional apprenticeship characterized by learning-by-observation-and doing. Enterprise ownership is mostly dominated by sole-proprietorship, or owner-operated forms based on apprentice or household labor. The major objective of these micro-entrepreneurs is largely to secure subsistence, and to save any little surplus for future consumption needs - a form of insurance.

Financial management is a managerial activity which is concerned with the planning and controlling of the firm’s or nation’s financial resources. Financial management is an application of general managerial principles to the area of financial decision-making. Financial management is an area of financial decision making, harmonizing individual motives, enterprise and economic goal. Financial management is concerned with the efficient use of an important economic resource, namely capital funds. It is the operational activity of an individual, business and government that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations. According to the Institute of Cost and Works Accountants of India (2010), financial management is concerned with managerial decisions that result in the acquisition and financing of long-

term and short-term credits of the firm. As such it deals with the situations that require selection of specific assets (or combination of assets), the selection of specific liability (or combination of liabilities) as well as the problem of size and growth of an enterprise. The analysis of these decisions is based on the expected inflows and outflows of funds and their effects upon managerial objectives. From the macro level viewpoint, the researchers defined financial management as the process of anticipating, acquiring, and allocating financial resources to the areas of decision-making, which involves financing decision, investment decision, dividend payment decision and working capital management decision by the government of a particular country. Therefore, good financial management of public/private sector translates into economic growth. This paper is organized into five headings; introduction, literature review, methodology, discussion of findings followed by conclusion and recommendation.

### 1.1 Problem statement

Over the years, due to widespread public demands for transparency in governance and the global outcry against corruption, accountability and efficient financial management is now of serious concern in many countries including Nigeria. One of the critical issues dominating public sector financial management in Nigeria, as Addison (1996) rightly observed in Ejere (2012), is lack of accountability and transparency. Lack of financial management in the public sector creates opportunities for corruption with its attendant negative consequences. For instance, through corruption the commonwealth of Nigerians is being diverted by a few, leaving the nation at a loss. Due to the poor culture of economic and financial management, corruption has become a way of life in Nigeria; to the extent that it is incontestable to say that officials are not only corrupt, but corruption is official. The scandalous revelations of large scale corruption and mismanagement of public funds by government officials contained in the audit report released by the office of the Auditor General of the Federation on the Accounts of the Federation of Nigeria for the year ended 31st December, 2009 lends credence to this assertion (Ejere, 2012). There are increasing cases of economic and financial mismanagement in visually all the public and private sectors in Nigeria. The problem of this study lies on how the public/private sector are able to recognize the role of economic and financial management both at micro and macro levels of the economy so that these cases of economic and financial mismanagement will be minimized or if possible total eradication in our society. Nigeria's current economic management problems have accumulated over a long period and the change of administration offers an opportunity to reflect and act on Nigeria's economic ambitions. The current dismal economic trends can be traced to many sources, including corruption, but one reason stands out above others: Nigeria's continued high dependence on oil. Although the rebasing of the economy in 2014 has revealed significant growth in the gross domestic product, estimated at US\$10 billion, the government still depends on oil for about 65 percent of its revenue and over 90 percent of its foreign exchange earnings (Otobo, 2015). The Nigerian economy has suffered challenges over the years for reasons that borders on mismanagement, misappropriation, political instability, corruption etc. According to Onoh (2007) apparent lack of integration of macroeconomic plans and the absence of harmonization and coordination of fiscal policies have occasional negative effects on Nigeria's economic and financial policies of the federal government and highlighted poor quality of public spending as a major macroeconomic problem facing the Nigerian economy. Anyanwu (1997) believes that inappropriate and ineffective policies have heightened the economic problems of Nigeria. Even in world social and economic indicators, Nigeria ranks very low when compared with some low income economies especially some Asian countries that were at the same development level by 1960 when Nigeria got her political independence from Britain. The poor state of infrastructural development to cater for the social and economic needs of the people is a good testimony of the effect of poor and bad policies of government; the huge revenue accruing to the nation not withstanding (Momodu and Ogbale, 2014).

Over the years, Nigerians have been facing problems as regards government expenditures in that there has been a steady increase in government spending without an appreciable increase in economic growth and development. Despite the huge amount of public expenditures, there is still insignificant level of development witnessed in the country. This problem is traceable to how fund is sought for to meet up with capital expenditure, how it is managed and disseminated to pressing capital projects, how it is monitored to ensure execution of capital projects, etc. These problems most of the time brings to questioning the activeness and the overall performance of the government from regime to regime, tenure to tenure (Ayinde, Kuranga and Lukman, 2015). Since government revenue is not sufficient enough to service the economy, the option left is borrowing either internally or externally. Therefore, an escalating debt profile presents serious obstacles to a nation's path to economic growth and development. The cost of servicing debt may expand beyond the capacity of the economy to cope, thereby impacting negatively on the ability to

achieve the desired fiscal and monetary policy objectives (Adebiyi and Olowookere, 2013). This negative impact has a multiplier effect on both the public and private sectors financial management.

### 1.2 Objectives of the study

The main objective of this study is to examine the relationship between public/private sector, micro-financing, economic and financial management in Nigeria. Other specific objectives are;

- To examine the relationship between credit to private sector, private sector demand deposits, claims on private sector and economic growth in Nigeria.
- To examine the relationship between federal government revenue, expenditure, domestic debt, external debt and economic growth in Nigeria.

### 1.3 Research hypothesis

From the above objectives, the study proposes the following hypotheses for testing:

- H<sub>01</sub>: There is no significant relationship between credit to private sector, private sector demand deposits, claims on private sector and economic growth in Nigeria.
- H<sub>02</sub>: There is no significant relationship between federal government revenue, federal government expenditure, domestic debt outstanding, external debt outstanding, and economic growth in Nigeria.

## 2. LITERATURE REVIEW

### 2.1 Conceptual framework

Credit to private sector refers to financial resources provided to the private sector, such as loans and advances, purchases of non-equity securities, trade credits and other accounts receivable, which establish a claim for repayment. In this regard, credit can be viewed from two angles; namely: trade or commercial credit and banking system credit (Olowofeso, Adeleke and Udoji, 2015). Trade credit refers to transactions which involve the supplier handing over goods or performing a service without receiving immediate payment. However, this study focuses on banking system credit to private sector, which involves the direct provisioning of loans and overdrafts to the private sector by institutions, such as deposit money banks, non-interest banks and merchant banks in Nigeria. Economic growth is the endless improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improve productivity (innovations in products and processes) which is usually measured over a certain period of time. In other words, it is the measurement of annual percentage increase in real GDP over a certain period of time. There are different conceptions of economic growth and ways of measuring it, but the primary definition is in terms of growth in the long-run productive capacity of the economy, typically measured by real growth in Gross Domestic Product (GDP). GDP Growth can be measured in terms of demand (total expenditure on goods and services), or supply (total goods and services produced). Over the longer term, economic growth will be determined primarily by the factors which determine productivity. The drivers of economic growth (such as access to credit facilities, labour, level of technology, etc.) are factors which either improves the quality of outputs, or the efficiency with which inputs are transformed into outputs.

Micro-financing is all about providing financial services to the active poor who have been excluded from such services by conventional financial institutions, for reasons of inadequate collateral, unstructured businesses and small sizes of transactions. The major services offered by microfinance banks include savings, microcredit, money transfers, leases, and insurance. In Nigeria, statistics reveal that only 35% of the economically active population has access to formal financial services (Pauline, 2010). Fabanwo (2010) notes that very often, the target groups gain access to financial Services for the very first time through micro finance. Making financial services widely available in rural areas and low-income urban areas help the poor to create wealth, improve their financial security, empower women, generate employment and promotes sustainable development. In realization of the above inequality, the CBN introduced the Microfinance Policy, Regulatory and supervisory framework on December 15, 2005. The specific objective of the policy is to make financial services accessible to a large segment of the productive Nigerian population. According to Lemo (2006), the lurching of the new policy is to ensure that financial services reach the over 80million Nigerians not served by formal financial institutions, especially the economically active poor and low income households who could not have access to services of the formal financial institutions. Hence, the micro-finance policy is to complement the banking sector reforms (Ojo, 2007 and Anyanwu, 2007). Thus, micro-financing is expected to bridge the gap in the financial system, and to assist the financial requirements of some neglected group who would be unable to obtain finance from the formal financial system. Since

then, microfinance institutions have been licensed by the CBN to provide these services to the target market. However, a significant number of these banks have performed below expectation due to dearth of skills, capital inadequacy, poor quality risk assets and inadequate supervision. According to Attah (2010), despite the interest created, interventions initiated and patronage engendered, a large percentage of Nigerians are still excluded from financial services. According to Gbosi in Egbetunde (2012), borrowing from the domestic economy in order to finance its domestic expenditure due to oil price collapse has increase rapidly.

## 2.2 Theoretical framework

This study is based on the finance-growth nexus theory by Schumpeter (1911). Borrowing from Schumpeter (1911), financial services are important for economic growth as long as they improve productivity by promoting technological innovation and helping entrepreneurs with the best chances of success in the innovation process. He argued that economic and financial management would facilitate the mobilization of productive savings, efficient resources allocation from both public and private sectors, reduce problems of information asymmetry and improve risk management. He further stressed these effects could create a favorable macro-economic framework for strong economic growth. As a matter of fact, theoretical endogenous growth models which integrate financial development support this thesis (King and Levine, 1993; Beck, et al., 2000 and Levine, et al., 2000). This theory is related to this study because for economic growth to subsist, there must be proper and efficient economic and financial management from the public sector as well as efficient micro-financing mechanism in the private sector, an objective which this study seeks to achieve.

## 2.3 Empirical literature review

Several empirical studies have shown that the efficient provisioning of credit has a positive and significant effect on output and employment opportunities while a low level of financial development and its attendant inefficient private sector credit system distorts economic growth. A strong and inclusive financial system; and availability of investable funds play vital roles in financing economic project and activities that would promote economic growth and development. This is because access to credit enhances the productive capacity of firms and enhances their potential to grow. However, studies such as Soderbom (2000) and Loening et al. (2008) showed that a number of small and medium manufacturing firms in Africa are credit constrained due to the underdeveloped nature of the continent's financial system, relative to those of more advanced nations. In view of their importance in driving the real sector, monetary authorities worldwide strive to ensure that their financial system is sound and vibrant. Indeed, it is well established that a vibrant, dynamic, and well-functioning financial sector leads to a host of improved economic outcomes (Levine, 1997; Demircuc-Kunt and Levine, 2008). In recent years, private sector credit and economic growth linkage has been a major issue in economic discourse all around the world and empirical literature has been inconclusive on this issue. However, balance of evidence seems to favour a positive relationship between private sector credit and economic growth. This belief has led the Nigerian government through the Central Bank of Nigeria to continue to build a robust and inclusive financial system to fast track economic growth and to serve as a growth catalyst to other emerging economies in Africa. For instance, Emecheta and Ibe (2014) employed the reduced Vector Autoregression approach using annual data for the period 1960-2011 to investigate the relationship between bank credit and economic growth in Nigeria. Amidst some methodological inadequacies (such as his failure to harmonise the different base periods for the real Gross Domestic Product data used and the fact that he ignored the possibility of structural breaks effects in his modelling approach), he found a significant positive relationship between bank credit and economic growth during his sample period.

Ekpo (1994) examined the contributions of public spending (particularly capital spending) to growth in Nigeria 1960-1990. He observed that infrastructural spending crowded in private investment and the spurs growth. Amin (1998) analysed the relationship between public and private sector expenditure on infrastructure had enormous returns and thus enhanced growth. Deverjan (1996) researched on the structure of government expenditure vis-à-vis economic growth and discovered that while some components of government expenditures were productive, others were unproductive. Fuente (1997) also investigated the impact of public expenditure and taxation on economic growth using panel data for a sample of 21 DECD countries during the period 1965-1995 and discovered that fiscal policy impacts on growth in three main ways:

- Government contributes directly to factor accumulation by way of public investment in infrastructure and other assets.
- Public expenditure tends to crowd-out private investment through reduction in disposable income and savings.

- Government fiscal operations tend to exert some negative externality effect on the level of productivity. Furthermore, Aregbeyen (2007) while researching on the growth effects of government expenditures for a panel of 40 African countries concluded that;
- Government expenditures (Capital, Current, Investment and Consumption) were significantly associated with economic growth. Particularly he emphasizes that capital and public investments of government were key to economic growth, but in most African countries, these forms of government expenditures was in less proportion of government total expenditure than expenditures on current and consumption components.
- There was a very negligible contribution of high government budget deficit to economic growth. That is to say that the magnitude of government budget deficits produced has that proportionate increase in economic growth. Aregbeyen believed that though government expenditures were keys to economic growth. The quality of such expenditure is very important. This he believed was an obvious policy lesson from the study. By quality, of government expenditures, he opined that it is the distribution of government expenditures between capital current consumption, and public investment expenditures that spurs economic growth and not the growth in government budget deficits.

Ekpo (2003) examined the impact of government expenditure on economic growth in Nigeria (1960-1992). The study emphasized the contribution of government capital spending to analyzing the relationship between private and public expenditure. The result showed that government spending on infrastructure and investments in Agriculture crowd-in private investment while government expenditure on manufacturing and construction crowded-out private investment. The study concluded therefore that public sector investment in infrastructure complements the private sector and thereby fire growth.

## 3. RESEARCH METHODOLOGY

Research methodology is the plan, strategy and structure of investigation, concerned with how to obtain answers to question in consolidation of the nature and the purpose which it intended to achieve as well as the anticipated result. This section aimed at discussing the general research strategies used in this study. This research is a quantitative study aimed at examining the relationship between public/private sector, micro-financing, economic and financial management in Nigeria. The study is purely quantitative and relies on secondary data.

### 3.1 Research Design

Research design is a framework for controlling the collection of data. It ensures that the required data are accurately collected. The structural framework of this study is based on ex-post facto research design. The research work, therefore, is designed in a descriptive form. The ex-post factor design type will be used in this research work to analyse secondary data because there is no experiment involved, but rather is designed to test an event that has already taken place. Cohen, Manion, and Morison (2000) noted that instead of taking groups that are equivalent and subjecting them to different treatments to determine differences in the dependent variables, an ex post facto research begins with groups that are already different in some respect and searches in retrospect for factors that brought about those differences. Simon and Goes (2013) added that by identifying possible causes retrospectively, the researcher adopts an ex post facto approach to test the hypothesis. The researcher is thus examining, retrospectively, the effects of a naturally occurring event on a subsequent outcome with a view of establishing a causal link or relationship between them.

### 3.2 Variables Identification

The key variables used in this study covered both the private and public sector in Nigeria from 1981 to 2023. The independents variables that represent private sector are credit to private sector (CTPS), private sector demand deposits (PSDD) and claims on private sector (COPS) while the independent variables that represent the public sector are federal government revenue (FGRV), federal government expenditure (FGEX), federal government domestic debt outstanding (FGDD), and federal government external debt outstanding (FGED). On the other hand, the dependent variable of economic growth is the Gross Domestic Product (GDP) growth in Nigeria, which is the common indicator of economic development and growth.

### 3.3 Types and Sources of Data

Generally, secondary data were used in this work. These data were time series and cross section. The data covered the period from 1981 to

2023. The data were sourced and extracted from existing document, which is the Central Bank of Nigeria (CBN) Statistical Bulletin (2023)

**3.4 Method of Data Analysis**

For this research work to be clear and useful, the data would be analyzed using appropriate techniques. Since the data for analysis is time series data, the technique of analysis adopted is multiple regression analysis. The time series is a set of observations taken at specific time, usually at equal intervals. According to Udofia (2005) time series is the arrangement of statistical data collected with respect to the time of occurrence. The data collated for this study will be presented in tables of time series. Simple percentages and graphs are used in analyzing the data. In testing the research hypotheses, the multiple linear regression method will be used. The multiple regression analysis method is an analysis of association that simultaneously investigates the effects of two or more independent variables on a single interval scaled or ration-scaled dependent variable. These tools made it possible to carry out empirical analysis describing the trend movements of variables and their implications on economic development and growth in Nigeria. Thus, the tools used in the article were descriptive and inferential in nature.

**3.5 Model Specification**

In this section, we adopt the multiple linear regression technique to specify the relationship between the variables in the two hypotheses of the study. The multiple linear regression models are specified below:

$$Y = a_0 + a_1X_1 + a_2X_2 + \dots + a_nX_n + U_t$$

In the model,  $a_1, a_2, \dots, a_n$  are the parameters or the independent variables' coefficients and the  $U_t$  is the stochastic error term or random variable. The model above indicates that 'y' is a linear function of  $X_1, X_2, \dots, X_n$ . Hence,  $a_0$  is regression constant or intercept, while  $X_1, X_2, \dots, X_n$  are independent variables.

The functional equation for testing of hypotheses one and two are stated below:

$$GDP = f(CTPS, PSDD, COPS), \text{ and } GDP = f(FGRV, FGEX, FGDD, FGED) \text{ respectively.}$$

These equations are linearized in the two hypotheses as:

$$GDP = a_0 + a_1CTPS + a_2PSDD + a_3COPS + U_1 \dots \dots \dots \text{equation (1)}$$

$$GDP = b_0 + b_1FGRV + b_2FGEX + b_3FGDD + b_4FGED + U_2 \dots \dots \dots \text{equation (2)}$$

Where;

GDP = Gross Domestic Product.

CTPS = Credit to Private Sector

PSDD = Private Sector Demand Deposits

COPS = Claims on Private Sector

FGRV = Federal Government Revenue

FGEX = Federal Government Expenditure

FGDD = Federal Government Domestic Debt Outstanding

FGED = Federal Government External Debt Outstanding

$U_1$  and  $U_2$  are stochastic error terms

Appriori, the following are expected  $a_1 < 0; a_2 < 0, a_3 < 0$  in hypothesis one.

Similarly, the following specifications are expected in hypothesis two:

$b_1 < 0; b_2 < 0, b_3 < 0.$

**3.6 Estimation Techniques**

In this study, we examine the relationship between credit to private sector, private sector demand deposits, claims on private sector, federal government revenue, federal government expenditure, federal government domestic debt outstanding, federal government external debt outstanding and economic growth in Nigeria using multiple linear regression technique. To test the significance of the individual explanatory variables and coefficients to determine whether there is a linear relationship between the independent and dependent variables, we use the t-test to perform the test. If the calculated t-value ( $t_c$ ) is greater than the critical value of t-alpha ( $t_\alpha$ ) at a scaled 5 percent level of significance, the independent variable is considered to have a linear and positive relationship with the dependent variable, and hence the null hypothesis is rejected. The adjusted R-squared ( $R^2$ ), known as the coefficient of determination adjusted for the degrees of freedom,  $n-k-1$ , is used to ascertain the proportion of variations in economic development and growth that are explained by the regression model. Testing for the overall utility of the model, we apply the F-statistic shown in the ANOVA table reported by the Statistical Package for Social Science (SPSS). This involves the comparison of the calculated F-statistic ( $F_c$ ) with the F-alpha at the  $n-k-1$ . If the reported F-statistic is greater than  $F_\alpha, n-k-1$ , it is therefore confirmed that the model has explanatory power, and that the overall model is significant. That is if  $F_c > F_\alpha, n-k-1$ . It is assumed that the model is significant. We will also use the Durbin-Watson statistic to test the presence or absence of auto - correlation. If the statistic has within the inclusion region, it is assumed that the model is free from both positive and negative serial correlation.

**4. DATA ANALYSIS RESULTS AND DISCUSSION OF FINDINGS**

**4.1 Hypothesis one empirical results**

**Model Summary**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error	Change Statistics				Durbin-Watson	
					R <sup>2</sup> Change	F Change	df1	df2		Sig. F Change
1	.981 <sup>a</sup>	0.963	0.959	2.28E+05	0.963	257.603	3	40	0	1.403

a. Predictors: (Constant), COPS, PSDD, CTPS  
 b. Dependent Variable: GDP

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.03E+13	3	1.34E+13	257.603	.000 <sup>a</sup>
Residual	1.56E+12	40	5.21E+10		
Total	4.18E+13	43			

a. Predictors: (Constant), COPS, PSDD, CTPS  
 b. Dependent Variable: GDP

**Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1637.358	1077.463		1.52	0.139
CTPS	3.874	1.669	0.779	2.321	0.027
PSDD	-2.143	2.479	-0.173	-0.864	0.394
COPS	1.712	1.939	0.372	0.883	0.384

a. Dependent Variable: GDP  
 Sources: Authors' computations

The result is summarized below:

$$GDP = 1637.358 + 3.874CTPS - 2.143PSDD + 1.712COPS$$

$$t\text{-statistic} = \{1.520\} \{2.321\} \{-0.864\} \{0.883\}$$

$$\text{Std. Error} = \{1077.463\} \{1.669\} \{2.479\} \{1.939\}$$

$$R^2 = 0.963 \quad \text{Adjusted R-squared} = 0.959 \quad F\text{-statistic} = 257.603$$

Std. Error of the Estimate = 2.2828784 Durbin-Watson = 1.403

A regression coefficient of 1637.358 implies that there is a positive relationship between credit to private sector (CTPS), private sector demand deposits (PSDD), claims on private sector (COPS) and economic growth (GDP) in Nigeria. The coefficient of determination ( $R^2$ ) was 0.963 which implies that about 96.3% variations in GDP were caused by CTPS, PSDD and COPS while the remaining 3.7% were due to other variables outside the regression model which also affects GDP growth rate in Nigeria.

To determine the significance of the independent variables, we conduct a t-test for the parameter. The test of the null hypothesis against the alternate hypothesis is to reject  $H_0$  if  $(t) > t_{\alpha/2, n-k-1}$  where  $t_{\alpha/2, n-k-1}$  is obtained from the t-distribution task. Therefore, at a selected 0.05 percent level of significance with  $n=43, k = 3$ , such that  $t_{0.05/2, 43-1-3} = t_{0.025, 39}$ , we have critical value of 2.042. Thus, since CTPS has a t-statistic ( $t_c$ ) of 2.321 and  $t_{\alpha/2, 39} = 2.042$ , it therefore means that  $t_c = 2.321 > t_t = 2.042$ , which means that credit to private sector (CTPS) has contributed significantly to the economic growth (GDP) in Nigeria from 1981 to 2023. Hence, the null hypothesis is rejected. Furthermore, since PSDD has a t-statistic ( $t_c$ ) of -0.864 and  $t_{\alpha/2, 39} = 2.042$ , it therefore means that  $t_c = -0.864 < t_t = 2.042$ , which means that PSDD has a negative influence on GDP and therefore statistically insignificant in explaining the changes in the economic growth in Nigeria within the period under study. Also, claims on private sector (COPS) has a t-statistic ( $t_c$ ) of 0.883 and  $t_{\alpha/2, 39} = 2.042$ , it therefore means that  $t_c = 0.883 < t_t = 2.042$ , which means that COPS has a positive influence on GDP and statistically insignificant in explaining the changes in the economic growth in Nigeria within the period under study.

Considering the F-statistic of 257.603 and relating this to  $F_{\alpha, n-k-1}$  at 0.05, level of significance from the F-distribution, we have  $F_{0.05, 39} = 2.042$ . Thus, since  $F_c = 257.603 > F_{0.05, 39} = 2.042$ , it infers that the model behaves significantly in explaining changes in the economic growth in Nigeria. The F-statistic of 257.603 also confirm that there is a linear relationship between GDP and at least one of the independent variables. Moreover, the presence of autocorrelation in the regression model was tested using Durbin-Watson statistics. The observed Durbin-Watson value

produced by the regression model (d) is 1.403. We infer that there is no statistical evidence that the error terms are positively auto-correlated.

#### 4.2 Hypothesis two empirical results

##### Model Summary

Model	R	Adjusted			Change Statistics				Sig. F Change	Durbin-Watson
		R Square	R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2		
1	.820 <sup>a</sup>	.673	.628	6.8695076E5	.673	14.915	4	39	.000	.609

a. Predictors: (Constant), FGED, FGDD, FGRV, FGEX

b. Dependent Variable: GDP

##### ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.82E+13	4	7.04E+12	14.92	.000 <sup>a</sup>
	Residual	1.37E+13	39	4.72E+11		
	Total	4.18E+13	43			

##### Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2319.2	3853.08		0.6	0.55
FGRV	1.421	3.265	0.193	0.44	0.67
1 FGEX	9.917	10.105	0.622	0.98	0.34
FGDD	0.264	5.478	0.02	0.05	0.96
FGED	-2.564	1.982	-0.14	-1.29	0.21

The result is summarized below:

$$GDP = 2319.226 + 1.421FGRV + 9.917FGEX + 0.264FGDD - 2.564FGED$$

$$t\text{-statistic} = \{0.602\} \{0.435\} \{0.981\} \{0.048\} \{-1.293\}$$

$$\text{Std. Error} = \{3853.081\} \{3.265\} \{10.105\} \{5.478\} \{1.982\}$$

$$R^2 = 0.673 \quad \text{Adjusted R-squared} = 0.628 \quad \text{F-statistic} = 14.915$$

Std. Error of the Estimate = 6.8695076 Durbin-Watson = 0.609

A regression coefficient of 2319.226 implies that there is a positive relationship between federal government revenue (FGRV), federal government expenditure (FGEX), federal government domestic debt outstanding (FGDD), and federal government external debt outstanding (FGED) and economic growth (GDP) in Nigeria. The coefficient of determination ( $R^2$ ) was 0.673 which implies that about 67.3% variations in GDP were caused by FGRV, FGEX, FGDD and FGED while the remaining 32.7% were due to other variables outside the regression model which also affects GDP growth rate in Nigeria. To determine the significance of the independent variables, we conduct a t-test for the parameter. The test of the null hypothesis against the alternate hypothesis is to reject  $H_0$  if  $(t) > t_{\alpha/2, n-k-1}$  where  $t_{\alpha/2, n-k-1}$  is obtained from the t-distribution task. Therefore, at a selected 0.05 percent level of significance with  $n=43$ ,  $k=4$ , such that  $t_{0.05/2, 43-1-4} = t_{0.025, 38}$ , we have critical value of 2.045. Thus, since GDP has a t-statistic ( $t_c$ ) of 0.602 and  $t_{\alpha/2, 38} = 2.045$ , it therefore means that  $t_c = 0.602 < t_{\alpha/2, 38} = 2.045$ , which means that the null hypothesis is accepted, that is, there is no significant relationship between federal government revenue, federal government expenditure, domestic debt outstanding, external debt outstanding, and economic growth in Nigeria. Furthermore, since FGRV has a t-statistic ( $t_c$ ) of 0.435 and  $t_{\alpha/2, 38} = 2.045$ , it therefore means that  $t_c = 0.435 < t_{\alpha/2, 38} = 2.045$ , which means that FGRV has a positive influence on GDP and therefore statistically insignificant in explaining the changes in the economic growth in Nigeria. Also, federal government expenditure (FGEX) has a t-statistic ( $t_c$ ) of .981 and  $t_{\alpha/2, 38} = 2.045$ , it therefore means that  $t_c = .981 < t_{\alpha/2, 38} = 2.045$ , which means that FGEX has a positive influence on GDP and statistically insignificant in explaining the changes in the economic growth in Nigeria.

Federal government domestic debt outstanding (FGDD) has a t-statistic ( $t_c$ ) of .048 and  $t_{\alpha/2, 38} = 2.045$ , it therefore means that  $t_c = .048 < t_{\alpha/2, 38} = 2.045$ , which means that FGDD has a positive influence on GDP and statistically insignificant in explaining the changes in the economic growth in Nigeria. Federal government external debt outstanding (FGED) has a t-statistic ( $t_c$ ) of -1.293 and  $t_{\alpha/2, 38} = 2.045$ , it therefore means that  $t_c = -1.293 < t_{\alpha/2, 38} = 2.045$ , which means that FGED has a negative influence on GDP

and statistically insignificant in explaining the changes in the economic growth in Nigeria.

Finally, considering the F-statistic of 14.915 and relating this to  $F_{\alpha, n-k-1}$  at 0.05, level of significance from the F-distribution, we have  $F_{0.05, 38} = 2.045$ . Thus, since  $F_c = 14.915 > F_{0.05, 38} = 2.045$ , it infers that the model behaves significantly in explaining changes in the economic growth in Nigeria. The F-statistic of 14.915 also confirms that there is a linear relationship between GDP and at least one of the independent variables. Moreover, the presence of autocorrelation in the regression model was tested using Durbin-Watson statistics. The observed Durbin-Watson value produced by the regression model (d) is 0.609. We infer that there is no statistical evidence that the error terms are positively auto-correlated.

#### 5. CONCLUSION AND RECOMMENDATION

The research has attempted to investigate the relationship between public/private sector, micro-financing, economic and financial management in Nigeria. In the private sector, it was observed that credit to private sector (CTPS) including micro-financing has contributed significantly to the economic growth (GDP) in Nigeria from 1981 to 2023. Micro-financing in the private sector has enhanced effective economic and financial management thereby leading to economic growth in Nigeria. Private sector demand deposit (PSDD) has a negative influence on GDP growth. Also, claim on private sector (COPS) was insignificant in explaining the changes in economic growth. In the public sector, there was no significant relationship between federal government revenue, federal government expenditure, domestic debt outstanding, external debt outstanding, and economic growth in Nigeria. This finding is consistent with the findings of Fuente (1997) and Aregbeyen (2007). The expenditure, domestic and external debts incurred by the Nigerian government, misappropriation of public funds by the leaders due to corruption have hampered effective and efficient economic and financial management in the public sector. Based on the above findings, we therefore make the following policy recommendations;

- There is need for effective and efficient management of economic and financial resources by the government in the public sector of Nigerian economy.
- A stable and effective monetary policy will boost private sector demand deposits. These deposits are mobilized and reinvested into the deficit economic unit for sustainable economic development.
- As private sector is making claims on their deposits, the accumulated funds mobilized for investment is reducing. There is need for proper investment appraisal so that investment with short term maturity should be able to match short term liability (claims on deposits).
- Corruption has eaten deeply into the fabric of our society, there is need for the implementation of anti-corruption policy aimed at promoting transparency in the financial management of public funds.
- The level of domestic and external debts incurred by the government should be reduced drastically, since the indebted funds are misappropriated.

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