

## **FINANCE GROWTH NEXUS IN NIGERIA: AN APPLICATION OF CO-INTEGRATION AND ERROR CORRECTION TESTS**

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### **ABSTRACT**

The role which deposit money banks play in the Nigerian economy with reference to the facilitation of flow of money and credit in the economy cannot be over looked. Therefore this study examines empirically the nature of relationship between economic growth index (GDP) and the finance indicators, namely private sector credit to GDP; private sector deposit to GDP and broad money to GDP employing the Johansen co-integration test and error correction model test on secondary data for a period spanning from 1986 to 2011. The empirical results show that a long run positive relationship exists between growth index and finance indicators. Consequently, it recommended that in order to achieve high rate of economic growth, besides the effective regulation of its framework, the central Bank of Nigeria must insist that deposit money banks directs most of their credits to the private sector so as to facilitate real sector development and enhancement economic growth.

**KEYWORDS:** Bank, Co-integration, Deposit, Financial, Money, Nexus