

## Impact of Intermediation of Commercial Banks on Capital Formation in Nigeria



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**ABSTRACT:** This study examined the impact of intermediation of commercial banks on capital formation in Nigeria. A sample of fifteen (15) banks listed on the NSE between 2000 to 2019 was utilized by the study and data was gathered mainly through secondary sources. The study employed time-series data and ex-post facto research designs to establish the impact of total deposit liabilities, credit to private sector and bank investment on the gross fixed capital formation in Nigeria. The data was analysed using the ordinary least square (OLS) regression technique after conducting series of diagnostic tests, multicollinearity, serial correlation, normality, heteroskedasticity and stationarity tests. The study documented negative and statistically significantly between total deposit liabilities and gross fixed capital formation. Furthermore, results from the regression analysis established positive and significant impact of credit to private sector on the gross fixed capital formation in Nigeria. Further analysis revealed a positive and insignificant impact between bank investment and gross fixed capital formation in Nigeria. The study concluded that total deposit liabilities, credit to private sector play major role in influencing capital formation in Nigeria while bank investment does not influence capital formation in Nigeria. The study therefore recommended among others that adequate efforts be made by commercial banks to increase their level deposits as that will help in increasing the nation's capital formation. This will most likely result into increased investment activities which will enhance capital formation in Nigeria needed for its real sector investments and industrial growth. It was also recommended that Commercial banks credit department should advance more credit to private sector used for economic activities that will impact the real economy like the manufacturing and agricultural sectors.

### 1. INTRODUCTION

Deposits mobilization in banks plays a key role in providing adequate services to diverse segment of the economy. According to Bologna, (2011) deposit mobilization as well takes a significant position in the financing of same commercial banks, since bank's assets are predominantly made up of customer deposits. This invariably makes deposit mobilization an essential aspect of intermediation all over the world. It is central to Bank's labor fund as demonstrated by many researcher, that it is a necessary source for good bank operation. Abilities of banks on the other hand, to engender economic growth and development depend on their strength, soundness and stability in the economic system (Jhingan, 2001; Uremadu, 2002; Bakare ,2011; Orji, 2012) Thus, the banking industry's actions such as deposit mobilization and credit creation serve as a link between intermediation and capital expansion. However, a number of academics have argued that commercial banks in Nigeria have not credibly performed in the improvement of capital formation to ensure a sound financial system (Alex, 2012).

The capital formation in Nigeria is low when compared to countries in Europe, Asia and even the Africa continent. For instance; In Europe, the rate of capital formation to GDP in Ireland and Norway is 55% and 33% respectively; in the Asian country like Qatar, the rate of capital formation to GDP is 44% (World Development Index, 2019).

In the African countries like Tanzanian, Senegal and Sudan; the rate of capital formation to GDP is 55%, 32%and 36% respectively which is far better when compared to the giant of Africa (Nigeria) whose rate is 25% (WDI, 2019). This poor performance calls for attention and further investigation on how to properly manage this problem (Jacob & Innocent, 2019).

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It has been argued by Asagunla and Agbede (2018) that no sector of the economy in their opinion is positioned to carry on effectively without adequate funding. This, they further stressed can only be accomplished in an economy with vibrant financial system. Thus, they conclude that it has positioned financial intermediaries as central in the flow of funds around the financial world. Financial intermediation in an economy is redistribution of available funds to facilitate maximizing returns, which is seen as the principal role financial intermediaries play (Ogundajo, Onakoya, Enyi & Siyanbola 2019). Intermediation roles of commercial banks are indeed, catalyst for speeding-up capital formation hence, economic development of a nation when especially it is efficiently handled.

Emphasis on Nigeria economy growth rate cannot be complete without a glance at the role of capital development, which has been so recognized as an important driving force in determining growth rates of Economies (Nweke, Odo & Anoke, 2017). They contend that countries are yet to enjoy or near to achieving continual investment in capital formation, and that rising capital formation has been prioritized in the quest for global economic growth. According to Nweke et al. (2017), understanding the causes of capital formation is critical for policy formulation of a variety of interventions aimed at achieving economic growth and development. According to them, capital formation refers to the share of current revenue that is saved and invested in order to increase future output and income. It usually leads to the purchase of a new factory, as well as machinery, equipment, and all other productive capital goods. Capital formation, or real investment, on the other hand, is a critical component of economic growth and development. According to Kanu and Ozurumba (2014), capital formation on large scales is favorable to existing share capital that may need to be replenished through standard depreciation. They emphasized that plants should expand in the economy to take advantage of economies of scale and increase market demand.

### 2. STATEMENT OF PROBLEM

The Nigerian government adopted a structural adjustment program (SAP) in 1986, which resulted in a paradigm change from a public-sector-driven economy to a private-sector-driven one (Okonkwo, 2010). It was aimed at achieving private domestic savings and investment to enhance capital accumulation that can improve gross fixed capital formation (Bakare, 2011). Financial services such as savings or deposit mobilization and credit creation tend to amplify capital accumulation, which is intended to boost capital production in the economy, growth and development.

Looking at the low pace of development in Nigeria, this will leave one in no doubt that more efforts are needed to enable the country achieve its macroeconomic objective of growth and development. Several reforms have been made within the banking sector to take care of intermediating effectiveness; however, the sector has witnessed myriad of challenges ranging from financial crisis, bankruptcy, outright collapse, poor management of assets/liabilities and policy summersault that have greatly undermined their abilities to mop up money in circulation in order to adequately improve capital formation needed for sustainable development in Nigeria.

According to Sanusi (2008), Nigeria had over a hundred financial institutions prior to the 2005 consolidations. These banks promised to provide a wide range of services to a diverse clientele. Some were merchants, while others were deposit-taking organizations that profited from the continued operation of businesses. Community banks and agricultural banks were among the institutions that were considered "less fashionable." Sanusi (2008) further stressed that many of these banks were in reality, distinct but without any difference to the banking publics. The consolidations he maintained, resulted in merger of many of these banks, which he referred to as 'jacks of all trade', managing to master all, hence became mega banks into mega businesses with slogan that seemed to be 'anything the customer wanted'.

Previous empirical studies such as Tuyishime, membra and membra (2015), Paschal, chibueze & Callistus (2016), Nzotta & Okereke (2016) had a position that, positive relationship exist between deposit, credit and capital formation. More so, country-specific studies like in Ethiopia, Ghana and Rwanda etc,

Also, researchers such as Allen and Kowalewski (2018) and Skare, Sinkovic and Porada-Rochon (2019) stated that structural differences observed are regular changes induced by factors such as seasonal patterns or long-term trends, are perhaps not taken into cognizance. Capital creation success and accumulation for growth and development vary widely from country to another and is extremely dependent on commercial bank deposit liabilities, credit, and a wide range of other factors.

Also, the rules, regulations and policy of commercial banks in Nigeria, Ethiopia and Ghana are being controlled by their Government, and the understanding of deposit mobilization and its impact on capital formation across Nigeria, Ethiopia and Ghana have delve researchers in these African nations to conduct series of research streams on the subject matter. This necessitated the need for a fresh study to add to existing body of knowledge.

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## 3. RESEARCH QUESTIONS

Above stated problems have necessitated research questions as follow:

- ❖ To what extent does banks' total deposit liability impact on Nigeria's gross fixed capital formation?
- ❖ To what extent does private sector credit impact on Nigeria's gross fixed capital formation?
- ❖ To what extent does banks' investment impact on Nigeria's gross fixed capital formation?

## 4. OBJECTIVES OF THE STUDY

Generally this study is to examine the impact of commercial banks intermediation processes on capital formation in Nigeria. Specifically, the following are the objectives to be achieved.

- ❖ To establish impact of banks total deposit liability on gross fixed capital formation in Nigeria.
- ❖ To ascertain impact of private sector credit on gross fixed capital formation in Nigeria.
- ❖ To examine impact of bank investment on gross fixed capital formation in Nigeria.

## 5. RESEARCH HYPOTHESES

In line with the research objectives and questions above, this study is determined to test the following hypothesis:

- ❖ Banks total deposit liabilities does not significantly impact on gross fixed capital formation in Nigeria.
- ❖ Private sector credit does not significantly impact on gross fixed capital formation in Nigeria.
- ❖ Bank investment does not significantly impact on gross fixed capital formation in Nigeria.

## 6 LITERATURE REVIEW

### 6.1 Concept of Capital Formation

Capital formation is a term which refers to capital stock additions such as; equipment, tools, and transportation assets, and it is used to describe a country's net capital accumulation over a given accounting period. Capital formation according Bakare (2011) relates to the share of current saved and invested income in order to increase future income and output. It is commonly the consequence of obtaining a new factory with all production capital, machines, and equipment.

It has a critical part in economic growth models, according to economic theorists (Beddies 1999 & Gbura1997). The process by which a country's actual per capita income rises over time, is referred to as capital formation. With investments in social and economic infrastructure, capital formation equates to a rise in state physical capital. Gross domestic investment and gross public investment are two types of gross fixed capital formation. Government and public enterprises are included in gross public investments. Gross domestic investment refers to sum of gross fixed capital formation plus net inventory changes (Bakare 2011).

### 6.2 Concept of Deposit Mobilization

One major aspect of intermediation is Deposit mobilization. Across the globe, mobilization of savings through intense deposit collection has been recognized as most important responsibility of banking. Deposit mobilization refers to acts of funds gathering by financial institutions from the general public through accounts such as; current, savings, fixed deposits, and other specialized schemes (Diagaria, 2011). Banks according to Mohan, (2012) plan their strategy for deposit mobilization based on investment growth of the country. This can be achieved through expanding bank deposit products, utilizing media coverage, branch expansion, and home-grown knowledge, or through financial technologies, continuous training of staff, boosting deposits, increasing organization's confidence.

Elser (1999) defines deposit mobilization as, practice of encouraging consumers to deposit cash with the bank or luring new clients to come to the bank and open accounts.

### 6.3 Concept of Private Sector Credit

Individuals, businesses, and governments get loans and advances from banks in order to engage in investment and development activities, thereby supporting their growth or contributing to a country's general economic development (Olokoyo, 2011). Bank lending is separated into two categories: credit to the public sector (government borrowing from banks) and credit to the private sector (private sector borrowing from banks). According to the World Bank, private sector credit is a sort of domestic loan issued to private persons and businesses for economic goals. Banks and other financial institutions provide financial resources to private sector of the economy as loans, non-equity securities purchases, trade credit, and other accounts receivables which establish claims for future repayment (Trading Economics, 2016).

Private sector credit financing by banks constitutes a major external fund source available to the private sector with which they lubricate their activities that enhances economic development and growth considering the fact that internally generated funds,

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to many of them, have been found to be grossly inadequate for their operation which is often capital intensive (Calza, Alessandro, Christine & Joao, 2003).

### 6.4 Review of Related Studies

Several studies have been conducted in the past regarding banks intermediation impact on Nigeria capital formation.

Jacob, Idachaba, and Yusha'u (2019) studied commercial banks' deposit mobilization, credit financing, and how they impact on Nigeria capital formation. Multiple regression technique was adopted for the study and variables used include; private sector credit, lending rate and total deposit liability as independent variables, while dependent variable is represented by Gross capital formation. The study discovered that lending rate and total deposit liability have positive impact on gross capital creation whereas; private sector credit has inverse association with GDP in Nigeria. However, the study did not account for loan financing to the public sector or bank investment, which could jeopardize the report's validity.

Okoroafor, David, Magaji, and Eze Joy Unekwu-Ojo (2018) investigated impact of deposit money banks on Capital Formation in Nigeria. Gross fixed capital formation was used as dependent variables while bank savings, liquidity ratio, deposit rate were used as independent variables. For the study, linear regression used and the variables were found to be co-integrated and the ECM was statistically significant indicating presence of short run mechanism. The result obtained showed that bank saving had a positive but insignificant relationship with Gross fixed capital formation. The conclusion and recommendation made was that the economy financial policies makers, managers and implementers should reassess and strengthen existing policies and their implementation to ensure steady flow of investible capital for continuous growth in the economy.

In a study by Ogar and Oka (2017), they investigated financial deepening impact on Nigeria's capital formation. The study utilized ordinary least approach of multiple regression and desk survey. Among the variables are: Gross capital formation as dependent variable, whereas broad money, domestic investment, private sector credit, and interest rate spread were independent variables. Financial deepening was discovered to have favorable impact on capital formation. However, the study's validity may be harmed because it does not capture total deposit liability and lending rate.

Skekarau and Yakubu (2017) investigated on the impact of monetary policy and capital formation in Nigeria using annual time series data in analyzing the data. Gross fixed capital formation was used as dependent variable while lending rate, liquidity ratio, and money supply was used as independent variables. The results showed that there exists a negative and significant relationship between interest rate and gross fixed capital formation. The result also revealed a positive and significant relationship between monetary policy rate and gross fixed capital formation. However, the study's validity may be harmed because it does not capture total deposit liability and private sector credit.

In determining deposit money banks funding and its effect on real sector output in Nigeria, with evidence from the trade and agricultural sectors, Oka and Adesola (2017) employed vector error correcting technique and Augmented Dickey fuller approaches. Deposit mobilization, private sector credit, bank holdings of Treasury bills, and interest rate spread were independent factors, while agricultural and trade sector production were dependent variables. The study discovered that deposit money banks funding has a considerable long-run effect on commercial sector output, but a negligible long-run effect on agricultural sector output. Various diagnostic tests such as; normality, model specification and serial autocorrelation were not documented in the study.

Henry, Lucky, and Anyamaobi (2016) conducted a multivariate analysis on financial sector development and Nigeria capital formation. Bank Ratios such as credit/GDP (as dependent variable), investment/GDP, deposit/GDP, total assets/GDP, while prime lending rate was used as independent variables. Approaches used in the study were conventional least square, augmented dickey fuller unit-root test, Granger causality test, and Vector error correction model. The analysis found, with exception of prime lending rate, all independent factors have a positive association with the dependent variable, confirming the study's earlier expectation. The findings of the study show that the development of the banking sector has a substantial impact on Nigeria capital formation.

In Ethiopia, Venkati (2016) investigated influence of bank deposit mobilization, as well as credit financing on the country's capital formation. The study used ordinary least square approach, with gross fixed capital creation as dependent variable, while banks credits, deposits, and investments are independent variables. According to their study result; deposits, loans, and investment all play significant role in capital development in Ethiopia,. However, due to time and differences in specific elements, the study's findings cannot be extrapolated into the Nigerian environment.

Pascal, Chibueze, and Callistus (2016) used error correlation model, co-integration test, and multiple regression approaches to investigate bank lending and capital formation in Nigeria. The dependent variable was gross fixed capital creation, while independent variables were; bank credit, interest rate, exchange rate, government expenditure, and money supply. Bank loan was found to have significant impact on capital formation though not statistically significant. It shows a lack in relevance of bank

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credit which could be attributed to bottlenecks or strict rules around credit allocation by banks. These however, have impeded efforts by monetary and fiscal authorities to get cash to where it is mostly required. The study nevertheless fails to conduct essential residuals tests to ensure that regression assumptions are met.

A study by Ezirim, Chindu, Torbira, Lezaasi and Azuka (2016) investigated on financial intermediation by insurance companies and Capital formation in Nigeria. Insurance intermediation-capital formation model patterned after multivariate regression and dynamic model of linear formation were estimated and analyzed. The results of this study reveal that three intermediation indices: total claims paid, insurance penetration and total insurance investment exerted effect on capital formation in the short run while in the long-run, the effects of all financial intermediation indicators by insurance companies (insurance intermediation ratio, insurance penetration ratio, claims payment and insurance investment) on Capital formation in the economy were both positive and significant as desired. Some consistent behavioral patterns were identified from the results to include a largely positive and expansionary behavior of gross fixed capital formation in response to stimuli provided by the financial intermediation (insurance intermediation) in Nigeria.

Chukwunonso, Ogonna, Clement, and Anthony (2016) investigated Nigerian savings and private capital production. Approaches employed in the study were; ordinary least square regression, co-integration, and error correction mechanism. Variables included were; inflation rate, savings, deposit, prime lending rate, real gross domestic product, foreign direct investment, and capital expenditures as independent whereas, dependent variable is represented as gross private capital creation. The study concludes that savings have a negative and significant impact on private capital formation in Nigeria and suggest that progress can be made by focusing on increasing per capita income, which in return raises individuals' disposable income and improvement in their savings habits.

## 7. THEORETICAL FRAMEWORK

In this study the theory underpinning this study is supply led finance theory. These are explained as follow:

### 7.1 Supply Led Finance Theory

Patrick (1966) was the first to propose this thesis, stating that finance is one most important element in economic development. He emphasized on the theory as growth-inducing, implying that finance remains crucial in discussions of growth and development. This hypothesis involves financial institutions financing strategy to promoting, creating and transforming industries and developmental projects.

In summary, the supply-led finance theory suggests formation of financial intermediaries in strategic locations before their services are successfully desired. Pius Okigbo's financial review committee of 1976, enabled rural banking schemes in 1977 and also implementation of community banks in 1990, which were meant to help boost savings mobilization and credit development. These were as examples, direct responses to the supply led finance theory. Access to supply-side financing provides a financial environment that allows entrepreneurs to dream large (Patrick, 1966).

A closer look at contribution of capital formation in Nigeria's economy, its slow pace of growth can be completely evaluated; in order for a country to expand and grow, a portion of its resources must be diverted from current consumption and savings to be invested for a reason of capital formation. This is simply because, capital formation is key in determining growth of an economy (Lucas, 1988). A high rate of capital formation leads to a high rate of productivity, which in turn leads to sustainable growth; without significant investment in capital formation, no country has been able to achieve long-term economic growth. When financial intermediation plays a role in pooling money from the surplus to the deficit by making funds available as loans, it helps to increase the circulation of funds in the economy, which leads to capital formation (Pagano, 1993). Thus, a more reason why supply led finance theory has been chosen as the foundation theory for this research. These theories emphasize the importance of finance as a leading path to sustainable economic development; when funds are available to the public, it allows them to save money with banks for unforeseen circumstances, allowing banks to give out loans to the public and private sectors, which aids in the creation, transformation, and expansion of industries (Robinson, 1952)

## 8. METHODOLOGY

The aim of the research is to examine the impact of intermediation of commercial banks on Capital Formation in Nigeria using annual data covering the period from 1990 to 2019. The study employed correlational research design. The choice of this research design is due to time series nature of the data collected from the period 1990-2019.

### 8.1 Empirical Model

The regression technique is an important tool in econometrics. In general, a regression is

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concerned with examining the linkages between a given variable and one or more other variables. It is an attempt to describe changes in a variable by reference to change in other variables. The regression model is stated as This regression model can be interpreted whether a set of deposit

mobilization and credit financing factors has a linkage with capital formation, where R is the Capital Formation proxied by GFCF and X's represents the intermediation variables used in this study. X is the intercept of the regression that is, constant term, B1-Bx are the coefficient of variables and Ue is the error term.

The model was modified as follows:

$$GFCF = X_0 + X_1 TDL + X_2 CPS + X_3 BAI + \epsilon_t$$

These variables were so chosen because they are majorly the key sectors that could spur Capital formation. As Such, their Positive contribution should lead to increase in Gross Fixed Capital Formation.

**Table 1: Operational definition of the Variables**

Variables	Measurement	Notation	Type	Source	A priori Expectation
Capital Formation	Net Investment included in Gross domestic product for each year under study	GFCF	Dependent	Ogar and Oka (2017)	NIL
Total Deposit Liabilities	Saving A/c + Current A/c + Fixed A/c + any other accounts of banks in Nigeria	TDL	Independent	Venkati (2016)	+
Private Sector Credit	Proportion of credit allocated to private sector by Commercial Banks in Nigeria	CPS	Independent	Oka and Adesola (2016)	+
Bank Investment	Investment in money market instrument and investment in capital market instruments of commercial banks in Nigeria	BAI	Independent	Venkati (2016) Henry; Lucky and Anyamaobi (2016) Shuaib and Diana (2015)	+

Source: Researcher's Computation, 2019

## 9. PRESENTATION AND DISCUSSION OF RESULTS

**Table 2: Summary results of Stationarity Test**

<b>At First Difference</b>				
	d(LOGGFCF)	d(LOGCPS)	d(LOGTDL)	d(LOGBIV)
t-Statistic	-2.4380	-1.7747	-1.4414	-3.8762
<b>Prob.</b>	<b>0.0145</b>	<b>0.0722</b>	<b>0.0854</b>	<b>0.0001</b>
	**	*	*	***

**Notes:**

a: (\*)Significant at the 10%; (\*\*)Significant at the 5%; (\*\*\*) Significant at the 1% and (no) Not Significant

b: Lag Length based on AIC

c: Probability based on MacKinnon (1996) one-sided p-values.

Source: Author's Computation (EViews 10)

The breakpoint ADF unit root is conducted to verify the order of integration of each variable. The outputs of the test are the ADF statistics. The null hypothesis here is that the series is not stationary or the series has a unit root. This hypothesis is rejected, if

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the ADF statistic associated probability value is less than 10, 5, and 1 percent (0.01, 0.05, 0.10). The table shows the Augmented Dickey-Fuller unit root test for the variables to verify if the variables are stationary or not. The findings of the results revealed that all the variables are stationary at first difference. Gross fixed capital formation (GFCF) has a probability value of 0.9993 and 0.0145 at levels and first difference. Credit to private sector (CPS) has a probability value of 0.9567 and 0.0722 at levels and first difference. Similarly, total deposit liability (TDL) has a probability value of 0.9104 and 0.0854 at levels and first difference. Also, bank investment (BIV) has a probability value of 0.9861 and 0.0001 at levels and first difference. Thus, gross fixed capital formation (GFCF), credit private sector (CPS), total deposit liability (TDL), and bank investment (BIV) are all stationary at first difference at 5 percent, 10 percent, 10 percent, 1 percent respectively. Hence the variables passed the stationarity test.

### 9.1 Ordinary Least Square Regression

**Table 3: The regression result**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.203888	1.654465	2.540935	0.0174
LOGCPS	1.535237	0.549051	2.796167	0.0096
LOGTDL	-0.709803	0.598405	-0.186158	0.0463
LOGBIV	0.099548	0.121365	0.820239	0.4195
R-squared	0.870509	Mean dependent var		12.07235
Adjusted R-squared	0.857106	S.D. dependent var		0.909546
S.E. of regression	0.164961	Akaike info criterion		-0.642651
Sum squared resid	0.707514	Schwarz criterion		-0.455825
Log likelihood	13.63977	Hannan-Quinn criter.		-0.582884
F-statistic	285.2095	Durbin-Watson stat		1.012809
Prob(F-statistic)	0.000000			

Source: Author's Computation (EViews 10)

$$\text{GFCF} = 4.204 + 1.535 \cdot \text{CPS} - 0.710 \cdot \text{TDL} + 0.099 \cdot \text{BIV}$$

Table 3 shows the regression effect of the independent variables on gross fixed capital formation. It shows that credit to private sector (CPS) has a positive and significant effect with a probability value of 0.0174 on gross fixed capital formation (GFCF) with a coefficient of 1.54 showing that a unit increase in credit to private sector (CPS) will cause a 1.54 units increase in gross fixed capital formation (GFCF). Similarly, bank investment (BIV) has positive and insignificant effect with a probability value of 0.4195 on gross fixed capital formation (GFCF) with a coefficient of 0.10 showing that a unit increase in bank investment (BIV) will cause gross fixed capital formation (GFCF) to increase by 0.10. While, total deposit liability (TDL) has a negative and significant effect with a probability value of 0.0463 on gross fixed capital formation (GFCF) with a coefficient of -0.71 showing that a unit increase total deposit liability (TDL) will cause a 0.71 units decrease in gross fixed capital formation (GFCF). The r-square coefficient of 0.8705 shows that 87.05% of the changes in gross fixed capital formation (GFCF) is caused credit to private sector (CPS), total deposit liabilities (TDL) and bank investment (BIV) while the remaining 12.95% is caused by other unaccounted factors this is confirmed by the coefficient of the adjusted r-square of 0.2571. While the Prob (F-statistic) show that the model is statistically significant at 1% with coefficient of 0.000, hence the model is passed the goodness fit test. The Durbin-Watson stat coefficient of 1.012 show the existence of a positive autocorrelation.

9.2 Multicollinearity Test

Table 4: Summary of Diagnostic Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LOGCPS	1.101959	646.9719	1.223207
LOGTDL	0.484676	3759.146	1.946312
LOGBIV	0.257026	119.3047	1.705969
C	12.04942	4794.981	NA

Source: Author’s Computation (EViews 10)

Table 4 presents the multicollinearity test conducted using the variance inflation factor (VIF). Multicollinearity suggest that the explanatory variables are dependent on each other, whereas they ought to be independent of each other and should not be determined by each other, the accepted value should be between 1 and 9.9 using the centred VIF. The result shows that credit to private sector (CPS), total deposit liabilities (TDL), and bank investment (BIV) have a centred VIF value of 1.222, 1.946, and 1.705 suggesting that there is an absence of multicollinearity among the regressors. Hence, the model passed the multicollinearity diagnostics test.

10. CONCLUSION AND RECOMMENDATION

According to the findings of the research, the influence of Nigeria's total deposit liabilities (TDL) on the country's gross fixed capital formation (GFCF) is negative but almost insignificant. Based on the facts presented above, the research comes to the conclusion that the total deposit liabilities play a significant part in forecasting the amount of gross fixed capital created in Nigeria.

It was also found that credit to the private sector (CPS) had a favorable and significant influence on the total amount of gross fixed capital creation in Nigeria (GFCF). As a consequence of this, the findings of this research indicate that Nigeria's gross fixed capital production is influenced by loans to the private sector (CPS). According to the findings of the research, the effect of bank investment (BAI) on Nigeria's gross fixed capital formation (GFCF) is positive but relatively insignificant. This indicates that bank investment in Nigeria, abbreviated as BAI, does not have much of an impact on the country's gross fixed capital creation. It is advised that commercial banks put in the required effort to grow their level deposits as this may be advantageous to the generation of capital for the nation. To begin things rolling, it is recommended that commercial banks put in the necessary effort to expand their level deposits.

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