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Impact of Commercial Bank Sectoral Credit Allocation in Stimulating Real Sector Output Growth in Nigeria

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ABSTRACT

The study investigated the impact of sectoral commercial bank credit in stimulating real sector output performance in Nigerian economy for the period 1981 and 2015. A vector error correction model (VECM) was estimated via the Ordinary Least Square (OLS) techniques to ascertain the relationship between various commercial bank credits and the sectoral output growth. The variables were tested for stationarity using the Augmented Dickey-Fuller method and Johansen co-integration analysis was also carried out. The study found that the various commercial credit allocations to sectors used as case study (manufacturing and agricultural) and other included variable has a long run relationship with sectoral output performance. The study also reveals that commercial bank credit has an insignificant impact on sectorial output performance in the short-run.

Keywords: Credit allocation, agricultural, manufacturing, sectoral output.

INTRODUCTION

The importance of financial intermediation to economic development is increasingly recognized especially in developing countries. For this purpose, a distinction is sometimes made between the financial sector and the real sector of the economy. The financial sector mobilizes savings and allocates same to the real sector for investment, to achieve growth and development, [1]. Nigeria has over the years pursued policies geared towards the enhancement of availability, reduction of cost and access of credit to the private sector as well as the stimulation of growth in the productive sectors of the economy through investments. Consequently, credit guidelines were designed to ensure that the financial needs of all the sectors of the economy were adequately catered for. Banks were, therefore, required to pay greater attention to the prescribed aggregate and sectoral allocation to enhance the attainment of the objectives of the government [2] in [3].

As a result, emphasis on credit allocations in 1980s was on sectoral bases, [4], which focused on preferred sectors namely, production (agriculture and manufacturing), services, exports and development finance institutions. Further analysis of the period under review show that, 75% of commercial banks' aggregate credit went to the preferred sector, while 25% was allocated to the less preferred sector, [3].

Recent report from the [4], economic and financial review shows that in order to ensure adequate provision of credit to the priority sector, preference continued to be accorded to the agricultural and manufacturing sectors in the allocation of available credit, with the call for economy diversification away from the oil sector. From the CBN report, for the period 2006–2011, total credit to the economy from the banking sector rose from N2, 535.4 billion in 2006 to N8, 769 billion in 2009 and fall back to 7132.7 billion in 2011. Credit to real sector activities, agriculture, solid minerals, manufacturing, real estate, public utilities and communication on the average, accounted for 41.8 per cent of total credit, while general commerce, services and government received the balance of 58.2 per cent. And in 2015, credit to the priority sectors, such as agriculture, industry and construction, constituted 3.4, 33.3 and 4.1 per cent of the total in December 2015, compared with 3.7, 30.9 and 4.3 per cent, respectively, in December 2014 . As in the preceding year, the services sector accounted for the largest share of 44.6 per cent of total sectoral credit utilisation at end-December 2015, compared with the 47.2 per cent at end-December 2014. In the industry sector; the manufacturing, and oil & gas sub-sectors accounted for 39.8 and 52.1 per cent, respectively [4].

Giving the state of sectoral credit allocation one should expect a boost in real sectors to stimulate growth and diversify the economy, but this is not the situation in the economy. Among the reasons for the failure of Nigeria in reducing poverty and eradicating hunger is her inability to diversify the economy and achieve sustainable

economic growth. The majority of the labour force in Nigeria is engaged in agriculture, which is characterized by low productivity, [3]. But given the strong linkages of industry and agricultural sector and other sectors, increases in the share of sectoral contributions to aggregate gross domestic product have the greatest potential to contribute to sustainable growth and structural change. Nigeria needs economic sectoral transformation in order to achieve sustainable growth and this process require persistent allocation of credit from less productive sectors to more productive ones; and diversification of the economy away from primary commodity sectors (agriculture, oil and minerals) into industry and services [5].

Nevertheless, it may be interesting to argue that there may be the possibility of a differential response between sectoral output and aggregate output to credit allocations according to, [6]. Previous studies on subject matter have concentrated more on the impact of aggregate private sector credit on economic growth or one sector of the economy. Thus, the paper tends to address a research objective by empirically comparing the impact of sectoral credit allocation on the agricultural and manufacturing sector in Nigeria, using time series secondary data from 1981 to 2015.

The study hypothesis is stated as follows;

H_0: Commercial bank sectoral credit has no significant impact on the manufacturing sector output in Nigeria.

H_0: Commercial bank sectoral credit has no significant impact on the agricultural sector output in Nigeria.

THEORETICAL LITERATURE

The theoretical base of this paper is fromthe intellectual works of [7],[8] and [9]. [7], in his theoretical link between financial development and economic growth opines that the services provided by financial intermediaries are the essential drivers for innovation and growth. His argument was later formalized by [8] and [9], The McKinnon-Shaw paradigm postulates

that government restrictions on the operations of the financial system, such as interest rate ceiling, direct credit programs and high reserve requirements may hinder financial deepening, and this may in turn affect the quality and quantity of investments and, hence, have a significant negative impact on economic growth.

The endogenous growth literature also supports this argument that financial development has a positive impact on the steady-state growth [10]; and [11], e.t.c. Well-functioning financial systems are able to mobilize household savings, allocate resources efficiently, diversify risks, induce liquidity, reduce information and transaction costs and provide an alternative to raising funds through individual savings and retained earnings. These functions suggest that financial development has a positive impact on growth.

[8] and [9] are the most influential works that underpin this hypothesis and suggest that better functioning financial systems lead to more robust economic growth. [8] considered an outside money model in which all firms are confined to self-finance. [9], on his own stressed that with more supply of credit, financial intermediaries promote investment and raise output growth through borrowing and lending.

EMPIRICAL LITERATURE

There are a lot of studies that have made empirical findings on the relationship between bank credit allocation and output growth. [6], studied the impact of credit to private sector (CPS) on the real sector of Nigeria with a view to assess the significant contribution of CPS to real sector growth in Nigeria. The study was analysed using multiple regression and based on the coefficient of determination (R square), the study reveals a 96.1% variation between the CPS and real sector growth in Nigeria and concludes that there is a statistically significant impact of credit to private sector on the real sector of Nigeria.

[3], investigated the impact of private sector credit on private domestic investment in Nigeria using the error correction model technique. He found out that increase in private sector credit (PSC) though not statistically significant leads to increase in private domestic investment (PDI) as typified by 10% increase in private sector credit which led to 6% increase in total domestic investment in Nigeria. However, the non statistical significance of private sector credit showed that there is need for increase in private sector credit in the Nigerian economy.

[12] assess the impact of the sectoral distribution of commercial bank credit on Economic growth and development in Trinidad and Tobago. They employs a vector error correction model to firstly assess the relationship between credit and investment, and secondly to determine the casual directionality of the relationship (if any). The model found that overall, credit and growth tends to demonstrate a demand following' relationship. However, further analysis revealed a 'supply leading' relationship between credit and growth within key sectors of the nonoil economy.

Were, [2], investigates the impact of access to bank credit on the economic performance of key economic sectors using sectoral panel data for Kenya. They find that a positive and significant impact of credit on sectoral gross domestic product measured as real value added. However, the magnitude of the impact is smaller once factors such as the labour employed and past economic performance of the sectors are taken into account. They also noted that the overall, provision of private sector credit to key economic sectors of the economy holds great potential to promoting sectoral economic growth.

[13], investigate the effect of bank lending and economic growth on the manufacturing output in Nigeria. Times series data covering a period of 36 years were employed and tested with the co-integration and vector error correction model (VECM) techniques. The findings of the study show that manufacturing capacity utilization and bank lending rates significantly affect manufacturing output in Nigeria. They noted that

concerted effort by the government, manufacturers and the lending institutions need to reviewing the lending and growth policies and provide appropriate macroeconomic environment, in order to encourage investment friendly lending and borrowing by the financial institutions.

[14] examined the long run relationship between financial development indicators and economic growth in Nigeria over the period 1970-2010. Using the [9] approach to cointegration and Vector Error Correction Modelling (VECM). The findings of the study revealed that in the long-run, liquid liabilities of commercial banks and trade openness exert significant positive influence on economic growth, conversely, credit to the private sector, interest rate spread and government expenditure exert significant negative influence. The findings implied that, credit to the private sector is marred by the identified problems and government borrowing and high interest rate are crowding out investment and growth.

[15], examine the relationship between banking sector credit and economic growth in Nigeria over the period 1970-2008. The causal links between the pairs of variables of interest were established using Granger causality test while a Two-Stage Least Squares (TSLS) estimation technique was used for the regression models. The results of Granger causality test show evidence of unidirectional causal relationship from GDP to private sector credit (PSC) and from industrial production index (IND) to GDP. Estimated regression models indicate that private sector credit impacts positively on economic growth over the period of coverage of the study. However, lending (interest) rate impedes economic growth. The study recommends the need for more financial market development that favours more credit to the private sector with minimal interest rate to stimulate economic growth.

In these studies, the focus is on the long-run relationship between financial sector development and real sector growth, using frameworks of bivariate and multivariate vector auto-regressive (VAR) models for different country samples. The outcome was that the

causality pattern varies across countries according to the success of financial liberalization policies implemented in each country and the level of development of the financial sector.

METHODOLOGY

The main objective of the study is to compare the response of the manufacturing and agricultural sectors to sectoral credit allocation. Data were sourced from various issues of Central Bank of Nigeria (CBN). Since the study is interested in the sectorial analysis, separate models are formulated for the output equations for agricultural and manufacturing sectors. To address the objective of the study; it adopts the static error correction model for each sector following the model of [7].

The equations for each sector reflect the peculiar characteristic of each and this is reflected in equations below.

Agricultural output equation

The Co-integration Test Equation

The co-integration test for both the agricultural and manufacturing sectors equations is based on the following co-integration test equation according to Johansen and Juselius (1990) and Johansen (1991).

$$\Delta Y_t = \delta_0 + \sum_{i=1}^{p} \delta_t \, \Delta Y_{t-1} + \alpha\beta' Y_{t-p} + U_t \quad \text{.....1}$$

Where, Δ is the first difference operator, Y_t represents (credit to the agricultural sector, agricultural output, inflation and prime lending rate), δo represent the intercept, and μ represent the vector of the white noise process. The matrix β consist of r ($r \leq n-1$) co-integrating vectors. Matrix α contains the error parameters. The null hypothesis will be rejected if the matrix ($\Pi=\alpha\ \beta'$) has a reduced rank of $r \leq n-1$. However, the alternative hypothesis is that the matrix ($\Pi=\alpha\ \beta'$) has full rank.

Unit root Test

The study also tested the stationarity of the variables using the Augmented Dickey Fuller (ADF) test. For all time series data ADF test is a utilized to test for unit root. The following equation checks the stationarity of time series data used in the study.

$$\Delta y_t = \beta_1 + \beta_2 t + \delta y_{t-1} + \alpha_i \sum_{t=1}^{m} \Delta y_{t-1} + \varepsilon_t \quad \text{.....2}$$

Where: 't' is the white noise error term. The stationarity test determines if the estimates of δ are equal to zero or not.

Vector Error Correction Model (VECM)

The long run and short run dynamics between agricultural sector credit and output is tested using the VECM model.

$$\Delta Log(GDP_A)_t = \alpha + \sum_{t-1}^{a} \phi_i \Delta log(GDP_A)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta Log(BC_A)_{t-1} + \phi_i EC_{t-1} \quad \text{.....3}$$

$$\Delta Log(INFL)_t = \alpha + \sum_{t-1}^{a} \phi_i \Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(GDP_A)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta Log(BC_A)_{t-1} + \phi_i EC_{t-1} \quad \text{.....4}$$

$$\Delta Log(BC_A)_t = \alpha + \sum_{t-1}^{a} \phi_i \Delta log(BC_A)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i \Delta Log(GDP_A)_{t-1} + \phi_i EC_{t-1} \quad \text{.....5}$$

Fuller (1976) provided cumulative distribution of the ADF statistics by showing that if the calculate-ratio (value) of the coefficient δ is less τ critical value from Fuller table, then y is said to be stationary.

Where, Δ stands for difference operator, $\mathbf{GDP_A}$ = Agricultural sector output, $\mathbf{BC_A}$ = Bank credit to the agricultural sector, **INFL** = inflation, **EXR** = exchange rate, P**LR** = Prime lending rate and The lag length are determined automatically by the modified AIC and are represented by a, b, c and d. EC_t is the error correction term lagged by one period, while ϕ is the speed of price adjustment parameter. The error correction term assess the deviation of the variables from the long-run equilibrium association.

Manufacturing output equation

Vector Error Correction Model (VECM)

The long run and short run dynamics between manufacturing sector credit and output is tested using the VECM model.

$$\Delta(GDP_M)_t = \alpha + \sum_{t-1}^{a} \phi_i\Delta(GDP_M)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(BC_M)_{t-1} + \sum_{t-1}^{b} + \phi_i\Delta(PSC/GDP)_{t-1} + \phi_i EC_{t-1} \quad \ldots\ldots 6$$

$$\Delta(INFL)_t = \alpha + \sum_{t-1}^{a} \phi_i\Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(GDP_M)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(BC_M)_{t-1} + \sum_{t-1}^{b} + \phi_i\Delta(PSC/GDP)_{t-1} + \phi_i EC_{t-1} \quad \ldots\ldots 7$$

$$\Delta(BC_M)_t = \alpha + \sum_{t-1}^{a} \phi_i\Delta(BC_M)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(GDP_M)_{t-1} + \sum_{t-1}^{b} + \phi_i\Delta(PSC/GDP)_{t-1} + \phi_i EC_{t-1} \quad \ldots\ldots 8$$

$$\Delta(PSC/GDP)_t = \alpha + \sum_{t-1}^{a} \phi_i\Delta(PSC/GDP)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(INFL)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(PLR)_{t-1} + \sum_{t-1}^{b} \phi_i\Delta(GDP_M)_{t-1} + \sum_{t-1}^{b} + \phi_i\Delta(BC_M)_{t-1} + \phi_i EC_{t-1} \quad \ldots\ldots 9$$

Where, Δ stands for difference operator, $\mathbf{GDP_M}$ = Manufacturing sector output, $\mathbf{BC_M}$ = Bank credit to the manufacturing sector, **PSC/GDP** = measure of financial development, The lag length are determined automatically by the modified AIC and are represented by a, b, c and d. EC_t is the error correction term lagged by one period, while ϕ is the speed of price adjustment parameter. The error correction term assess the deviation of the variables from the long-run equilibrium association.

RESULTS AND FINDINGS

The results and findings of the study are presented in the following section beginning with the ADF unit root test.

Table 1: ADF Unit Root Test Results

Variable	Trend, constant	ADF test statistics at level	ADF test statistics at 1st difference	Order of integration
LOG(GDPA)	Constant	-1.864684	-6.116980	I(1)
PLR	Constant	-2.148082	-9.984889	I(1)
PSC/GDP	None	0.282175	-5.228204	I(1)
INFL	Constant	-3.418111	-	I(0)
GDPM	None	-3.246693	-	I(0)
EXCH	None	1.604363	-5.452767	I(1)
BCA	Constant	-1.500668	-9.297982	I(1)
BCM	None	3.405627	-4.693509	I(1)

ADF 5% Critical values	
With Constant	No Constant and Trend
-2.9339	-1.950

Source: Authors computation

From the table above, it is evident that using the ADF techniques, all the variables are integrated at order one except inflation and manufacturing sector output that are integrated of order zero.

Table II: Johansen Co-integration Results for Agricultural sector

Maximum Rank	Eigen value	Trace statistics	5% Critical Value
0	-	59.9126	47.21
1	0.62047	21.1597*	29.68
2	0.20751	11.8565	15.41
3	0.15322	5.2038	3.76
4	0.12199		

*(**) denotes rejection of the hypothesis at the 5%(1%) level

Trace test indicates 2 co-integrating equation(s) at the 5% level

The co-integration results show that, there is at least a co-integrating vector. Co-integration tests were conducted by using the recorded rank procedure

developed by Johansen (1991). Johansen method detects a number of co-integrating vectors in non-stationary time series. The number of lags used in this (vector auto-regression) VAR is based on the evidence provided by the Akaike Information Criteria. In this study, there are two models that are employed. There are two tests, the Trace statistic, which is more reliable and the max Eigen-value statistic. Both indicate at least a co-integration at the 5% level. Having established that there is co-integration, the estimation of the short-run vector error correction equation becomes necessary in order to determine the adjustment mechanism, as shown below.

Table III: Agricultural Sector Result

Date: 08/23/17 Time: 10:44
Sample(adjusted): 1982 2015
Included observations: 34 after adjusting endpoints
Standard errors & t-statistics in parentheses

Cointegrating Eq:	CointEq1			
LOG(GDPA(-1))	1.000000			
INFL(-1)	-0.078273			
	(0.01921)			
	(-4.07483)			
PLR(-1)	0.104278			
	(0.05068)			
	(2.05747)			
LOG(BCA(-1))	-0.636450			
	(0.08630)			
	(-7.37485)			
C	-5.875627			
Error Correction:	D(LOG(GDPA))	D(INFL)	D(PLR)	D(LOG(BCA))
CointEq1	-0.061921	10.84675	0.683129	-0.089477
	(0.06791)	(1.87634)	(0.51749)	(0.07539)
	(-0.91185)	(5.78079)	(1.32008)	(-1.18691)
D(LOG(GDPA(-1)))	0.033672	-9.198608	-0.089565	0.068396
	(0.17346)	(4.79291)	(1.32188)	(0.19257)
	(0.19411)	(-1.91921)	(-0.06776)	(0.35518)
D(INFL(-1))	-0.002704	0.414694	0.100245	-0.004054
	(0.00506)	(0.13982)	(0.03856)	(0.00562)
	(-0.53434)	(2.96588)	(2.59954)	(-0.72161)

D(PLR(-1))	0.005446	-1.419512	-0.570177	-0.064394
	(0.02070)	(0.57192)	(0.15773)	(0.02298)
	(0.26311)	(-2.48203)	(-3.61482)	(-2.80239)
D(LOG(BCA(-1)))	-0.048945	13.10751	1.067985	-0.280453
	(0.14170)	(3.91526)	(1.07982)	(0.15730)
	(-0.34542)	(3.34780)	(0.98904)	(-1.78286)
C	0.135438	-1.596955	0.092955	0.334783
	(0.08147)	(2.25118)	(0.62087)	(0.09045)
	(1.66236)	(-0.70939)	(0.14972)	(3.70144)
R-squared	0.024214	0.519799	0.339807	0.377143
Adj. R-squared	-0.119284	0.449182	0.242720	0.285547

Source: Own computation

The co-integration results are presented in table II and IV, and following the existence of at least one co-integrating equation, the VECM is estimated as shown in table three above. For the short-run analysis of the agricultural sector, the adjustment coefficients on CointEq1 for the agricultural output, lending rate and bank credit to the agricultural sector are not significant. The short-run result shows that commercial bank credit allocation to the agricultural sector has no significant impact on the sector output. The reverse is the case with the long-run period, bank credit to the agricultural sector has a long-run significant negative impact on the sector output .

Manufacturing sector

Table IV: Johansen Co-integration Results for manufacturing sector

Maximum Rank	Eigen value	Trace statistics	5% Critical Value
0	-	73.1632	68.52
1	0.56521	39.8478*	42.21
2	0.37108	21.2978	29.68
3	0.27893	8.2172	15.41
4	0.17533	0.5061	3.76
5	0.01257		

*(**) denotes rejection of the hypothesis at the 5%(1%) level

Trace test indicates 2 co-integrating equation(s) at the 5% level.

The co-integration results show that, there is at least a co-integrating vector.

Table V: Manufacturing Sector Result

Date: 08/23/17 Time: 11:03
Sample(adjusted): 1982 2015
Included observations: 34 after adjusting endpoints
Standard errors & t-statistics in parentheses

Cointegrating Eq:	CointEq1				
GDPM(-1)	1.000000				
INFL(-1)	13.36114				
	(5.09737)				
	(2.62118)				
PLR(-1)	7.529086				
	(6.19625)				
	(1.21510)				
PSCGDP(-1)	-6.365266				
	(8.20726)				
	(-0.77557)				
BCM(-1)	0.000891				
	(0.00041)				
	(2.18162)				
C	-460.3829				
Error Correction:	D(GDPM)	D(INFL)	D(PLR)	D(PSCGDP)	D(BCM)
CointEq1	-0.009956	-0.027417	-0.004862	-0.004334	54.66864
	(0.05663)	(0.01106)	(0.00224)	(0.00241)	(51.5717)
	(-0.17580)	(-2.47848)	(-2.17502)	(-1.80167)	(1.06005)
D(GDPM(-1))	-0.172232	-0.024422	0.006106	-0.001506	-37.17015
	(0.18280)	(0.03571)	(0.00721)	(0.00777)	(166.464)
	(-0.94220)	(-0.68397)	(0.84637)	(-0.19393)	(-0.22329)
D(INFL(-1))	0.246846	0.128225	0.103069	-0.013028	-530.3925
	(0.87953)	(0.17180)	(0.03471)	(0.03736)	(800.947)
	(0.28066)	(0.74636)	(2.96905)	(-0.34867)	(-0.66221)
D(PLR(-1))	0.556926	-0.122260	-0.446944	0.023654	139.4057
	(3.59024)	(0.70129)	(0.14171)	(0.15252)	(3269.46)
	(0.15512)	(-0.17433)	(-3.15404)	(0.15509)	(0.04264)
D(PSCGDP(-1))	1.594845	0.183215	0.087928	-0.106946	3993.328
	(4.79485)	(0.93659)	(0.18925)	(0.20369)	(4366.44)
	(0.33262)	(0.19562)	(0.46461)	(-0.52503)	(0.91455)
D(BCM(-1))	2.52E-05	2.91E-05	6.75E-06	2.68E-05	0.002781

	(0.00024)	(4.7E-05)	(9.6E-06)	(1.0E-05)	(0.22116)
	(0.10390)	(0.61433)	(0.70412)	(2.59925)	(0.01257)
C	-9.835677	-0.772066	0.140102	-0.106534	23803.06
	(14.0792)	(2.75013)	(0.55570)	(0.59811)	(12821.3)
	(-0.69860)	(-0.28074)	(0.25212)	(-0.17812)	(1.85653)
R-squared	0.038515	0.221020	0.425139	0.236007	0.073487
Adj. R-squared	-0.136300	0.079388	0.320619	0.097100	-0.094970

VECM Result interpretation

The result of the short-run test indicates that bank credit to the manufacturing sector has no impact on the manufacturing sector output. However, in the long-run, bank credit to the manufacturing sector has a significant positive impact on the sector output. An important finding from the paper indicates that inflation and lending have significant impacts on sectoral outputs in Nigeria both in the short-run and long-run. This is an indication that macroeconomic variables affect sectoral output in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The study investigated the impact of sectoral commercial bank credit in stimulating real sector output performance in Nigerian economy for the period 1981 and 2015. A vector error correction model (VECM) was estimated via the Ordinary Least Square (OLS) techniques to ascertain the relationship between various commercial bank credits and the sectoral output growth. The variables were tested for stationarity using the Augmented Dickey-Fuller method and Johansen co-integration analysis was also carried out.

The study found that the various commercial credit allocations to sectors used as case study (manufacturing and agricultural) and other included variable has a long run relationship with sectoral output performance. The study also reveals that commercial bank credit has an insignificant impact on sectorial output performance in the short-run.

Generally, the lesson that emerges from this study is that continuous credit

allocation to the sectors has the capacity to induced the nation sectoral output performance which will promote economic growth and development when adequate monetary and fiscal policy are put in place to encourage the demand and supply of commercial bank credit to the sectors of the economy as reported by (Imoughele et al, 2013). On this background, the study recommends that Commercial banks should improve upon their loan procedures, so as to facilitate more by farmers and manufacturer access to their credit facilities.

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