



ORIGINAL RESEARCH PAPER

Management

FINANCIAL DEEPENING AND THE NIGERIAN FINANCIAL SYSTEM.

KEY WORDS: Financial Deepening, Nigeria Financial System, Market Capitalization, Private Sector Credit and Gross Domestic Products.

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ABSTRACT

The ability of financial institutions in mobilizing efficient savings for the purpose of investment in a country is financial deepening. This study seeks to examine the effect of financial deepening on Nigerian Financial system. Specifically, the study examines the effect of money supply to gross domestic product on financial savings to gross domestic product in Nigeria, ascertain the effect of private sector credit to Gross Domestic Product ratio on financial savings to gross domestic product in Nigeria, investigate the effect of market capitalization to Gross Domestic Product ratio on financial savings to gross domestic product in Nigeria and ascertain the effect of all share index on financial savings to gross domestic product in Nigeria. The Expo-Facto design was adopted because the data are secondary data extracted from the Central Bank of Nigerian statistical bulletin. Econometric techniques, including Augmented Dickey-Fuller for unit root tests, Granger causality test and Ordinary Least Square (OLS) regression analysis was used to test the four hypotheses. The data used were collected from the Central Bank of Nigeria Statistical Bulletin. The study revealed that broad money supply (M2/GDP), credit to private sector to GDP, market capitalization to GDP ratio and all share indexes has positive and significant effect on financial savings to gross domestic product (FSGDP) within the period under study. The study therefore, concludes that financial deepening have positive and significant effect on financial system and have enhanced the effective and efficient mobilization of financial resources from the surplus to the deficit unit for investment outlet in Nigeria financial system. The paper recommends amongst other that: Directors of economic managers should focus on money stock, economic velocity and market capitalization which the result indicates are yet to make significant impact on financial system in Nigeria.

INTRODUCTION

Financial deepening is a term used to explain the increased provision of financial services with a wider choice to all levels of a society Echekoba and Ubesie (2018). Financial deepening further implant increase ratio of money supply to GDP or some price index. Some experts have argued that the more liquid money is available in an economy, the more opportunities exist for continued growth.

Yousuo & Ekiou, 2021 stated that the soundness of the financial sector and the ability with which credit is credited for deposit and lending rates are direct reflections of financial deepening.

Increase competitive efficiency is enhanced through financial deepening which is profitable to both the formal and the informal sectors of the financial system. Financial deepening implies the rate of development and innovation of traditional and non-traditional financial services (Okoafor, Ebenezer, Ademola & Afolabi 2021).

The capability of financial institution to effectively mobilized resources for investment goal is seen by (Nzota & Okereke, 2009) as financial deepening. The 1986 structural adjustment reforms heightened the level of financial deepening in the economy and also enhanced the degree of relevance of the financial sector to economic wellbeing. Divine, Omankhanlen & Godswill, (2021).

Adenuga (2010) stated that the financial system as a catalyst for the general growth and development of the nation through various financial institutional structures. One basic role of the financial system is that it attracts the reservoir of savings and idle funds and also allocates such funds to the deposit sector in need of funds for productive investment purposes. It also

provides structure for monetary management of liquidity in the economy and improved reduction of risks faced by businesses through improvement in portfolio diversification. Additionally, the system provides linkages for various sectors and encourages high level of specialization and economies of scale.

Statement Of The Problem

Theoretically, financial deepening has a strong impact on the growth process as it provides incentives to both savers and investors. That is, there are varieties of financial assets and products and institutional arrangements that encourages surplus sectors to save more and also encourages investors to invest more as there is availability of both short term and long term loanable funds packaged in such a way to make for easy accessibility. Undoubtedly, when investors can access funds with minimal glitch, they would be encouraged to invest the more. Such investment would support the financial system.

For instance, the studies of Tari, and Oliver, 2016; Ahmed (2011) find a positive impact of financial deepening on financial system, whereas Echekoba, and Ubesie, (2018); Adeusi (2013) find a negative effect of financial deepening on financial system. This tends to suggest that there are still inconsistencies in empirical findings with regards to Nigeria on financial deepening and financial system.

However, all the empirical studies reviewed did not consider all the channels of financial deepening in one model. The core problem of the study is to understand whether the incorporation of broad money supply (M2/GDP), credit to private sector to GDP ratio, market capitalization to GDP ratio and all share indexes, all in one model could reveal the true effect of financial deepening on financial system in Nigeria.

Reviewed Related Literature

Conceptual Framework

Financial Deepening

Financial deepening involves a combination of several activities and institutions. Yousuo, and Ekiou, (2021) notes that in developing economies, the term is associated with increases in the activity of financial intermediaries, like commercial banks and savings institutions. In developed nations, financial intermediation is often dominated by direct placement or capital markets. But for developed countries, financial intermediation is measured by the proportion of national wealth held through financial intermediaries. Put differently, this is measured by the ratio of the consolidated assets of each nation's financial intermediaries to national output.

The concept of financial development has a far reaching implication as it is not only beneficial at the time of its introduction but continue to modify the way things are done afterwards. That is both the institution and structures and process of financial market activities are affected in a positive way by this introduction. It then follows that there would be deliberate regulatory framework given that financial deepening is dynamic. Put differently, banking supervision has to be considered as the new face of financial development (Okofofor, Ebenezer, Ademola & Afolabi, 2021). Ideas and concepts surrounding financial deepening can be traced to the works of Keynes. In the Keynesian theory view, expansion in government expenditure in order to reach full employment necessitates financial deepening. When government increases its expenditure, aggregate demand will also increase alongside income, thereby raising demand for money. Disequilibrium situation occurs which can only be resolved through higher interest rate that forces decrease in private investment, Gaffar (2014). Higher interest rate reduces private investment, and increase in government expenditure promotes investments and lower private investments concurrently. But McKinnon (1973) and Shaw (1973) disagree with this theory and came up with a rival hypothesis that depicts a positive relationship between interest rate and financial deepening. They opined that developing countries have repressed economies with ceilings on interest rates and limitations in credit availability which impose restrictions on growth (Divine, Omankhanlen & Godswill, 2021).

Three basic relationships exist between financial deepening and economic growth. They are supply leading hypothesis, which believes that financial deepening's impacts positively on the rate of development in every nations; the demand following hypothesis which states that finance responds to changes that occurs in the real sector of the economy and the Bi-directional causality hypothesis which is somewhere between the two other hypothesis and claims mutual impact of finance and growth (Divine, Omankhanlen & Godswill, 2021).

Money Supply

Money supply is the sum total of all forms of money at a given period of time in a given country. (Jhingan, 2005, Abdullahi, 2009). It is grouped into two categories: M_1 , which implies currency in circulation plus current account deposits with deposit money banks while M_2 is M_1 plus Savings and Time deposits. Besides, interest is seen as monetary policy rates and as one of intermediate instruments that the CBN uses to regulate money supply and inflation rate. The apex Bank sometimes reduces the powers of deposit money banks by increasing interest rates, and reduces interest rate in order to expand monetary policy (Okwuchukwu, 2015).

Monetary policy is macroeconomic policy which involves management of money supply and interest rate which is used to achieve goal such as employment, inflation, price stability, liquidity, consumption and growth. The CBN maintain liquidity sometimes by purchasing bonds through the open

market operations whereby introducing money into the economy and thereby reduces interest rate as that will encourage investors to sort for credit (Goodness, 2013).

World Bank (2009) stated that private sector credit ought to be a comprehensive responsibility of the deposit money bank and is calculated as the amount of domestic credit allocated to the private sector by the banking sector divided by GDP.

(World Bank 2008) cited that the measure of banking sector is critical to poverty reduction and stimulate aggregate demand and in turn increases economic activities. This proxy is superior to other measures of financial intermediary development because it excludes credit to public sector and better reflects the extent of efficient resources allocation (Kolapo & Adaramola, 2012). Sherifat, (2013) opined that market capitalization is a function of prevailing market price of quoted equities and the size of their issued and paid up market capitalization is seen, as the most important measure for accessing size of the capital market. It is computed as share price multiply by total shares remaining divided by GDP.

Okofofor et al.,(2021) stated that market capitalization is positively related at current cost with GDP. Market capitalization and the value of the shares traded relative to the size of the economy are channels through which African stock market influence economic growth (GDP) as shown in the study of (Oke, 2012).

Theoretical Frame Work

This present study hinges on the model developed by Mckinnon (1973) the model stated that the relationship between financial deepening and economic development is based on the complementarities between money and capital. It is assume that investment cannot be realized without increase in significant amount of servings in form of bank deposit. A related model is that developed by Shaw. Shaw posits that, financial intermediaries record increase activities and promote investment when savings grow more than the level of economic activities. This two models have as their main message the fact that financial repression has a detrimental effect on financial development and by extension Economic growth.

However, the Mckinnon/Shaw methods stated that any twist and constraint on the banking sector, such as interest rate control, reserve and liquidity requirement, and government rationing over valuable credit to so-called priority sectors, inhibit financial development mainly by depressing the real interest rate.

Empirical Review

Yousuo, and Ekiou, (2021) investigates financial deepening and economic growth in Nigeria spanning thirty-eight years covering 1981 to 2018, with four specific objectives; examining the effects of the monetized, credit, savings and stock markets criteria on the economic growth with emphases on the impact of administrative regimes. Time series data were used sourced from the Central Bank of Nigeria statistical bulletin of 2018 edition, the classical least square of multiple regressions with the application of dummy variable to capture the effects of the various Regimes was adopted in analyzing the data. The findings revealed that financial deepening has both short and long-term effects on economic growth, the estimated regression line is significance as confirmed by the f-statistics. The stock market, credit criteria showed positive and significant effect on economic growth, savings criteria indicated negative and significant effects on economic growth, while the monetized criteria showed positive and insignificant effects on growth in the short run. The unit root test shows that all the variable data have unit root, the selected processes of financial deepening are the true determinant of economic growth in Nigeria with high degree of effectiveness

in the civilian regime.

Okoafor, Ebenezer, Ademola and Afolabi (2021) studied the relationship between the post-SAP time-series data knowing that financial reforms fully began with SAP in Nigeria. Their studies employed the Johannsen Cointegration, error correction and granger causality as estimation techniques to establish the nexus between financial deepening and economic growth. The variables the model include the ratio of credit to the private sector to gross domestic product (CPS) which proxy bank-based financial deepening, the proportion of market capitalization to gross domestic product (MCAP) which proxy for stock market development. The result of the analysis revealed that the Nigerian economic growth is influenced by financial deepening positively and significantly, especially the bank-based financial depth.

Divine, Omankhanlen and Godswill (2021) examined the rolls of financial deepening on Nigeria's growth for 38 years covering 1981- 2018. Their result showed that long run relationship existed but no regressor was established to be significant.

Tari and Oliver (2016) looked into the causality direction between the growth of the economy of Nigeria and financial deepening the study shows the Toda-Yamamoto of augmented Granger causality, test and its outcome showed that the growth of financial deepening connects in Nigeria. This implied that financial deepening result in economic growth and not the reverse the case

Arfanuzzaman (2014) investigated the connection that exist between GDP of Bangladesh and broad money supply (M_2) and ascertain the influences of M_2 on the GDP in selected study period using Johansen co-integration test. The study presents that GDP and broad money supply have a long run connection.

Pradhan (2010) examined the relationship that exist between the price level and three macroeconomic variables (real Gross Domestic Product (GDP), money supply (MS) and price level (CPI) using annual data over the period 1980 to 2013. To explore the short-run direction of causality between GDP, MS and CPI, Granger Causality test was performed. The existence of long-run relationship was tested using co-integration analysis. The direction of causation between real GDP and prices was seen to be uni-directional from real GDP to CPI without any feedback. Regarding the causal relationship between money and prices, the analyses suggests that the causation runs from money supply to prices, and does not run from money supply to price level.

Maureen (2012) evaluated the causal relationship between stock market performance and economic growth in Nigeria employing quarterly data ranging from 1990-Q1 to 2010-Q4. The work adopts a Pair-wise granger Causality test with multivariate co-integration and vector error correction model (VECM) framework). Three different stock exchange indicators (stock market capitalization, all-share index and value of shares traded) were used as proxy for stock market performance to test the direction of causality between the variables. The study revealed that there is a long run equilibrium relationship between stock market performance and economic growth. It further shows that there is strong bidirectional causality running from stock market performance to economic growth and from economic growth to stock market performance. The estimated co-integrated vector shows that stock market performance exerts positive impact on economic growth in Nigeria. Evidence from Vector Error Correction term reveals that the speed of adjustment is high when SMC, ASI and VST were used as proxy for stock market performance. The Impulse Response Function (IRF) shows that shocks in stock market do not deter economic growth.

Safdar (2014) investigated the direction of causality between stock market development and economic growth in the Indian context. Using the cointegration and causality tests for the period June 1991 to June 2013, the study, discovered that a well-defined long-run equilibrium relationship exists between the stock market development indicators and economic growth in India. The study also revealed a bidirectional causality between market capitalization and economic growth and unidirectional causality from turnover ratio to economic growth in the long-run and short-run.

Summary of Literature Review

Available empirical literature on the finance-growth relationship has debated two fundamental propositions: (i) financial deepening has a strong impact on the growth process; (ii) the quality of financial deepening is more important to growth than the quantity of available financial assets. Whereas some experts are of the opinion that it is the financial deepening that spurs financial system, others posit that financial deepening is merely responding to the growth. Others argued that financial development is dynamic as such that what matters in the financial world today is the quality of development and not the quantity of development. Studies such as: Onwumere (2012), Akinlo and Egbetunde (2010), Margaret (2017), Zapodeanu & Loan (2012), Tari & Oliver (2016) and Oluwatoyin (2009) posit that there is positive relationship between financial deepening and financial system. On the other hand, studies like the ones done by Ogunmuyiwa (2010), Rathansiri (2012) and Boubakari (2010) opined that there is negative relationship between financial deepening and financial system. Whereas some studies like Haruna (2013) concluded from their findings that the impact of financial deepening is felt more during financial liberalization others posit that growth is more pronounced during repression. Still studies like Sherifat (2013), Haruna (2013), Tichaona (2011) and Boubakari (2010) were of the opinion that qualitative financial deepening is more impacting to growth than quantitative deepening. Studies like the one done by Christopoulos and Tsionas (2004) were of the opinion that the relationship between financial deepening and financial system is unidirectional, others like the one done by Alajekwu (2014) posit that the relationship is bi-directional. These conflicting positions in the empirical literature have created a gap.

METHODOLOGY

Research Design

An *ex-post facto* research design will be adopted for this study because the data are time series data that already exist in various international and domestic financial publications such as the, Central Bank of Nigeria Statistical Bulletin, CBN Annual Reports and Statement of Accounts.

3.4 Model Specification

The model which is adopted for the study is the model of Alajekwu (2014) which examined financial deepening and financial system in Nigeria.

The Model Is Stated Thus:

$$FSGDP = f (M_2/GDP, CPS, MCL)$$

Where:

- FSGDP = Financial Savings to Gross Domestic Product
- M_2/GDP = Broad Money Supply
- CPS = Credit to Private Sector to GDP
- MCL = Market Capitalization to GDP Ratio
- ϵ = Error term

The Model Will Be Modified As Follows

$$FSGDP = f (M_2/GDP, CPS, MCL)$$

$$FSGDP = \beta_0 + \beta_1 M_2/GDP + \beta_2 CPS + \beta_3 MCL + \beta_4 ASI + \mu - \dots - 1$$

Where:

- FSGDP = Financial Savings to Gross Domestic Product

M_2 /GDP= Broad Money Supply
 CPS= Credit to Private Sector to GDP
 MCL= Market Capitalization to GDP Ratio
 ASI= All Share Index
 ϵ = Error term

β_0 and μ are the constant and error term respectively while $\beta_1, \beta_2, \beta_3$, and β_4 are the coefficient of financial deepening variable on financial system in Nigeria.

Method of Analyses

The data will be analyzed with econometric techniques involving descriptive statistics, Augmented Dickey Fuller Tests for Unit Root, Johansson Technique for co integration test for long run relationship, Granger causality test and the Ordinary Least Square (OLS), for test of hypotheses.

Analysis

Table 1. Unit Root Result

Variables	T-statistics	Probability	Order of Integration
FSGDP	-6.088595	0.0000	1(0)
M_2 /GDP	-3.867397	0.0063	1(0)
CPS	-4.619034	0.0010	1(0)
MCL	-5.531824	0.0001	1(0)
ASI	-9.281478	0.0000	1(0)

Source: E-view Version 9.0

The table above shows that financial savings to gross domestic product (FSGDP), market capitalization to GDP ratio, broad money supply (M_2 /GDP), credit to private sector to GDP ratio and all share index were stationary at level. Therefore, all the variables are stationary.

Granger Causality Test

This is used to check for causality between two variables. In this case our aim is to test for a causal relationship between of financial deepening in the Nigeria financial system. The rule states that if the probability value is between 0 and 0.05 there is a causal relationship.

Table 2. Pairwise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.	Remark
M_2 /GDP does not Granger Cause FSGDP	31	1.28346	0.2970	No causal relationshi
FSGDP does not Granger Cause M_2 /GDP		1.18583	0.3243	p
CPS does not Granger Cause FSGDP	31	0.71888	0.4984	No causal relationshi
FSGDP does not Granger Cause CPS		1.54511	0.2356	p
MCL does not Granger Cause FSGDP	31	2.01232	0.1575	No causal relationshi
FSGDP does not Granger Cause MCL		0.79163	0.4656	p
ASI does not Granger Cause FSGDP	31	0.18032	0.8362	No causal relationshi
FSGDP does not Granger Cause ASI		0.28686	0.7534	p

The result of the granger causality has shown that none of the explanatory variables (M_2 /GDP, CPS, MCL and ASI) has causal relationship with FSGDP in Nigeria.

The Ordinary Least Square Regressions

In this section, we provide the benchmark test of the significance of the independent variables in explaining the effect of financial deepening in the Nigeria financial system.

Table 3. The Ordinary Least Square Regressions

Dependent Variable: FSGDP
Method: Least Squares

Date: 17/06/21 Time: 11:09				
Sample: 1987 2019				
Included observations: 32				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.332806	1638155	2.034488	0.0518
M_2 /GDP	2.660510	9.234924	2.880923	0.0047
CPS	1.832566	6.905754	2.653680	0.0132
MCL	4.301044	9.365032	2.204520	0.0353
ASI	15.32652	37842856	2.479032	0.0002
R-squared	0.948027	Mean dependent var	16568	137
Adjusted R-squared	0.722253	S.D. dependent var	26065	603
S.E. of regression	6263745.	Akaike info criterion	34.258	37
Sum squared resid	1.06E+15	Schwarz criterion	34.443	40
Log likelihood	-527.0047	Hannan-Quinn criter.	34.318	68
F-statistic	164.1679	Durbin-Watson stat	2.1731	99
Prob(F-statistic)	0.000000			

Source: E-View 9.0

From the above regression coefficients, we can express the model as follows:

$$FSGDP = 3.332806 + CPS = 2.660510 + MCL = 1.832566 + ASI = -0.301044 + U$$

From the results of the OLS, the constant parameter is positive at 3.332806. This means that if all the independent variables are held constant, FSGDP as a dependent variable will grow by 3.332806 Units

Broad Money Supply (M_2 /GDP):

The coefficient of broad money supply (M_2 /GDP) is positive at 2.660510 with probability of 0.0045 and t-Statistic of 2.034488 which means that broad money supply has positive and significant effect in financial savings to gross domestic product (FSGDP). A unit increase in broad money supply (M_2 /GDP) will cause financial savings to gross domestic product (FSGDP) to increase by 2.660510 units.

Credit to Private Sector to GDP:

The coefficient of credit to private sector to GDP is positive at 1.832566 with probability value of 0.0132 and t-Statistic of 2.653680 which means that credit to private sector to GDP has positive and significant effect on savings to gross domestic product (FSGDP) within the period under study. A unit increase in credit to private sector to GDP will lead to a unit increase in savings to gross domestic product (FSGDP) by 1.832566.

Market Capitalization to GDP Ratio:

The coefficient of market capitalization to GDP ratio is positive at 2.301044 with probability value of 0.0353 and t-Statistic of 2.204520 which means that market capitalization to GDP ratio has positive and significant effect on financial savings to gross domestic product (FSGDP). A unit increase in market capitalization to GDP ratio will lead to an increase in financial savings to gross domestic product (FSGDP) by 30.01044 units.

All Share Index:

The coefficient of all share index is positive at 15.32652 with probability value of 0.0002 and t-Statistic of 2.479032 which means that all share index has positive and significant effect on financial savings to gross domestic product (FSGDP) within the period under study. A unit increase in all share index will lead to a unit increase in financial savings to gross domestic product (FSGDP) by 15.32652.

Finally, the Adjusted R-squared is 0.722253 which is approximately 70%. This means that 70% of total variation in financial savings to gross domestic product (FSGDP) can be explained by the variables namely M2/GDP, CPS, MCL and ASI while the remaining 30% is due to other stochastic variables. The Durbin-Watson statistics is (2.173199) this means the model is free from autocorrelation.

Test of Hypotheses

To test the hypotheses, the statistical significance of the individual parameters was used to test the hypotheses. These test were conducted at 5% level of significance.

Test of Hypothesis One

Stage One

Restatement of hypothesis in null and alternate form:

Ho₁: Broad money supply (M2/GDP) does not have significant effect on financial system

Hi: Broad money supplies (M2/GDP) have significant effect on financial system

Stage Two

Analysis Of The Regression Results,

Table 4: OLS On Effect Of Financial Deepening On Financial System In Nigeria

Variable	Coefficient	t-Statistic	Probability	Conclusion
Constant	3.332806	2.034488	0.0051	Statistically Positive and Significance
M ₂ /GDP	2.660510	2.880923	0.0047	Statistically Positive and Significance
CPS	1.832566	2.653680	0.0002	Statistically Positive and Significance
MCL	4.301044	2.204520	0.0353	Statistically Positive and Significance
ASI	15.32652	2.479032	0.0002	Statistically Positive and Significance

Source: E-view 9.0

Stage Three: Decision

From table 4 above, since the probability value is less than 5% (0.0051 < 0.05) with coefficient value of 2.660510 and t-Statistic of 2.880923, the studies therefore reject the null hypothesis and accept the alternative hypothesis: these imply that broad money supply (M₂/GDP) have positive and significant effect on financial system.

Hypothesis Two

Stage One

Restatement of Hypothesis in Null and Alternate Form:

Ho₂: Credit to Private Sector to GDP ratio does not have significant effect on financial system

Hi: Credit to Private Sector to GDP ratio has significant effect on financial system

Stage Two: Decision

Table 4 above reveals that the probability value is less than 5% (0.0002 > 0.05) with coefficient value of 1.832566 and t-Statistic of 2.653680, the study therefore reject the null hypothesis and accept the alternative hypothesis and submit that credit to private sector to GDP ratio have positive and significant effect on financial system.

Hypothesis Three

Stage One

Restatement of Hypothesis in Null and Alternate Form

Ho₃: Market capitalization to GDP ratio does not have

significant effect on financial system

Hi: Market capitalizations to GDP ratio have significant effect on financial system

Stage Two: Decision

From table 4 above, since the probability value is less than 5% (0.0353 > 0.05) with coefficient value of 4.301044 and t-Statistic of 2.204520 the studies therefore reject the null hypothesis and accept the alternative hypothesis: which means that market capitalization to GDP ratio have positive and positive significant effect on financial system

Hypothesis Four

Stage One

Restatement of Hypothesis in Null and Alternate Form:

Ho₄: All Share Index (ASI) does not have significant effect on financial system

Hi: All Share Index (ASI) have significant effect on financial system

Stage Two: Decision

From table 4 above, since the probability value is less than 5% (0.0013 < 0.05) with coefficient value of 1.342700 and t-Statistic of 2.339468, the studies therefore reject the null hypothesis and accept the alternative hypothesis: which means that All Share Index (ASI) has positive and significant effect on financial system.

Discussion of Finding

The result of the ordinary least square (OLS) indicates that broad money supply (M₂/GDP) have positive and significant effect on financial system; the results of our findings are consistent with the work of Onaolapo (2015). In terms of broad money supply (M₂/GDP), it was discovered that Broad Money Supply (M₂/GDP) has positive and significant effect on financial system.

Credit to Private Sector to GDP Ratio:

The result indicates that credit to private sector to GDP ratio has positive and significant effect on financial system. The result of our findings are inconsistent with the work of Okofofor, Ebenezer, Ademola and Afolabi (2021), they posit that credit to private sector to GDP ratio does not have significant effect on financial system within the period under review.

Market Capitalization to GDP Ratio:

the result indicates that, market capitalization to GDP ratio have positive and significant effect on financial system.

The result of our findings are consistent with the work Echekoba and Ubesie, (2018), in terms of market capitalization to GDP ratio, it was discovered that market capitalization to GDP ratio have positive and significant effect on financial system.

All Share Index (ASI):

The result of our study indicates that All Share Index (ASI) have positive and significant effect on financial system.

The result of our findings is consistent with the work Margaret (2017) and Tari & Oliver (2016) they posit that All Share Index (ASI) has positive and significant effect on financial system.

Finally, the Adjusted R-squared is 0.722253 which is approximately 70%. This means that 70% of total variation in financial savings to gross domestic product (FSGDP) can be explained by the variables namely (M₂/GDP), CPS, MCL and ASI while the remaining 30% is due to other stochastic variables. The Durbin-Watson statistics is (2.173199) this means the model is free from autocorrelation.

The F-statistic is 0.000340 which means that all the

explanatory variables in the study have significant effect on financial savings to gross domestic product (FSGDP) within the period under study.

Summary of Findings, Conclusions and Recommendations
Summary of Findings

Broad Money Supply (M_2 /GDP):

has positive and significant effect in financial savings to gross domestic product (FSGDP).

Credit to Private Sector to GDP:

has positive and significant effect on savings to gross domestic product (FSGDP) within the period under study.

Market Capitalization to GDP Ratio:

has positive and significant effect on financial savings to gross domestic product (FSGDP).

All Share Index:

has positive and significant effect on financial savings to gross domestic product (FSGDP) within the period under study.

Finally, the Adjusted R-squared is 0.722253 which is approximately 70%. This means that 70% of total variation in financial savings to gross domestic product (FSGDP) can be explained by the variables namely M_2 /GDP, CPS, MCL and ASI while the remaining 30% is due to other stochastic variables. The Durbin-Watson statistics is (2.173199) this means the model is free from autocorrelation.

CONCLUSIONS

In line with the findings of the study, the result of the study indicate that Broad Money Supply (M_2 /GDP), Credit to Private Sector to GDP, Market Capitalization to GDP Ratio and All Share Index has positive and significant effect on financial savings to gross domestic product (FSGDP) within the period under study. The study therefore concludes that financial deepening have positive and significant effect on financial system and have enhanced the effective and efficient mobilization of financial resources from the surplus to the deficit unit for investment outlet in Nigeria financial system.

Recommendations

The study recommends that:

1. Direction of economic managers should focus on money stock, economic velocity and market capitalization which the result indicates are yet to make significant impact on financial system in Nigeria
2. Government should pursue policies that will pave way for easy accessibility and affordable cost for credits to the private sector in the Nigeria financial system.
3. Securities and Exchange Commission should as a matter of urgency instills discipline in the stock market such that investors' confidence should be restored
4. Listing requirement should also be relaxed slightly to ensure that more companies are listed in the market thereby increasing the level of activities in the market.

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