IJAAR PUBLISHING®

African Journal of Business and Economic Development | ISSN: **2782-7658**
Vol. 2, Issue 12 (December, 2022) | www.ijaar.org/ajbed

DETERMINANTS OF PRIVATE SECTOR CREDIT AND ITS IMPLICATION ON JOB CREATION IN NIGERIA (1984-2020)

Oluwasegun S. ESEYIN* [1,3], Ibrahim J. ADAMA[1], Bosede C. OLOPADE[1,5], Eyitayo O. OGBARO[1], Ayodele V. AHMED[4], Zaytuni O. SULEIMAN[4]

[1]Department of Economics, Adeleke University, Ede, Nigeria
[2]Department of Accounting & Finance, Landmark University, Omu-Aran, Nigeria
[3]Department of Economics, University of Ilorin, Ilorin, Nigeria
[4]Department of Economics, Landmark University, Omu-Aran, Nigeria
[5]Centre for Economic Policy and Development Research (CEPDeR), Covenant University, Nigeria
*Correspondance : oluwaseguneseyin@gmail.com
+234(0)8068213773

ABSTRACT

Credit to the private sector is referred to as the financial resources provided to the private sector such as loans and advances, purchases of non-equity securities, trade credits and other accounts receivable. The availability of credit is the base element for investments. It is from the increase in investments that job opportunities are made available. This study therefore intends to identify the determinants of private sector credit and its implication on job creation in Nigeria over the period of 1984 to 2020. The main objective of the study is to provide an empirical framework for understanding the interactions between credit to the private sector and its impacts on job creation in Nigeria. We also aim to assess factors that have stimulated or dampened private sector credit in Nigeria. The ARDL will be used for the analysis based on the outcome of the stationarity of unit root test and recommendations were proffered based on the finding of this research. The ARDL tests show that Interest Rate (INT), Real Gross Domestic Product (RGDP) and Domestic Debt (DMD) are significant and have an impact on the volume of private sector credit, Furthermore, Real Gross Domestic Product (RGDP) is significant and has an impact on Labour participation rate during the period under consideration. Based on the results, this study recommends that interest rates should be set in such a way that the prevailing rate encourages the lending sector to make funds more available and accessible for investment purposes. The government should also formulate policies that will encourage lending activities. A healthy economy should be prioritized as this would positively affect credit to the private sector and boost productive activities leading to job creation

Key Words: Private Sector, Credit, Job Creation, Economic growth

INTRODUCTION

Economists for centuries now have emphasized the role of credit (capital) in the development of a nation through industrialization and reduction of unemployment rate. It has therefore been ascertained that a formidable work force and expert human resources can only come about when there is a rise of innovations. The emergence of innovations will through investments arise as a result of credit supply to the private sector. Better access to credit allows for investments. This is because availability of funds may allow business outfits to hire more labor. Apart from the fact that it encourages firms to invest more in their capital base, it also automatically translates into greater job creation (Dao and Lui, 2017). Reduction in unemployment levels is one of the major macroeconomic objectives every country including Nigeria aims to achieve. Thus, Job creation has a positive multiplier effect on the economy. It does not only guarantee increased output, but also raises in per capita income of the people and improvement in standard of living become easily achievable if not automatic.

In Nigeria, the rate of unemployment has been on the increase during the last few years. This may be attributed to the fallout from economic challenges. National Bureau of Statistics reported an unemployment rate of 23.1 per cent in the third quarter of 2019 from 22.6 per cent in 2018 and 18.1 per cent in 2017. Moreover, this unemployment problem may also be linked to high rate of population growth and corrupt political environment, lack of job skills by the unemployed young population, epileptic power supply, lack of infrastructure, negligence of agriculture and other natural resources, and macroeconomic downturn among others. Udo (2016) posits that these fallouts pose adverse effects on the society and the economy at large such as reduction in the form of national output, decrease in investments increase in rural urban migration, poverty, increased dependency and crimes. There is no doubt that one of the major ways these challenges could be addressed is for the government to provide enabling environment for increased productivity through investments. It is also believed that creation of industrial friendly environment offers encouragement for entrepreneurs and ease of doing business can be enhanced through increased supply of credit to the private sector.

It is thus believed that credit to the private sector tends to increase job creation by allowing better access to capital and improving the efficiency of capital allocation. The growth of any economy is largely dependent on the volume of its investment's expenditures (Osemeke, 2011). Private sector investments which constitute the majority of total investments in many world market economies play a crucial role in boosting the overall performance landscape of any economy. The private sector investment promotes efficient allocation of resources, growth and development through job and income creation. Touny (2014) asserted that in framing the set of goals, efforts should be made on tackling unemployment and job creation on a massive scale. The private sector could be activated through many ways and these include expansion of existing businesses, establishment of new companies as well as through the process of rapid privatization and adequate human capital development (Barney, 1997).

Tighter credit availability occasioned by higher cost of borrowing by default reduces firms investment and aggregate output. Consequently, it raises the rate of unemployment, and increases income inequality by increasing the rental of capital relative to the expected wage of labor. Intuitively, tighter credit supply raises the rate at which firms borrow from banks, and hence the marginal cost of production. By implications, output level and the volume of job created decline. This may result to a decrease in aggregate output and a rise in unemployment rate (Dinopoulos, Unel and Bandyopadhyay, 2016).

The Keynesian theory of unemployment specifies that unemployment arises as a result of fall in aggregate demand in the economy. A deficient aggregate demand therefore brings about a reduction in production by which a rational entrepreneur is left with no choice but to downsize by cutting down labor employed. This can be seen in history of businesses experiencing ups and downs, booms and slump, prosperity and depression commonly referred to as the business cycle. As opined by Gbenga, james and Adeyinka(2019), business cycles influence business decisions tremendously and set the trend for future business. The period of prosperity opens up new and longer opportunities for investment, employment and production, thereby promotes business. On the contrary, the period of depression reduces business opportunities. A profit maximizing entrepreneurs therefore analyzes the economic environment of the period relevant for his important business decision.

Private sector investments are known as private investments. There can be no investments without credit. Therefore, the supply of credit to the private sector is the base element for investments. Without supply of credit to the private sector it will be extremely difficult if not impossible for private firms, and other related economic agents to undergo any productive activity in the country. Private investment is a crucial pre-requisite for economic growth because it allows entrepreneurs to set economic activity in motion by bringing resources together to produce goods and services. The Nigerian private sector employs a large number of employees of all ages both in the formal and in the informal sectors, in businesses ranging from micro-enterprises such as street vendors and small market traders to small, medium and large enterprises (Fagge and Zubairu, 2014).

The role of the Private sector in propelling economic growth and development via employment (job creation) cannot be undermined. The income generation accrued to this sector coupled with other potentials underscores the overwhelming emphasis and importance accorded to private sector investment. It is therefore hypothesized that an increased private sector investments mitigate the menace of unemployment hence jobs can be created. This virtuous cycle is responsible for rapid and sustained growth.

Entrepreneurship and investment lead to higher productivity, this allows for larger sums to be invested in the future. In the course of this process, jobs are created and new technologies are introduced, especially through international trade and investment linkages. Private sector credits among other variables plays important role in making the growth process more socially and geographically inclusive, which expands the opportunities for poor people to participate in and benefit from growth. Successful mobilization of credit for private investment is thus increasingly important for creating employment, raising growth rates and reducing poverty (Frimpong and Marbuah, 2010)

Owing to its relative significance, an attempt to investigate the importance of credit supply to private individuals, corporate organization and the entire economic is indeed worthwhile. Schumpeter (1911) identified banks' role in facilitating technological innovation through their intermediary role. He was of the belief that optimum allocation of savings through identification and funding of entrepreneurs are effective tools to achieve most macroeconomic objectives. Hence, we can implore that efficient mobilization of savings to aid investments spurs productive activities of entrepreneurs. The supply of credit to the private sector allows for funds or capital to be made available in order for business ideas to give birth to innovation. The expansion of these innovations brings about a utilization of human resources which translates to job creation (employment).

The previous policy interventions by the Central Bank of Nigeria(CBN) were those made to the critical sectors of the economy aimed at bridging the yawning financing gap that have existed over time. In this regard, some notable interventions in recent years by the CBN include the ₦200 billion Commercial Agriculture Credit Scheme; ₦200 billion Restructuring and Refinancing Facility ₦200 billion SME Credit Guarantee Scheme; and ₦300 billion Powers and Airline Intervention Fund, amongst others. In addition to these, the Bank of Industry (BoI) implemented some intervention funds such as the ₦5 billion BoI/Dangote Matching Fund, Cassava bread Fund, ₦1.1 billion Cottage Fund and ₦5 billion FGN Special Intervention Fund for MSME. Others also include ₦800 million National Programme for Food Security, 13.6 billion Rice and Cassava Intervention Fund, Sugar Council Development Fund, National Automotive Council Fund comprising₦1billion for Automotive Assembly Plants, ₦200 million for automotive component manufacturers, ₦100 million for automotive garage workshop and ₦20 million for artisans, craftsmen and mechanics.

Ganiyu, Matthew, Eboreime, Yusuf and Maximillian (2017) also documented that the Central Bank of Nigeria (CBN) has disbursed ₦8, 479,486.76 under the Cement Fund. Similarly, the Bank of Agriculture disbursed ₦41 billion to over 600 enterprises across Nigeria in the last ten years, ₦3 billion on-lending facilities to about twelve states of the Federation and ₦4 billion to about 30,000 beneficiaries. In addition to these, a total of US$86.56 billion was received as capital inflows into the economy in the form of direct and portfolio investment, trade credits and loans as well as currency and deposits from 2011 to 2015.The 1986 Structural Adjustment Programme (SAP) was also introduced with the aim of encouraging private sector participation (among other objectives) whose role in the facilitating of economic growth is a pre requisite for growth and development

In Nigeria, business classes have been experiencing difficulties in successfully exploring the business opportunities available at their disposal thereby making the menace of high rate of unemployment almost unavoidable. The above challenges are not unconnected to high costs of borrowing among other factors that limit credit supply to the business class. Business opportunities or procedures depend on availability of credit to operate. Absence of credit supply would therefore translate to low level of investments and high level of unemployment. Based on the assertion that credit supply forms the bedrock of business investments, it is therefore imperative to look intently at various factors that would determine the volume of credits that goes into the private sector of the economy at a particular period of time in which Gbenga, James and Adeyinka (2019) considered that by this, all round stability could be maintained.

High unemployment as a result of low investment rate means low income and savings and total fall in money supply in the economy. This leads to poverty and a reduction in aggregate demand. A decrease in production and employment of productive resources (labor) will arise due to low demand as a result of low income. By this the vicious cycle of poverty continues. There is therefore a pressing need to identify factors that influence credit supply as well as identifying the problems of inability to fully and efficiently utilize the nation's human resources endowments. Based on this note, the focus of this study is to identify the factors that determine private sector credit and also assess the nexus between credits to the private sector and job creation. Ganiyu, Matthew, Eboreime, Yusuf and Maximillian (2017) failed to clearly specify variables used in the analysis to ascertain the determinants of private sector credit. The theoretical base of the research work was also not distinctly stated. The works are limited to economic growth and do not delve into the issue of job creation.

1.1 Objectives of the Study

The major objective of this study is to identify the determinants of private sector credit and also examine the implication of private sector credit on job creation in Nigeria. To achieve the above main objective, the following specific objectives will be achieved in the course of this study:

1. To identify the determinant factors of private sector credit creation in Nigeria.
2. To analyze the relative impact of each determinant or factor of private sector credit creation
3. To ascertain the impact of private sector credit on job creation in Nigeria

The experience of the global economy leaves no doubt that capital is a prerequisite for economic growth and social progress in which Nigeria is no exemption. Although, it is not easily come by without effective and proper public policy formulation coupled with robust implementation strategy. Thus, public authorities in Nigeria have in the last several years rolled out a number of credit development interventions with the aim of promoting income and employment expansion at both the firm and aggregate levels. The Central Bank of Nigeria (CBN) recognizes that for the economy to function efficiently given structural rigidities as well as and for the private sector to develop and flourish, businesses need to have access to credit. In view of the paucity of credit, we assess the determinants of credit supply to the private sector and its impact on job creation.
The financial sector is the bedrock for mobilization of credit to the private sector to achieve full employment of productive resources.

This study is significant going by the current situation of rising unemployment and population growth rate in Nigeria. Most unemployed graduates are finding their means of livelihood through self-employment. It is therefore necessary to reposition financial institutions to play key roles in achieving macroeconomic objectives such as full employment of its productive resources among others. This study intends to identify the critical factors affecting the level of private sector credit flows in Nigeria. The private sector is positioned to be highly efficient in employing the growing number of innovative and energetic young population. Therefore, credit should be strategically channeled into private investments to bridge the employment gap in the public sector. Factors that determine private sector credit should be determined in an attempt to understand and harness the goal of stimulating private sector credit so as to achieve the macroeconomic objectives of full employment.

The scope of this study on the determinants of private sector credit and its implications on job creation in Nigeria will cover from 1984– 2020. This review gives us 37 years to study factors that determine credit to the private sector as well as the effect of private sector credit on employment generation in Nigeria. This study uses mainly secondary sources of data from Central Bank Statistical Bulletin, World Bank Development indicator and other related journals.

2. REVIEW OF LITERATURE ANS CONCEPTUAL ISSUS

2.1. Conceptual Issues

Meaning of Private Sector

According to the Development Assistance Committee of the OECD DAC (1994), private sector is a basic organizing principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion. In Nigeria, the private sector is said to include any self-employed person or any employer of labor who does not belong to the

government or public sector or who is not under the control of the state. It could also be described as any self-employed person or anyone who employs labour who does not belong to the government or public sector is the private sector (Jerome, 1999; Oyeranti, 2004).

Olayiwola and Busari, (2001) put forward that anyone who is an employer or self-employed and who does not belong to the government or public sector is believed to be operating in the private sector. In the same vein, Imaga(2003) opines that the private sector also refers to all economic institutions, business firms, foundations, and cooperatives that are not owned by the government. The private sector enterprises are often described by other names such as capitalism, free enterprises system, the voluntary exchange economy, the market system, and the profit system.

Characteristics of Private Sector

Imaga (2003) identified some of the characteristics of private sector; these have been modified as follows:

Private Ownership of Business: In the private enterprise system, the ownership and control of business and/or enterprises are by individuals and not the government. The owner has some basic rights; the right to control the business with or without foreign interference i.e. absence of interference from outside, rights to freely compete for raw materials, human resources(personnel), technology and production techniques, product type as well as methods to employ factors of production. He also has the right to enter productive business or conduct business activities freely, either personally or by investments of capital.

Freedom of Choice: The personnel (managers and workers) have freedom in choosing their occupation, change jobs, negotiate salaries, wages and other benefits. Consumers enjoy sovereignty; they are free to select goods to purchase with minimum influence from government and social pressure.

Profit Motive: The efficiency in allocation of resources in a market system and decisions on productive activities is also affected by profit or gain. Profit speaks to the contrast between what an entrepreneur gets for the items he sells and what he should pay to deliver and market them, i.e. the difference between revenue and cost of production

Limited Role of Government: Although, government is restricted in its economic role, they however are not entirely inactive in a market economy. Government functions such as administering justice, protecting individual freedom and providing for adequate national defense is to establish the economic rules of the game and safeguard the activities of economic agents

Private Property: Property rights are social institutions that govern the ownership, use and disposal of resources, goods and services. The right of private property is a fundamental and distinguishing feature of a market economy. The different types of property that can be privately own by individuals and firms include; Real property such as land, buildings, durable goods etc., Financial property such as bank deposits, money at hand, shares and bonds and intellectual property which represents the products of creative effort like books, audio and video material, computer programs. The right of private property means that productive resources such as land are under the private ownership of individuals and firms. The two attributes of property rights, namely, the right of the owner to use the property as he likes and the right to sell it provide incentives to the owners to use their property efficiently.

The Concept of Private Sector Credit

The term credit has been defined as the extension of money from the lender to the borrower. Credit is of vital importance for the working of an economy. It is the oil of the wheel of trade and industry and helps in the economic prosperity of a country (Ugoani2013). Spencer (1977) identified that credit is a promise by one party to pay another for money borrowed or goods and services received. The duty of managing credit cannot be extricated from the banking industry because banks serve as a conduit for funds to be received in the form of deposits from the surplus units of the economy. Those funds are passed on by banks to the deficit units who need them for productive and other purposes. The Central Bank of Nigeria Brief (2003) defines bank credit as the amount of loans and advances given by the banking sector to the various economic agents. The Central Bank of Nigeria (CBN) Monetary Policy Circular (2010) identifies such bank credits as comprising loans and advances, commercial papers, bankers' acceptance and bills discounted. Bank credit is usually accompanied with some collateral that helps to ensure the repayment of the loan in the event of default.

Credit can be viewed from two angles- trade or commercial credit and banking system credit. According to Freear (1980), trade credit refers to transactions which involve the supplier handing over goods or performing a service without receiving immediate payment. However, this study focuses on banking system credit. Bank credit is the total amount of credit available to a business or individual from a banking institution. It consists of the total amount of combined funds that financial institutions provide to an individual or business. A business or individual's bank credit depends on the borrower's ability to repay the loan and the total amount of credit available in the banking institution. Bank credit as an agreement between banks and borrowers where banks make a loan to a borrower based on their assessment of the borrower's creditworthiness. The bank essentially trusts a borrower to repay funds plus interest for a loan, credit card or line of credit at a later date. Bank credit also refers to money that banks lend or have already lent to customers.

CBN Prudential Guidelines for Deposit Money Banks in Nigeria (2010) defines some forms of bank loans:

(a) **Mortgage loan** is a loan secured by real property through the use of a document which evidences the existence of the loan and the encumbrance of that property through the granting of a mortgage which secures the loan
(b) **Project Finance** is a form of 'Non-recourse' or 'Limited Recourse' financing, where the lenders credit decision is based solely or primarily on the cash flows of the project, with respect to repayment of the project debts.
(c) **SME Loan** is a loan provided to a Small and Medium Enterprise (SME). A small and medium enterprise is defined as any manufacturing enterprise with a maximum turnover of N500 million and assets of N250 million (excluding land and working capital)
(d) **Margin loan** is a loan that allows the customer to finance against shares. The term margin refers to the difference between the market value of the shares and the cost of shares. The primary and secondary sources of repayment are from the sale of the securities purchased.
(e) **Object Finance** refers to a means of providing funds for the acquisition of physical assets (e.g., ships, aircraft, satellites, railcars, etc.) where the repayment of the exposure is dependent on the cash flows generated by the specific assets that have been financed and pledged or allocated to the lender.

2.2.3 Private Sector Credit

Private sector credit refers to the financial resources provided to the private sector by financial corporations. Credit made available includes loans, trade credits, purchase of non-equity securities and other funds that establish a claim for repayment. Olowofeso, Adeleke and Udoji (2015) defined credit to the private sector as monetary resources made available to the private sector, such as loans and advances, purchases of non-equity securities, trade credits and other accounts receivable, which establish a claim for repayment. Bank issued credit makes up the largest proportion of credit. Banking system credit to the private sector is essentially about direct provisioning of loans and overdrafts to the private sector by various financial institutions, such as deposit money banks, non-interest banks and merchant banks in Nigeria. The capacity provided to an individual, government, firm or organization by the banking system in the form of loans is termed Bank credits. Credit channels savings into industrious investment thereby encouraging economic growth investments and employment opportunities (Affoi and Yakunbu, 2013).

Some means of direct access to credit in the private sector are identified as:

(a) **Loan**: A loan is processed as a separate account of its own, whereby the whole sum granted to the customer is released all at once. After the initial drawing which creates the loan, no further drawing is allowed on the account. The subsequent entries that pass through the account are the interest charges and the repayment installments. The interest charges will have the effect of increasing the amount of debt outstanding on the account. On the other hand, repayment installment will reduce the debt steadily until the whole debt is fully repaid

(b) **Overdraft**: An overdraft account functions by releasing the whole or part of the amount granted at a time, according to the customer's needs. A part or the whole sum may be repaid and re-borrowed many times over and again, without consultation during the overdraft arrangement.

Credit is vital for economic activity, because it enables firms to finance investments and households to smooth their consumption (Bundesbank, 2005). This implies that channeling additional resources to strategic areas, such as the private sector, is essential in poverty eradication and promoting economic growth in emerging as well as developing economies. As a business grows, it requires more capital to fund its operational activities. However, many firms find it difficult to arrange for both short-term and long-term capital for such purposes. Not only do firms find it difficult to raise funds of various forms, but also the decision to settle for debt or equity financing presents serious challenges. Credit from financial institutions like banks is a key source of finance among the major external sources for a business. Literature has shown that the availability of bank credit plays a crucial role in boosting economic growth, especially in emerging markets and developing countries of which Nigeria is not an exception (Imran and Nishat, 2013)

Nigeria's Private Sector Credit Profile

This sub-section highlights the amount of credit to private sector by the banking sector to selected sub-sectors in Nigeria. Anyanwu (2010) reveals that for the period 2006–2009, total credit to the economy from the banking sector rose from ₦2,535.4 billion in 2006 to ₦8,769 billion in 2009.The average stands at5,830.7 billion during the period. 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. The share of manufacturing in total credit to the economy fell abruptly, from 16.9 per cent in 2006 to 10.6

per cent in 2007, before increasing to 12.6 per cent in both 2008 and 2009. Manufacturing average share was 13.2 per cent and had the highest credit allocation. It was followed by solid minerals and communication, the shares of which averaged 11.1 and 7.7 per cent, respectively. The average for agriculture was abysmal at 2.1 per cent.

A study by the Central Bank of Nigeria (CBN) in 2010 showed that 24.03 per cent of the total fund requirement of firms came from bank loans and advances. Further analysis shows that funding from the banks accounted for only 14.4 per cent of total funds in 2006, 13.4 per cent in 2007, 18.7 per cent in 2008 and 49.7 per cent in 2009. The result of the survey also gave indications of how real sector enterprises faired in terms of attracting bank credits. The survey showed that banks satisfied an average of only 15.8 per cent of the number of loan requests made by real sector firms in 2006 and 2007, and 26.3 in 2008 and 2009. In addition, review of some selected real sector indicators provides a picture of the performance of the real sector in the face of the banking sector reforms. Real output growth has been modest over the review period, averaging 6.37 per cent. Growth rates of the agriculture and manufacturing sectors have been relatively stable. Inflationary pressures moderated between 2005 and 2006, before assuming an upward trend for the rest of the period. Average capacity utilization in the manufacturing sector averaged 53.84 per cent for the period (Anyanwu, 2010).

Also, in their recent studies, the Central Bank of Nigeria (CBN) from the economic report of January (2019) shows that Banks' credit to the domestic economy rose by 0.5 per cent to N20,173.39 billion at end-December 2018; this is when compared with the level at the end of the preceding month. This development was attributed, mainly, to the increase in claims on the Federal Government. Aggregate credit to the domestic economy, at N27,594.15 billion, on month-on-month basis, grew by 5.8 per cent at end-December 2018, but was contrasted to the decline of 3.0 per cent and 1.6 per cent at the end of the preceding month and the corresponding period of 2017, respectively. The growth in aggregate domestic credit reflected, wholly, the significant 63.3 per cent increase in net claims on the Federal Government. Over the level at end-December 2017, aggregate domestic credit to the domestic economy rose by 6.4 per cent, compared with the growth of 0.6 per cent at the end of the preceding month.

Banking system's credit to the private sector, on a monthly basis, fell by 1.6 per cent to N22,726.57 billion, compared with the decline of 0.2 per cent at the end of the preceding month. This was in contrast to the increase of 1.5 per cent recorded at the end of the corresponding period of 2017. The fall in private sector credit relative to the preceding month's level was attributed to the 1.7 per cent and 0.9 per cent decline in claims on the core private sector and claims on State and Local Governments, respectively. Relative to the level at end-December 2017, banking system's credit to the private sector grew by 2.0 per cent, compared with the growth of 3.6 per cent at the end of the preceding month. (CBN economic report January, 2019).

Determinants of Private Sector Credit

Banks, pension funds, insurance corporations and foreign exchange companies are some financial institutions that supply financial resources in form of loans, trade credit, purchases of non-equity securities and other receivables to the private sector. Empirical work focuses on the effect of different factors on the level of financial resources extended to the private sector. Evidence shows that the drivers of credit to private sector can either have a positive or a negative effect. The determinants of private sector credit can be analyzed from the demand

and supply side. The principal factor affecting the money supply is the credit mechanism i.e., the volume of credit created by the banking and non-banking system. Highlighted below are some factors that may influence credit to the private sector although some factors such as cannot be quantifiable measured:

1. **Inflation Rate:** This is termed as the monetary instability and is represented as official annual inflation in the country. It reflects the general increase in the price level, representing monetary instability, which affects financial decisions of economic agents in a country. Adeleke and Awodumi (2018) found out that inflation exerts a negative influence on bank credit supply. Another study by Enisan and Oluwafemi (2015) on the determinants of bank credit growth shows inflation increases, private sector credit increases but that inflation in fact dampens the real private credit growth.

2. **Interest Rate:** A very important factor that determines of bank credit to the private sector is the dynamic of the real interest rates in the credit market. An increase in the interest rates causes a higher cost of borrowing and consequently its contraction out of it, although on the other hand, is often argued that the rise in interest rates increases the bank deposits base by default making them "freer" in launching loans. Ademi (2016) suggests that Interest rate is the cost of Funding which is measured by the Prime Rate of the economy and represents the proxy of the funding cost of the private sector. Although there is disagreement between the classical approach and the Keynesian approach regarding current interest rates, both link interest rates to credit availability. If the relationship between cost of funding and debt level is negative, it indicates that borrowing costs are associated with higher resources availability. Lazier, Savoia and Saito (2014) posit that financing costs, represented by market interest rates, have a negative effect on credit demand. A rise in interest rate makes, loans become more expensive and this causes a decline in loan demand. Any monetary tightening policy, reflected by a rise in interest rates, may also prompt financial institutions to cut back credit supply.

3. **Minimum Rediscounted Rate (MRR):** The minimum rediscounted rate is the official interest rate of the central bank of Nigeria (CBN) which anchors all other interest rates in the money market and in the economy. The decisions on the MRR made by the CBN affect prices of financial assets and the exchange rate of naira to other countries. It also affects the decision of people to spend or save money. An increase in interest rate would encourage people to save instead of spend money, it would also influence the rate at which money is borrowed and loaned out and affect prices of goods and services (CBN monetary policy department, 2006).

4. **Cyclical Risk Premium**: This is a measured difference between lending and deposit rates. Risk premium on lending refers to the interest charged by banks on loans to private customers minus the risk-fee. Treasury bill interest rate at which short-term government securities are issued or traded in the market. In countries where this is negative, it indicates that the corporate clients are considered of lower risk than the government (Enisan and Oluwafemi, 2015).

5. **Financial Intervention:** Haas and Lelyveld (2002) ~~suggests~~ suggest that foreign banks can be a source of cross border credit as they supply more financial resources to their subsidiaries especially during crisis periods. Thus, it may be beneficial to increase the level of financial liberalization in the banking sector to attract more foreign participation by banks to increase credit flows to the private sector. The creation of an enabling environment through provision of infrastructural facilities and security is crucial for the

improvement in the extension of credit to the private sector. As such private investment is hindered by macroeconomic instability. Pissarides (2001) provides evidence that one of the major challenges experienced by the private sector is the failure by the local banking sector and the under developed financial markets to respond to the demand for finance. A banking sector that is undercapitalized with low liquidity often fails to support the private sector. This is worsened by inadequate legal and regulatory environment and poor effective supervision by the central bank. Rashid (2011) also suggests that an increase in foreign banks in the financial sector where there is overreliance on non-deposit-based funding will lead to less resources being extended to the private sector. This is so because an increase in foreign banks results in less deposits being attracted by local banks and these foreign banks tend to allocate less of their deposits to the private sector. In the end local banks will lend less to the private sector due to a limited deposit base.

6. **Exchange Rate:** This is also known as foreign exchange rate between two currencies and it is the rate at which one currency will be exchanged for another. It is also regarded as the value of one country's currency to another. It is the financial transaction where the currency value of on country is traded into another country's currency. The more liberalized the economy or trade, the better for bank balance
.
7. **Broad Money Supply (M2):** Broad money measures the amount of money circulating in an economy. It is defined as the most inclusive method of calculating a country's given money supply, the totality of assets that the household and business can use to make payment or to hold as short term investment such as currency funds in banks accounts and anything of value. Money supply to domestic banks improve their assets as well as their liquidity, as a result they can lend more at domestic level

8. **Bank Capital to Assets**: This is the proportion of bank capital and reserve to its total assets. Capital and reserves include funds contributed by owners, retained profits general and specific reserves, provisions and valuation adjustments. Capital mainly comprises of paid up shares and common stock which is a common feature in all countries banking systems and total regulatory capital includes several specified types of subordinate debt instruments that need to be repaid if funds are required to maintain minimum capital levels. Total assets include all nonfinancial and financial assets. Capital to asset ratio assists in determining whether a bank has enough capital, to back up its assets.

9. **Gross Domestic Savings**: Gross domestic savings are calculated as Gross Domestic Product (GDP) less final expenditure or total consumption. It refers to the total amount that has been saved after consumption. Savings from individual's income after total consumption is mobilized to generate loan-able funds which can be borrowed for investment purposes.

10. **Prime Lending Rate:** lending rate refers to the bank rate which meets the short- and medium-term financing needs of the private sector. This rate is normally differentiated according to credit worthiness of borrowers and objectives of financing.

11. **Gross Domestic Product:** This is nominal domestic product deflated by consumer price index. It is used to assess whether the evolution of the economic activities is related to the availability of credit in the economy. If the coefficient is positive, it would indicate that the volume of credit is incremented the higher the economic growth. If negative, a lower

economic growth is linked to a higher volume of credit, what may be caused by the fact that the volume of credit cannot be reduced immediately.

12. **Government Borrowing**: Abuka and Egesa (2007) are of the opinion that government borrowing from banks, a proxy of government debt, and crowds out the extension of credit to the private sector. This was supported by Sogut (2008) who showed that in the high-income countries, private sector credit is negatively related to central government debt.

13. **Lending Rate**: The other factors that reduce extension of credit to the private sector include prime lending rate and reserve ratio. This is consistent with a study by Sharma and Gounder (2012) which shows that, in a regional grouping, factors which are detrimental to growth in credit to private sector include average lending rates and inflation.

14. **Reserve ratio/ Monetary policies**: A contraction of monetary policy, operated via open market sales by the central bank may also reduce reserves and thus the amount of loan-able funds from the banking sector, which may also cause a reduction of loan availability. McKinnon and Shaw (1973) 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.

15. **Property Prices**: It has been hypothesized that property prices may also affect both credit demand and credit supply. Property accounts for a substantial share of household assets, so that changes in property prices may have a significant wealth effect on credit demand. Since loans are often secured with real estate collateral, property prices may also have a significant effect on the borrowing capacity of the private sector. An increase in property prices increases the value of collateral assets and thus the creditworthiness of firms and households. As a result, financial institutions are more willing to extend loans, so that the supply of credit to the private sector will rise. Thus, economic activity, interest rates and property prices may affect both credit demand and credit supply (Gbenga, James and Adeyinka 2019).

16. **Domestic Debt:** Domestic debt is debt that originates from within a country. It refers to debt owed to holders of government securities such as treasury bills, and bonds which represent government borrowing through issuance of securities, government bonds and bills. Bad domestic debt may crowd out private sector investments by drawing money from the economy.

17. **GDP Growth Rate:** The GDP growth rate compares one year (or quarter) of a country's GDP to the previous year in order to measure how fast the economy is experiencing growth. Any positive sign of growth in an economy will be translated directly or indirectly to the availability of credit to the private sector.

18. **Institutional factors** such as corruption, bureaucratic red tapes, weak judicial system and unnecessary government interference in efficient mobilization of credit in the economy. All these factors engender insecurity, deter private investment. Corruption had been an

endemic problem in Nigeria. It has been a norm for funds disbursed to be made available for private investments to be amassed by greedy bureaucrats.

Concept of Job Creation

Job creation literally is concerned with establishing more employment opportunities to augment the existing ones. Job creation according to James (2014) is nothing but the increment in the rate of employment in an economy. This is out rightly correct since job creation literally is concerned with establishing more employment opportunities to augment the existing ones. it is a political rhetoric that indicates that jobs are created in response to some sort of events or situations. This is of the notion that job creation is not only an activity but one with a purpose. It holds that job creation is the establishment of jobs as a result of certain identifiable situations in the society that has a need for jobs to be established. In cognizance of the aforesaid, contextually operational within this paper is that job creation is nothing more than the provision of new jobs or expansion of existing ones in such a way as to accommodate more unemployed persons, usually for socio-economic purposes.

John Maynard Keynes who was a renowned English economist in (1936) modeled the economic perspective to the employment theory. Hence, so far that government uses its available fund to embark on social intervention programmes (no matter in what dimension) as facilitated by the multiplier effect of demand by the citizens, the resultant effect is a high tendency of creating employment and a moderate tendency of increasing investment and profitability. The theory holds that effective demand equals total expenditure which is equivalent to national income and national output especially in a short run where factors of production and distribution remain unchanged while determining the level of employment. The implicit of this is that the level of employment is dependent on national income and output (Jhinghan, 2012).

Concept of Full Employment

According to Keynes, full employment means the absence of involuntary unemployment. In other words, full employment is a situation in which everybody that is willing to engage in economically productive activities can do so. Keynes assumes that "with a given organization, equipment and technique, real wages and the volume of output and hence employment are correlated. Keynes advocated that an increase in effective demand to bring a reduction in real wages. As effective demand increases, employment increases. This is because there is increased demand and increased demand necessitates an increase in more production to increase supply to meet demand thus leading to more employment at the existing wage rate.

The classical economists were of the belief that full employment was a normal situation and anything other than that was abnormal. They were of the opinion that full employment exists when everybody who at the existing rate of wages wishes to be employed finds work. By the Pigouvian sense, those who were not prepared to work at the existing wage rate are not unemployed but are voluntarily unemployed. There is impossibility of voluntary employment which is when people who are willing to work do not find work.

We can therefore say full employment is an economic situation in which all available labor resources are being used in the most efficient way possible. Full employment embodies the highest amount of skilled and unskilled labor that can be employed within an economy at any given time. True full employment is an ideal, and probably unachievable, benchmark where anyone who is willing and able to work can find a job and there is no unemployment. It is a

theoretical goal for economic policymakers to aim for rather than an actually observed state of the economy. In practical terms, economists can define various levels of full employment that are associated with low but non-zero rates of unemployment. However, because it may not be practically possible to eliminate all unemployment from all sources, full employment may not actually be possible to attain therefore resulting in unemployment (Jhingan, 2010).

Concept of Unemployment

Unemployment refers to the population of the labor force that is without work and is readily able to work and seeking work. Unemployment describes a condition where people are without jobs or are not gainfully employed. Every economy has a large number of people some of which are active in productive activities and some inactive. The economically active ones are those that are willing and able to efficiently and effectively operate in the economies productive activities and those who are unemployed (Uddin and Osemengbe, 2013). According to International labor organization (ILO), unemployment is defined as numbers of the economically active populations who are without work but are available and seeking work, including people who have lost their jobs and those who have voluntary left work.

Briggs (1973) defined unemployment as the difference between the amounts of labor employed at current wage lends and working conditions and the amount of labor not employed at these levels. However, Douglas and Gbosi, (2006) interprets unemployment as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. The suggestion of the definition by Douglas and Gbosi (2006) is that most people may not be counted as part of the unemployed labor force, in order to avoid overestimation of the official rate of unemployment. Unemployment is macroeconomic problem which every government aims at regulating and controlling.

2.3 Review of Theoretical Issues

Keynesian Theory of Unemployment

Keynesian economics provides an alternative theory of unemployment. John Maynard Keynes and advocates of the Keynesian school of thought have explained that unemployment occurs when there is not enough aggregate demand in the economy. This is backed up by the fact that when demand for goods and services decreases, there would be a decrease in need for production to take place and thus leads to lesser ends for workers. It is noted that in Keynesian economics, that in built in capitalist economic system or what is termed as free market system is the rise and fall of the business cycle. That is a boom and contraction in production output of goods and services in an economy. This is characterized by low aggregate demand and unemployment in the contraction phases of the economy. Employment rate normalizes if the economy manages to re-enter the boom phase. The boom phase is characterized by an expansion or growth in the economy a well as growth of aggregate demand. Hence, the Keynesian theory of unemployment serves as the basis for explaining cyclical unemployment because it describes the effects of frequent shifts in business and economic cycle on the labour market.

Due to the cyclical nature of unemployment and based on one of the primary tenets of Keynesian economics about the importance of government interventions, the Keynesian theory of unemployment recommends government-driven aggregate demand to reduce unemployment, promote consumer confidence, and revitalize production during economic recessions. Government intervention was greatly demonstrated during the Great Depression and the 2008 Financial Crisis. Keynesian models recommend government interventions designed to increase demand for workers; these can include financial stimuli, publicly funded

job creation, and expansionist monetary policies. These financial stimuli, publicly job creation and expansionist monetary policies are argued to enable entrepreneurship to create jobs and help quell unemployment crisis in any economy.

Keynes' theory however does provide solution for all types of unemployment. It deals with only cyclical unemployment. Keynes did not attempt to solve frictional, technological unemployment and chronic unemployment of under-developed countries and capitalist economies. Critics point out that there cannot be a definite functional relationship between effective demand and employment. In fact, everything depends upon the complex inter-relationship of wage rates, prices and money supply. It is sated that when income increases, consumption also increases. Thus, consumption function is a truism. Prof. Hazet criticizes Keynes' consumption function on the basis that it is purely quantitative, but consumption function has qualitative aspect as well

Marxian Theory of Unemployment

Somehow similar to the Keynesian theory, the Marxian theory of unemployment also believes that there is a relationship between economic demand and employment rate. In his manuscript "Theories of Surplus Value," German philosopher and economist Karl Marx argued that unemployment is not only inherent in a capitalist system but also necessary. Nevertheless, members of this reserve army of labour compete for scarce jobs while driving wages lower and lower. The capitalist system allows capitalists or the owners of the means of production to manipulate the labour market by perpetuating unemployment and thus, limit the capacity of labourers to demand higher and fairer wages. The situation also demonstrates the theory of alienation of Marx in which workers are alienated from other workers, as well as from their species-essence (UK-Essays, 2018).

According to Karl Marx, unemployment is in-built in the unstable capitalist system and periodic problems of mass unemployment are to be expected. The function of the working class within the capitalist system is to provide a "reserve army of labour" that creates downward pressure on wages. This is accomplished by dividing the proletariat into surplus labour (employees) and under-employment (unemployed). This reserves army of labour fight among themselves for scarce jobs at lower and lower wages. At first glance, unemployment seems inefficient since unemployed workers do not increase profits. However, unemployment is profitable within the global capitalist system because unemployment lowers wages which are costs from the perspective of the owners. From this perspective low wages benefit the system by reducing economic rents. Yet, it does not benefit workers. Capitalist systems unfairly manipulate the market for labour by perpetuating unemployment which lowers labourers' demands for fair wages. Workers are pitted against one another at the service of increasing profits for owners. Marx was of the opinion that the only way to permanently eradicate unemployment would be to put an end to the capitalism and the system of forced competition and then shift to a socialist or communist economic system. For contemporary Marxists, the presence of persistent unemployment is proof of the inability of capitalism to guarantee full employment (UK-Essays 2018).

The Classical Theory of Unemployment

Several schools of thought in economics such as classical economics and the Austrian School of economics argue that unemployment increases with government regulation or intervention. Their arguments collectively form the classical unemployment theory. There are different ways regulations and interventions contribute to unemployment. For example, raising the minimum wage increases the labour costs more than the economic value of the

actual labour, especially the value of jobs that merely require low competencies. Businesses respond to these minimum wage laws by refusing to hire more labourers to reduce their costs and optimize their operations.

Labour laws that restrict lay-offs or downsizing promote the security of tenure, and mandate the provision of benefits beyond wages are another example. Some businesses are less likely to hire or expand their workforce because of the legal and financial risks stemming from stringent labour laws. Classical or real-wage unemployment occurs when real wages for a job are set above the market-clearing level, causing the number of job-seekers to exceed the number of vacancies (Jhinghan, 2010).

The Keynesian Theory of Income Output and Employment

The Keynesian theory of employment depends on effective demand. Effective demand results in output. Output creates income and income provides employment. Since Keynes assumes all these four quantities, effective demand (Ed), output (Q) income (Y) and employment (N) are equal to each other. He regards employment as a function of income. Effective demand is determined by two factors, the aggregate supply function and the aggregate demand function. The aggregate supply function depends on physical and technical conditions of production which do not change in the short run. Keynes places his entire concentration on aggregate demand as a function to fight depression and unemployment with the assumption that aggregate supply is stable or constant. Thus, employment depends on aggregate demand which is in turn determined by consumption demand and investment demand (Jhingan, 2010).

According to Keynes, employment can be increased by increasing consumption and/or investments. Consumption depends on income and when income rises, consumption rise but not as much as income. In other words, when income rises, savings also rises. Consumption can be increased by raising the propensity to consume in order to increases income and employment. But the propensity to consume depends on the people- their beliefs, habits, wants and social structure which in terms determine the distribution of income. All these remain constant in the short run. Therefore, the propensity to consume remains stable. Employment thus depends on investment and it varies in the same direction as the volume of investment. Investment depends on the rate of interest and the marginal efficiency of capital (MEC). Investment can therefore be increased by a fall in the rate of interest and/or a rise in the MEC. The MEC defends on the supply of capital price of assets and their prospective yield. It can be raised when the price of supply of capital falls or their prospective yield increases (Jhingan, 2010).

The other determinant of investment is the rate of interest. Investment and employment can be increase by lowering the rate of interest. The rate of interest is determined by the demand and supply of money. On the demand side is the liquidity preference schedule. On the supply side, the determinant of interest rate is assumed to be fixed by the monetary authority. Since unemployment results from the deficiency in aggregate demand, employment and income can be increased by increasing investments. Once investment increases, employment and income increases. Increased income leads to a rise in demand for consumption goods which leads to further increase in employment and income. Once in motion, employment rises till it reaches equilibrium level (Jhingan, 2010).

Trade-Off Theory

The trade-off theory of capital structure recognizes that firms want to enjoy the benefits of lower costs of borrowing (Myers, 1977). From this, it is expected that firms enjoying high profits create additional debt-servicing capacity and have more taxable income to shield and

therefore operate on higher borrowing levels. An alternative view to the trade-off theory is the pecking order theory, which argues that firms prefer to employ internal financing (operational cash flow); and where external financing is required, preference is given to debt over equity (López-Gracia and Sogorb-Mira, 2008).

Loan-able Funds Theory of Interest

This theory is for insight on the determinant of credit demand and supply. The Neo-classical or loanable funds theory explains the determination of interest in terms of demand and supply of loanable funds or credit. According to this theory, the demand and supply for loanable funds determines the price of credit. We analyze the demand and supply of loanable funds. According to professor Lerner, it is the price which equates supply of 'credit' or savings plus net increases the amount of money in a period, to the demand for 'credit' or investments plus hoarding.

In the demand for loanable funds, the government, business and consumer constitute the primary sources of demand for loanable funds. Funds are required for the purposes of investment, hoarding and consumption. The government borrows funds for constructing infrastructures for the benefit of the economy. The businesses borrow for the purchase of capital good and for starting investment projects. Such borrowing mostly depends on the rate of profit as compared with the rate of interest. The consumers demand for loanable funds is mostly to facilitate purchase of goods and services. Their borrowing is interest elastic. Their tendency to borrow is at a lower interest rate than at a higher interest rate in order to enjoy consumption. The demand for funds is met by savings or through dissaving. Higher interest rate reduces the demand for investment funds by businesses and government as well as demands for the purpose of hording them (Jhingan, 2010).

In the supply of loanable funds however, sources of supply of loanable funds include saving, dishoarding and bank credit. Private individual and corporate saving are the main sources of savings. Personal savings depend on the income level, yet taking the income level as they are regarded as interest elastic. The higher the rate of interest the greater will be the inducement to save and vice versa. Corporate savings come in form of undistributed profits of a firm which also depends on the rate of interest. If interest rates are high, it will act as a deterrent to borrowing and thus encourage savings. The second source is the volume of funds from hoards. Dishoarding includes not only purchase of old assets or securities from one's idle cash balance of one's funds for net investment or for consumption in purchases in excess of net disposable income. Such funds are directly related to interest rates. The higher the interest rate, the larger the funds coming out of hoards and vice versa. Lastly, bank credit is an important source of supply of loanable funds. More credit is supplied at a higher interest art that at a lower interest rate (Jhingan, 2010).

Theory of Risk Premium

This theory gives insights to demand and supply of credit. This theory accepts the view that yields on various maturities are related to each other by the expectation of short run and long run rates. Thus, it adds to the expectations theory that lenders and borrowers differ in their attitudes towards short-term and long-term securities. Lenders prefer to lend for short term and borrowers prefer to borrow long term. This is because the return on short term securities is certain but that of long-term securities is uncertain on account of future interest rates. When the uncertainty is greater, the maturity of the securities is longer. Thus, risks associated with long term securities are greater. Under these circumstances' lenders prefer the safety of short-term loans. To induce the market to hold the long-term securities supplied by long-term

borrowers, the expected return on them must exceed that on short term securities by a premium which is called an expected risk or liquidity premium. Thus, long term securities being riskier would command larger liquidity premiums. As long-term securities carry higher risk premium. It follows those interest rates increases as one move from short term to long term securities (Jhingan, 2010)

2.4 Review of Empirical Issues

In relation to this study, this section contains ample empirical evidence that supports credit or development of financial sector and unemployment. The financial system works to aid money supply or financial to promote establishments and investments and therefore bring about employment.

Abaukaka (2014) examined the relationship between foreign direct investment and employment generation in Nigeria using multiple linear regression models for data which covers the period from 2002 to 2012. To empirically establish the relationship, some variables were incorporated into the econometric model which included Employment level as the dependent variable while the explanatory variables were FDI (percentage of nominal value of FDI in Nbn), GDP (annual GDP growth rate) and the nominal interest rate. From the empirical results, FDI exhibited negative relationship with the level of employment in Nigeria while GDP, interest rate was positively related with the level of employment but none of the explanatory variables significantly impacted on the level of employment in Nigeria within the period of the study. It was established therefore that the negative relationship of FDI with employment level calls for critical examination because if FDI has been established by many findings of researchers to have positive impact on GDP, it is expected that it should equally bring about reduction in the level of unemployment. At this, the paper recommended amongst others that government should put in place mechanism whereby the research institutions go in partnership with major industries in the country to develop skills that are adaptable in the contemporary job market and government should ensure that the needed infrastructural facilities are provided to attract more investors

Gbenga, James and Adeyinka (2019) studied the Determinants of Private Sector Credit and its Implication on Economic Growth in Nigeria: 2000- 2017.The study examined the determinant of private sector credit and its implication on economic growth in Nigeria. They were of the opinion that fluctuation in the supply of money and credit is the basic causal factor at work in cyclical process; when money supply falls, prices decrease, profit decrease, production activities become sluggish and production falls and when money supply expands, price rise, profit increase and the total output increases and finally growth takes place. The main objective of this study is to examine the relationship between Private Sector Credit and Gross Domestic Product. Data were obtained from Central Bank of Nigeria statistical bulletin. Simple regression analysis was used to achieve the stated objective. It was revealed in the determinant of credit supply that there was significant relationship between Total credits to private sector and money supply in Nigeria. It was also discovered in the Private Sector Credit and Economic Growth that there was significant relationship between private sector credit and economic growth in Nigeria. The study therefore recommends that there should be persistence increase of money supply to Nigerian economy in order to increase the flow of credit to the real sector of the Nigerian economy, financial institutions should distribute more credit to the real sector for productive purposes in order to increase Gross domestic product.

Edward (2018) examined the dynamic linkages between domestic investment, domestic credit to the private sector and gross domestic product (GDP) in Nigeria over the period of 1970 to 2015. The main objective of the study was to provide an empirical framework for understanding the interactions between private domestic investment, domestic credit to the private sector and their impacts on the real sector. The Vector Autoregressive (VAR) model and its accessories of impulse response functions (IRFs) and variance decomposition composition (VDC) were applied to analyse the data. On the basis of tests carried out, empirical findings indicate that the relationship between growth and domestic credit to the private sector is positive and insignificant. Also, the results show that increase in Prime Lending Rate (PLR) reduces output for the period under study, but this was not statistically significant. In addition, the relationship between PDI and PDI is positive but statistically insignificant. Finally, the negative relationship between exchange rate and private domestic investment suggests that the appreciation of the real exchange rate discourages domestic private investment. On the basis of the above findings, the following recommendations are made. The macroeconomic management policies should be enhanced and better coordinated. Specifically, the foreign exchange market should be stabilized. The government should not leave the foreign exchange market to the vagaries demand and supply. The government should periodically intervene in the market when things are getting out of hand as it is present. Monetary and fiscal policies should be better coordinated to ensure that macroeconomic fundamentals are moving in the right direction.

From the work of Haruna, Saifullahi and Mukhtar (2013) on the relationship between financial sector development and unemployment in Nigeria spanning the period 1980 to 2011 using the Auto Regressive Distributed Lag (ARDL) Bound Test technique for the estimation of long-run (co-integration) relationship, Financial sector development were represented by such proxies as Credit to the private sector (CPC), Broad Money Supply (M2), ratio of money supply to GDP (M2/GDP), Rural Bank Branch Deposit mobilized (rudepo) and formal loan allocated to the rural dwellers by rural bank branches (reloan). It was discovered that there is an existence of short run and long run relationship between financial sector development and unemployment level in Nigeria.

The contribution of financial sector development and its impact on reduction of unemployment rate in Pakistan from 1973 to 2007 was examined by Shabbir, Anwar, Hussain and Iman (2012). The study utilized the ARDL statistical technique and found that increases in the activities of the financial sector have positive significant impact on the reduction of unemployment in Pakistan both in the short run and long run. It was further observed that credit extension to the private sector generates job opportunities and increases the level of employment in Pakistan.

Pavlos and Nikolaos (2014) investigated the relationship between unemployment rate, FDI and economic growth in Greece using annual time series data for the period 1970-2012. Several econometric models were employed including the bounds testing (ARDL) approach and ECM ARDL model. The results confirmed a long run relationship among the examined variables. The VECM granger causality results indicated both in the short run and long-run, a strong unidirectional causality between economic development and FDI with direction from economic development to FDI.

Gerti and Irini (2013) analysed the determinants of bank credit to the private sector: The case of Albania. This discussion paper focused on identifying and evaluating the long run determinants of bank credit to the private sector in the case of Albania by employing a Vector

Error Correction Mechanism (VECM) approach based on demand and supply indicators. Estimations show that an adjustment mechanism exists bringing bank credit back to equilibrium. The results imply that lending is positively linked to economic growth. Further, banking and financial intermediation, as well as financial liberalisation would stimulate higher lending demand. In addition, lower cost of lending, diminishing government domestic borrowing and a more qualitative bank credit would create further lending incentives. At the same time, the exchange rate is found to pick up some demand valuation and consumption smoothing effects

Hamidah, Rosfadzimi, Abu, Abd Halim and Noorazilah (2016) examined the impact of FDI on unemployment rate in Malaysia. Factors including a number of foreign workers, gross domestic product (GDP) and exchange rate (EXCR) were also included in the study. Data used in the study was annual data spanning from 1980 to 2012. Autoregressive distributed lag (ARDL) model was used to determine the long run relationship between the variables. The study found that FDI, number of foreign workers, and GDP significantly influenced the unemployment rate in Malaysia.

A study by Saito, Savoiaand and Lzier (2014) shows the determinants of private credit in three groups of countries between 2004 and 2010. It provides subsidies for public policy formulation, based on the argument of heterogeneity between regions. The panel regression models indicate that for the OECD group (Organisation for Economic Cooperation and Development), private consumption was the most relevant determinant, positively correlated with private credit, and its rise of 1 percentage point resulted in a 4.8 percentage points increase in the Credit / GDP ratio. For BRICs group (Brazil, Russia, India and China) and LAC group (Latin America and Caribbean), the Balance of Current Account was the most relevant element and with greater impact on the Credit / GDP ratio. Every negative change of 1 percentage point resulted in a positive change of 2.07 and 0.61 percentage points in the ratio Credit / GDP for each group, respectively.

Many researchers have focused on private sector credit and economic growth but majority of the researchers have failed to work on the determinant of private sector credit as well as the impact the availability of credit has on job creation in Nigeria. However, this study fills the knowledge gap as empirically identifies the determinants of private sector credit in Nigeria as well as the examining the impacts in which private sector credit could have on job creation strides in the country. This study is important so as to get clear view on what factors determine the volume and availability of bank credits to the private sector and to also have an insight on how credit extension to the private sector will affect employment as a significant macroeconomic objective.

3. METHODOLOGY

Theoretical Framework

The theoretical base for this research work incorporates the Loanable Funds Theory of Interest and Theory of Risk Premium. These theories state that the demand and supply for loanable funds is determined by interest rate prevailing in the economy. The theory of risk premium suggests that demand and supply of credit is determined by the risk associated with long term securities. It is upon these theories above that we aim to analyze the determining factors responsible for the supply of credit to the private sector. Keynes theory of income, output an employment state that employment can be increased by an increase in aggregate demand. Aggregate demand can be increased by raising consumption level and consumption is increased by raising income. When income rises, savings also rises. Savings can be

mobilized and used for investment purposes. Increase in aggregate demand will increase demand and cause an expansion of production and employment of productive resources, labor (Jhingan, 2010).

We therefore hypothesize that increasing supply of credit to the private sector for precautionary or speculative reasons leads to an increase in output and employment. The model built on this theory aims at analyzing the impact of supply of credit to the private sector on job creation.

The trade-off theory of capital structure recognizes that firms want to enjoy the benefits of lower costs of borrowing. The model built on this theory suggests availability of finance or access to credit allows for investments. This is because; availability of funds may allow firms to hire more labor.

Model Specification

The model specification is divided into two parts. The first model aims at identifying the determinants of private sector credit, while the second model analyses the role private sector credit has on job creation in Nigeria.

Model 1

Re statement of Hypothesis 1:

$H_{01:}$ There are no identified factor that determine of private sector credit

H_{11}: There are statistically significant factors that determine of private sector credit

Based on economic theory and empirics, the model is specified as follows:
The functional form which was adapted from Gbenga and James (2019) is expressed as;
PSC= f (INT, RGDP, EXR, GDPGR, DMD) . . . . . (i)

While the parametric model is formulated as

$$\boldsymbol{PSC_t = \beta_o + \beta_1 INT_t + \beta_2 RGDP_t + \beta_3 EXR_t + \beta_4 DMD_t + \beta_5 GDPGR + \mu_t}$$

PSC = PRIVATE SECTOR CREDIT
INT = INTEREST RATE
RGDP= REAL GROSS DOMESTIC PRODUCT
GDPGR= GROSS DOMESTIC PRODUCT GROWTH RATE
EXR= EXCHANGE RATE
DMD = DOMESTIC DEBT
μt = error term
β_o = intercept term
$\beta_1 - \beta_5$= co-efficient.

Model 2

Restatement of Hypothesis 2

H_{02}: Credits to private sector does not have impact on Job creation

H_{12}: Credits to private sector has an impact on Job creation

Based on economic theory and empirics, the model is specified as follows:
The functional form as adapted from Haruna, Saifullahi and Mukhtar (2013)
LPR = f (PSC, WR, GDP) . . . . . (ii)

The parametric model is formulated introducing the error term is;

$$\boldsymbol{LPRt = \beta_o + \beta_1 PSC_t + \beta_2 WR_t + \beta_3 RGDP_t + \mu_t}$$

Where:
LPR= LABOR PARTICIPATION RATE (USED INTERCHANGEABLY WITH JOB CREATION)
PSC= PRIVATE SECTOR CREDIT
WR= WAGE RATE
RGDP= REAL GROSS DOESTIC PRODUCT
μt = Error term
β_o = Intercept term
β_1–β_3= Coefficients

Operational Definition of Variables
As stated in the models above, the variables used in the analysis of the determinants of private sector credit and the implication of private sector on job creation are explained below

Private Sector Credit (PSC): Credit to private sector refers to financial resources provided to the private sector, such as loans and advances, purchases of non-equity securities, trade credits and other accounts receivable, which establish a claim for repayment for investment or consumption purposes. The data values of this variable were obtained from Central Bank bulletin 2018. This is obtained by taking the sum total of money given to the private sector in a year.

Labor participation rate (used interchangeably with employment): LPR refers to the section of working population in the economy**.** It refers to the absence of involuntary unemployment. The data values of this variable were obtained from world development indicators 2018. The formula for calculating it is the sum of all workers who are employed or actively seeking employment divided by the total no institutionalized, civilian working-age population.

Real Gross domestic product (RGDP): This represents the total value of goods and services produced over a specific time period. It is used to measure the health of a nation's economy. It assesses whether the evolution of the economic activities is related to the availability of credit in the economy. Gross Domestic Product is expressed in percentage. The values are obtained from world development indicators.

Real Gross Domestic Product Growth Rate (RGDPGR): This compares one year of a country's Gross Domestic Product to the previous year to measure how fast the economy is growing. It is usually expressed as a percentage. It measure is popular in policy making because Gross Domestic product growth is closely connected to key policy targets such as inflation and unemployment rates. The data values of this variable were obtained from Central Bank bulletin 2018. This is obtained by dividing nominal GDP by price deflator.

Interest Rate (INT): This is referred to as an amount charged for the use of an asset (capital). The data values of this variable were obtained from world development indicators 2018. The real interest rate is measures as the growth in real value of the loan plus interest, taking inflation into account.

Exchange Rate (EXR): This is the value of a nation's currency in terms of another currency of another nation. The data values of this variable were obtained from world development indicators 2018. The exchange rate is measured as the nominal value of one currency against another.

Domestic Debt (DMD): It refers to debt owed to holders of government securities such as treasury bills, and bonds which represent government borrowing through issuance of securities, government bonds and bills. The data values of this variable were obtained from world development indicators 2018. This is obtained by simply summing all the amounts the government's internal debt.

Wage Rate (WR): This is the amount base wage paid to a worker per unit of output. It measures the change in price between the current period and the price at a given base period with the quantity and quality of labor service held constant. The data values of this variable were obtained from world development indicators 2018. This is obtained by multiplying the number of work hours per week by the wage.

A-Priori Expectation
Model 1
The a-priori criteria refer to the size and sign of parameter estimates. It is used to determine the appropriateness of the state of the relationships in the specified models. The expected relationship between the dependent and independent variables emanates from economic principles. The a priori expectation for the parameters in use includes:

Gross Domestic Product: It is used to assess whether the evolution of the economic activities is related to the availability of credit in the economy. It is a positive sign for credit growth due to the fact that banks may form expectation about output growth and thus, if they expect a decline in output in the future, they lower the credit supply. We expect for there to be a positive impact of Gross Domestic Product on Private Sector Credit. However, a decline in Gross Domestic Product is expected to have a negative impact on Private Sector Credit.

($\beta 1>0<$)---------- (positive or negative)

Exchange Rate: This is the value of a nation's currency in terms of another currency of another nation. It may affect Private Sector Credit positively or negatively. The more liberalized the economy or trade, the better for bank balance and credit supply.

($\beta 2>0<$)---------- (positive or negative)

Domestic Debt: Domestic debt is expected to affect Job creation negatively. It refers to debt owed to holders of government securities such as treasury bills, and bonds which represent government borrowing through issuance of securities, government bonds and bills. Domestic debt reduces money in circulation and this reduces credit to the private sector.

($\beta 3<0$)---------- (negative)

Interest Rate: This is referred to as an amount charged for the use of an asset (capital). This is expected to affect Private Sector Credit either positively or negatively as interest rate determines the lending capacity of Banks. High interest rates discourage borrowing, although it may encourage the lending sector to make loans available due to expected profits from loan repayment. A fall in interest rates for the repayment of loans encourages the private sector to borrow.

($\beta 4>0<$)---------- (positive or negative)

Gross Domestic Product Growth Rate: This compares one year of a country's Gross Domestic Product to the previous year to measure how fast the economy is growing. It is usually expressed as a percent rate; this measure is popular in policy making because Gross Domestic Product growth is closely connected to key policy targets such an s inflation and

unemployment rates. It is expected to affect Private Sector Credit either positively or negatively.

(β5>0<) ---------- (positive or negative)

A-Priori Expectation for model 2

Wage Rate: Wage rate can either affect job creation positively or negatively. High wage rates put excess money in the hands of people and may make them lazy. On the other hand, excess funds may be channeled into other productive purposes.

(β1>0<)----------(positive or negative)

Gross Domestic Product: This provides an economic snapshot of the economy of a country. It is used to estimate the size of an economy and the growth rate. A healthy Gross Domestic Product means the country is growing and that is important for job creation/ labour participation. Gross Domestic Product is expected to affect Labour participation and job creation positively.

(β2>0)---------- (positive)

Private Sector Credit: The a priori expectation here is that Private Sector Credit will have a positive effect on employment, labor participation. It is expected that when there is availability of credit or loanable funds, investments are encouraged and jobs are created.

(β3>0)---------- (positive)

This study makes use of secondary data in Nigeria from 1981 – 2018. Data used will be gotten from Central Bank Statistical Bulletin, World Bank Development Indicators. Time series data is used.

3.2 Auto-Regressive Distributive Lag (ARDL) Model

According to Pesaran et al (2001), the ARDL co-integration technique (bound test), compared to other multivariate cointegration methods, enables the co-integration relationship to be estimated by the ordinary least square (OLS) after determining the lag order of the model. The choice of ARDL approach is based on, its flexibility that it can be applied when the variables are in different order of integration either at levels I(0) or first difference I(1). In addition, the long run and short run parameters of the models can be simultaneously estimated.

Model used in this study is stated thus:

Model 1

$$D(PSC_t)=\alpha_{01}+\beta_{11}PSC_{t-1}+\beta_{21}INT_{t-1}+\beta_{31}RGDP_{t-1}+\beta_{41}EXR+\beta_{51}GDPGR+\beta_{61}DMD_{t-1}+\sum_{i=1}^{p}\alpha_{1i}D(INT_{t-1})+\sum_{i=1}^{q}\alpha_{2i}D(RGDP_{t-1})+\sum_{i=1}^{p}\alpha_{3i}D(EXR_{t-1})+\sum_{i=1}^{p}\alpha_{4i}D(GDPGR_{t-1})+\sum_{i=1}^{p}\alpha_{5i}D(DMD_{t-1})+\varepsilon_{1t}$$

Model 2

$$D(LPR_t)=\alpha_{01}+\beta_{11}LPR_{t-1}+\beta_{21}PSC_{t-1}+\beta_{31}WR_{t-1}+\beta_{41}RGDP+\sum_{i=1}^{p}\alpha_{1i}D(PSC_{t-1})+\sum_{i=1}^{q}\alpha_{2i}D(WR_{t-1})+\sum_{i=1}^{p}\alpha_{3i}D(RGDP_{t-1})+\varepsilon_{1t}$$

4. DATA ANALYSIS PRESENTATION AND INTERPRETATION OF RESULTS

The objectives of this study is to identify the determinant factors of private sector credit creation in Nigeria, to analyze the relative impact of each determinant or factor of private sector credit creation and to ascertain the impact of private sector credit on job creation in

Nigeria. In order to carry out the analysis, the following methods were employed; Unit root test, Granger causality test and Autoregressive distributed lag (ARDL). The variables that were examined in the course of the analysis include: Private Sector Credit (PSC), Exchange rate (EXCR), Wage Rate (WR), Domestic Debt (DMD), Interest Rate (INT), Real Gross Domestic Product (RGDP) and Labour Participation Rate (LPR).

4.1 Presentation of Results

Unit Root Test

Unit root tests whether a time series variable is stationary or non-stationary using an auto regressive model. For the purpose of this study, Augmented Dickey fuller (ADF) which is the most widespread unit root test will be used because it tests the lagged values of the independent variables in regression. ADF handles large more complex Model. This first step using the ADF is the most important step in determining the stationarity of a time series data. This study adopts the Augmented Dickey-Fuller test (ADF) as shown in Table 1. Private Sector Credit (PSC), Wage Rate (WR), Real Gross Domestic Product (RDGP) and Exchange Rate (EXR) are stationary at order one(I1) and labour participation rate (LPR), Gross Domestic Product Growth Rate (GDPGR), Interest rate (INT), Domestic Debt (DMD) are stationary at level (I0).

Table 1: Stationarity Test: Augmented Dickey-Fuller Approach

Variable	Trend Specification	Critical Values At 1%	Critical Values At 5%	Critical Values At 10%	ADF Stat At Levels	ADF Stat At 1st Diff	Order Of Integration
PSC	Trend: intercept Break:Intercept	-3.626784	-2.945842	-2.611531	-2.350998	-5.548388***	I (1)
LPR	Trend: intercept Break:Intercept	-4.24	-3.544284	-3.204699	-5.891251	-4.304422***	I (0)
WR	Trend: intercept Break:Intercept	-3.621023	-2.943427	-2.610263	-1.180076	-4.060096***	I (1)
GDPGR	Trend: intercept Break:Intercept	-3.621023	-2.943427	-2.610263	-4.967821	-9.041617***	I (0)
INT	Trend: intercept Break:Intercept	-3.621023	-2.943427	-2.610263	-7.159452	-9.687839***	I (0)
RGDP	Trend: intercept Break:Intercept	-3.626784	-2.945842	-2.611531	-0.558161	-6.015296***	I (1)
EXR	Trend: intercept Break:Intercept	-3.621023	-2.943427	-2.610263	1.726513	-4.234224***	I (1)
DMD	Trend: intercept Break:Intercept	-3.670170	-2.963972	-2.621007	6.294709	-5.706153***	I (0)

Source: Authors' Computation Using E-views 9

4.2 ARDL Bounds Test

F-bounds tests were carried out to check if there exists a long-run relationship between the variables used in each model of the study. The following results were obtained accordingly for both models used in the study:

Table 2A: Model One

Where PSC is the dependent variable
F statistic = 4.800639
Null Hypothesis= no long run relationship

Critical Value Bounds			
Significance	I0 Bound	I1 Bound	Hypothesis testing
10%	2.26	3.35	Reject
5%	2.62	3.79	Reject
2.5%	2.96	4.18	Reject
1%	3.41	4.68	Reject

Source: Authors' Computation Using E-views 9

Table 2 is a presentation of the ARDL bounds test using PSC as the dependent variable. The Akaike info criterion (AIC) model selection criteria was used and the model used 2 Lags for PSC and 0, 0, 0, 0, 0 lags for INT, RGDP, EXR, GDPGR, and DMD respectively. The value of the F-statistic is 4.800639 and is greater than the value of the upper bounds at 10%, 5%, 2.5% and 1% level of significance. Therefore, a long-run relationship exists between the variables.

Table 2B: Model Two

Test Statistic Value F-statistic 2.861389
Null hypothesis= no long run relationship

Critical Value Bounds			
Significance	I0 Bound	I1 Bound	Decision
10%	2.72	3.77	Accept
5%	3.23	4.35	Accept
2.5%	3.69	4.89	Accept
1%	4.29	5.61	Accept

Source: Authors' Computation Using E-views 9

Table 4.2B is a presentation of the ARDL bounds test using LPR as the dependent variable. The Akaike Info Criterion (AIC) model selection criteria were used and the model used 2 Lags for LPR and 0, 0, 0 lags for PSC, WR and RGDP respectively. The value of the F-statistic is 2.861389and is lower than the value of the upper bounds at 10%, 5%, 2.5% and 1% level of significance. This signifies that there is no long-run relationship between the variables.

ARDL Model Estimates

The table 4.3 shows the ARDL regression results for both model 1 and 2 as captured by the study such that one unit change in any of the independent variables would cause the dependent variables in the study to change by a particular unit based on the coefficient of the

independent variables obtained. The tables also show the significant of these independent variables on the dependent variables.

Table 3A: Model 1
Dependent variable: PSC
Source: Author's Computation Using E-views 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
PSC(-1)	0.763637	0.151075	5.054683	0.0000
PSC(-2)	-0.459319	0.144736	-3.173488	0.0036
INT	0.049222	0.027185	1.810655	0.0809
RGDP	0.000289	7.06E-05	4.091987	0.0003
EXR	-0.002144	0.006879	-0.311693	0.7576
GDPGR	-0.078342	0.042445	-1.845720	0.7755
DMD	-0.001234	0.000373	-3.307460	0.0026
C	-0.171625	1.160632	-0.147872	0.8835
R-squared	0.871478	Mean dependent var		9.317223
Adjusted R-squared	0.839348	S.D. dependent var		3.622455
S.E. of regression	1.451932	Akaike info criterion		3.776797
Sum squared resid	59.02700	Schwarz criterion		4.128691
Log likelihood	-59.98235	Hannan-Quinn criter.		3.899618
F-statistic	27.12314	Durbin-Watson stat		2.387602
Prob(F-statistic)	0.000000			
***Note: p-values and any subsequent tests do not account for model**				

Source: Authors' Computation Using E-views 9

Table 4.3B: MODEL 2
Dependent variable: LPR

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LPR(-1)	0.956175	0.188418	5.074744	0.0000
LPR(-2)	-0.252920	0.165329	-1.529797	0.1365
PSC	0.032632	0.051293	0.636189	0.5295
WR	0.411653	0.290995	1.414640	0.5295
RGDP	-6.50E-05	2.66E-05	-2.438704	0.0209
C	13.93266	5.333839	2.612126	0.0139
R-squared	0.924287	Mean dependent var		63.79183
Adjusted R-squared	0.924287	S.D. dependent var		2.222108
S.E. of regression	0.660425	Akaike info criterion		2.159146
Sum squared resid	13.08484	Schwarz criterion		2.423066
Log likelihood	-32.86462	Hannan-Quinn criter.		2.251261
F-statistic	73.24669	Durbin-Watson stat		2.002006
Prob(F-statistic)	0.000000			

Source: Authors' Computation Using E-views 9

4.3.1 Discussion and Findings and Policy Implications

The Table 3A above projects that the (R^2) value is 0.871478. It implies that 87% of the systematic variations in the explained variable (Private sector credit) are accounted for by the joint influence of all the explanatory variables employed in the study. This further confirms that the model is correctly specified because the R^2 value is greater than 50%. The F-statistics value is 27.1231 and F probability statistic value is 0.000000. This shows the model is of good fit. The Durbin-Watson statistic which approximately equals 2, indicating that there is absence of first order serial correlation the estimated model. This makes the estimated model reliable and fit for policy perspective.

The regression analysis presented in Table 3A reveal that at 1 percent level of significance, Interest Rate (INT) has a positive impact on private sector credit in Nigeria during the period under consideration. This implies that one-unit increase in interest rate will result in 0.004922 increases in the volume of private sector credit. The results above show that interest rate is a statistically significant factor affecting private sector credit in Nigeria. The policy implication behind the direction of the relationship between these two variables can be because an increase in the rate of interests in the economy sends a signal to the lending sector to increase their lending rate as this will be profitable for them. This makes more funds available. This is in line with the a-prori expectation that an increase in interest rates will motivate banks to lend more thereby increasing the flow of credit to the private. Interest rate increases bank deposits thus allowing for ease of lending (Ojeaga and Odejimi, 2013).

Real Gross Domestic Product (RGDP) from the analysis has a positive impact on private sector credit in Nigeria at 1percent level of significance. This implies that one unit increase in real GDP will result in 0.000289increases in the volume of private sector credit. The policy implication is that an increase in Real Gross Domestic Product sends a positive signal that there is a positive economic outlook or an increase in economic activities. Increase in Real Gross Domestic Product also suggests that an increase in output due to economic productivity builds the financial sector thus increases credit granting. This encourages the investors in the economy to go for loans for investment purposes. Braslins and Orlovs (2013) opine that output in the economy has a significant relationship with the availability of financial resources.

Domestic Debt (DMD) from the analysis has a negative impact on private sector credit in Nigeria and is statistically significant at 1% level of significance. This implies that a unit increase in domestic debt will result in 0.001234 unit decrease in the volume of credit to the private sector. The policy implication behind the direction of the relationship between these two variables can be due to the fact that government borrowing is designed to draw credit from the private sectors. This contradictory policy will lead to a decrease of availability of credit. This goes in line with the a-priori expectation that Domestic debt has a negative impact on private sector credit. Anyawu, Gan and Hu (2017) suggest that government domestic borrowing has resulted in the shrinking or decrease in the flow of credit to the private sector. Philip, Victoria and Oluwaseun (2017) also propose that domestic debt have a negative impact on private credit as a result of the government's excessive borrowing from the individual savings in the banking sector thus crowing out private investors.

The Table 3B above projects that the (R^2) value is0.924287. It implies that 92 percent of the systematic variations in the explained variable (Labour participation rate) are accounted for by the joint influence of all the explanatory variables employed in the study. This further confirms that the model is correctly specified because the R^2 value is greater than 50 percent.

The F-statistics value is 73.24669and F probability statistic value is 0.000000. This shows the model is of good fit. The Durbin-Watson statistic which approximately equals 2, indicating that there is absence of first order serial correlation the estimated model. This makes the estimated model reliable and fit for policy perspective.

The analyzed result presented in table 3B above indicates that at 5 percent level of significance Real Gross Domestic Product (RGDP) has a negative impact on labour participation rate in Nigeria during the period under consideration. This implies that one unit increase in Domestic Debt will result in 6.50000005 unit decrease in the labour participation rate. The policy implication behind between these two variables can be due to the fact the increase in Real Gross Domestic Product directly means there is an improvement in economic activities. As Gross Domestic Product increases as a result of the boom in the economy, it may directly mean that there is already a steady rise in industries and there is a stable economy with optimum use of resources (labour). Since the economy is already prospering, there may be no need to start up new productive activities and employ labour. This may drastically reduce labour's interest to work and the demand for labour, thereby reducing labour participation rate. Martins (2013) find that at growth in the economy was unable to generate sufficient productive employment.

Serial Correlation and Heteroskedasticity Tests

Serial correlation and Heteroskedasticity tests were carried out in this study so to check if there exists the problem of auto-correlation and non-constant variance exists in the model. The results below were obtained for both models used in the study:

Table 4A: Model 1 Serial correlation

Null hypothesis; the series are correlated

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	2.720038	Prob. F(2,26)	0.0846
Obs*R-squared	6.229079	Prob. Chi-Square(2)	0.0444

Source: Author's Computation Using E-views 9

The results in the above Table 4A show the probability value of the serial correlation which is 0.0444. We reject the null hypothesis of serial correlation in the model since the probability value is not significant at 5 percent level of significance. Therefore, the series are not serially correlated.

Table 4B: Model one Heteroskedasticity

Null hypothesis; the model does not hold the assumption of Heteroskedasticity

Heteroskedasticity Test: ARCH			
F-statistic	2.600418	Prob. F(2,31)	0.0904
Obs*R-squared	4.884650	Prob. Chi-Square(2)	0.0870
Scaled explained SS	6.520744	Prob. Chi-Square(7)	0.4804

Source: Author's Computation Using E-views 9

The results above in clearly shows there is presence of the problem of Heteroskedasticity in this model. Hence we are rejecting the null hypothesis that the problem of Heteroskedasticity

does exist. This is because the probability value of the f-statistic is not significant at 5% level of significance.

Table 4C: Model 2
Null hypothesis; the series are correlated

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.623381	Prob. F (2,28)	0.5434
Obs*R-squared	1.534647	Prob.ChiSquare (2)	0.4643

Source: Authors' Computation Using E-views 9

The result in the above table shows the probability value of the serial correlation which is 0.4643. We reject the null hypothesis of serial correlation in the model since the probability value is not significant at 5% level of significance. Therefore, the series are not serially correlated.

Table 4D: Model 2
Null hypothesis; the model does not hold the assumption of Heteroskedasticity

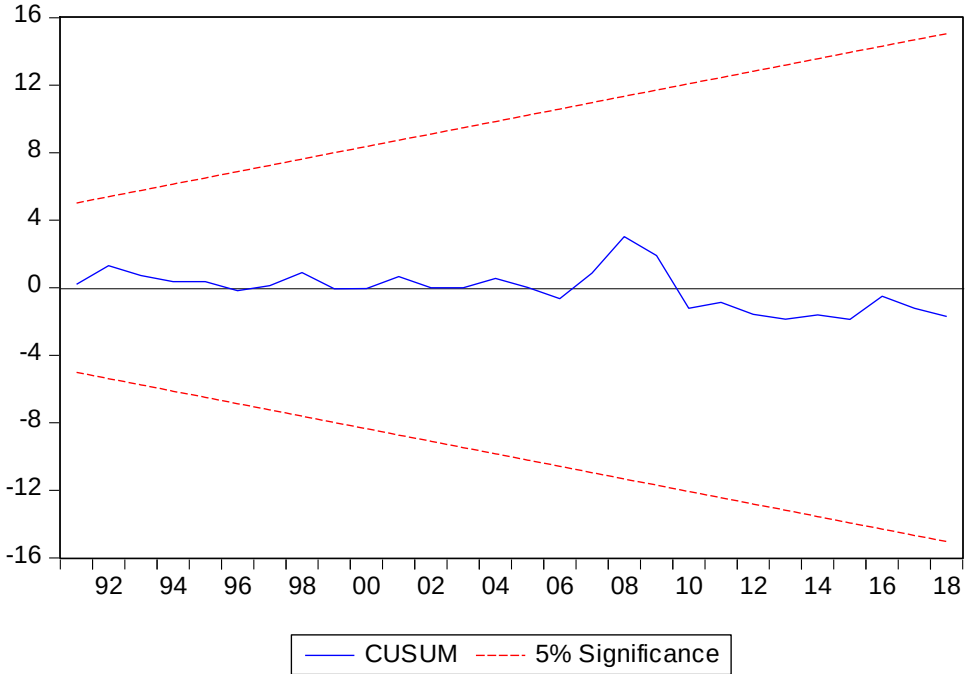
Heteroskedasticity Test: ARCH			
F-statistic	0.037420	Prob. F (2,31)	0.9633
Obs*R-squared	0.081885	Prob. Chi-Square (2)	0.9599

Source: Authors' Computation Using E-views 9

The results above in clearly shows there is presence of the problem of Heteroschedasticity in this model. Hence, we are rejecting the null hypothesis that the problem of Heteroskedasticity does exist. This is because the probability value of the f-statistic is not significant at 5% level of significance.

Stability Tests: Cusum and Cusum Squares Test
Cusum and cusum squares test were carried out in the study so as to check if the models in study are stable over time. The results obtained are shown below:

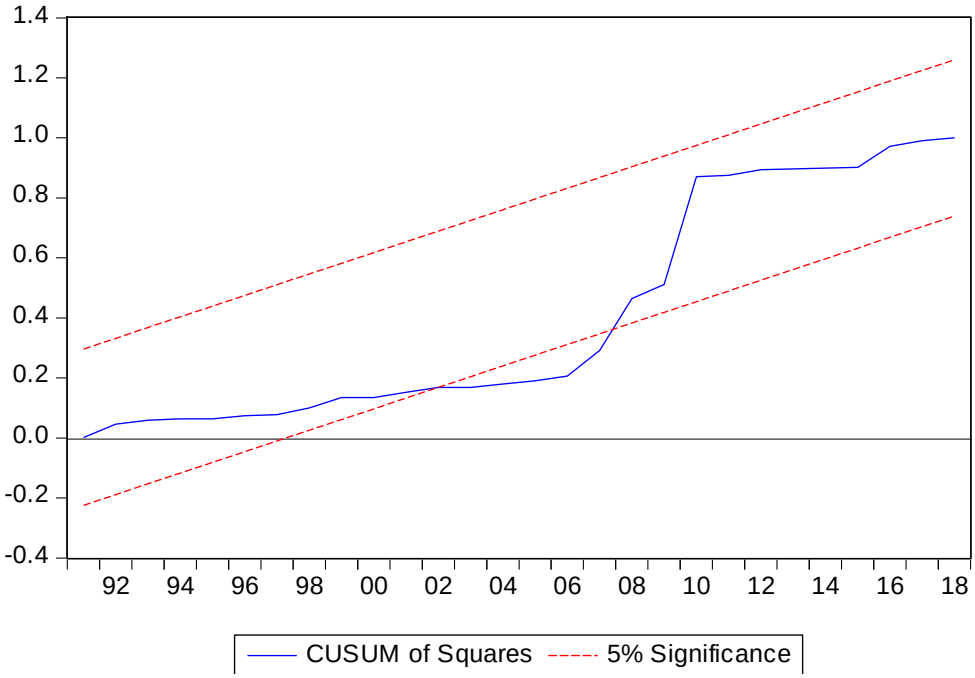
Figure 5A: Model 1



Source: Authors' Computation Using E-views 9

From the graph in5A above, the cumulative sum of recursive residuals (CUSUM) test is used to assess the stability of the parameters. The estimate shows parameter stability as the CUSUM plot falls within the critical bounds or control points of the 5 percent significance level. Therefore, the model is stable as shown.

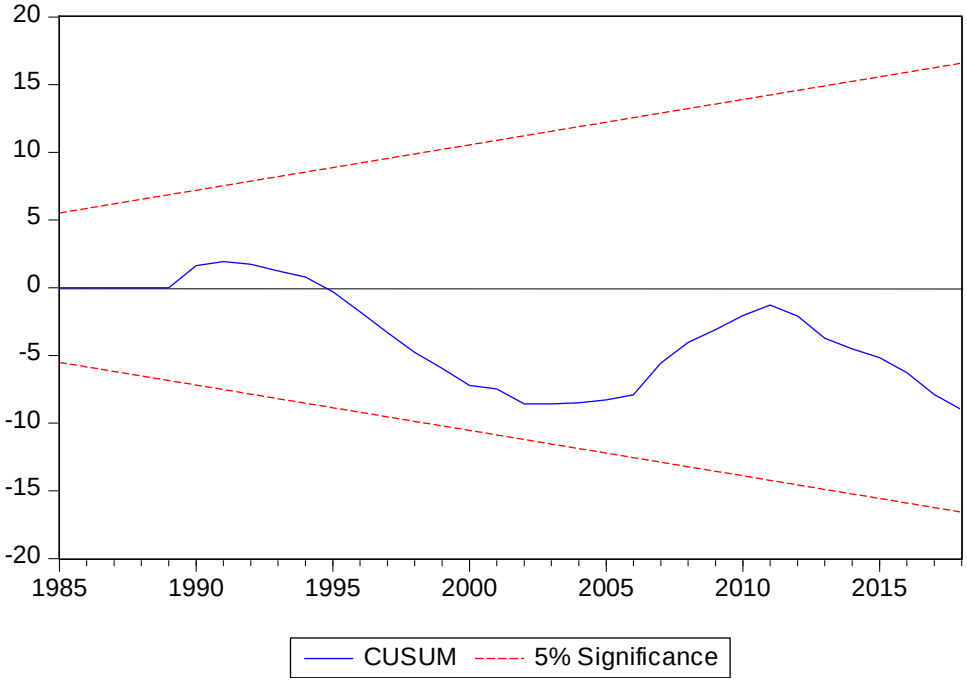
Figure 5B: Model one



Source: Authors' Computation Using E-views 9

From the Figure 5B above, it can be seen that the plot of the model is outside the critical bounds or control points of 5 Percent significant level. Hence, the model is not stable as shown using the CUSUM squares test.

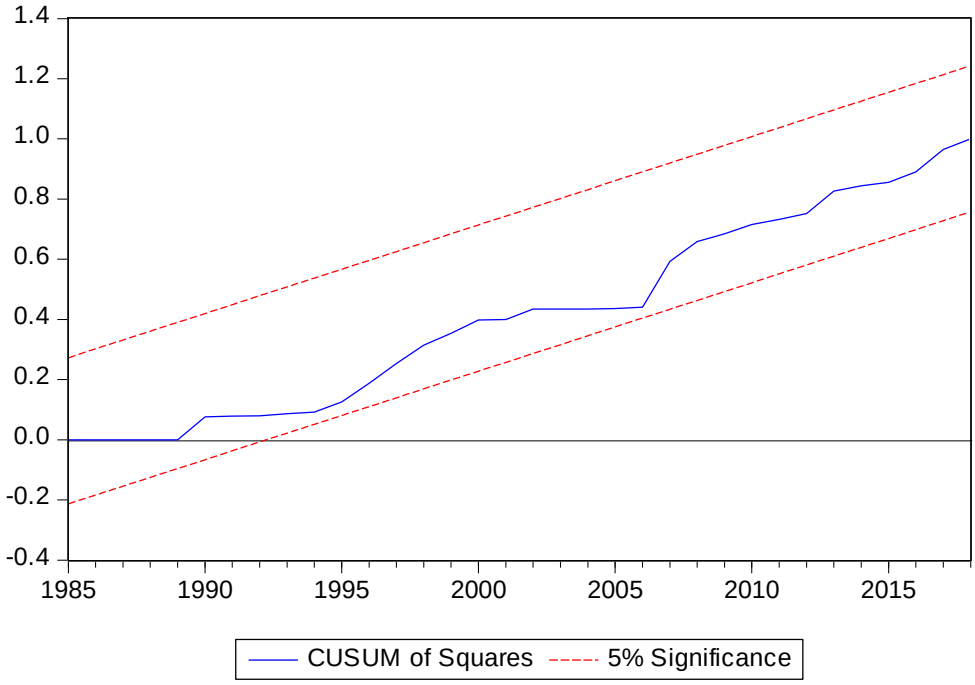
Figure 5C: Model 2
CUSUM TEST:



Source: Authors' Computation Using E-views 9

From the figure 4.5c above, it can be seen that the model is within the 5 percent control points. Hence, the model is stable as shown in the CUSUM test.

Figure 5D: Model 2
CUSUM OF SQUARES TEST:



Source: Authors' Computation Using E-views 9

From the figure 5D above, it can be seen that the model is within the control zone of 5 percent significant level. Hence, the model is stable as shown using the CUSUM squares test.

Granger Causality Test

Granger causality test is an econometric test used to show the direction of causality among variables in a study. The direction of causality can either be unidirectional, bidirectional or no direction. The tables 4.6A and 4.6B present the Granger causality test for this study and the corresponding interpretation;

Table 6A: Model 1

Null Hypothesis:	Obs	F-Statistic	Prob.	Accept/Reject H_0
EXR does not Granger Cause PSC	36	5.35459	0.0101	Reject
PSC does not Granger Cause EXR		1.02402	0.3710	Do not reject
DMD does not Granger Cause PSC	36	2.52281	0.0966	Do not reject
PSC does not Granger Cause DMD		7.27014	0.0026	Reject
GDPGR does not Granger Cause PSC	36	0.76547	0.4737	Do not reject
PSC does not Granger Cause GDPGR		0.17435	0.8408	Do not reject
INT does not Granger Cause PSC	36	0.33592	0.7172	Do not reject
PSC does not Granger Cause INT		0.52138	0.5988	Do not reject
RGDP does not Granger Cause PSC	36	6.53161	0.0043	Reject
PSC does not Granger Cause RGDP		1.26762	0.2957	Do not reject

Source: Authors' Computation Using E-views 9

Decision rule: Reject H_0 if the probability value is less than 0.05. Accept the null hypothesis if the probability is greater than 0.05.

The above results of table 6A (Model 1) are as follows:
Exchange Rate (EXR) Granger Causes Private sector credit (PSC) and Private sector credit (PSC) does not Granger Causes Exchange Rate (EXR). Domestic Debt (DMD) does not granger cause Private sector credit (PSC) but Private sector credit (PSC) Granger causes Domestic Debt (DMD). Gross domestic product growth rate (GDPGR) does not granger cause Private sector credit (PSC) and Private sector credit (PSC) does not granger cause Gross domestic product growth rate (GDPGR). Interest rate (INT) does not granger cause Private sector credit (PSC) and Private sector credit (PSC) does not granger cause Interest rate (INT). Real gross domestic product (RGDP) Granger causes Private sector credit (PSC)

and Private sector credit (PSC) does not Granger cause real gross domestic product (RGDP). The pair of variables with a Unidirectional causality are Exchange Rate (EXR) and Private Sector Credit (PSC), Private Sector Credit (PSC) and Domestic Debt (DMD), Real Gross Domestic Product (RGDP) and Private Sector Credit (PSC).

The pair of variables with no causality are Private Sector Credit (PSC) and Exchange Rate (EXR), Domestic Debt (DMD) and Private Sector Credit (PSC), Gross Domestic Product Growth Rate (GDPGR) and Private Sector Credit (PSC), Private Sector Credit (PSC) and Gross Domestic Product Growth Rate (GDPGR), Interest rate (INT) and Private Sector Credit (PSC), Private Sector Credit (PSC) and Interest rate (INT), Private Sector Credit (PSC) and Real Gross Domestic Product (RDGP)

Table 6B: Model 2

Null Hypothesis:	Obs	F-Statistic	Prob.	Accept/Reject H_0
PSC does not Granger Cause LPR	36	0.96994	0.3903	Do not reject
LPR does not Granger Cause PSC		0.49252	0.6158	Do not reject
WR does not Granger Cause LPR	36	3.75987	0.0345	Reject
LPR does not Granger Cause WR		4.31508	0.0222	Reject
GDP does not Granger Cause LPR	36	0.25177	0.7790	Do not reject
LPR does not Granger Cause GDP		5.51610	0.0089	Reject

Source: Authors Computation Using E-views 9

Decision rule: Reject H_0 if probability is less than 0.05. Accept the null hypothesis if the probability is greater than 0.05. The above results of Table 6B (Model 2) are as follows:
Private Sector Credit (PSC) does not Granger Cause Labour participation rate (LPR) and Labour Participation Rate (LPR) does not Granger Cause Private Sector Credit (PSC). Wage Rate (WR) Granger Causes Labour Participation Rate (LPR) and Labour Participation Rate (LPR) Granger Causes Wage Rate (WR). Gross Domestic Product (GDP) does not Granger Cause Labour Participation Rate (LPR) and Labour Participation Rate (LPR) Granger Causes Gross Domestic Product (GDP).The pair of variables with a Bi-directional causality is Wage Rate (WR) and Labour Participation Rate (LPR). The pair of variables with a unidirectional causality is Labour Participation Rate (LPR) and Real Gross Domestic Product (RGDP). The pair of variables with no causality is Private Sector Credit (PSC) and LPR, LPR and PSC, GDP and LPR. Bi-directional relationship implies a direct relationship responsive in both directions exist between the dependent and the independent variables. Unidirectional relationship implies a direct relationship responsive in one direction exists between the dependent and the independent variables

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The aim of this study is to identify the determinants of private sector credit and also examine the implication of private sector credit on job creation in Nigeria from 1984 to 2020. The relationship between private sector credit and job creation in the Nigerian Economy has therefore been fundamental to the policy makers in different countries. This study therefore

primarily attempts to investigate the determinants of private sector credit and the impact of private sector credit on job creation in Nigeria.

Summary of Findings

The broad objective of this study is to investigate the determinants of private sector credit and also examine the implication of private sector credit on job creation in Nigeria from 1984 to 2020 using annual time series data from the specific objectives include to identify the determinant factors of private sector credit creation in Nigeria, to analyze the relative impact of each determinant or factor of private sector credit creation, to ascertain the impact of private sector credit on job creation in Nigeria.

The study checks for unit root using Augmented Dickey –Fuller (ADF) to check if the variables are stationary or not. Regression analysis was employed to test for the relationship between the variables and this study made use of some statistical tools such as Auto regressive distributed lag (ARDL), F bounds test was then carried out to assess whether the variables are cointegrated and if there is long run relationship. Serial correlation and Heteroskedasticity tests were conducted to test for autocorrelation and non-constant variance respectively. Cusum and cusum squares tests were also carried out to check it the models were stable or not. Granger causality test was conducted to test the causal relation between variables of this study.

The ARDL test shows that Interest Rate (INT) and Real Gross Domestic Product (RGDP) were discovered to be significant and have a positive impact on Private Sector Credit (PSC). DMD has a negative but significant impact on Private Sector Credit. Exchange Rate (EXR) and Gross Domestic Product Growth Rate (GDPGR) are insignificant and therefore have no impact on Private Sector Credit. Furthermore, Real Gross Domestic Product (RGDP) has a significant but negative impact on Labour participation rate (LPR). Private Sector Credit (PSC) and Wage Rate (WR) are insignificant as related to Labour Participation rate (LPR). The pair of variables with a unidirectional causality is Exchange Rate (EXR) and Private Sector Credit (PSC), Private Sector Credit (PSC) and Domestic Debt (DMD), Real Gross Domestic Product (RGDP) and Private Sector Credit (PSC).

In the same vein, the pair of variables with a Bi-directional causality is Wage Rate (WR) and Labour Participation Rate (LPR). The pair of variables with a unidirectional causality includes Labour Participation Rate (LPR) Real Gross Domestic Product (RGDP). F bounds test also showed presence of long run relationship between the variables in the first model at 10percent, 5 percent, 2.5 percent and 1 percent and also showed absence of long run relationship between the variables in the second model at 10 percent, 5 percent, 2.5 percent and 1 percent.

CONCLUSION

This study identifies significant factors that determine private sector credit which includes Interest rate (INT), Real Gross Domestic Product (RGDP) and Domestic Debt (DMD). Also, Private Sector Credit statistically has no significant in explaining Labour Participation rate. Real Gross Domestic Product is the only factor that has an impact on Labour Participation rate. This work is limited due to the time series data used which stops at 2020. It is necessary that any other work on the topic should broaden the scope to incorporate Sub Saharan countries and employ the use of panel data.

Recommendations

From the careful examination of credit to the private sector and the implication of Private Sector credit on Job creation in Nigeria, it is therefore important to recommend the following policies to the Government. The government of Nigeria working through the central bank of Nigeria (CBN) should finance the real sector as well as improve private credit flow to the sector because of its strategic importance in creating job opportunities and encouraging labor participation rate.

Government should formulate policies that would increase bank lending activities so as to promote capital availabilities among intending private investors. One of the major ways governments can achieve this is by formulating expansionary monetary policies. Since it has been observed that interest rate determines the rate at which credit is supplied to the private sector, the lending sectors should make borrowing more conducive for borrowers by charging low interest rates for borrowing private investors so as to increase investor's willingness to borrow and invest.

Governmental should also set up self-developmental platforms for upcoming private investors so as to make them properly invest in worthwhile opportunities with borrowed funds so as avoid wasting scarce funds made available by lending sectors. The Government through debt management should sustain the restructuring of debit away from the private sector as the dominant holder. The Central Bank should employ more stable monetary policies that increase flow of credit to the private sector

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