Title of Article: Financial Development and Economic Growth: Further evidence from Nigeria.
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Abstract: The paper examined the relative effects of banks and stock market on economic growth in Nigeria using data from 1970 to 2004. In addition, the study investigated whether it is the changes in the financial structure or the overall financial systems that explain better the economic growth dynamics in Nigeria. Using annual time series data from 1970-2004, a vector error correction model was specified to analyze the data and draw policy inference. The time series properties of the variables were also analyzed to avoid spurious regression. The result showed that there was significant difference in the effect of stock market and bank on economic growth. Specifically, while bank development had negative effect (albeit) insignificant on economic growth, stock market had significant positive effect on economic growth. The result showed further that despite the negative effect of bank on economic growth, bank was found to have positive effect on stock market development. More importantly, the result also revealed that changing financial structure was too weak to affect the rate of economic growth hence suggesting that neither the bank based nor market based system is dominant rather it was the quality of services rendered that mattered in the case of Nigerian economy.