Money matters a lot: empirical analysis of financial development, financial inclusion and economic growth in Nigeria

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Abstract: One of the core macroeconomic goals in every economy is the pursuit of growth which relies on an economy's ability to accelerate the accumulation rates of financial, human and physical capital, and effectively enable the access of the entire population to these assets. This study therefore, analysed the impact of financial development and financial inclusion on economic growth in Nigeria from 1981–2019. Adopting the classical linear regression modelling technique, the results showed that financial development and financial inclusion have significant positive impact on economic growth in Nigeria. The study therefore recommended that government should make policies that would enable financial intermediaries mobilise funds more efficiently and also make these funds accessible and affordable to individuals (even at the lowest segments of the society), businesses, as well as other productive sectors of the economy. This is how financial development and financial inclusion will continue to enhance growth in Nigeria.

Keywords: money; financial development; financial inclusion; economic growth; Nigeria.

Reference to this paper should be made as follows: Anthony-Orji, O.I., Orji, A., Ogbuabor, J.E. and Uka, L.C. (2023) 'Money matters a lot: empirical analysis of financial development, financial inclusion and economic growth in Nigeria', *Int. J. Economic Policy in Emerging Economies*, Vol. 17, No. 1, pp.100–117.

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1 Introduction

One of the core macroeconomic goals in every economy is the pursuit of economic growth and sustainable development. This pursuit is supported by the fact that sustainable development requires consistent growth in all sectors of the economy. Prolonged growth which would remain sustainable relies on an economy's ability to accelerate the accumulation rates of both human and physical capital, utilise efficient assets more productively and effectively enable the access of the entire population to these assets that have been made available (Herath and Mahmood, 2014). Financial inclusion which is typically understood as access to formal financial services such as credit, insurance and secure saving opportunities, has in recent years been identified as a critical engine of economic growth (Anthony-Orji et al., 2019a). Current trend has revealed high levels of activities by policy makers in pursuing financial inclusion owing to the fact that countries with higher degrees of financial inclusion tend to experience a very high level of economic growth. While economic growth is good, sustained high economic growth is better and best of all is sustained high economic growth with inclusiveness (Migap et al., 2015). Financial inclusion thus entails making sure that the masses in the society, those classified under the low income category, the illiterates; those living in the less developed part of the country, etc. have access to financial services (Chandrarin et al., 2018). These services can only be made available to the named group by bringing to the minimal the restrictions to the access of this basic need. The restrictions being referred to could be in