

DOES MICROFINANCE BANK CREDIT INFLUENCE OUTPUT PERFORMANCE IN NIGERIA? A NEW EMPIRICAL EVIDENCE FROM THE DOLS APPROACH

EMMANUEL T. IDEBA

Department of Economics, University of Nigeria, Nsukka
tochukwuideba@gmail.com

ANTHONY ORJI

Department of Economics, University of Nigeria, Nsukka
anthony.orji@unn.edu.ng

JONATHAN E. OGBUABOR

Department of Economics, University of Nigeria, Nsukka,
jonathan.ogbuabor@unn.edu.ng

IKENNA PAULINUS NWODO

Department of Economics, University of Nigeria, Nsukka
iyknwodo@gmail.com

ONYINYE I. ANTHONY-ORJI

Department of Economics, University of Nigeria, Nsukka
onyinye.anthony-orji@unn.edu.ng

Abstract

Developing nations have experienced a variety of economic challenges that have limited their ability to develop and thrive. Since the pandemic in 2020, Nigeria's economic growth has been trending downhill, creating severe economic and social problems. In light of this ugly trend, this study critically evaluates the effect of microfinance bank credit on output performance in Nigeria. This study utilized secondary data collected from the Central Bank of Nigeria statistical bulletin. It deployed the Dynamic Ordinary Least Square (DOLS) Estimation techniques to explore the effects of microfinance bank credit on output performance in Nigeria. The findings show that microfinance bank loans and advances have a positive and significant long-run effect on Nigeria's economic growth. Therefore, the study recommends that microfinance institutions must be adequately harnessed and supported to attain their maximum potential. This involves appropriately regulating microfinance banks and reviewing the Microfinance Policy, Regulatory, and Supervisory Framework (MPRSF) to increase public trust in microfinance institutions. Additionally, microfinance banks should be required to provide SMEs with much-needed loans with minimal or reasonable collateral.

Keywords: Microfinance Bank Credit, Small and medium-scale enterprise (SME), Economic growth, Financial Inclusion

JEL classification: O16, G21, C22