

A COINTEGRATION ANALYSIS OF THE RELATIONSHIP BETWEEN MONEY SUPPLY AND FINANCIAL INCLUSION IN NIGERIA (1981-2016)

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ABSTRACT

Many people are still excluded from accessing formal financial services in Nigeria, despite the present growth in economic sector and the fact that nations around the world have used their financial policies successfully to drive their initiatives of financial inclusion. CBN 2018 studies show that just 58.4% of Nigeria's 96.4 million adults were economically assisted and only 48.6% of all adults used proper economic services as of year 2016. This research examined the relationship between financial inclusion and money supply in Nigeria (1981-2016).

Research accept an exposit factor research design wherein time series statistics were collected through secondary causes from The IMF Financial Access Survey (FAS) the Central Bank of Nigeria and over thirty-six years study period. Information were collected on monetary inclusion proxied with total loans of rural banks, total deposit of rural banks, the number of Automated Teller Machines (ATM) per 100,000 adults and total number of commercial bank branches. Graphs and tables were used to demonstrate the trend over the study period for Money Supply and monetary inclusion indices. Cointegration, Multiple Regression and Error Correction Model were used to examine the data collected.

Results revealed important positive relationships between currency supply and total loan of rural banks ($t=4.651$, $p=0.001$), total credit to individuals ($t=4.427$, $p=0.0001$), number of bank branches ($t=1.734$, $p=0.094$) and the number of ATMs per 100,000 adults ($t=3.605$, $p=0.0012$). The regressed standard errors were very less and the multiple determination coefficient (R^2) was 0.56. The research determined that a positive and significance two-way relationship occur between money supply and financial inclusion.

Based on the result of the research, it is therefore suggested that Central Bank of Nigeria (CBN) should implement financial policies that will generate a positive investment climate through market based interest rate that will inspire investments and absolutely impact money supply and hence lead to rise in the financial inclusion level.

KEYWORDS: *Research, Statistics, financial*

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