



Financial Intermediation and Growth Performance in Nigeria: A Harrod–Domar Perspective

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Abstract

This study explores the relevance of the Harrod-Domar Growth Model inside Nigerian financial intermediation by exploring how effectively banking sector operations channel savings into productive investments that foster economic growth. The research design adopted is ex post facto using annual data from 2010 to 2024 of selected listed deposit money banks in Nigeria. The empirical analysis applies the Autoregressive Distributed Lag (ARDL) model to evaluate the short run and long run link between deposit mobilisation, bank lending, capital–output ratio, bank size and economic growth. The results show the existence of a steady long run link between banking sector intermediation factors and economic growth in Nigeria. Deposit mobilisation has a positive and marginally significant impact on growth, but bank lending shows a negative significant long-run link, indicating inefficiencies in credit allocation and investment transmission. The capital-output ratio is significant and positively related to economic growth, contrary to the standard prediction of Harrod-Domar indicating that times of intensive capital accumulation and infrastructural expansion may be conducive to growth even with reduced capital efficiency. The results emphasise the necessity for enhancing the efficiency of financial intermediation, improving credit allocation mechanisms, optimising risk management procedures, and macroeconomic stability in emerging financial systems. This analysis contributes to the development finance literature by highlighting that the efficiency of the Harrod Domar savings–investment–growth mechanism in emerging economies is significantly dependent on the quality of financial intermediation.

Keywords:

Bank recapitalization
Capital efficiency
Deposit stabilization
Economic growth
Non-performing loans
Savings mobilization.

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1. Introduction

1.1. Background to the Study

The macro capital-output ratio reflects investment efficiency serving as a catalyst in understanding the interrelationship between economic growth, savings and investment. The banking sector is sitting at the top of the economic growth (GDP growth) pyramid enabling the interface between savers and investors to promote capital formation and expansion. Between 2010 and 2024, the Nigerian banking industry underwent significant reforms, yet its role in driving growth remains debated. This study applies the Harrod–Domar framework to empirically test whether banking activities in Nigeria align with the savings–investment–growth dynamics proposed by the model.

The Harrod-Domar growth model which helps in the understanding of how the mobilisation and consequent allocation of financial resources contribute to a wider spectrum of economic outcomes through the banks is a pioneer framework devoted to the roles being played by the interlocking of the three variables of savings, investment and capital efficiency and is a concept that exposed the banking sector significant influence on sustainable economic growth (GDP growth) and development. With the capital-output ratio measuring and moderating the efficiency at the rate capital is transformed into output, the Harrod-Domar model posits that the portion of national income saved and consequentially invested have a direct significant impact on the economic growth (GDP growth) rate. The banking effect is that the propensity to mobilise and translate savings by financial institutions into productive loan and investments affects not just the individual business endeavours but cumulated into national productivity and growth levels.

Efficient financial intermediation by banks helps maintain a low capital-output ratio, meaning that each unit of capital invested yields a higher level of output. Productive investments that aid rapid economic growth (GDP growth) is one of the major resultant effects of a prudent lending by the banks while credit management inefficiencies proxies of high non-performing loans or poor risk assessment often led to a very high capital-output ratio implying that a higher volume of investment is needed to achieve the same level of output, and growth falters. This will necessitate policymaker's introduction of incentives to increase the savings pool through incentives for deposit growth and improve the efficiency of credit allocation through reforms and technological upgrades.

This study is essential and contributes to the literature in three important ways as it extends the Harrod–Domar growth model by incorporating banking sector intermediation variables, which are deposit mobilisation and credit creation, as drivers of economic growth in Nigeria. Again, the study by introducing bank size as a moderating factor to influence the savings which is an investment–growth transmission mechanism. And providing updated empirical evidence using an ARDL framework and recent data from 2010–2024 on the finance–growth relationship in a developing economy context.

1.2. Originality and Contribution to Knowledge

This study contributes to the development finance and economic growth literature by critically re-examining the applicability of the Harrod–Domar Growth Model within the context of financial intermediation inefficiencies in an emerging economy. While the traditional Harrod–Domar framework assumes that savings are efficiently transformed into productive investment capable of generating proportional economic growth, this assumption may not hold in developing financial systems characterised by structural rigidities, weak credit allocation mechanisms, regulatory distortions, and institutional inefficiencies. Accordingly, the novelty of this study lies in testing the breakdown of the classical Harrod–Domar assumptions under conditions of imperfect financial intermediation within the Nigerian banking sector between 2010 and 2024. Rather than merely examining whether savings and investment influence economic growth, the study investigates whether the banking system efficiently transmits mobilised savings into productive investment capable of sustaining long-run growth in an emerging economy environment.

In one of the four major identified contributions is the reconceptualization of the Harrod–Domar savings–investment–growth nexus to include banking-sector intermediation variables such as deposit mobilisation, bank lending, and bank size into the classical growth framework, as a way of extending the traditional model beyond its original macroeconomic assumptions, exposing the central role of financial institutions as mediators between savings accumulation and productive investment. The study also empirically demonstrates that increased credit expansion does not necessarily translate into economic growth in developing economies due to the persistency of inefficiencies in financial intermediation. Evidence that the traditional Harrod-Domar assumption of efficient investment transmission could falter in situations of credit mis-allocation, poor institutional quality, and structural distortions within the financial system is provided by the observed negative long-term relationship between bank lending and economic growth.

An additional contribution of the study is the ongoing discussion regarding capital efficiency in emerging economies by demonstrating that the capital-output ratio may deviate from classical growth-theory predictions in structurally transforming contexts. Specifically, the observed positive correlation between the capital-output ratio and economic growth suggests that phases of accelerated capital accumulation and infrastructure expansion can temporarily increase capital requirements while maintaining the need for sustained long-term growth. Fourth, the study introduces bank size as a moderating variable in the savings–

investment–growth relationship and thus provided deeper knowledge into the size effect of financial intermediation suggesting that intermediation contribution to growth depends not only on the volume of savings and credit creation but also on the total capacity of banks to efficiently allocate financial resources.

The study contributes to the body of literature by showing that the Harrod-Domar growth mechanism's efficiency in emerging economies depends on the degree of quality and effectiveness of financial intermediation. This empirical evidence suggests that institutional weaknesses, ineffective credit transmission mechanisms, and more general systemic constraints within the financial system may be the key drivers of the breakdown of classical growth assumptions in developing economies.

1.3. Statement of the Problem

A model that has been used on many occasions to evaluate macro-economic performance is the Harrod–Domar growth model which simply says the key drivers of economic growth (GDP growth) is the combination and interaction between savings and investment with the capital-output ratio serving as the efficiency factor. However, this model has not been comprehensively tested at microeconomic level particularly with regards to the banking industry which coincidentally also is the key driver and mobiliser of savings and investment while the integrity of the efficiency of investment can be measured by the capital efficiency ratio (capital-output ratio). Also, the behaviour of this theory in an informal economy such as Nigeria requires continuous testing as the economic dynamic remain volatile and unstable (Ahworegba, Garri, & Estay, 2022).

Currently in Nigeria, the economic sector growth induced by the banking sector is not seen strictly influenced by the Harrod–Domar framework of a strong interplay between savings mobilisation, investment creation, and capital efficiency. Capital accumulation and investment efficiency are typically distorted by structural rigidities, inefficient credit transmission mechanisms, and regulatory obstacles, resulting in inconsistent bank contributions to economic growth (GDP growth). The defiance of the economic order with many factors affecting the economic growth (GDP growth) in Nigeria with great emphasis on externalities is prompting critical questions of whether the banks-mobilised savings significantly impact sectoral growth including the role of investment creation through banking activities and the degree of influence of capital-output ratio. These are outcomes that need to be continually and empirically tested giving the dynamism of the growth in the duo of bank size and income levels.

In clear terms, this study will primarily focus on empirically testing the application and validity of the Harrod–Domar model in explaining the economic growth (GDP growth) dynamics in Nigerian between 2010 and 2024, with the determination of whether the model's predicted relationships is contextually correct with examination of the interrelationships among savings mobilisation, investment creation, capital-output ratio, with regards to the banking sustainable performance, including the moderating role of bank size.

1.4. Research Questions

The research questions guiding this study is to boost the understanding of the Harrod-Domar and how key financial mechanisms drive economic growth (GDP growth) in Nigeria. Specifically, the study provides a structured framework for examining:

1. To what extent does savings mobilized by deposit money banks influence economic growth in Nigeria?
2. What is the relationship between bank investment and economic growth in Nigeria?
3. How does the capital-output ratio affect economic growth in Nigeria?
4. Does the Harrod–Domar model hold true for the Nigerian economic growth?

1.5. Objectives of the Study

The study generally aims to assess the applicability of the Harrod–Domar growth model in Nigeria's banking sector for 15 years (2010–2024) and specifically the objectives are to:

1. Examine the effect of savings mobilized by listed deposit money banks on economic growth (GDP growth) in Nigeria.
2. Evaluate the impact of Nigeria listed deposit money banks investment on economic growth (GDP growth) in Nigeria.
3. Analyze the influence of the capital-output ratio on economic growth (GDP growth) in Nigeria.
4. Test the validity of the Harrod–Domar model of economic growth (GDP growth) in Nigeria.

1.6. Research Hypotheses

H_{01} : Savings mobilized by Nigeria listed deposit money banks have no significant effect on economic growth (GDP growth) in Nigeria.

H_{02} : Nigeria listed deposit money banks investment has no significant effect on economic growth (GDP growth) in Nigeria.

H_{03} : The capital-output ratio has no significant influence on economic growth (GDP growth) in Nigeria.

H₀: The Harrod–Domar model is not valid for the Nigerian economic growth (GDP growth) (2010–2024).

1.7. Scope of the Study

This study provides empirical insights for policymakers, academics, investing public and practitioners. For policymakers, it helps to envision the right monetary and fiscal measures that enhance banking sector efficiency. The study will academically contribute to the empirical literature testing classical of the growth models in developing economies. For practitioners, it offers insights into how savings mobilization and investment allocation drive growth. The study examines the annual reports of the Deposit Money Banks (DMBs) in Nigeria between 2010 and 2024, while key variables include banking-sector-induced economic growth (dependent), savings (deposits), investment (loans), and capital-output ratio.

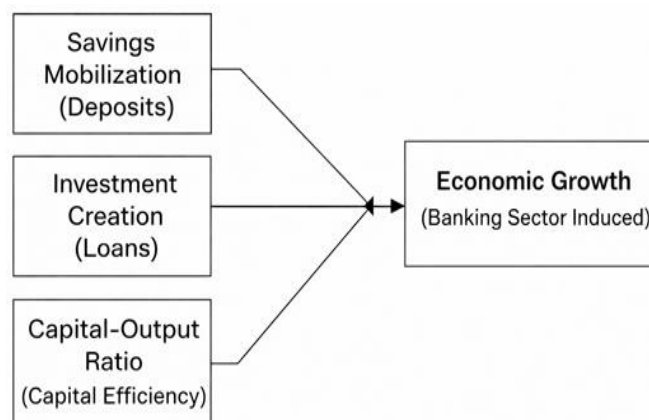


Figure 1. Harrod-Domar Conceptual Framework.

2. Literature Review

2.1. Conceptual Review

The Harrod–Domar growth model was propounded albeit independently by Harrod (1939) and Domar (1946) as one of the earliest formal concepts of economic growth (GDP growth) that links savings, investment, and capital efficiency as contained in Figure 1. With the model positing that the economy growth rate is a direct function of savings and investment rate with a simultaneous inverse relationship with the capital-output ratio. In drilling down to the exact impact of this model on the banking sector, this theory exposed the pivotal role of banks in mobilising savings, transforming and mobilising them into productive investments, and ensuring efficient utilisation of resultant capital as these three variables of savings, investment and capital efficiency determines the growth trajectory of the banking industry and the broader economy (Eyinade, Ezeilo, & Ogundeji, 2025; Nwonye, Ihegboro, Onah, & Ijeoma, 2022).

2.2. Savings Mobilisation

A major activity of the banking system in any economy is the mobilization of funds via many forms and spectrums of savings from individuals, groups and registered incorporations through a regulated and controlled financial system. These savings represent the financial raw material responsible for growth and development enabled with high investment rate. Higher savings rate leads to larger pool of funds for productive use (Harrod, 1939). The relevant Bank Mechanisms for Mobilising Savings include securing deposit facilities, attractive economic interest rates and financial literacy initiatives such that promotes saving behaviour and confidence. The Savings Mobilisation which serves as a Driver of economic growth (GDP growth) enables capital formation and ultimately investment creation resulting in further expansion of available funds for lending, especially to productive sectors thereby stimulating business generation, catalyst for industrial expansion, and employment creation. Negatively speaking, a weak Savings Mobilisation will consequentially limits credit supply, hinder productive investment and slows economic growth (GDP growth) (Andokari, Timothy, Amaechi, & Eche, 2025).

2.3. Investment Creation

Investment creation represents the next stage in the Harrod–Domar framework, where mobilised savings are transformed into productive economic ventures. economic growth (GDP growth) driver is basically investment as the opposite of consumption as expected in the national income theory. Investment can be direct-productive(property, plants and equipment, some types of leases, biological assets, current assets) or indirect-supportive type (infrastructures like roads, technology, patents and franchise) all aiming at expansion of the productive capacity of the economy. Complimentarily and in the banking context, this process involves transforming customer deposits(liabilities) into bank assets such as loans, advances, and other financial instruments that fund business expansion, innovation, and infrastructural development.

In Nigeria, investment creation acts as the bridge between financial accumulation and real economic activity in the Nigerian banking sector with the banks efficiently converting mobilised deposits into credit for assessed and approved viable projects leading to the stimulation of income generation, job creation, and industrial development, thereby contributing to higher national output (Olowofeso, Adeleke, & Udoji, 2015). However, the effectiveness of the process depends on the bank's ability to assess and manage risks, channel mobilize funds into prioritized productive sectors, and guarantee that investments yield real value. Therefore, successful investment creation not only sustains banking sector performance but also stimulate broad-based economic growth (GDP growth) consistent with the Harrod–Domar model (Central Bank of Nigeria, 2024).

2.4. Capital-Output Ratio (Capital Efficiency)

Capital-Output Ratio (COR) as an important variable used in the measurement of production efficiency in the economy is simply represented theoretically to mean a higher capital output ratio is an indicator of an inefficient utilisation of owned capital to optimally for productive activities while a lower ratio represent efficiency in resource management. This Capital efficiency tool in the Harrod–Domar model measures the volume of capital required to generate a unit of economic output and reflecting how efficiently invested resources are converted into productive outcomes with a lower capital-output ratio which is indicating that less capital is required to produce more output and serving as a signal of higher efficiency and stronger growth potential (Domar, 1946). Mathematically, in the Harrod–Domar equation, economic growth (GDP growth) is directly proportional to the savings rate while it is inversely proportional to the capital-output ratio and which by implication means a higher savings and efficient utilisation of capital lead to faster economic expansion. Globally and as applied to within the Nigerian banking system, capital efficiency is the extent to which banks effectively transform mobilised funds and investments into tangible performances, including credit to the private sector, elevated lending activities, and greater contributions to GDP (Dada & Olajide, 2023; Komolafe, 2024). Attaining prudent project selection is a function of a low capital-output ratio stimulated by efficient credit appraisal, and stringent post-investment governance to reduce non-performing loans.

The capital-output ratio as an efficiency factor functions as a benchmark for evaluating the efficacy of banks in transforming savings and investments into tangible economic growth (GDP growth). The efficient use of capital not only bolsters bank performance but also improves overall productivity, stability, and equitable growth within the Nigerian economy. In summary, the interdependent interaction of savings mobilisation, investment creation, and capital efficiency are economic growth (GDP growth) drivers within the Harrod–Domar framework, and optimal interaction is an indication of the conversion efficiency of the bank financial resources into productive output, the mechanisms which when operated efficiently generate a reinforcing cycle of stability and expansion, with this representing a visible resemblance of the capacity pivotal in validating the Harrod–Domar model's relevance to banking-sector-induced economic growth between 2010 and 2024.

2.5. Theoretical Review - The Harrod–Domar Growth Model

The is the Harrod–Domar Growth Model as the theoretical framework for this study positing that economic growth (GDP growth) is the consequent effect of savings utilisation as investment under the influence of the capital-output ratio (capital efficiency). This theory or model was birthed by the combination of Sir Roy Harrod, a British economist, in Harrod (1939) and American economist Domar (1946) establishing a direct mathematical relationship between economic growth (GDP growth), savings and investment with capital-output ratio as the catalyst moderating the equation. According to Saikia, Das, and Neog (2023) this model is universally acknowledged as the front runner of the modern views relating to growth theories with the postulation that economic growth (GDP growth) rate relies chiefly on the level of savings and the productivity of resultant capital; implying that increase economic growth (GDP growth) rate is directly related to increase in savings and investment rates that only be influenced by the capital–output ratio either remaining constant or declining as the case may be.

In the context of Nigeria's banking industry, this theory is particularly relevant because deposit money banks are intermediaries mobilizing savings mostly income not consumed in the immediate or short-run and efficiently allocating same to augment deficient units for productive investment with direct effects on the rate of economic and sectoral growth through the investment function. There are identified limitations to this model among which is possibility of instability brought on by mismatches between projected investment and savings, with growth fluctuations resulting from such disequilibrium, particularly in emerging economies such as Nigeria where policy shocks, credit risks, and inefficiencies in financial intermediation could easily upset the theoretical equilibrium (Saikia et al., 2023).

2.6. Empirical Review

Miftari (2023) found that in Central and Eastern Europe, bank credit to private and public sectors negatively impacted growth while bank profitability as measured by ROE had a positive effect, indicating that an efficient rather than excessive lending activity promotes sustainable growth. In Sub-Saharan Africa, Adekunle, Adeniyi, Afolabi, Babatunde, and Omiwale (2022) employed a ARDL–Time Series approach to exhibit migrant remittances and financial development jointly narrowing the savings–investment gap which supports the existence of complementarity between foreign(external) inflows and domestic finance. The study also discovered that financial sector development and remittances significantly lower investment deficit thereby enhancing domestic resource mobilisation. In the same vein, Abdullah, Tsauni, and Mukhtar (2022) employed the ARDL and Granger causality and found that bank deposits, liabilities, and branch expansion significantly boost Nigeria's economic development as measured by the GDP, while inflation and dependency ratios constrain savings, leading to the call for enhanced financial inclusion and microfinance expansion. This view was further confirmed by the study of Osamo and Nwankwo (2024) employing the VECM and ARDL and established that private sector credit positively drives Nigeria's growth which underscores the productive role of investment financing. In Bangladesh, Rahman and Uddin (2012) applied a 2SLS simultaneous model in Bangladesh to show that financial reforms, real interest rates, and literacy raise savings and that savings and growth bolster each other, validating Harrod–Domar's capital accumulation theory.

In analysing the effect of bank investment on bank performance, Ogundele and Nzama (2025) included poor credit management as an impediment to profitability and also recommended robust credit risk monitoring and internal control innovations. Garrab and Yahyaoui (2025) found that elements such as integration of strategic management, innovation, human capital, and technology are boosters of banks' sustainable financial performance, while Chukwu, Muritala, Akande, and Adekunle (2024) had earlier recognised bank size as a booster while not forgetting non-performing loans, liquidity risk, and leverage as impediment to profitability, thus suggesting stricter risk management to sustain performance. From another angle, Komolafe (2024) explored banking intermediation, showing that bank deposits and financial deepening are critical elements that promote private investment in Nigeria, while high intermediation costs hinder it, thus recommending and advocating for interest rate reforms to stabilise deposits. In a developed economy like the United States, the Ahmed, Miranda, and Patel (2023) analyzed U.S. bank responses to interest rate rises and concluded that banks are critically sensitive to rate shocks and thus the need for capital cushions. Aregban, Omankhanlen, Chima, Komolafe, and Okereke (2021) reinforced this, showing that efficient bank credit intermediation fosters private investment and capital formation.

As part of capital efficiency which requires dynamic reforms amid rapid digital transformation depends largely on strategic skills, smart risk and portfolio management, technology adaptation, and innovation commitment, Doshi (2023) and Eyinade et al. (2025) study exposed that regulatory compliance and efficient portfolio management promote banking stability, urging risk-based strategies and digital governance. Eze, Inyama, and Ezugwu (2024) study concluded that keys to investment success includes managerial experience, risk attitude, and liquidity preference which be managed with improved training while Owwoye (2023) exposed local barriers such as capital scarcity, fintech disruption, cyber risk, and regulatory complexity. Salman, Mata, Kurfi, and Ado (2020) and Muthui and Wepukhulu (2019) in separate studies and across regional blocks showed that portfolio choices impact profitability in different modes. Empirical review on the influence of the capital-output ratio shows (Junaidi, Silvia, & Abrar, 2023) in Indonesian found that a required catalysts to boost sustainable economic growth is the improvement to increasing investment efficiency and human capital quality which is corroborated by a Bangladesh study by Bin Amin, Iqbal Samia, and Khan (2024) which found that economic growth (GDP growth) decreases as ICOR rises, a confirmation that higher capital efficiency promotes growth.

In Nigeria, the study by Abayomi and Egbetunde (2022) using VECM methodology and established that market capitalization significantly stimulates growth, while turnover ratio reduces it, which supports the finance-led growth hypothesis and urging regulatory reforms to improve liquidity and investor confidence. Ogbuji, Oke, and Adegbite (2021) found that money market interactions with capital formation positively affected growth, whereas capital market interactions had a negative but significant impact which is suggestive of inefficiencies in market structures leading to the recommendation that policies that will improve capital mobilisation and investment in financial markets be pursued to strengthen growth.

Tefera and Odhiambo (2020) challenged the proportional link between growth and investment, arguing that financing gaps and inefficiencies weaken the Harrod–Domar assumptions in low-income economies. Broader cross-country evidence reinforces these conclusions. Madsen, Mishra, and Smyth (2012) confirmed across 16 OECD countries that the output–capital ratio remains stable over time, validating the Harrod–Domar assumption of a long-run equilibrium between capital efficiency and growth. In Africa, Jagadeesh (2015) found in Botswana that savings and gross capital formation significantly boost long-term growth and consistent with Harrod–Domar predictions. Osundina and Osundina (2014) in Nigeria found that higher savings and investment rates increase capital accumulation and output.

Conclusively, the empirical consensus is that capital formation, efficiency, and financial sector development remain pivotal to economic growth (GDP growth) with studies from Asia including Bangladesh,

Indonesia, Nepal; Africa including Nigeria, Botswana, Lesotho, and the OECD countries of Europe all reinforcing that economies with lower ICORs, higher savings mobilisation, and effective investment channels are all experiencing sustained growth, as such collectively upholding the Harrod–Domar thesis and simultaneously recognising that institutional quality, market efficiency, and technological advancement determine how these savings effectively translate into productive capital and long-term development.

3. Methodology

3.1. Research Design

The study used a descriptive research design. An ex-post facto research design that utilised annual reports of banks listed on the Nigeria Exchange Group (NGX) from 2010 to 2024, a period of 15 years, sampling 10 deposit money banks representing 85% of total bank size measured with total deposits. The design facilitates causal inference between banking sector activities and sectoral growth as postulated by the Harrod–Domar growth model (Amaliawiati, Puspitasari, & Nursjanti, 2021; Longinus & Ibim, 2025). The research integrates both descriptive and inferential econometric approaches to capture the dynamic short-run adjustments and long-run equilibrium relationships among the variable.

Although the study draws on bank-level data from ten deposit money banks over the period 2010–2024, the variables were aggregated to generate sector-wide indicators. Consequently, the econometric analysis is conducted using a time-series Autoregressive Distributed Lag (ARDL) framework that examines banking-sector-induced economic growth in Nigeria

3.2. Data Sources and Scope

To uphold the standards of data integrity and replicability, this study relies exclusively on secondary quantitative data sourced from generally accepted, credible and third-party validated accessible databases. The data was obtained specifically from the Nigeria Bureau of Statistics (NBS), the annual reports of the Nigeria listed deposit money banks and the 2024 edition of the Central Bank of Nigeria (CBN) Statistical Bulletin. 2010 to 2024 extended timeframe was selected with intent to document the transformations in the Nigerian banking sector following from financial market developments and regulatory reforms leading to mergers and acquisitions, digital transformation and aggressive drive on financial inclusion. An econometrics decision to improve on the accuracy of the statistical analysis involves changing all the data into their natural logarithmic forms, which specifically helps in making correlations more linear, lower heteroskedasticity, and let results be interpreted in terms of elasticity.

3.3. Methodological Justification

The Harrod–Domar model serves as one of the main sources of the theoretical foundation linking savings, investment, and capital-output ratio to economic growth (GDP growth). In adapting the model to the banking discussion, the study as contained in Table 1 specifies the effect of the banking sector variables of savings and deposit mobilization on problem variable of economic growth (GDP growth) measured as GDP growth in Nigeria. Savings mobilisation and investment creation are represented by total deposit liabilities and loans to the private sector respectively since these directly reflect the transformation of savings into productive credit (Manyo, George, & Ojeaburu, 2023). The capital-output ratio captures the efficiency of capital use.

3.4. Model Specification

Based on the theoretical framework, the functional model is defined as:

$$GDPG_t = f(DEP_t, LOAN_t, COR_t, ASG_t)$$

Transforming into an econometric model:

$$GDPG_t = \beta_{0i} + \beta_1 \ln DEP_t + \beta_2 \ln LOAN_t + \beta_3 \ln COR_t + \beta_4 ASG_t + \beta_5 (\ln DEP_t \times ASG_t) + \beta_6 (\ln LOAN_t \times ASG_t) + u_t$$

Where $GDPG_t$ = Banking-sector-induced economic growth, DEP_t = deposit mobilisation, $LOAN_t$ = Investment creation, COR_t = Capital-output ratio, and u_t = Error term. The introduction of Bank size (ASG_t = Asset Growth) variable is to assess sectoral influence.

3.5. Estimation Technique and Definition of Variables

The study techniques include unit root testing (ADF), cointegration analysis (Johansen/ARDL), and Error Correction Model (ECM) to capture both short-run and long-run relationships.

Table 1. Definition of Variables.

Variable	Symbol	Measurement/Proxy	Expected Sign.
Economic growth (GDP growth)	GDPG	Growth rate GDP	Dependent
Deposit	DEP	Total deposit liabilities of banks	+ve
Investment	LOAN	Loans and advances to private sector	+ve
Bank Size	ASG	Asset Growth	+ve
Capital-Output Ratio	COR	Gross capital formation / sectoral output	-ve

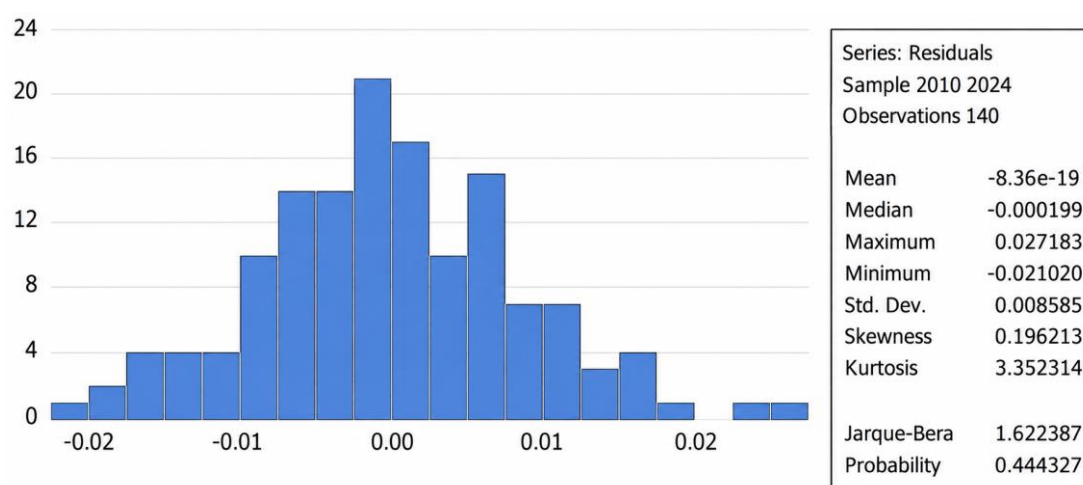
3.6. Diagnostic Tests

Tests for multicollinearity (VIF), autocorrelation (Durbin–Watson), heteroskedasticity (Breusch–Pagan), and normality (Jarque–Bera) will be conducted.

Table 2. Pearson Correlation Matrix.

	GDP_ GROWTH	LNDEP	LNLOAN	ASG	COR	LNDEP* ASG	LNLOAN* ASG
GDP_GROWTH	1	-0.3165	-0.3252	-0.2660	0.0562	-0.2876	-0.2889
LNDEP		1	0.9065	0.4837	0.5545	0.6470	0.6232
LNLOAN			1	0.4351	0.5232	0.5747	0.6011
ASG				1	0.1772	0.9728	0.9723
COR					1	0.2692	0.2616
LNDEP*ASG						1	0.9924
LNLOAN*ASG							1

In [Table 2](#), the correlation matrix indicates that bank-induced economic growth is moderately and negatively correlated with bank deposits (LNDEP), loans as investments (LNLOAN), asset growth (ASG), and the interaction terms, suggesting that short-run increases in these banking variables do not translate linearly into higher economic growth.

**Figure 2.** Histogram of residuals.

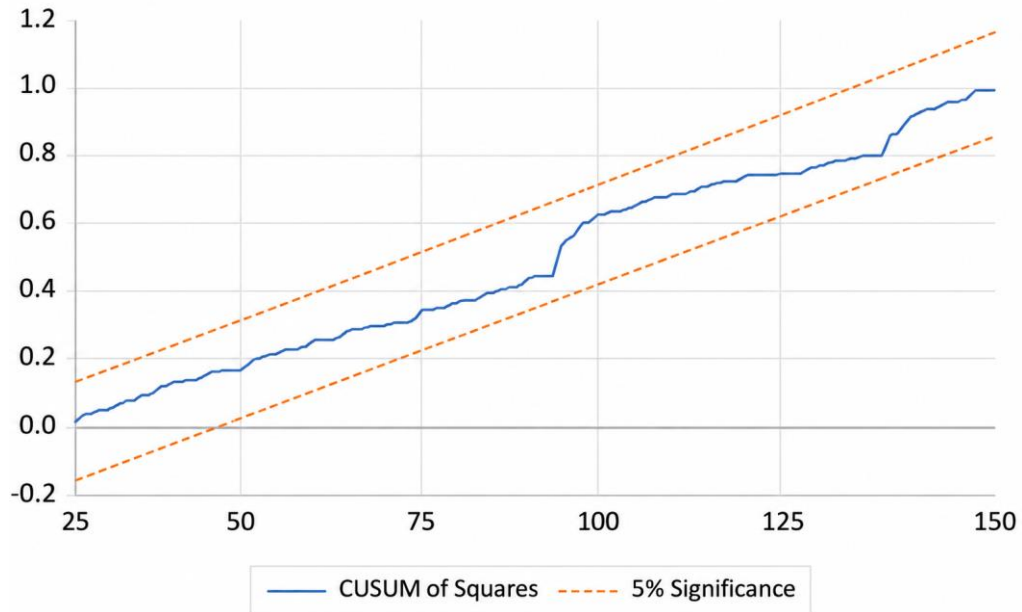


Figure 3. CUSUM of Squares plot.

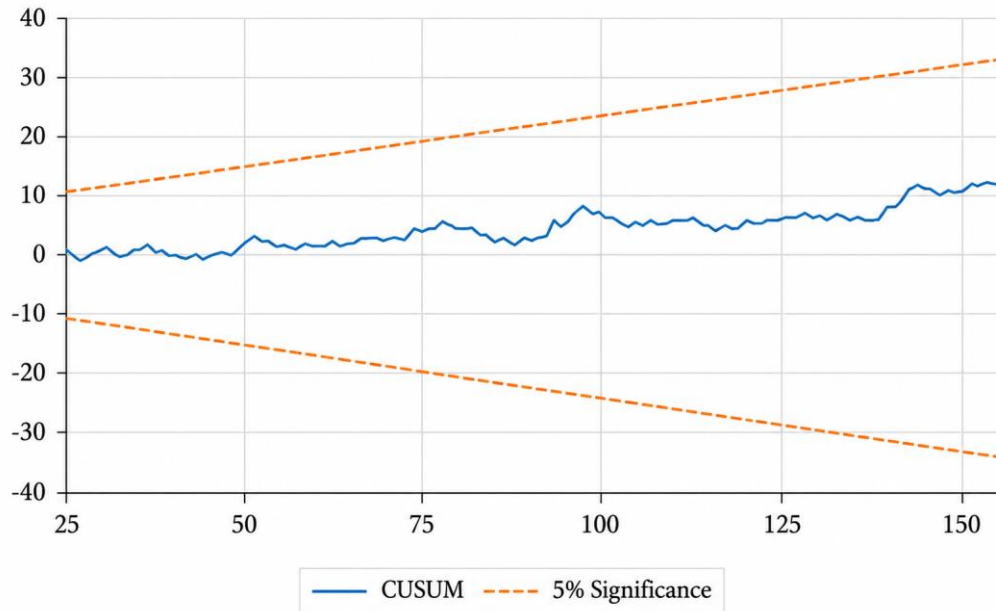


Figure 4. CUSUM plot.

4. Analysis and Discussion

4.1. Descriptive Statistics

Table 3. Descriptive Statistics.

	CREDITGROWTH	LNTDEP	LNTLOANS	ASSETSGROWTH	CAR
Mean	0.1569	7.3793	6.8651	0.1666	0.1894
Median	0.1505	7.3964	7.0111	0.1560	0.1865
Maximum	0.3850	10.1129	9.1485	0.4430	0.3100
Minimum	0.0110	5.0980	4.6131	0.0040	0.1120
Std. Dev.	0.0915	0.9955	0.9888	0.0925	0.0371
Skewness	0.3918	-0.0235	-0.4453	0.4217	0.2996
Kurtosis	2.4466	2.8573	2.7639	2.8953	2.7533
Jarque-Bera	5.7507	0.1410	5.3064	4.5142	2.6246
Probability	0.0564	0.9319	0.0704	0.1047	0.2692
Sum	23.5357	1106.8950	1029.7700	24.9960	28.4045
Sum Sq. Dev.	1.2465	147.6715	145.6687	1.2752	0.2047

Table 3 presents the summary statistics, notably indicating the significance of the Jarque-Bera statistics with probabilities above 0.05. This indicates the normality of the distribution of the variances.

4.2. ARDL Bounds Test for Cointegration

Unit root tests as contained in Table 3 was conducted to validate the suitability of the ARDL bounds testing approach and it shows clearly that the variables are integrated in the combined order of zero and one but none in order two which is the required pre-condition to run the ARDL. The autoregressive distributed lag (ARDL) model was estimated to have the dependent variable of economic growth (GDP growth) while the log of bank total deposits, log of total loans, asset growth rate, and the capital output ratio as the solution variables or regressors. Model selection using the Akaike information criterion (AIC) yielded an ARDL(4,4,0,0,0,21) specification based on 146 effective observations, which is consistent with common practice in applied ARDL studies.

The ARDL bounds test for cointegration was employed for deciding the existence of a long-term equilibrium relationship between economic growth (GDP growth) and its banking sector correlates. The *F* statistic topped the relevant upper critical bound at normal significance levels within an appropriate case specification, resulting in the rejection of the null hypothesis of no level association. Thus, ARDL model was re-parameterized before being transformed into the appropriate error correction form.

4.3. Stationarity Test (ADF Unit Root Test)

Table 4. Augmented Dickey-Fuller (ADF) Unit Root Test.

Variables	Lag.	ADF Statistic (With Prob. Value)		Remarks
	SCI	ADF - Fisher Chi-square	Levin, Lin & Chu t*	Stationarity
GDP-Growth	0	58.3670 (0.0000)	-10.3619 (0.0000)	@1(0)
Assets growth	1	64.9237 (0.0000)	-5.05803 (0.0000)	@1(1)
Loan	0	35.4446 (0.0179)	--11.6961 (0.0000)	@1(1)
Deposits	0	31.8704 (0.0447)	-4.47142 (0.0000)	@1(1)
CoR	1	35.9595 (0.0156)	-1.80670 (0.0354)	@1(0)

Table 4 presents the Augmented Dickey-Fuller (ADF) unit root test showing that economic growth (GDP growth) and capital output ratio are stationary at level while other variables are stationary at first difference. The results prompted the researchers to adopt the Autoregressive Distributed Lag (ARDL) approach for model estimation, as it accommodates variables integrated at different orders (I(0) and I(1)).

4.4. ARDL Long-Run Relationship (Harrod–Domar Model with Bank Size Moderation)

Table 5. Dependent Variable: Economic Growth (GDP growth).

Variable	Coefficient	Std. Error	t-Statistic	Probability
ln(Total Deposits) (CLNDEP)	0.0198	0.0109	1.8073	0.0754
ln(Total Loans) (CLNLOAN)	-0.0208	0.0066	-3.145	0.0025
ln(Capital–Output Ratio) (CLNCOR)	0.0671	0.0151	4.4469	0.000
Asset Growth (Bank Size) (CASG)	-0.3022	0.0437	-6.9207	0.000
ln(Deposits × Asset Growth) (CLNDEPASG)	-0.0857	0.1342	-0.6387	0.5253
ln(Loans × Asset Growth) (CLNLOANASG)	0.2538	0.1158	2.1921	0.032
Constant (C)	-0.0036	0.004	-0.9058	0.3684
Other Statistics				
Root MSE	0.0083	Akaike Info Criterion		-5.3883
S.E. of regression	0.0127	Schwarz Criterion		-3.6622
Log Likelihood	490.1234	Hannan–Quinn Criterion		-4.6871
Sum Squared Residuals	0.0102			

As contained in Table 5, root MSE and regression S.E. of 0.0083 and 0.0127 respectively demonstrate a well-fitted model with little unexplained variation, suggesting good model about the diagnostic statistics. The ARDL approach's sufficient suitability is further supported by the negative Akaike value (-5.3883).

4.5. Long-Run Coefficients

The long-run coefficients show the prevalence of significant statistically relationship between economic growth (GDP growth) and the core banking variables of savings (deposits), investment intermediation (loans), and efficiency (capital–output ratio). While the deposits and loans channels are assessed under moderation by bank size (asset growth). Total Deposits shows a positive and marginally insignificant long-run effect on economic growth (0.0198, $t = 1.8073$, $p = 0.0754$), implying weak evidence that deposit mobilisation supports long-run GDP growth in this centered specification. Total Loans reflects a negative statistically significant long-run association with growth (-0.0208 , $t = -3.1450$, $p = 0.0025$), implying net of deposits, efficiency and size-related interactions, higher loan expansion is associated with lower long-run GDP growth which is consistent with the possibility that credit growth may be impaired by credit quality issues, misallocation, or balance-sheet pressures in the long run within this specification.

The direct long-run impact of Asset Growth denoted with bank size is negative and significant (-0.3022 , $t = -6.9207$, $p < 0.05$), indicating that sustained balance-sheet expansion is related with diminishing long-run GDP growth after controlling for intermediation and efficiency factors. The finding is consistent with the notion that rapid asset expansion may be associated with inefficiencies or risk capital accumulation that weakens economic trajectories and therefore contradicts the traditional view that bigger banks do imply stronger growth. The efficiency proxy, Capital–Output Ratio, is positive and significant (0.0671, $t = 4.4469$, $p < 0.05$), indicating that, depending on the model's variables and interactions, periods with higher COR may correspond with deeper capital formation dynamics or structural changes that are long-term growth supportive.

Although the Harrod–Domar model theoretically predicts a negative relationship between the capital–output ratio and economic growth, the results of this study reveal a positive and statistically significant relationship between the capital–output ratio and GDP growth in Nigeria. This divergence from the classical expectation may be explained by structural characteristics of developing economies. Bank-financed capital accumulation and investment in infrastructure and productive sectors typically raise capital–output ratios in Nigeria. While simultaneously promoting economic growth, such capital expansion can briefly boost the capital requirements of production. Additionally, measurement limitations associated with gross capital formation and structural inefficiencies in capital allocation may cause the capital–output ratio to rise during investment-driven growth phases. Consequently, the positive coefficient suggests that increases in capital accumulation in Nigeria's banking sector may still support economic growth despite the theoretical expectations of the Harrod–Domar framework.

Regarding moderation, the interaction between deposits and asset growth is negative and insignificant (-0.0857 , $t = -0.6387$, $p > 0.05$), suggesting that bank size enlargement does not significantly alter the growth effect of deposits in the long run. By contrast, the interaction between loans and asset growth is significantly positive (0.2538, $t = 2.1921$, $p < 0.05$), showing that as banks expand their statement of financial position, the long-run growth impact of lending becomes more favourable. The loan channel is the primary means that bank size moderates GDP growth. If a bank's asset base is insufficient, credit expansion may be linked to negative long-term growth, but lending's positive long-term contribution is strengthened when

credit growth is supported by balance-sheet expansion. This resonates with Harrod–Domar reasoning in the sense that the growth outcome depends not only on the volume of financial intermediation but also on the capacity of financial intermediaries—captured here by asset growth—to translate financial flows into productive investment over time.

4.6. ECM Results with Bank Size Moderation

Table 6. Dependent Variable: Δ GDP Growth (Economic growth).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ01 (ECT _{t-1})	-0.3460	0.1007	-3.4373	0.0010
$\Delta \ln(\text{Deposits})$	0.0290	0.0179	1.6207	0.1100
$\Delta \ln(\text{Loans})$	0.0571	0.0244	2.3398	0.0224
$\Delta(\text{Capital-Output Ratio})$	-0.0141	0.0285	-0.4952	0.6221
$\Delta(\text{Asset Growth})$	0.0393	0.0954	0.4124	0.6814
$\Delta(\ln \text{Deposits} \times \text{Asset Growth})$	-0.0136	0.2595	-0.0523	0.9585
$\Delta(\ln \text{Loans} \times \text{Asset Growth})$	-0.1266	0.2673	-0.4736	0.6374
Constant	-0.0036	0.0040	-0.9058	0.3684

4.7. Short-Run Coefficients

The short-run dynamics reveal mixed adjustment patterns, with short-run changes in deposits and loans showing positive but statistically insignificant effects on economic growth (GDP growth) ($\Delta \ln(\text{Deposits})$: 0.0290, $t = 1.6207$, $p > 0.05$; $\Delta \ln(\text{Loans})$: 0.0571, $t = 2.3398$, $p < 0.05$). This suggests that, in the immediate term, increases in lending may accompany short-run movements in deposits, although the deposit effect is not statistically strong, and the loan effect is the more reliable short-run driver in this specification—contrasting with the long-run pattern. Asset growth shows a positive but insignificant short-run effect (0.0393, $t = 0.4124$, $p > 0.05$), indicating that short-run GDP growth is not substantially affected by transient variations in bank assets. In contrast, the capital–output ratio exhibits a negative but insignificant short-run association with economic growth (GDP growth) (-0.0141 , $t = -0.4952$, $p > 0.05$). The interaction terms are also statistically insignificant in the short run ($\Delta(\ln \text{Deposits} \times \text{Asset Growth})$: -0.0136 , $t = -0.0523$, $p > 0.05$; $\Delta(\ln \text{Loans} \times \text{Asset Growth})$: -0.1266 , $t = -0.4736$, $p > 0.05$), imply that moderation effects operate primarily through the long-run equilibrium rather than immediate fluctuations. Overall, the insignificance of the short-run coefficients for $\Delta \ln(\text{Deposits})$, $\Delta \ln(\text{Loans})$, $\Delta \ln(\text{Capital-Output Ratio})$, and the interaction terms suggests that short-run volatility in banking variables is less influential than the long-run level relationships captured by the cointegrating component of the ARDL model.

4.8. Error-Correction Mechanism (ECM)

The error-correction term is negative and statistically significant, confirming the existence of a long-run equilibrium relationship among the variables. The coefficient on COINTEQ01 (ECT_{t-1}) is -0.3460 ($t = -3.4373$, $p = 0.0010$), indicating that approximately 34.60% of the previous period's disequilibrium is corrected within the next year. This reflects a moderate speed of adjustment in Nigeria's credit market, implying that shocks to economic growth (GDP growth) are partially and relatively swiftly reverted toward the long-run equilibrium path governed by deposits, loans, the capital–output ratio, asset growth, and their interactions. In practical terms, deviations from long-run growth fundamentals are corrected over time, consistent with an adjustment mechanism through which short-run disruptions are progressively aligned with the model's long-run relationship.

4.9. ARDL Bounds Test for Cointegration

Table 7. F-Bound Test Results.

Test Statistic		Value
F-statistic		13.87
Number of regressors (k)		6
Critical Values		
Significance Level	I(0) Lower Bound	I(1) Upper Bound
10%	1.99	2.94
5%	2.27	3.28
1%	2.88	3.99

Table 7 presents the results of the ARDL Bounds test for cointegration which examined the existence of a long-run (levels) relationship among the variables in the model with the null hypothesis showing that there is no levels (long-run) relationship among the variables. The reported F-statistic of 13.8720 substantially

exceeds the upper bound critical values $I(1)$ at all conventional significance levels (10%, 5% and 1%). The upper bound critical value is 3.99, which is far below the computed F-statistic showing strong statistical evidence against the null hypothesis and consequential decisive rejection of the null hypothesis, affirming the presence of a stable long-run equilibrium relationship among the variables included in the model and by extension validating the appropriateness of the ARDL modelling framework and justifies the estimation and interpretation of both the long-run coefficients and the associated short-run error-correction dynamics.

The VIF results suggest that multicollinearity in the model is mainly structural, arising from the inclusion of multiple lags and interaction terms rather than from problematic linear dependence among the regressors. Based on the centred VIF values, the lagged dependent variables display acceptable levels, while higher VIFs observed for LNDEP, LNLOAN, and their interaction terms with ASG are typical in dynamic ARDL models with moderation effects. This form of multicollinearity is theoretically expected and does not compromise the validity of the model, as the results remain interpretable when assessed in terms of overall model fit and long-run relationships.

4.10. Discussion of Findings

The study validated the Harrod – Domar Growth Model in the context of banking-sector intermediation and economic growth in Nigeria from 2010 to 2024. The results show that the classical savings-investment-growth relationship postulated by the Harrod-Domar framework explains only a part of Nigeria's growth dynamics, mainly due to structural inefficiencies in the financial system and macroeconomic distortions associated with developing economies.

The long-run coefficient of deposit mobilisation has a positive but marginally significant correlations with economic growth, demonstrating that savings mobilisation continues to be crucial for economic expansion, while its transmission impact is moderate in the Nigerian context. This observation aligns with the classical Harrod-Domar theory that savings are the foundation of investment and growth. However, the modest significance level suggests that higher savings mobilisation may not necessarily convert into productive investment or sustainable growth. This could be due to the existence of financial leakages, inflationary pressures and domination of informal saving mechanisms in the economy. A large part of family and company savings in Nigeria are held outside the conventional banking sector, reducing the effectiveness of financial intermediation. In addition, macroeconomic instability, exchange rate volatility, and low real returns.

One of the most noteworthy results of this study is the negative and statistically significant long-run effect of bank lending on economic growth. Theoretically, the Harrod-Domar model contends that investment from mobilised savings should enhance productive capacity and hence output growth. However, the Nigerian banking experience demonstrates that the quantity of credit expansion does not ensure beneficial economic outcomes. The negative relationship could mean there are inefficiencies in credit distribution, poor monitoring mechanisms and the concentration of loans in low productivity or speculative areas of the economy. In many developing economies, including Nigeria, bank lending is typically directed towards short-term commercial activities, import financing, consumption-related credit and politically connected sectors rather than towards manufacturing, industrial production and infrastructure development with stronger long-term growth multipliers.

A high level of non-performing loans, poor credit-risk management and regulatory distortions can all reduce the productive impact of bank credit, so rapid credit growth without improvements in institutional quality and investment productivity can be detrimental to long-term economic performance. This is contrary to research such as [Osamo and Nwankwo \(2024\)](#) which finds that private sector credit has a positive impact on growth, but is consistent with [Miftari \(2023\)](#) who warns that excessive or mismanaged credit growth can inhibit sustainable growth in emerging economies, suggesting that the efficiency of financial intermediation matters more than the volume of credit per se. Another important finding of this study is the positive and significant relationship between capital-output ratio and growth which is contrary to the prediction of the Harrod-Domar model that higher ratio would imply lower growth by signalling lower capital productivity. Rather, in Nigeria, increasing capital-output ratios seem to be associated with higher capital accumulation and infrastructure investment most of which are bank-financed and productivity gains of which in developing, structurally transforming economies (infrastructure, energy, telecoms, industry) tend to accrue gradually.

Higher capital requirements in the early stages of investment can temporarily increase the capital-output ratio but still support long-run growth, a pattern that might also reflect structural inefficiencies in capital allocation with large investments occurring with weak absorptive capacity, limited technology and institutional bottlenecks, thus, even as capital accumulation increases output, the conversion of capital into productive output is relatively inefficient, supporting [Junaidi et al., 2023](#) and [Bin Amin et al. \(2024\)](#) that capital efficiency and growth in developing economies are heavily dependent on institutional quality, technological progress and structural transformation, and suggesting that the Harrod-Domar assumption of a stable inverse capital-output/growth relationship does not fully hold in transitional, financially restructuring economies. In addition, the moderating effect of bank size provides insights into the finance-growth nexus in

Nigeria. The insignificance of the interaction between deposits and asset growth implies that an increase in bank size, per se, does not significantly enhance the growth effects of savings mobilisation. On the other hand, the positive significant interaction between loans and asset growth suggests that larger banks are more effective in directing credit to productive activities, probably due to stronger capital bases, better risk management, wider technology and greater ability to fund large-scale investments with developmental effects.

This finding is also consistent with the argument that financial scale matters for intermediation effectiveness, especially in emerging economies where infrastructure and industrial investments require a large financial capacity. However, the negative direct impact of asset growth on economic growth implies that fast expansion of the banking sector without corresponding improvement in governance, efficiency, and credit quality can introduce fragility. While excess balance-sheet growth might potentially lead to risk accumulation and instability, bank size seems to have a positive growth contribution only when accompanied by effective intermediation and prudent regulatory control. Most of the banking-sector variables do not have significant immediate effects on growth in the short-run dynamics, except for loans which have a positive short-run relationship. This suggests that the credit expansion can temporarily stimulate activity via liquidity and consumption, even if such gains are not sustainable when lending efficiency is poor. The dominance of insignificant short-run effects suggests that bank intermediation influences growth mostly through long-run structural adjustments and not through rapid macroeconomic changes.

The negative and statistically significant error correction term confirms the existence of a long-run stable equilibrium among the variables and the gradual adjustment to the disequilibrium. The speed of adjustment is moderate implying that shocks to Nigeria's financial and economic systems are absorbed gradually via interactions between savings mobilisation, lending, capital accumulation and banking expansion. Our findings lend partial support to the Harrod-Domar model, highlighting the roles of savings mobilisation, investment and capital accumulation. Deviations from the classical expectations highlight the crucial importance of institutional quality, intermediation efficiency, macroeconomic stability and structural transformation in conditioning growth outcomes in developing economies. The study is therefore relevant for development finance, as it demonstrates that in emerging financial systems like Nigeria's, the savings – investment – growth transmission depends not only on the level of mobilised resources, but also on the effectiveness of the allocation and conversion of such resources into productive activity.

4.11. Policy Implications

The policy implications of these findings are clear for the key stakeholders like regulators, banks, and policymakers in Nigeria's financial system. First, the negative long-run effect of the loan-to-deposit ratio underscores the importance of liquidity and funding stability, suggesting that supervisors should discourage excessive reliance on fragile deposit bases and instead promote diversified funding structures and liquidity coverage requirements that keep loan to deposit ratio within sustainable bounds (Adenuga, Mohammed, Laniyan, Akintola, & Asuzu, 2021; Dada & Olajide, 2023). Macroprudential instruments such as countercyclical capital buffers, loan-to-deposit or loan-to-funding limits, and stronger liquidity standards can help mitigate economic booms financed by short-term or unstable funding (Da Rocha Lopes et al., 2025). Second, the strong positive role of assets growth highlights the need for policies that expand bank balance sheets in a stable manner, including credible deposit insurance, financial inclusion initiatives, and improvements in payment infrastructure that mobilize savings (Ali & Ibrahim, 2023). Strengthening institutional frameworks—such as contract enforcement, creditor rights, and information systems—can further support asset expansion and enhance credit supply, particularly in economies where bank credit is a primary engine of investment finance. Third, the positive long-run impact of capital output ratio (CoR) demonstrates that higher quality capital complements rather than constrains economic deepening, countering concerns that stricter regulation suppresses lending. Regulators should therefore maintain robust capital requirements, adapted to local conditions, while smoothing transitional adjustments through phased timelines and supportive measures such as facilitating equity issuance or retained earnings (Siddika & Haron, 2020). Overall, these implications suggest that economic growth (GDP growth) in Nigeria can be sustainably anchored through balanced liquidity management, stable asset expansion, and strong capital buffers under effective prudential oversight.

5. Conclusion

The ARDL estimation provides extensive exposure of both short-run dynamics and long-run equilibrium relationships between economic growth (GDP growth) and applicable banking sector variables, with the error-correction mechanism confirming rapid adjustment toward stability. The results indicated a stable cointegrating relationship in which economic growth (GDP growth) is jointly determined by net funding structure (Loan to Deposit Ratio), balance-sheet expansion of Assets Growth, and prudential or efficiency factor of capital output ratio (CoR). In the long run, deeper and better-capitalized banking systems support stronger economic growth (GDP growth), while over-reliance on fragile funding structures undermines sustainability, reflecting the critical role of liquidity management. The fast speed of adjustment highlights a sensitive but resilient credit environment where prudential ratios play decisive roles, and where nearly all

short-run disequilibria are swiftly corrected. These findings are consistent with theories that emphasize the importance of solid, well-funded banks in transmitting savings into productive economic growth, and they also support a policy mix that combines pro-growth financial deepening with firm macroprudential discipline to ensure sustainable economic expansion

6. Recommendations

The deposit money banks should deepen financial inclusion and deposit mobilisation strategies employing the various dynamic and digital banking tools including modern representative banking system such as agent banking with tailored and specific banking products and services that will grow the impact of savings mobilisation. This may also include the introduction of various incentivised savings schemes including improving the convenience of banking all aiming as enticing and enhancing inclusion and the resultant effect of savings mobilisation. Banks should also work with the various regulatory agencies at strengthening depositor confidence through effective deposit insurance systems. Prominence should be accorded the risk management functions of the deposit money banks to ensure that recoverable and predictive credit is channeled to productive and growth-enhancing sectors such as manufacturing, agriculture, and infrastructure with the regulatory authorities duly enforcing stricter monitoring of non-performing loans (NPLs) while simultaneously catering for sector-specific loan profiles including demographic credit system such as gender-based, social-status and other re-distributable demographic delineations. The Central Bank of Nigeria and other regulatory institutions, the Nigeria Deposit Insurance Corporation, the various policymakers and financial institutions should focus on optimising the allocation and utilisation of capital investments to enhance capital efficiency. This can be through supporting investments in infrastructure, technology, and human capital development. Project monitoring ability of the banks should be given priority to ensure that capital deployed yields maximum output while government policies should also encourage technological innovation and industrial upgrading with the ultimate objective of boosting capital utilisation in the economy.

In light Arising from the partial validation and contextual deviation from the traditional Harrod–Domar assumptions, policymakers and regulatory agencies should adopt a modified dynamic policy framework such that integrates structural realities in the frame of financial inefficiencies, regulatory constraints, and external shocks to ensure macroeconomic stability that will ensure and maintain predictable logical inflation rates, interest rates, and naira exchange rates that will combine to strengthen the savings–investment–growth nexus without neglecting the required improvement on institutional quality, credit transmission mechanisms, and financial system efficiency which will aligning reality of the economic conditions more closely with the theoretical expectations of the model. The CBN should create a Stable Policy Environment That Supports Harrod–Domar Conditions such that will economically coordinate and stabilise inflation, interest rates, and exchange rates as a predictable regulatory environment will enhance savings and investment flows.

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