

## **SME Credit Financing, Financial Development and Economic Growth: A VAR Approach to the Nigerian Economy**

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**Abstract :** This paper examines the impact of small and medium-scale enterprises (SMEs) credit financing and financial market development and their shocks on the output growth of Nigeria. The study estimated a VAR model for Nigeria using 1970-2013 annual data series. Unit root tests and cointegration are carried out. The study also explores IRFs and FEVDs in a system that includes output, commercial bank loan to SMEs, domestic credit to private sector by banks, money supply, lending rate and investment. Findings suggest that shocks in commercial bank credit to SMEs has a major impact on the output changes of Nigeria. Money supply shocks also have a sizeable impact on output growth variations amidst other financial instruments. Lastly, neutrality of investment does not hold in Nigeria as it also has impact on output fluctuations.

**Keywords :** SMEs financing, financial development, investment, output, Nigeria

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