IMPACT OF FINANCIAL INSTITUTIONS ON ECONOMIC ACTIVITIES IN NIGERIA (A CASE STUDY OF COMMERCIAL BANKS LOCATED IN OWERRI MUNICIPAL, NIGERIA)

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ABSTRACT
This study investigates the role of financial institutions, with a focus on commercial banks, in fostering economic development in Nigeria, particularly in Owerri Municipal. By examining key banking functions such as fund mobilization, savings allocation, credit creation, short-term financing, and liquidity support for deficit sectors, the study evaluates the impact of these activities on Nigeria's economic growth. Using data from senior bank staff and weighted mean statistics, the findings reveal that fund mobilization and efficient savings allocation are pivotal in driving sustainable growth, while credit creation enhances business expansion and consumer spending. However, challenges such as low public trust, regulatory gaps, and high non-performing loan rates undermine the full potential of banks in supporting economic development. The study recommends targeted actions from the Central Bank of Nigeria (CBN), the Nigerian Deposit Insurance Corporation (NDIC), and other key agencies to enhance digital banking, improve credit risk management, support entrepreneurial funding, and promote green finance. These recommendations emphasize the need for a balanced approach to banking practices that foster stability, inclusivity, and transparency. Policy implications suggest that strengthening regulatory oversight, enhancing digital infrastructure, and fostering public trust can optimize the economic contributions of commercial banks. The study concludes with recommendations for further research on the long-term effects of digital finance, the impact of green finance, and the role of institutional trust in shaping a resilient financial sector in Nigeria.
Keywords: Commercial banks, Economic Development, Financial Institutions, Nigeria, Sustainable Progress.
JEL Classification Codes: G21, O16, O55, E44, O10

1. INTRODUCTION
The financial sector is universally acknowledged as a critical driver of economic growth, facilitating productive activities through essential functions like capital mobilization, resource allocation, and intermediation between surplus and deficit economic units (Li, 2023). In Nigeria, the role of financial institutions, particularly commercial banks has been central to the country's economic landscape, as they enable various sectors by providing capital, stimulating investment, and supporting sustainable growth. With the rise of emerging economies and financial reforms, there has been increased scrutiny of how commercial banks contribute to growth trajectories, particularly through their ability to mobilize savings and channel resources into productive activities (Uzoamaka & Nebo, 2016). Among the financial institution types, commercial banks are the most important intermediary financial institutions, and their main function is to accept current deposits, savings deposits from individuals, institutions, public administration, and projects and invest it for their own profit by granting loans and other financial transactions (Dong *et al.*, 2020). Many scholars have identified or suggested various ways in which commercial banks in Nigeria can enhance the economic development of the nation (Ekong, 2015; Taiwo *et al.*, 2018).

Over recent years, there has been a global shift towards enhancing financial inclusion and improving financial markets to boost growth across developing economies (Sant'Anna & Figueiredo, 2024). No economy can ever develop without appreciable growth in the financial sector (Fowowe, 2020). Nigeria's financial sector, while experiencing gradual growth, faces challenges such as limited financial inclusion, inadequate access to credit, and regulatory constraints (CBN, 2024; Dagwom *et al.,* 2024). According to the Central Bank of Nigeria, there is an urgent need for the financial sector to amplify its role in bridging funding gaps for both small and large enterprises, as Nigeria's economic development remains hindered by underutilized capital flows and resource misallocation (CBN, 2024; Boachie & Adu-Darko, 2024). As commercial banks are vital intermediaries, this study explores their specific contributions in terms of mobilizing funds, facilitating savings, and promoting financial stability.

The structure of the Nigerian financial system comprises both bank and non-bank financial institutions; however, commercial banks account for the largest share of financial intermediation and credit creation, which are essential for economic development (Fowowe, 2020; Ifeoma *et al.,* 2023). The literature has consistently highlighted the importance of fund mobilization, where banks aggregate dispersed funds from various economic agents, allowing capital to flow toward productive sectors (Gabriel et al., 2019). Recent studies emphasize that well-functioning financial institutions can create a multiplier effect in economies by not only mobilizing funds but also by efficiently allocating resources to high-growth sectors such as manufacturing, technology, and agriculture (Sant'Anna & Figueiredo, 2024, Okunade, et al 2022). However, there remains a significant gap in how commercial banks in Nigeria specifically contribute to these broader economic goals, given the unique regulatory and economic environment they operate in.

This study aims to address this gap by examining the impact of financial institutions on economic development in Nigeria, focusing specifically on the role of commercial banks in Owerri Municipal. The primary objectives of this research are to investigate how banks mobilize funds for productive activities, allocate savings to support entrepreneurship, and ensure adequate cash flow within deficit sectors. To fulfill these objectives, the paper employs a structured thematic analysis based on data collected from senior bank staff across ten commercial banks in the region. The remainder of this paper is structured as follows: Section 2 presents the literature review, discussing relevant theoretical and empirical perspectives. Section 3 outlines the research methodology, including data collection and analytical techniques. Section 4 presents the results, while section 5 interprets the findings of the study and discusses the implications of these findings and the study limitations. Finally, Section 6 concludes the paper and offers recommendations for policymakers and financial institutions.

2 LITERATURE REVIEW

2.1 Conceptual Literature

The role of financial institutions, particularly commercial banks, is foundational in promoting economic growth by mobilizing funds, facilitating resource allocation, and providing credit. Financial institutions function as intermediaries, directing surplus funds from savers to borrowers who use these funds for productive purposes (Chukwunulu & Ibenta, 2021). In the Nigerian context, financial institutions face unique challenges, including limited financial inclusion and credit accessibility, which hinder sustainable growth (Oyadeyi, 2024). The concept of *financial inclusion* emphasizes the importance of accessible financial services for all, as it enables broader economic participation and enhances growth (Boachie & Adu-Darko, 2024). Furthermore, *financial innovation* such as digital banking and fintech, has expanded the capacity of financial institutions to reach underserved populations. Although these innovations can improve accessibility, they also bring stability concerns, particularly in emerging markets like Nigeria (Sant'Anna & Figueiredo, 2024). Understanding these concepts is vital to evaluating the multifaceted role of Nigerian commercial banks in economic development.

Theoretical and Empirical Literature

Theoretical perspectives on financial institutions' role in economic development are grounded in several key economic and financial theories (Allen & Santomero, 1997; Sara, 2024). The Financial intermediation theory suggests that financial institutions act as intermediaries, facilitating the efficient allocation of capital by reducing transaction costs and information asymmetry (Domeher et al., 2022). In Nigeria, banks play this role by aggregating savings from individuals and reallocating them to productive sectors, thereby supporting economic growth (Fowowe, 2020). Financial inclusion theory provides additional context to understand how access to financial services contributes to economic participation and, consequently, growth. This theory posits that broader access to banking services enables individuals and businesses, particularly those previously excluded, to engage in the economy by accessing credit, saving options, and payment systems (Boachie & Adu-Darko, 2024). In Nigeria, where financial exclusion remains a challenge, commercial banks are essential for expanding financial access, thus allowing a greater segment of the population to contribute to economic growth. This theory justifies the study's examination of financial inclusion as a critical function of commercial banks, supporting economic development through inclusive growth. Endogenous growth theory suggests that economic growth is driven by internal factors such as capital formation, human capital, and innovation, rather than relying on external influences. Financial institutions are vital to endogenous growth by providing the capital necessary for investment in human capital and technological advancement, which are crucial for long-term economic sustainability (Agu *et al.,* 2024). This theory supports the focus on commercial banks' ability to foster entrepreneurship and innovation in Nigeria, where internal resource mobilization is essential to reduce dependence on external funding sources. By facilitating access to capital for local entrepreneurs, banks can stimulate innovation and productivity, thereby promoting sustained economic development.

The role of financial institutions in economic development, particularly in emerging economies, has been widely discussed in academic literature, emphasizing how financial intermediation, capital mobilization, and access to credit facilitate growth (Boachie & Adu-Darko, 2024; Domeher et al., 2022). In developing countries, like Nigeria, where traditional forms of capital generation are limited, financial institutions play a central role by channeling savings into productive investments, fostering entrepreneurship, and improving access to financial services (Sant'Anna & Figueiredo, 2024; Agu *et al.,* 2024).

Recent studies underscore the significance of financial inclusion in driving economic growth, highlighting how access to financial services promotes broader economic participation and development. Boachie and Adu-Darko (2024) argue that financial inclusion, coupled with human capital development, creates an environment conducive to sustainable growth. Similarly, Oyadeyi (2024) demonstrates that innovations in banking and financial services enhance financial inclusion in Nigeria, ultimately contributing to economic growth. Another critical factor impacting the effectiveness of financial institutions is financial inovation. Innovations in fintech and digital banking offer potential benefits for financial inclusion but also present stability risks, as highlighted by Sant'Anna and Figueiredo (2024). In Nigeria, digital finance infrastructure has evolved considerably, allowing banks to expand their services and reach previously underserved populations (Iwedi, 2024). Olawale (2024) explores how the capital market contributes to economic growth by mobilizing financial resources and facilitating efficient investment, supporting innovation and growth within the banking sector.

There is a need to understand the extent to which these advancements in Nigerian commercial banks influence economic stability and development.

Efficient allocation of financial resources remains essential for economic development, with commercial banks acting as primary financial intermediaries. The ability to mobilize savings and allocate funds to high-potential sectors supports economic stability and growth, as noted by Domeher *et al.* (2022). Chukwunulu and Ibenta (2021) examine how financial innovations enhance intermediation efficiency, helping Nigerian banks effectively allocate resources across economic sectors. By funding entrepreneurial ventures and supporting productive investments, commercial banks in Nigeria address deficits in critical sectors, thus fostering balanced economic growth. Furthermore, Institutional quality and economic openness are additional factors influencing financial sector efficacy. Adetokunbo and Yusuf (2024) find that high institutional quality and openness are crucial for creating an environment where financial institutions can drive economic growth. In the Nigerian context, effective regulatory frameworks and government support are essential in empowering commercial banks to optimize fund mobilization and resource allocation (Soetan & Mogaji, 2024a). This study examines how commercial banks' activities align with regulatory standards to support economic objectives, particularly through effective fund mobilization and cash flow management to deficit sectors.

Modern research increasingly recognizes the link between financial development and broader socio-economic factors, such as environmental impact and urbanization. Admin *et al.* (2024) suggest that Nigeria's financial development is closely tied to urbanization trends and environmental policies, factors that significantly influence resource allocation and investment decisions. As banks seek to mobilize funds for economic development, they must also consider the environmental and social impacts of their financing activities. This perspective aligns with sustainable finance principles and broadens the understanding of financial institutions' roles in fostering inclusive and responsible economic growth. Credit creation is a core function of commercial banks that facilitates economic growth by enabling access to capital. Mbaeri *et al.* (2021) emphasize the importance of maintaining adequate capital ratios, which is critical for ensuring financial stability. Credit creation supports economic development by providing entrepreneurs and businesses with the resources needed for expansion and innovation (Ozioko & Enya, 2021).

2.3 Gaps in Literature

While extensive research exists on the role of financial institutions in economic development, specific gaps remain, particularly regarding Nigerian commercial banks' unique contributions to the economy. Although there is substantial research on financial inclusion and innovation, limited studies specifically investigate the role of commercial banks in Nigeria in mobilizing funds and supporting productive investments. This study fills this gap by providing a focused analysis of commercial banks in Owerri Municipal, Nigeria, offering insights into their contributions to local economic development. Existing studies emphasize the importance of institutional quality (Adetokunbo & Yusuf, 2024); however, the specific mechanisms through which regulatory frameworks enhance the performance of Nigerian banks need further exploration. There is a need to explore how institutional quality influences banks' ability to mobilize resources and manage risks effectively.

Research on credit creation by Nigerian commercial banks and its effects on entrepreneurship and investment is relatively limited. This study explores how credit creation fosters economic growth, focusing on banks' roles in providing access to capital for emerging businesses. Additionally**, w**hile the literature addresses the role of financial institutions in economic resilience, there is minimal focus on sustainable growth and the environmental impacts of financial sector activities in Nigeria. This study assesses how Nigerian banks can align financial operations with sustainability goals to support long-term development. The study contributes to the literature by providing a detailed examination of commercial banks in Nigeria, focusing on their role in economic growth through fund mobilization, credit creation, and financial inclusion. By using data from senior bank staff in Owerri Municipal, this study also offers practical insights for policymakers to enhance Nigeria's financial regulatory framework, promoting sustainable economic development.

3 **METHODOLOGY**

3.1 Theoretical Framework

This study is grounded in a theoretical framework that integrates the principles of financial intermediation to explain the mechanisms through which commercial banks contribute to Nigeria's economic development. By synthesizing these theories, the framework offers a comprehensive view of how financial institutions, specifically commercial banks, mobilize resources, facilitate credit, and support stable economic growth in emerging economies like Nigeria. The theory of financial intermediation asserts that financial institutions act as intermediaries by pooling resources from surplus units (savers) and reallocating them to deficit units (borrowers) who need funds for productive investments. This role reduces transaction costs and addresses information asymmetry, thus promoting efficient resource allocation (Chukwunulu & Ibenta, 2021). Oyadeyi (2024) argues that banking innovations have enhanced this intermediation role, enabling more efficient allocation of capital and promoting financial inclusion, which further supports economic development. Moreover, Boachie and Adu-Darko (2024) emphasize that financial intermediation not only facilitates capital allocation but also boosts savings rates by offering secure and accessible savings instruments, thus fostering long-term capital accumulation. In the context of Nigeria, commercial banks play a crucial role in directing funds toward sectors with high growth potential, supporting economic diversification and productivity. This theory has been adopted in this study since it underpins the study's focus on banks' roles in mobilizing capital and allocating it to critical economic sectors.

Financial inclusion theory provides additional context to understand how access to financial services contributes to economic participation and, consequently, growth. This theory posits that broader access to banking services enables individuals and businesses, particularly those previously excluded, to engage in the economy by accessing credit, saving options, and payment systems (Boachie & Adu-Darko, 2024). In Nigeria, where financial exclusion remains a challenge, commercial banks are essential for expanding financial access, thus allowing a greater segment of the population to contribute to economic growth. This theory justifies the study's examination of financial inclusion as a critical function of commercial banks, supporting economic development through inclusive growth. Endogenous growth theory suggests that economic growth is driven by internal factors such as capital formation, human capital, and innovation, rather than relying on external influences. Financial institutions are vital to endogenous growth by providing the capital necessary for investment in human capital and technological advancement, which are crucial for long-term economic sustainability (Agu *et al.*, 2024). This theory supports the focus on commercial banks' ability to foster entrepreneurship and innovation in Nigeria, where internal resource mobilization is essential to reduce dependence on external funding sources. By facilitating access to capital for local entrepreneurs, banks can stimulate innovation and productivity, thereby promoting sustained economic development.

3.2 Research Design
The design of this study is a survey design, a kind of description research. It involved a group of people. A survey design is appropriate for this study as it allows for the collection of quantifiable data from a targeted group of respondents, providing insights into the roles of commercial banks in capital mobilization, credit creation, and financial inclusion within the Nigerian economy. Items or materials were studied by collecting data from a few considered to be representative of the entire population. This design is chosen because it enables an in-depth exploration of the views and experiences of senior bank staff who are actively involved in the financial activities relevant to the study's objectives.

3.3 Location of the Study
The study location is Owerri Municipal Council. Specifically, the study used the banks in Owerri Municipal Council, Nigeria. This location is ideal for the study due to its concentration of financial institutions, which play significant roles in capital mobilization, credit distribution, and financial inclusion which are core areas of interest in examining how financial institutions impact economic development.

3.4 Sample, Sampling Techniques, and Ethical Considerations
The study consisted of ten (10) senior staff of commercial banks selected from Owerri Municipal Council. Senior staff are chosen because they are more likely to be involved in the banks' strategic and operational decision-making processes, giving them valuable insights into the institutions' roles in economic development. The purposive sampling technique was used to select the sample of commercial banks; the sampling technique was chosen due to the topic under study. Purposive sampling enables the selection of banks representing a range of sizes and customer bases, ensuring a comprehensive view of banking practices across different commercial bank models in Owerri. Before taking part in the survey, respondents were given the content, sponsorship, and purpose, which enabled them to make an informed judgment about their participation. The researcher kept all assurances involving confidentiality or anonymity.

3.5 Instrument Administration and Validation for Data Collection
The instrument for data collection is a structured questionnaire, which was structured carefully to reflect the study's objectives. This direct administration approach is chosen to ensure a high response rate and allow respondents to seek clarification if needed. The instrument consisted of two sections. Section A contained the personal data of the respondents, while section B contained the questionnaire items. The instrument was structured in four Likert scales of SA (Strongly Agree), A (Agree), D (Disagree), and SD (Strongly Disagree). Content validity ensured that the questionnaire accurately represents the concepts under study (Sireci, 1998). Experts in banking, economics, and financial management were consulted to review the questionnaire items, confirming that each question is relevant, comprehensive, and aligned with the research objectives. This expert review process helps refine the questions to ensure they fully capture the roles and impact of commercial banks on economic development. Construct validity was done to assess whether the questionnaire items adequately reflect the theoretical constructs outlined in the study's framework, such as financial intermediation, inclusion, and stability (Mohd Hatta et al., 2024). Each item was carefully mapped to these constructs to confirm alignment with the study's theoretical basis, ensuring that the data collected accurately reflects the intended measures.

3.6 Data Analysis

The data collected through the questionnaire were analyzed using weighted mean statistics (WMS). WBS is essential in any study with survey-based data, as they condense large volumes of data into manageable summaries that can be easily interpreted (Manikandan, 2011). The data was presented in a tabular form and then analyzed using mean. This includes calculating frequencies, percentages, means, and standard deviations for each of the main parameters: fund mobilization, savings allocation, financial inclusion, credit creation, and financial stability in supporting deficit sectors (Manikandan, 2011). The WMS assigned greater weight to higher ratings (e.g., Strongly Agree) to reflect the strength of agreement with each statement. The approach allowed for comparison across different roles of commercial banks, highlighting which functions (e.g., fund mobilization or credit creation) have the most significant perceived impact on economic development (Ali *et al.,* 2018). The cut-off value was 2.5 and above, required for result acceptance, and values less than 2.5 were rejected. The formula is simplified as the total number of questionnaire options divided by the whole digits, that is:

$$\bar{X} = \frac{4+3+2+1}{4} = \frac{10}{4} = 2.5 \quad (1)$$

$$\text{Mean } \bar{X} = \frac{\sum Fx}{N} \quad (2)$$

Where;

$\bar{X}$ = Mean

$\sum \bar{X}$ = Summation

F = Frequency

N = Total Number of Respondents

Also, the roles (parameters) were ranked based on the weighted mean value.

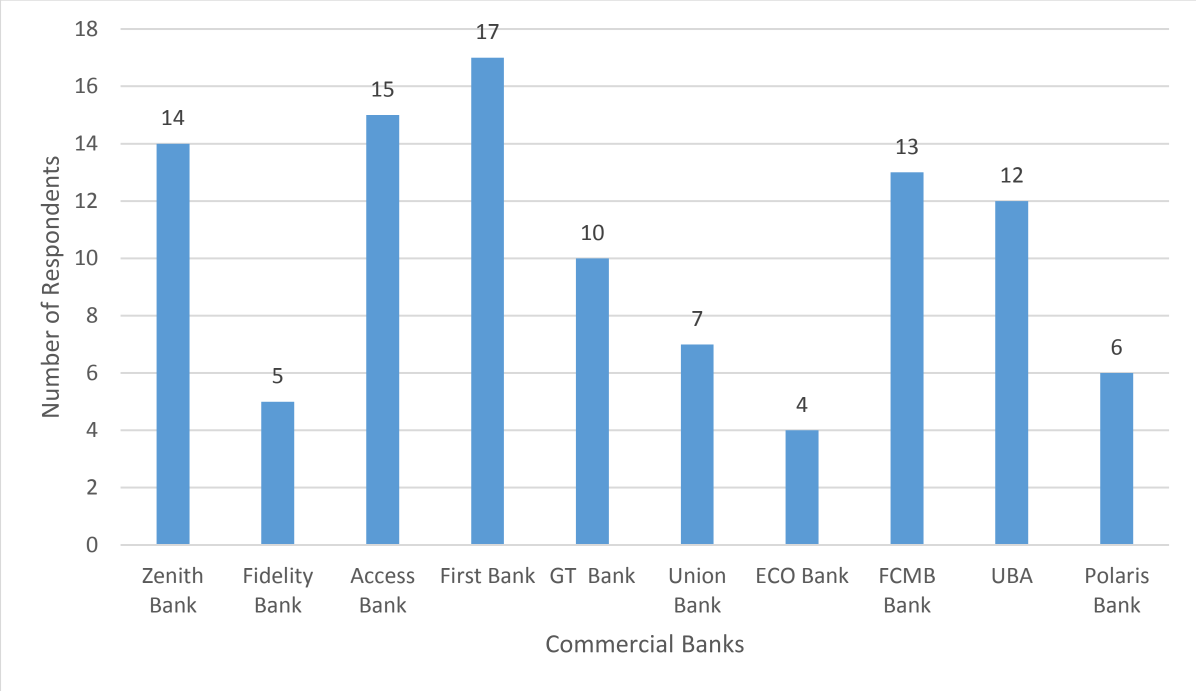
4 Result Presentation

The findings from the survey research have been quantitatively presented in this section. Overall, the responses from the 103 participants from each of the purposively sampled banks were grouped into five (5) to capture the roles of financial institutions that impact the economic development of Nigeria. These activities, which reflect the extent to which financial institutions influence economic development of Nigeria are structured into various themes for proper thematic analysis: (i) Efficient allocation of savings through identification and funding of entrepreneurs, (i) Mobilization of funds for productive economic activities, (iii) Ensuring adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units, (iv) Provision of short term financing at low risk, and (v) Credit creation via commercial bank activities.

Population of the study

The Figure 1, shows the population of the study which consisted of ten (10) selected commercial banks and their senior staff located in Owerri Municipal Council.

Fig. 1: Participants (senior staff) of the selected commercial banks.

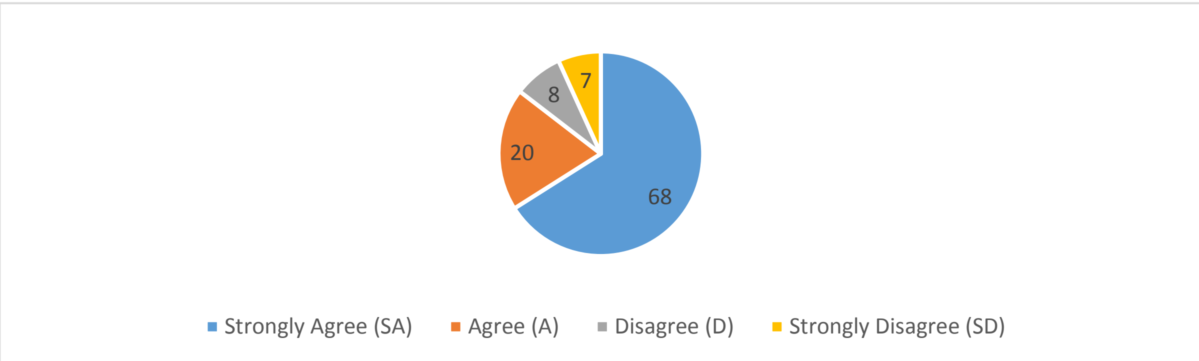


As shown in Figure 1, out of the total of 103 respondents to the survey, senior staff of First Bank had 17 respondents, which makes it the bank with the highest number of respondents (16.5%) in the survey, followed closely by those from Access Bank (14.6%), and least number of respondents emerged from Eco bank (3.8%).

Theme 1: Efficient allocation of savings through identification and funding of entrepreneurs

The results of the responses from the 103 senior staff of the purposively sampled commercial banks are presented in Figure 2 below.

Fig. 2: Responses from respondents regarding the allocation of savings through identification and funding of entrepreneurs.

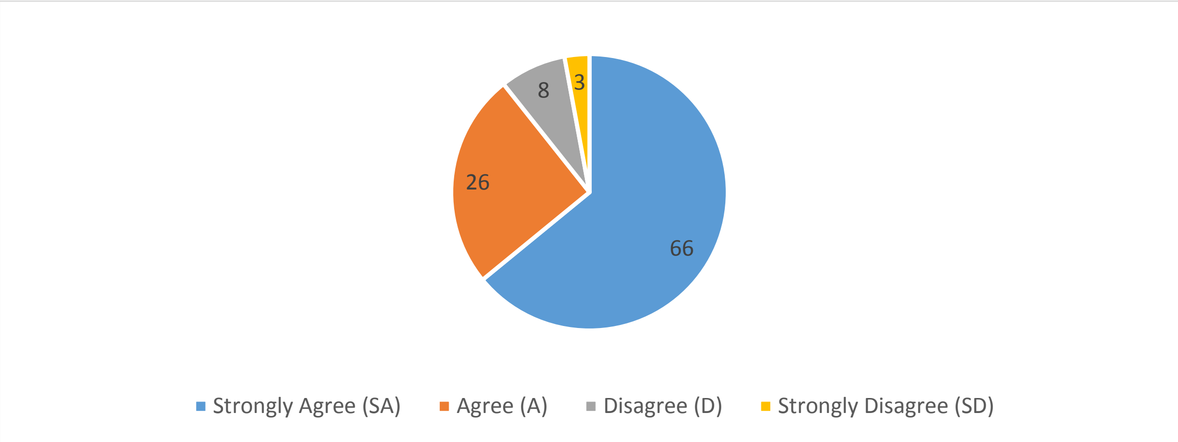


As observed in Figure 2, over 88 respondents (85.44%) admitted that overall, there is an efficient allocation of savings through the identification and funding of entrepreneurs by commercial banks, thereby leading to the economic development of Nigeria. Out of this population, over 66% made a strong admittance. In addition, the bar graph shows that only a small fraction (14.56%) of the participants refuted the claim that there is efficient allocation of savings through identifying and funding entrepreneurs by commercial banks in Nigeria (Owerri, as a case study).

Theme 2: Mobilization of funds for productive economic activities.

Similarly, the participants' views regarding whether commercial banks influence the nation's economic status through fund mobilization for productive economic activities are presented in Figure 3 below.

Fig. 3: Respondents regarding fund mobilization by commercial banks for productive economic activities.

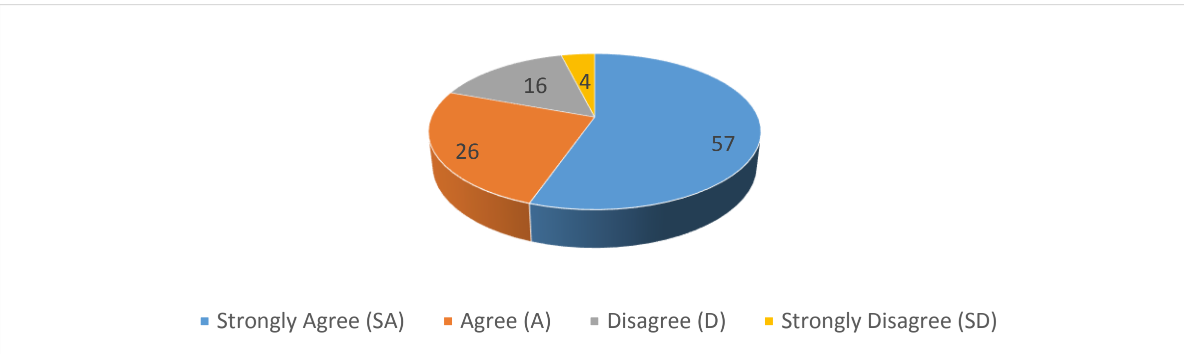


As illustrated in Figure. 3, roughly 90% of the respondents believe that Nigerian commercial banks mobilize funds for productive economic activities out of this population. Hence, the study showed that the act of fund mobilization that commercial banks embark on for improved economic activities has a positive result on the Nigerian economy.

Theme 3: Ensuring adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units.

The participants' responses concerning whether commercial banks ensure an adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units have been shown in Figure 4.

Fig. 4: Respondents regarding how commercial banks ensure an adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units.

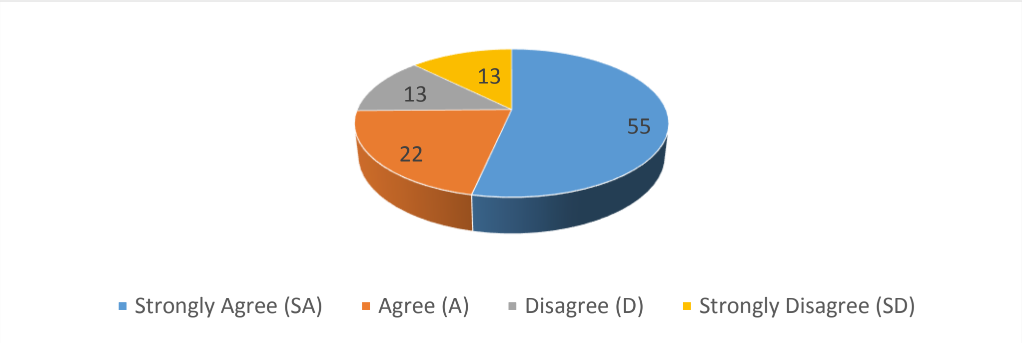


As shown in the bar graph (Figure 4), 57 respondents strongly agreed that commercial banks ensure an adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units, 26 respondents admitted, and 16 disagreed with the claim. At the same time, 4 participants believed that commercial banks had not ensured the suitable flow of money to serve the deficit sectors of the economy, thereby inhibiting the movement of funds among economic units. Obviously, the fraction who acknowledged the general claim (80.58%) so far supersedes those with an opposite perception of the assertion.

Theme 4: Provision of short-term financing at low risk

Figure 5 discloses respondents' position regarding providing short-term financing at low risk by commercial banks.

Fig. 5: Respondents regarding providing short term financing at low risk by commercial banks to boost economic activities.

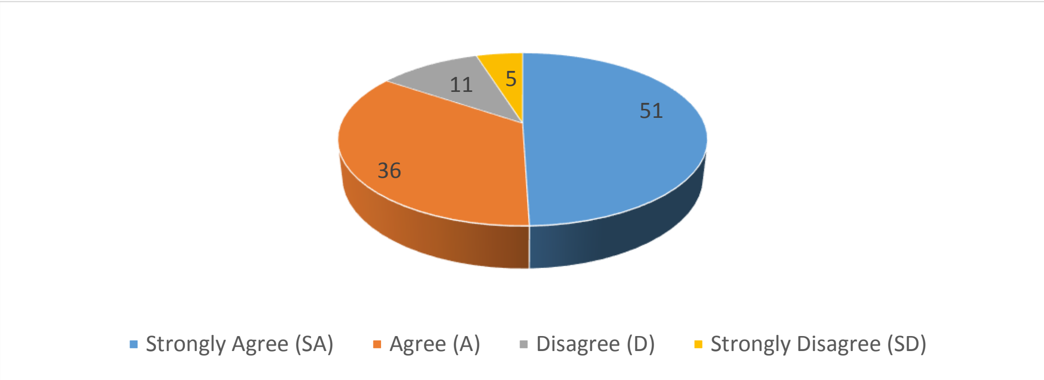


The bar graph (Figure 5) shows that an estimated 75% believed that commercial banks make provision of short-term financing at low risk. Only 25% percent of the total number of participants refutes the assertion.

Theme 5: Credit creation via commercial bank activities.

Figure 6 displays the participants' responses regarding credit creation via commercial bank activities, which influence enhancing the economic status of the country.

Fig. 6: Responses from participants regarding credit creation via commercial bank activities.



As observed in Figure 6, while roughly 85% agree that commercial bank activities lead to credit creation, which ultimately facilitates economic growth, less than a quarter of the total number of respondents disagree with the claim.

Comparison of Degree of Impact of the Parameters of Interest

The parameters, which consisted of the selected questionnaire items, were statistically weighted to see which role of the commercial banks had the greatest or least impact on the economic development of Nigeria. Table 2. Shows the result of the analysis.

Table 1: Weighing and Ranking of Impacts.

S/N	Questionnaire Items	SA	A	D	SD	Total	$\bar{X}$	RANK	Decision
1	Efficient allocation of savings through identification and funding of entrepreneurs.	68 272	20 60	8 16	7 7	103 366	3.44	2ND	Accepted
2	Mobilization of funds for productive economic activities.	66 264	26 78	8 16	3 3	103 362	3.50	1ST	Accepted
3	Ensuring adequate flow of money to serve the deficit sectors of the economy and facilitate the movement of funds among economic units.	57 228	26 78	16 32	4 4	103 342	3.32	3RD	Accepted
4	Provision of short term financing at low risk.	55 220	22 66	13 26	13 13	103 325	3.12	5TH	Accepted
5	Credit creation via commercial bank activities.	51 204	36 108	11 22	5 5	103 339	3.29	4TH	Accepted

As seen in Table 1, “Mobilization of funds for productive economic activities” has the most significant effect on economic development. In contrast, “Provision of short term financing at low risk” has the least influence.

5. INTERPRETATION, ANALYSIS, AND DISCUSSION

This study investigates the roles of financial institutions, specifically commercial banks in Owerri Municipal, Nigeria, in promoting economic development. The primary roles examined include fund mobilization, efficient savings allocation, provision of short-term financing, ensuring adequate cash flow to deficit sectors, and credit creation. The findings indicate that fund mobilization is the most significant contributor to economic development. With over 90% of respondents affirming this role, fund mobilization is pivotal in channeling resources toward productive economic activities. This corroborates findings from Ifeoma *et al.* (2021), who found that effective fund mobilization boosts GDP by enhancing capital availability. In other contexts, such as China, Dong *et al*. (2020) highlighted that Internet finance has bolstered commercial bank performance by expanding their customer base and facilitating digital savings mobilization. Applying similar digital strategies in Nigeria could significantly enhance fund mobilization efforts, providing an avenue for deeper financial inclusion, particularly in underserved regions.

Efficient allocation of savings ranked as the second-most impactful role, with about 85% agreement among respondents. The ability of commercial banks to identify and fund entrepreneurs supports sustainable growth and encourages new business ventures, which are essential for economic diversification (Kritikos, 2015). This function is especially critical in emerging economies like Nigeria, where entrepreneurial activities can drive economic transformation. However, studies like Ekong (2015) and Ola *et al.* (2014) argue that in the Nigerian context, mobilizing funds alone may be insufficient due to underlying challenges such as limited public trust in banks and systemic risks. Ola *et al. (*2014) highlighted that high levels of fraud and weak regulatory enforcement can undermine public confidence, reducing the effectiveness of fund mobilization efforts. This contrast suggests that while fund mobilization is vital, its success depends on regulatory reforms that bolster public trust and mitigate fraud.

The analysis further shows that credit creation is another major contributor to economic growth. Banks effectively support business expansion and household consumption by extending loans from deposits, boosting economic output. This role aligns with Hossain *et al.* (2022), who noted that credit creation through commercial banking fosters broader economic participation by making funds accessible to diverse economic agents. Short-term financing was considered important but ranked lower in impact than fund mobilization and credit creation. While essential for liquidity support, respondents indicated that this role requires a more significant focus on low-risk funding avenues to benefit the economy. On the contrary, Mansouri and Momtaz (2022) remarked that funding alone may not support sustainable entrepreneurship if institutional and infrastructure support is lacking. In Nigeria, where the entrepreneurial ecosystem faces constraints like poor infrastructure and regulatory hurdles, savings allocation may have a limited impact unless complemented by broader structural reforms. Overall, the study confirms the importance of credit creation in Nigeria's economic framework, as also found by Gabriel *et al*. (2019). Commercial banks can stimulate household and business spending through credit availability, increasing economic productivity. This finding reflects the observations of Allen and Santomero (1997), who posited that credit creation is a fundamental mechanism for stimulating demand and catalyzing economic expansion.

The investigation shows that credit creation is another major contributor to economic growth. Banks effectively support business expansion and household consumption by extending loans from deposits, boosting economic output. This role aligns with Hossain *et al.* (2022), who noted that credit creation through commercial banking fosters broader economic participation by making funds accessible to diverse economic agents. Conversely, Gabriel *et al.* (2019) and Prykaziuk (2017) caution that excessive reliance on credit creation without effective risk management may lead to financial instability, especially if credit is extended to high-risk borrowers. In Nigeria, where non-performing loans are prevalent, unrestricted credit creation could heighten default risks and destabilize the banking sector. This divergent view emphasizes the need for Nigerian banks to balance credit expansion with stringent credit assessment and risk management practices, ensuring long-term sustainability.

Short-term financing was considered important but ranked lower in impact than fund mobilization and credit creation. While essential for liquidity support, respondents indicated that this role requires a greater focus on low-risk funding avenues to benefit the economy. On the contrary, Tarashev *et al.* (2009) caution that short-term financing, if not managed properly, can expose banks to significant risks due to sudden shifts in market conditions. They argue that focusing excessively on short-term returns can create liquidity mismatches, ultimately impacting financial stability.

Ensuring adequate cash flow to deficit sectors is recognized as a critical function, with around 80% of respondents supporting this role. This activity aids balanced economic growth by ensuring sectors with lower liquidity can meet operational needs, which is crucial for fostering inclusive growth across all economic areas. This result is consistent with the findings by Prykaziuk (2017), who stressed that effective financial intermediation addresses liquidity gaps across sectors, thereby promoting stability. Nonetheless, studies by Okunade *et al*. (2022) argue that the efficiency of fund allocation to deficit sectors can be limited by corruption and inadequate oversight, which may divert funds from their intended productive use. In Nigeria, such institutional challenges are believed by many to exist; merely channeling funds to deficit sectors may not yield desired outcomes unless accompanied by robust accountability measures. This viewpoint highlights the need for Nigerian policymakers to strengthen monitoring mechanisms that ensure funds allocated to deficit sectors are used effectively.

5.1 Implications for policy implementation

The findings of this study highlight several critical policy implications for enhancing the role of commercial banks in Nigeria's economic development. Regulatory bodies such as the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC) must strengthen oversight and implement robust credit risk management frameworks to reduce non-performing loans, stabilizing the banking sector. Additionally, there is a need for policies that promote digital banking and financial inclusion, allowing banks to reach underserved populations and mobilize greater savings. The Nigerian government should incentivize banks to prioritize green financing, align credit allocation with sustainable development goals, and reduce environmental risks. Furthermore, building public trust through transparent operations and fraud prevention, as advocated by the Economic and Financial Crimes Commission (EFCC) and the Nigerian Financial Intelligence Unit (NFIU), is essential for effective fund mobilization. These policy measures would foster a stable, inclusive, and sustainable banking environment, significantly boosting Nigeria’s economic growth trajectory.

5.2 Limitations of the Study

This study has several limitations that should be considered, though efforts were made to minimize their impact. First, focusing on a single location, Owerri Municipal, may limit the generalizability of results to other regions in Nigeria with different economic and banking conditions. However, selecting Owerri Municipal, a significant commercial center, provides a representative view of commercial banking activities in urban Nigeria. Additionally, reliance on self-reported data from senior bank staff could introduce response bias; to mitigate this, the study used structured questionnaires with validated items that encouraged objective responses aligned with the study’s core themes. While the cross-sectional design limits observations of long-term impacts, this approach allowed for a detailed picture of banking functions’ current influence on economic development. Future studies using longitudinal designs and broader regional sampling could further validate these findings, enhancing understanding across diverse Nigerian contexts.

6 CONCLUSION AND RECOMMENDATION

This study highlights the pivotal role of commercial banks in driving Nigeria's economic development, emphasizing essential functions such as fund mobilization, efficient savings allocation, credit creation, and support for deficit sectors. Through comprehensive analysis, it becomes evident that Nigerian commercial banks act as vital engines for growth, enabling capital flow, supporting entrepreneurship, and promoting financial inclusion. The findings underscore that fund mobilization is particularly influential, as it channels resources into productive activities and stimulates broader economic participation. Credit creation and savings allocation also emerge as critical factors, as they facilitate business expansion, increase consumer spending, and provide necessary support to small and medium-sized enterprises. However, the study's findings reveal that underlying institutional and regulatory challenges influence the impact of these banking functions. Issues such as limited public trust, weak regulatory enforcement, and high levels of non-performing loans present barriers that can diminish the effectiveness of banking operations. Addressing these constraints is crucial for maximizing the positive economic impact of commercial banks and ensuring that their contributions align with national development goals.

Comparative insights from global studies show that Nigeria's experience with commercial banking aligns with trends observed in other emerging economies, where effective financial intermediation, risk management, and supportive governance structures have proven essential. The study recommends that the Central Bank of Nigeria (CBN) and the National Information Technology Development Agency (NITDA) collaborate to enhance digital banking infrastructure to boost fund mobilization while ensuring strong cybersecurity standards to foster public trust. The Nigerian Deposit Insurance Corporation (NDIC) and the Federal Ministry of Finance should implement robust credit risk management practices and incentivize responsible lending in critical sectors. The Bank of Industry (BOI) and the Nigerian Investment Promotion Commission (NIPC) should co-finance ventures in high-impact areas and create tax incentives for SME investment to optimize entrepreneurial support. The CBN and Nigerian Export-Import Bank (NEXIM) should also develop balanced short- and long-term financing products, especially for export-driven industries. The Ministry of Environment and the CBN Sustainable Banking Network are encouraged to develop green finance guidelines supported by a co-investment fund from the Nigerian Sovereign Investment Authority (NSIA) to drive sustainable projects. Finally, the Economic and Financial Crimes Commission (EFCC) and Nigerian Financial Intelligence Unit (NFIU) should strengthen governance through routine audits and monitoring to reduce fraud, bolstering transparency and public confidence in the banking system. Future research should examine the long-term impact of digital banking and fintech integration on financial inclusion and economic growth in Nigeria, as digital finance is increasingly shaping banking practices globally. Additionally, given Nigeria's unique economic and institutional challenges, studies could explore the specific effects of regulatory quality on the sustainability and resilience of credit creation practices. Comparative research involving other emerging economies with similar socioeconomic conditions could provide insights into best practices for fund mobilization and risk management.

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DATA

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