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Assessing the Impact of Consumer Credit in the Growth of Nigerian Economy

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Abstract : The paper evaluates the impact of consumer credit in the growth of Nigerian Economy.Having credit enables consumers to buy goods or assets without having to pay for them in cash at the time of purchase.The study examines how consumer credit affects economic growth, along with control variables such as, cooperative loan, banks' credit to the private sector, exchange rate, and inflation in Nigeria by applying the Non-Linear co-integration test technique advanced by (Shin, Yu & Greenwood-Nimmo, 2023). The time-series data were obtained from the World Bank (2024) and Central Bank of Nigeria (2024) bulletins. The study period was 2000 - 2024 and was motivated by the availability of data. Quantitative method is selected to perform the study. The data obtained in the study is from primary data and secondary data. As for the research strategy, survey is chosen, and a structured questionnaire is used to conduct the survey. In data analysis, there are pilot test, Cronbach's alpha, reliability analysis, descriptive statistics, Pearson's correlation coefficient, multiple regression analysis and SPSS used to accomplish research aim and interpret results of the study. The magnitude of consumer credit in the Nigerian economy has not yet been accurately assessed owing to the difficulty encountered by the Research Department of the Central Bank in collecting the statistics. This survey, as already stated, is based upon data from thirteen companies, including three finance houses. Inflation and exchange rate depreciation have negative effects on manufacturing output growth in both short run and long run. To boost output growth in the real sector, more bank credit should be made available to the real sector especially the manufacturing sector. Also, inflation should be kept low while the value of the domestic currency should be strengthened.Using the error correction modeling techniques, the results show that bank credit has significant impact on Nigerian Economy both in the short run and long run.

Key Word: Assessing, Consumer, Credit, Growth, Nigerian Economy**.**

Introduction

Consumer credit plays a vital role in driving economic growth and fostering financial inclusion by enabling individuals to access funds for various purposes such as purchasing goods, paying for services, or investing in education and healthcare. In Nigeria, while access to credit has improved in recent years, there is still significant untapped potential for the development of consumer credit markets. This concept note explores strategies to promote the responsible expansion of consumer credit in Nigeria, ensuring affordability, accessibility, and sustainability for all segments of society.

Nigeria is a cash economy, with low levels of leasing/lease-rental, hire-purchase, micro-insurance, mortgages etc. Local manufacturers, automobile, parts, white goods, building materials, chemicals, machineries, import substitution products, property developers etc, need consumer credit flow to boost aggregate demand and funding to support continuous production, aggregate output, and investment in quality improvement, among others. Cash economy encourages corruption, money laundering, breeds insecurity and suppresses aggregate demand. A consumer credit system allows consumers to borrow money or incur debt, and to defer repayment of that money over time. Having credit enables consumers to buy goods or assets without having to pay for them in cash at the time of purchase. Consumer Credit expansion that only flows to purchase and consumption of foreign imported goods could exacerbate inflation and suppress local manufacturing capacity.

At the Central Bank of Nigeria Monetary Policy Committee meeting of 27th of Feb 2024, The CBN Governor lamented the N10trillion Domestic Finance Intervention Fund and reiterated the Banks gradual exit. This, in addition to hike in both Monetary Policy Rate (MPR) from 18.75% to 22.75% and Commercial Banks' Cash Reserve Ratio (CRR) from 32.5% to 45% means an aggressive pursuit of inflation targeting, unprecedented squeeze and mopping up of liquidity and severe contraction of lending to the real sector. This would mark the most difficult period of financing the manufacturers with the highest cost-push inflation ever seen. So, to counter this meltdown of the manufacturing sector and potential heightened unemployment crisis, we have to urgently bring in Consumer Credit in foreign and domestic currencies and target them to local manufacturers and local value addition.

Consumer Credit targeted to local manufacturers can boost both domestic aggregate demand and domestic aggregate output, with massive incentive to increased local employment, local capacity utilization and value addition. For example, Nigeria imports about 600,000 cars a year, 400,000 of which are imported second hand cars through Cotonou, Republic of Benin. If each car on average costs $10,000, the FOREX exposure is

$6billion. If Consumer Credit kicks in and targeted to Manufacturers, including Car Manufacturer and Assemblers, then if you make 20% down payment to purchase a car on Lease or Hire Purchase, the 80% drops from the Consumer Credit System to the Car Manufacturer, and the Buyer will have 3 years or more to repay with interest. The Car/Vehicle Manufacturers could increase production from 20,000 Vehicles a year to 200,000 Vehicles, which in turn, could increases employment tenfold and equally save Forex for import of $1.8billion that could have been spent smuggling 180,000 second hand vehicles from Cotonou, Republic of Benin.

Literature Review
Conceptual Framework

The Sources of Consumer Credit

There are four main types of consumer credit: installment credit, non-installment credit, revolving credit, and open credit. Installment credit is a type of credit that allows consumers to finance a purchase for a specific purpose over time. Non-installment credit is a type of loan that is usually offered interest-free so long as the borrower pays the total lump sum balance within 30, 60, or 90 days. Revolving/open credit is a type of credit in which there is a total limit that the borrower can spend up to and usually comes in the form of a credit card. Open credit often refers to credit accounts such as utility bills that have varying payment period balances. An example of consumer credit is a loan that is taken out to finance the purchase of a car. Auto loans are typically installment loans, which means that they are paid back over time in fixed payments. The interest rate on an auto loan may be lower than the interest rate on a credit card, but there will still be interest charges associated with the loan.

- **Foreign Consumer Finance Companies:** Foreign Investors; Nigerian Diaspora Remittances and Nigerians with significant foreign currencies licensed by CBN to provide Consumer Credit targeted to Local Value Added Producers and Manufacturers.
- **Domestic Consumer Finance Companies.**
- **Commercial Banks**. Commercial banks make loans to borrowers who have the capacity to repay them.
- **Savings and Loan Associations** (S&Ls) ...
- **Credit Unions and Staff Associations and Staff Co-operatives**.
- **Sales Finance Companies** (SFCs)
- **Life Insurance Companies**.

The rapid increase of consumer credit in recent years has been a result of the establishment in the country of three finance companies which specialize in hire-purchase finance. At the end of 1964, about 38.4 per cent of total hire purchase credit outstanding came directly from these companies. The ratios in 1965 and 1966 were 36.8 and 35.4 per cent respectively Commercial banks are the main sources of operating funds of the finance companies. The remaining portion of hire purchase credit, and nearly all of the total non instalment credit were extended by the trading firms themselves either from internal sources or out of funds borrowed from commercial banks. The idea of credit for households is certainly not new; in fact, there are well-known negative views of lending and personal debt

Objectives:

1. To promote financial inclusion by expanding access to affordable and responsible consumer credit options.
2. To stimulate economic growth and consumption by providing individuals with access to funds for productive and discretionary spending.
3. To enhance consumer welfare through transparent lending practices, effective consumer protection mechanisms, and financial literacy programs.
4. To strengthen the regulatory framework and institutional capacity for overseeing consumer credit markets in Nigeria, which Regulatory compliance, has now been assigned to CBN by the new BOFI Act 2020.

Key Components:

1. **Regulatory Framework:**
   - Review and update existing regulations governing consumer credit, in the light of BOFI Act 2020 and others, to ensure alignment with international best practices and local market dynamics.
   - Strengthen consumer protection measures, including disclosure requirements, fair lending practices, and mechanisms for resolving disputes.
   - Enhance supervision and enforcement mechanisms to mitigate risks associated with consumer credit, such as over-indebtedness and predatory lending practices.
   - Consider legislative and regulatory implications of targeting this Consumer Credit Explosion to strengthening domestic productive capacities without compromising inflation control efforts
   - Ensure effective link with BVN, NIN with sound and secured electronic platforms

2. **Market Development:**
    - Encourage innovation, partnership and competition (co-operating to compete) among financial institutions, fintech companies, and other providers of consumer credit products.
    - Promote the development of alternative credit scoring models and risk assessment tools to expand access to credit for underserved populations and target local manufacturers and value addition providers, including export forex income earners
    - Facilitate partnerships between traditional financial institutions and non-bank entities to leverage technology and reach a wider customer base.
3. **Financial Education and Literacy:**
    - Implement financial literacy programs targeting consumers at various stages of their financial journey, from basic money management skills to understanding credit products and terms.
    - Provide training and resources to empower consumers to make informed decisions about borrowing, managing debt, and building creditworthiness.
    - Collaborate with schools, community organizations, and employers to integrate financial education into formal and informal learning settings.
4. **Consumer Credit Infrastructure:**
    - CBN takes a lead and provide guidance to Investment in the development of credit infrastructure, including credit bureaus, registries, and electronic payment systems, to support the expansion of consumer credit markets.
    - Ensure interoperability and data sharing among credit reporting agencies to facilitate accurate credit assessments and reduce information asymmetry.
    - Promote the use of digital technologies and mobile platforms to streamline loan origination, underwriting, and servicing processes, improving efficiency and convenience for consumers.
5. **Stakeholder Collaboration:**
    - Foster collaboration, effective consultation and engagement with the multi-stakeholder communities including government agencies, regulatory bodies, financial institutions, consumer advocacy groups, and other stakeholders to coordinate efforts and share best practices.
    - Engage with international partners, development organizations, and industry associations to leverage expertise, resources, and technical assistance in supporting the development of consumer credit in Nigeria.

6. **Trade Facilitation**
   - Ensure that CBN, Customs, SEC and the Trade Governance Communities understand the strategy and move in the direction of trade facilitation.

The Development of Consumer Credit for Nigeria

WORK PLAN

No	ACTIVITY	NARRATIVE
1	**DESK RESEARCH**	
	Mapping and Analysis of sources and types of Consumer Credit available in Nigeria Mapping of the multi-stakeholders	
	Review of Legislative and Regulatory Framework and Instruments for Consumer Credit in Nigeria including the more recent Banka and Other Financial Institutions Acts, 2020 (BOFIA 2020)	
	Review of performance of the Consumer Credit Platforms and landscape	
	Vigorous evaluation and analysis of current macro-economic policy thrusts on major sectors of the economy and segments of the Consumer Credit Value Chain	
2	**CONSULTATIONS & ENGAGEMENT**	
	2.1) Strategic High level Inter-ministerial including FMITI, FMoDC briefing with CBN, NICON, SEC, NDIC, FIRS, BoI. NICA, NIMC, etc Consideration of critical focus of Phase 1 to Consumer Credit targeted to Local Manufacturers, Value Addition Providers and Export Oriented Products	On strategic co-operation, co-ordination and alignment and clarity of roles
	2.2) Consultation and Engagement of key stakeholders: 2.2.1) Institutional/Regulatory Stake-holders:- CBN, NICON, NDIC, SEC, FIRS, NIMC, BoI, NICA 2.2.2) Institute of Credit Administration, NICA, Commercial Banks, Development and Merchant Banks, Fintech, Competition and Consumer Protection Agencies and Other Financial Institutions. Nigerian Diaspora, MAN, NACCIMA, NASSI, NASME etc 2.2.3) Consumer Groups, Employee Associations, Credit Unions,	Co-operation and co-ordination, Domestic resource alignment and prioritisation.

	Domestic Finance Consumer Companies	
3	**DEVELOPMENT PLANNING**	
	[Technical Working Group (TWG) Approach] 3.1) TWG on Legislative, Regulatory and Governance Framework, Structure and Processes 3.2) TWG on Consumer Credit Infrastructure, Funding and Resource Mobilisation 3.3) TWG on Market Development, Skills Development, Financial Education and Literacy 3.4) TWG on Stakeholder Collaboration Trade Facilitation 3.5) TWG on Skills and Capacity Development	
4	**IMPLEMENTATION ACTION PLAN**	
	Inauguration of Governing Framework: 4.1) Management Board 4.2) Executive Management 4.3) Sub-Committees	

Consumer Credit is personal debt taken on to purchase goods and services, it is defined as a kind of credit obtained by (private households) to finance any purchase other than property (Guardia, 2002). Consumer credit is abroad term comprising all kinds of installment credit (e.g. credit cards) as well as non-installment credit except mortgage debt (that is mostly real estate secured by real estate). Home equity loans (that is, loans used for other purposes than real estate, but secured by a lien on a home, thus fall under the definition of consumer credit (Kamleitner&Kirchler, 2007)

Impact of Consumer Credit

The impact of consumer credit on any economy depends on the magnitude of this class of credit in relation to such factors as disposable income. For instance, a faster growth of consumer credit than disposable income indicates a decline in the rate of personal saving, because increases in such credit reduce the difference between income and consumption spending. Also, the availability of consumer credit for certain classes of goods raises the demand for such goods, and may lead, as in the case of Nigeria, to an undesirable level of import of such goods, thus raising the level of standard of living quite out of tune with the level of domestic economic development. Consumer credit assumes special importance in an economy like that of Nigeria, because of its balance of payments implications. The value of consumer goods imported into Nigeria amounted to £111.1 million in 1963 and £120.4 million in 1965, constituting 53.5 and 44.0 per cent of total imports in the respective years. How rapidly the importation of these consumer goods, especially the more expensive consumer durables, would have expanded without the availability of consumer credit facilities is difficult to say. However, its balance of payments impact has fully been recognized by the Central Bank, hence it applied selective controls on consumer credit, when there were mounting pressures on our external reserves.

Regulatory pronouncements and competitive activity have combined to boost financial inclusion in the Nigerian economy as banks compete with non-bank financial institutions to offer consumer credits. As they advertise it, citizens can now get up to N5 million in loans within 24 hours of applying. It is a brave new world for financial institutions, the Central Bank and the man on the street seeking financial assistance. There are many opportunities and threats in this new world with potential consequences for us all.

Nigerian banks ignored customers for several years. Bank loans were out of reach and required the equivalent of the proverbial camel passing through the eye of the needle. Collaterals required by banks were lengthy and became the staple of humour when Nigerians lamented the situation of their country. Nevertheless, the banks made strenuous efforts to acquire customers aggressively. Some even opened accounts for minors without charge and with exciting incentives. It all looked promising until a customer required a loan to tackle a project, overcome financial shortfalls etc. The story would change instantly, and the bank would become hostile until recently.

New financial technology (fintech) enabled non-bank financial institutions to jumpstart the credit bonanza. Convergent mobile phones are the primary tool. Customers can apply on their phones, the fin-tech institutions do verification with credit agencies and the customer gets his loan within two days at most. The traditional banks have joined. They are offering as much as the non-bank institutions. They are also staking their pedigrees as part of the attraction. Many positives attend this development, including increased access by citizens to financial resources. Lack of finance and access have always featured as impediments to growing economic prosperity in the country, particularly for the ordinary citizen and small-scale enterprises. Credit is now available.

Advantages of Consumer Credit

Consumer credit can be a helpful tool for people who need to finance a purchase or who want to avoid paying interest on a loan. However, it is important to be aware of the potential drawbacks of consumer credit before using it. There are both advantages and disadvantages to various types of consumer credit.

Advantages include; the ability to finance a purchase over time. The capacity to avoid interest charges by paying off a loan within a set time. The aptitude to get a loan without having to put down any collateral. The ability and freedom to charge up to the limit or less. The ability to request a limit increase if payments are made on time. The disadvantages arethe possibility of accruing numerous interest charges. The possibility of getting into debt. The need to make minimum monthly payments. The possibility for a high-interest rate if payments are not made on time

Benefits to consumers and merchants » Card-based electronic payments provide access to financial resources. Consumers using cash or checks may be limited in the amount of funds they have for particular transactions. With cash, consumers are limited to the funds they have on hand. Merchants may be reluctant to accept checks for bigger transactions because of the risk of nonpayment. Card-based electronic payments address both of these issues: They provide consumers with access to all available funds or lines of credit for a given transaction and they give merchants peace of mind about payment guarantees, provided they follow appropriate payment procedures.

Access to credit helps to adjust periodic income with continuous consumption. Wages and salaries are typically paid weekly, biweekly or monthly. Consumer spending, however, has no time profile. Putting food on the table or fixing a broken-down vehicle should not have to wait for the next paycheck. Credit smooths out the consumption of durable and nondurable goods by lessening the need to wait for paydays. In obtaining credit, consumers generally have three options: bank loans, store credit or credit cards. Credit cards are more convenient and offer lower consumer transaction costs, as the former two involve paperwork, hassle, and a potential transaction-by-transaction waiting period.

Cards provide consumers the means to participate in the digital economy. In most cases, online shopping sites require the of use cards for purchases. And more recently, consumers moved to card-based electronic payments for everyday purchases during quarantines and lockdowns to complete contactless purchases. Cardholders thereby have a larger variety of goods and vendors to choose from as well as access to a broader international marketplace, whereas consumers using cash have limited opportunities. Since online shopping is also completed with the click of a button, the economy immediately receives a jolt to consumption and GDP. Security

Trust in electronic transactions further drives consumption. With card-based electronic payments, consumers have recourse for fraudulent transactions. The peace of mind that merchants have with guaranteed payment also extends to consumers, who feel more comfortable making purchases when they can pay with a card. This trust in the payment system eases friction, bolstering consumption and thereby GDP growth.

Cards provide convenience and lower business costs. Consumers cite the convenience of payment cards, whether it means not having to visit the ATM to obtain cash or not having to count out the cash at the point of transaction. This convenience benefits merchants as well. For instance, when consumers use their own cards at the self-service gasoline pump or supermarket, it lowers labor costs for merchants. Each small portion of friction that payment cards eliminate from the system contributes to higher consumption and GDP.

Payment cards reduce central bank costs of providing currency. By reducing paper transactions, payment cards can reduce the cost to central banks of handling, printing, transporting and safeguarding notes and coins or to treasury or finance departments of processing paper money, thereby improving overall efficiency in commerce and the economy.

Card-based electronic transactions eliminate a substantial portion of the gray economy. Retailers who do not report some or all of their transactions to avoid paying certain taxes usually prefer cash transactions. Card-based electronic transactions, on the other hand, are "above board" and create an audit trail that greatly reduces unreported transactions, thereby raising tax revenues.

Solutions to Economic Challenges.

Enter consumer credit.

Consumer credit, which allows people to purchase goods or services before they have actually earned the money to pay for them, has long been recognised as an essential tool for stimulating demand in economies worldwide. It enables consumers to spend more, and in turn, stimulates production, job creation, and economic growth. Yet, when targeted towards locally produced goods, its benefits are magnified.

Empowering local industries: The first and most direct benefit is the empowerment of local industries. When consumers have the credit facilities to buy "Made in Nigeria" products, local manufacturers get the motivation to enhance production quality and capacity. It is a ripple effect: the increase in demand leads to increased production, which then requires increased raw materials, labour, and logistics. The end result is job creation, better income distribution, and a stronger local economy.

Reducing dependence on imports: Currently, Nigeria's reliance on imported goods drains foreign exchange reserves and often results in capital flight. By making consumer credit readily available for local products, there is a real potential to shift the balance. Consumers, empowered by credit, can opt for local alternatives, reducing the demand for imported goods. The nation's foreign exchange can then be channeled into more impactful projects or reserved for essential imports.

Fostering innovation and competitiveness: As local industries sense the growing demand for their products, there is an inherent push for innovation. To keep attracting consumers, they will invest in research and development, seeking ways to improve product quality, introduce new products, and adopt best practices from global industries. Over time, this innovation culture will make Nigerian products not just locally relevant but globally competitive.

Facilitating transition to an export-led economy: A strong domestic demand for "Made in Nigeria" products lays the foundation for exploring international markets. When local industries meet and exceed local demand, they naturally look outward. With the right policies and trade agreements in place, Nigeria can transition from being import-dependent to becoming an export powerhouse. This will not only boost the country's foreign exchange earnings but also position Nigeria as a key player in the global market

Positive feedback loop of economic growth: Consumer credit's role does not stop at boosting demand. It plays a part in a positive feedback loop that is essential for sustained economic growth. As credit facilities make local products more accessible, industries grow, leading to job creation. With more people employed, there's an increase in disposable income, which means more spending. And when that spending is again channeled towards local products, the cycle continues, leading to consistent economic expansion. However, for this vision to materialise, there are prerequisites:

Robust financial infrastructure: For consumer credit to be effective, Nigeria needs a strong financial infrastructure, one that is inclusive and accessible to all. This includes sound banking systems and capital markets, consumer credit guarantees, efficient credit bureaus, and tech-driven solutions.

Education and awareness: Consumers should be educated about credit facilities, their rights, and responsibilities. This ensures that they use credit judiciously and understand the importance of repayment.
Quality control: To promote “Made in Nigeria” products, the government and relevant agencies must ensure that these products meet high-quality standards. Only then can they gain the trust of local consumers and stand a chance in the international market.
Federal-backed consumer credit Guarantee Company: To instill confidence in lenders, a federal-backed guarantee company can ensure loans given to consumers are recoverable, stimulating banks and financial institutions to extend more credit.
Robust regulatory and legal framework: A sound framework ensures that all players, from consumers to lenders, operate within defined boundaries. This will safeguard against exploitation, maintain industry standards, and offer recourse in case of disputes.
Risk management framework: It’s pivotal that risks associated with lending such as default risk are proactively managed. A comprehensive risk management framework, possibly driven by technology and big data analytics, can aid in predicting, evaluating, and mitigating these risks.

Imagine a Nigeria in which dreams are nurtured, businesses flourish, and innovation thrives all made possible by a robust credit framework. Credit is the lifeblood of any free market economy, fostering investment, innovation, and entrepreneurship. It fuels the engine of growth, allowing individuals and businesses to take calculated risks, expand operations, and contribute to overall economic prosperity. A robust credit system not only enables access to capital but also empowers dreams, creating a positive ripple effect throughout the society.The credit system is like a financial bridge, connecting those who have excess capital with those who need it to invest, grow, and create opportunities. In Nigeria, however, this bridge has shown some cracks, affecting individuals, businesses, and the entire economy. The stark reality is that our credit system is marred by challenges that require collective wisdom and strategic action. This article aims to shed light on the current state of Nigeria’s credit system, its implications, and the transformative power of change.

Empirical Literature

Recent empirical studies discovered that rapid credit expansions are associated with future growth slowdowns and financial crises (Mian et al., 2017; Greenwood, Hanson, Shleifer & Sorensen, 2020). The reality of a link between bank credit economic growths appears undisputable as countless scholars have worked on the subject and certainly confirmed an appreciating relationship (Gahe, &Koffi, Adamopoulos, 2023).

However, the empirical literature between consumer credit and economic growth reveals a mixed association. Some indicate that consumer credit positively affects economic growth (Galor&Zeira, 1993; De Gregorio, 1996; Schumpeter, 2011; Ding, 2015; Borowski et al., 2017). In contrast, findings by Lindholm (1964); Beck et al. (2012); Sassi and Gasmi (2014); Pham and Nguyen (2020) confirmed that consumer credit negatively influences economic growth. Cecchetti, Mohanty and Zampolli (2011) examined household debt and economic growth of 18 OECD countries using the threshold estimation and unveiled that household debt positively influences economic growth but depresses after the threshold of 85% of GDP. Mian et al. (2017) used an unbalanced panel and obtained that household debt has an inverse effect on GDP growth. Belinga, (Zhou, Doumbe, Gahe, &Koffi, 2023)

Berisha and Meszaros (2017) reached the same conclusion by employing the Ordinary Least Squares technique. In a study of 54 economies, Lombardi, Mohanty and Shim (2017) employed panel analysis. They exposed that household debt smoothens economic growth in the short term but negatively affects economic growth in the long term. Pham and Nguyen (2020) examined the Granger causality between domestic credit and Gross Domestic Product (GDP) in Vietnam from 2004 to 2017 with the use of the Auto-Regressive Distributed Lag (ARDL) model, their results show that there was a two-way Granger causality relationship between credit and GDP. In addition, credit expansion had a negative impact on economic growth in Vietnam in the long term. Sikarwar, Goyal and Mathur (2019).

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Salami (2018) described interest rates as the rate of borrowing money in an economy and occurs to be main determining factor of the costs of credit in an economy. According to Semuel&Nurina (2015), interest rate is defined as the value that is added in the effort that has been saved or capitalized. The interest rates will be illustrated in the transactions of money. Besides, it gives an impact on the level of consumer spending on purchases where high-end consumer products often purchased on credit. Hence, higher interest rates result in a more expensive purchase significantly. Interest rates have impact on economy especially in banking industry because interest rates directly deal with dollar and cents.Credit card has vital role in consumer finances and it will be interesting to study on the interest rates (Gross &Souleles, 2002). Paquin& Weiss (1998) presented the main determinants which cause personal bankruptcies which is the supply of consumer credit, condition of the market, the ability of credit card holders to pay their debts and interest rates. Main, Sufi, & Verner. 2023)

According to Ahmed et al. (2010), consumers define their lifestyles by the choice of consumption for goods and services. The spending pattern between rich and poor people is different. For instance, the rich tend to shop for pleasure instead of just focusing on own necessity and the middle class will explore for more evidence before they buy the items. Conversely, the poor will be relying more on in store purchases instead of advice from sales person. Currently, Malaysians are moving towards to improvement of living standard where the lifestyle will be changed. Norvilitis et al. (2003) work on the reasons contribute to level of credit card outstanding balance of college students. The study found that lifestyles of students and peers' behavior will affect their own credit card debt level. Today, consumers view credit card as payment instrument that can facilitate lifestyle and increase living standard (Bernthal et al., 2005). Consumers are aware of lifestyles will results in influencing their credit card usage practices (Wickramasinghe&Gurugamage, 2012). Pirog and Roberts (2007) suggests that communication programs should be held to assist students at risk to modify their own lifestyles in order to reduce the personality characteristics on the mismanagement credit card. (Kamleitner, &Kirchler, 2023).

Among other results, his study showed that the Nigerian economy exhibits a mixture of supply-leading" and demand-following patterns whereby causation runs from the financial sector of the economy to the real sector and vice-versa. His study also supports the case of unidirectional causality from the real sector to the financial sector as in Odedokun (1989). His conclusion among others was that money is causally prior to income, in the sense of Granger, for Nigeria, and that the reverse causation holds. Generally, the above review of related studies supposes that the causal relation between credit market development and economic growth is still debatable in the literature. Apart from being scanty, the empirical literature is weakened by not covering the period of recent global financial crisis in the Nigerian economy. This paper is an attempt to fill such gaps in the finance-growth nexus literature. (Muthusamy, Dewasiri, &Weerakoon, 2023).

Interestingly, to construe the trend of consumer borrowing, one needs to comprehend that the increasing consumer credit has heightened the understanding of the household sector to changes in interest rates and other identified economic factors. A higher interest rate means a greater sacrifice of future income for a given level of consumption financed by future income (Grant, 2007). Economic confidence borrowing decision of consumers depends on their confidence in the economic future because future income is uncertain, and purchasing goods on credit is an act of financing current consumption with anticipated future income (Hoang, Nguyen, Luu, & Vu, 2021). In addition, a household with a stable income, a higher level of education, and assets may actively borrow to finance current consumption (Borowski et al., 2017). Others include the concentration and development of banking sector, the young population, and improved technology (Thomas, 2010; Pattarin&Cosma, 2012), which had permitted individual households to attain a more desirable consumption. Consumer credit continues to grow in Nigeria. Accessible statistics have shown that it kept an expansionary stance even during the period of economic fluctuations between 1981 and 2023

It rose from 9.79% to 15.57% (CBN, 2022), however, evidence on its relationship with economic growth is largely unavailable or limited in Nigeria. Few studies that focused on the interaction were outside Africa (Lindholm, 1964; Galor&Zeira, 1993; De Gregorio, 1996; Beck, Büyükkarabacak, Rioja &Valev, 2012; Sassi&Gasmi, 2014; Ding, 2015; Armeanu, Pascal, Planta, &Doia, 2015; Borowski et al., 2017; Mian et al., 2017). Consequently, there is a paucity of studies in Nigeria, and the relationships are still unclear due to the contradiction in the past findings. Likewise, the effects have not been empirically established in Nigeria to the best of my knowledge, and past studies have ignored modeling its non-linearity. Thus, the objective of this study is to provide an empirical explanation for the consumer credit economic growth nexus focusing on Nigeria. (Greenwood, Hanson, Shleifer,& Sorensen, 2020)Nigeria has been witnessing inconsistent economic growth with low income and rising poverty (Orimogunje, 2019; Sakanko, et al., 2020). Macroeconomic policy suggestions that will improve welfare can be very paramount. Therefore, consumer credit is considered to have a significant impact in improving business activity and income, thus, economic growth (Galor&Zeira, 1993; De Gregorio, 1996; Ding, 2015; Borowski et al., 2017).

According to Lombardi et al. (2017) and Rani et al. (2017), household debts increase rapidly in other countries and in Malaysia. Household debt is the money on loan provided by banks or other financial institutions that are meant to re-pay later. The types of household debt include individual loans, transportation loans, study loans, outstanding balance in credit cards, and overdrafts on bank financial statement (Harari, 2018). The rising of debt may indicate that consumers are not aware of their usage of credit card and tends to spend additional than they earn whereby consumers are not realizing their expenses surpass their profits. Consumers tend to use more on credit card because credit card seems abstract and unreal. (Sassi, &Gasmi, 2024).

Pham and Nguyen (2020) examined the Granger causality between domestic credit and Gross Domestic Product (GDP) in Vietnam from 2004 to 2017 with the use of the Auto-Regressive Distributed Lag (ARDL) model, their results show that there was a two-way Granger causality relationship between credit and GDP. In addition, credit expansion had a negative impact on economic growth in Vietnam in the long term. Sikarwar, Goyal and Mathur (2019) adopted OLS on consumer credit and economic growth. Thirdly, the study identified the turning point between Nigeria's consumer credit and economic growth.(Olowofeso, Adeleke, &Udoji, 2024).

Research Methodology

In this study, the researcher is able to achieve the research objectives through literature review, Pearson's Correlation Coefficient's analysis and Multiple Linear Regression analysis and test the hypothesis on the relationships on independent variables (economic, social and technological) influencing consumer spending by using credit cards. The data obtained in the study is from primary data and secondary data. As for the research strategy, survey is chosen, and a structured questionnaire is used to conduct the survey. In data analysis, there are pilot test, Cronbach's alpha, reliability analysis, descriptive statistics, Pearson's correlation coefficient, multiple regression analysis and SPSS used to accomplish research aim and interpret results of the study. The magnitude of consumer credit in the Nigerian economy has not yet been accurately assessed owing to the difficulty encountered by the Research Department of the Central Bank in collecting the statistics. This survey, as already stated, is based upon data from thirteen companies, including three finance houses. Inflation and exchange rate depreciation have negative effects on manufacturing output growth in both short run and long run. In summary, economic, social and technological factors influence consumer spending by using credit cards and technological factor is the most significant factor that can influence consumer spending by using credit cards.

Recommendations

The critical factors influencing consumer spending by using credit cards is crucial to have in depth understanding on consumer spending for banking institutions and credit card issuer to gain insights about their customers. For consumers, they can increase awareness of their own spending by using credit cards to avoid getting into credit card debt and at the end causes bankruptcy. As the credit card debt rises, Nigerian government implement few programs to build good financial planning for consumers to avoid getting in debt. The marketers should promote the use of credit cards ethically based on consumer spending and provide good advice to credit card consumers instead of only promoting credit card use blindly which will end up with credit card debt.Card usage makes the economy more efficient, increasing GDP by a statistically significant amount year after year through a multitude of factors, including transaction efficiencies, consumer access to credit, and consumer confidence in the payment system overall. This usage and penetration increased personal consumption in aggregate across economies.

The study, therefore, supports the adoption of policies that encourage the use of cards. Increased usage of cards boosts consumption and GDP growth.

Conclusion:

The development of consumer credit in Nigeria presents significant opportunities for promoting financial inclusion, stimulating economic growth and employment, promoting sustainable local productive capacity and value addition, and improving consumer welfare. By adopting a holistic approach that addresses regulatory, market, educational, infrastructure, and collaborative dimensions, Nigeria can unlock the full potential of consumer credit to drive sustainable development and prosperity for all citizens. With concerted efforts from stakeholders across sectors, Nigeria can position itself as a leader in fostering inclusive and responsible consumer credit markets in Africa.

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