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IMPACT OF CREDIT TO PRIVATE SECTOR ON YOUTH UNEMPLOYMENT RATES IN NIGERIA (1991-2021)

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Abstract

Given the rising rates of youth unemployment alongside private sector credit, it became necessary to test if there exists any relationship between the two as economic theories posit. The study was based on the monetarist theory of a growing economy as a result of a growing money supply. This study was an attempt to examine the influence of private-sector credit on youth unemployment rates in Nigeria from 1991 through 2021. Data which were obtained from the World Bank - World Development Indicator were analyzed using the Augmented Dickey-Fuller (ADF) unit root test, Auto-regressive Distributed Lag (ARDL) Bounds Test and Johansen Co-integration test. The unit root test revealed that the time series variables were integrated into orders 0 and 1. The Johansen co-integration test was used to detect the possibility of any co-integration among the variables and the findings revealed that a long-run relationship exists between youth unemployment rates and private sector credit, however, monetary credit to the private sector is statistically insignificant. Results reveal that private-sector credit has a positive relationship with youth unemployment rates. With this on the table, the researcher recommends that much reliance should not be placed on the credit to the private sector for correcting youth unemployment rates in Nigeria in the long run without consideration of the reasons private sector credit fails to have as reduce youth unemployment rates as it should. Other youth unemployment reduction methods may include introducing skill-building programs to the education syllabus and giving out credit facilities to young and aspiring entrepreneurs.

Keywords: Youth, Unemployment Rate, Credit, Private Sector

1. INTRODUCTION

1.1 Background to the Study

Youth unemployment is a critical problem of development facing the African continent, especially countries like Nigeria, which ranks the world's second-highest with a youth unemployment rate of 53% after South Africa with 62.1% in April 2023. Duru and Anyawu (2020) opine that despite being more pronounced in developing countries, developed economies are not immune to the frightening social problem of youth unemployment because it is an important policy issue for many countries regardless of the stage of development. Its presence in Nigeria negatively impacts its economic growth and development,

which is one of the economy's topmost macroeconomic objectives. In recent times, the country seems to have accepted youth unemployment as a norm, since her hands are occupied and she seems to have exhausted all her options for reducing the youth unemployment rates. While several factors could be responsible for the rise in youth unemployment rates over the years (such as an increase in the youth labour force or youth loss of jobs, amongst many others that will be discussed in detail as the study progresses), a lot of other economic factors could be responsible for controlling youth unemployment, either by stabilizing it or by reducing it. One of these economic factors is credit to the private sector.

Credit to the private sector refers to the provision of financial resources in the form of loans, advances, etc., to the private sector by Deposit Money Banks, except the Central Bank of Nigeria (Okorie & Chikwendu, 2019). It is important to note that controlling youth unemployment rates is not the main purpose of credit to the private sector. However, economic theories, posit that credit to the private sector leads to an increase in private-sector investment. This increase in private sector investment leads to an expansion of the private sector, thus creating room for employment opportunities. This makes it safe enough to conclude that credit to the private sector indirectly affects youth unemployment. A study of this kind is usually motivated by certain problems. Statistics have clearly shown that credit to the private sector over the years has risen steadily along with the youth unemployment rates in Nigeria. Periods when the credit to the private sector as a percentage of GDP experienced a sharp rise over the years, there was also observed a rise in youth unemployment rates in Nigeria.

Also, despite the fall of the monetary credit to the private sector in the year 2017 from 12.85% to 10.25% in 2018, the youth unemployment rate rose from 11.74% in 2017 to 12.16% in 2018 (WDI, 2023). This creates doubt that credit to the private sector in Nigeria has any impact on youth unemployment in reality even though it may increase private sector investment rates.

1.2 Statement of Problem

One of the main drawbacks of the spirit of entrepreneurship is the lack of capital to start up or additional capital for expansion. When there is the presence of a lot of entrepreneurs, as represented by Micro, Small and Medium-sized Enterprises (MSMEs) in an economy, the economy has a fair probability of experiencing much more company growth, thus expanding its employment sector. MSMEs are very vital for the growth and development of any economy, both developed and developing, as they help to provide mass employment opportunities, and a wide range of products to the public, as well as raise the living standard of individuals (Effiong et al., 2022). For this reason, they need proper funding. Money Deposit Banks have played the role of giving credit to the private sector as an investment to aid their activities and to boost economic progress.

This problem is important because credit to the private sector has increased over the years alongside youth unemployment. Since the outright attempts of the government to engage the youths through the creation of various programs to boost their education and skill level have proved unsuccessful, hence a need to rely on the private sector to provide jobs for them. But statistics so far show that this has not been as effective as it should be. However, based on the statistics, it is observed, that the impact of credit to the private sector on unemployment rates is not seen or felt in the short run. This is a problem because while it takes a while for youth unemployment rates to feel the effect of an increase in the monetary credit to the private sector, youth unemployment rates keep rising, i.e. youth unemployment keeps getting worse even though monetary credit to the private sector is increasing. This may mean that credit to the private sector has no impact on youth unemployment rates since it takes too much time to reflect, hence the need for this study.

1.3 Trends in Credit to the Private Sector and Youth Unemployment Rates

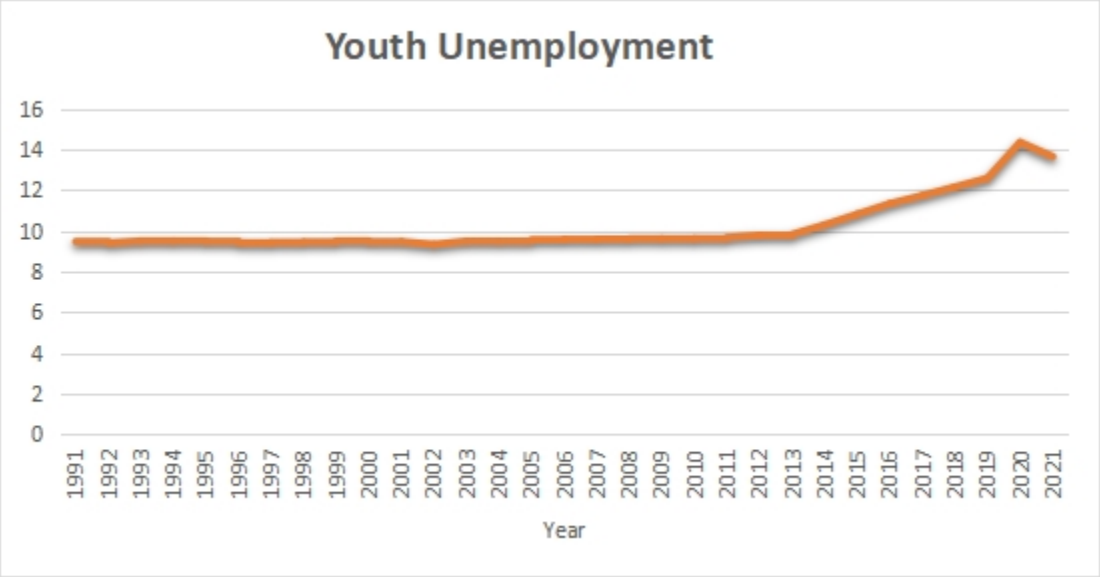

Figure 1: Trend in Youth Unemployment Rate (percentage of the Total Labour Force ages 15-24).

Data Source: World Development Indicator, 2023. Graph: Researcher's work.

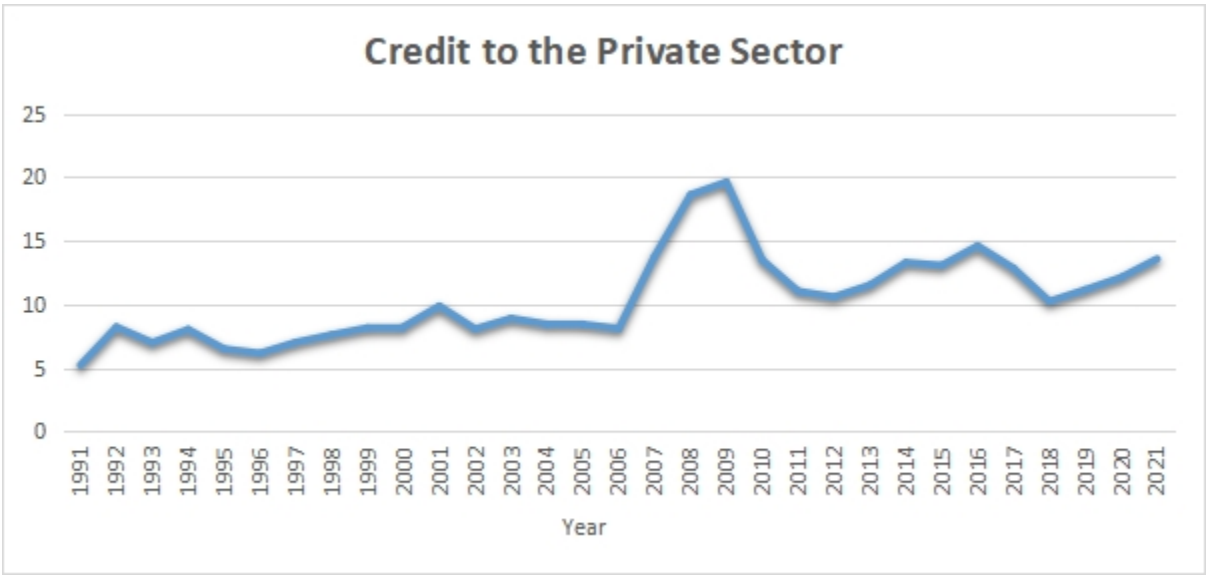

Figure 2: Trend in Credit to the Private Sector.

Data Source: World Development Indicator, 2023. Graph: Researcher's work.

From Fig. 1 above, depicting the trend in youth unemployment rates in Nigeria over the years of study and Fig. 2 depicting the trend in credit to the private sector as a percentage of GDP, it is clearly shown that credit to the private sector over the years has risen along with the youth unemployment rates in Nigeria.

Despite the sharp rise in the credit to the private sector as a percentage of GDP from 8.12% in the year 2006 to 13.80% in the year 2007, and further higher to 18.63% in the year 2008, there is observed a quite minimal rise in the youth unemployment rate from 9.59% in the year 2006, to 9.60% in the year 2007 and then to 9.62% in the year 2008.

1.4 Significance of the Study

Thus, some important questions come to mind: What kind of relationship exists between monetary credit to the private sector and youth unemployment in Nigeria? What kind of relationship exists between the Bank Lending Rate and youth unemployment in Nigeria? Consequently, the attention of this study is focused on examining the relationship between monetary credit to the private sector and youth unemployment rates in Nigeria, as well as the relationship existing between Bank Lending Rates and youth unemployment rates in Nigeria. This work contributes to the body of research critically in the area of the determinants or causes of the rising youth unemployment rates. Studies reviewed by the researcher have concluded that Credit to the Private Sector has a different impact on unemployment rates in the short run and the long run, stating possible reasons why this is so. This study intends to discuss and expatiate the results of the statistical tests that will be used for the research analysis.

This study has not precisely been carried out in Nigeria to the best of the researcher's knowledge. However, similar studies relating to the impact of Private Sector Credit on the general unemployment levels have been carried out. This study, apart from dealing with youth unemployment and its peculiarities, would attempt to make theoretical speculations on the likely effects of the student-loan bill, which was signed into law in June 2023, on youth employment levels, relating the student loan bill to government investment in human capital. The rest of the study is organized as follows: Section two reviews literature relevant to the study indicating the major theories, methods employed and major findings in the literature reviewed. Section three details the methodology employed, section four, the discussion of the study's findings, and section five, major conclusions, policy implications and recommendations.

2. LITERATURE REVIEW

2.1 Theoretical Framework

In the work on money supply and economic growth in the Nigerian economy using the Auto-regressive Distributed Lag (ARDL) method as carried out by Bassey (2017), the monetary theory was reviewed as one of the theories linking money supply and economic growth. The monetary theory of unemployment, also known as monetarism, is a school of thought in economics that emphasizes the role of monetary factors, particularly the money supply, in determining the level of unemployment in an economy. Monetarists believe that changes in the money supply have a direct impact on aggregate demand, which in turn affects employment levels.

The Keynesian model assumes an economic system with a perfect and competitive market. In their work on the effect of monetary policy on unemployment rates in the Nigerian economy, Okeke and Chukwu (2021), the Keynesian theory was used as the theoretical basis. In the work on the determinants of youth

unemployment in South Africa using the Vector Error Correction Model as carried out by Patel and Choga (2018), the monetary theory was reviewed as one of the theories on which the findings of the study were based.

Classical economists assumed that the economy was always at full employment. They assume flexibility in wages, interest rates and prices and to them, unemployment arises as a result of wage rigidity which affects the labour market. In their work on the determinants of youth unemployment in South Africa, Patel and Choga (2018) based on the Classical theory of unemployment. According to them, money wages would fall if a fall in manufacturing leads to unemployment. This fall in money wage would lead to an increase in the demand for labour which will cause it to equal its supply.

2.2 Empirical Review

Except for the service sectors, Patel and Choga (2018) examined the causal relationship between productivity and unemployment in various Nigerian economic sectors using the Vector Error Correction Model (VECM). The results showed that education has a negative relationship and is statistically significant to youth unemployment.

Khan's (2020) work on unemployment and economic growth in Nigeria using the Ordinary Least Squares (OLS) regression technique reveals that there exists a negative and insignificant relationship between GDP and money supply. This was defended by the explanation that while there is an increase in money supply, and thus investment, productivity rises, but so do taxes. This rise in tax causes production costs to rise which leads to higher prices, then inflation.

In a study centred on an empirical examination of the influence of private-sector credit on unemployment in Nigeria using the Auto-regressive Distributed Lag (ARDL) bounds test method, Effiong et al. (2022) discovered that there exists a long-term relationship between credit to the private sector and unemployment rates and concluded that credit to the private sector has a positive and insignificant effect on unemployment rates in Nigeria. Amoo et al. (2017) also concluded that credit is growth-enhancing in the work on the impact of private sector credit on economic growth in Nigeria, using the fully modified least squares method.

In the long run, however, private-sector credit is noted to have a negative and insignificant effect on unemployment rates in Nigeria. The study linked this outcome to the effect of interest rates interest rate was discovered to have a positive and significant influence on unemployment rates in Nigeria. The researchers concluded that private-sector credit would have a long-run effect on unemployment rates in Nigeria if interest rates are checked.

3. METHODOLOGY

3.1 Data Description and Sources

This study employed a quantitative research design in the analysis of the variables of the study. The study used Secondary data collected from Macrotrends (2023) and the World Development Indicator (2023) for the period of the study. The time series data spans a period of 31 years, from 1991 – 2021, in Nigeria.

The youth population data (YPOP) was calculated by the researcher using data sourced from the World Development Indicator (2023). The data sourced from WDI were:

i. Female population between the ages 15 to 19 as a percentage of the total female population from 1991 to 2021.
ii. Female population between the ages 20 to 24 as a percentage of the total female population from 1991 to 2021.
iii. Male population between the ages 15 to 19 as a percentage of the total male population from 1991 to 2021.
iv. Male population between the ages 20 to 24 as a percentage of the total male population from 1991 to 2021.
v. Female population as a percentage of the total population for each year from 1991 to 2021. The population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship.
vi. Male population as a percentage of the total population for each year from 1991 to 2021. The population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship.

To arrive at the youth population, the researcher made use of the formula;

$$YPOP_t = [(f_{1t} + f_{2t}) \times F_t] + [(m_{1t} + m_{2t}) \times M_t]$$

Where;

f_{1t} = Female population between the ages 15 to 19 as a percentage of the total female population.

f_{2t} = Female population between the ages 20 to 24 as a percentage of the total female population.

F_t = Female population as a percentage of the total population.

m_{1t} = Male population between the ages 15 to 19 as a percentage of the total male population.

m_{2t} = Male population between the ages 20 to 24 as a percentage of the total male population.

M_t = Male population as a percentage of the total population.

t = year

3.2 Model Specification

Modelling the relationship between youth unemployment rates and private sector credit in Nigeria is done by modifying the model employed by Effiong et al. (2022); where they defined the unemployment rate (UNMP) as a function of domestic credit to the private sector (CPS), GDP growth (ECG), access to electricity (ELEC), government expenditure on social community services (GES) and prime lending rate (INT).

By modifying and incorporating other key variables, the model for this study is based on the following functional relationship;

$$YUNP = f(CPS, GDPGR, YPOP, FDI, BLR, URB,) \ldots (1)$$

Equation (1) is transformed into an estimable form as follows:

$$YUNP = a_0 + a_1 CPS + a_2 GDPGR + a_3 YPOP + a_4 FDI + a_5 BLR + a_6 URB\mu \ldots (2)$$

Where;

YUNP = Youth Unemployment

CPS = Credit to the private sector

GDPGR = Gross Domestic Product Growth Rate

YPOP = Youth Population

FDI = Foreign Direct Investment

BLR = Bank Lending Rate

URB = Urbanization

μ = Error Term

$a_0, a_1, a_2, a_3, a_4\ a_5\ and\ a_6$ = intercept of respective independent variables

3.3 Estimation Technique

Descriptive statistics on the variables are computed to summarize the characteristics of the data set for the variables in the study over time. To determine the stationarity status of the time series data, an Augmented Dickey-Fuller Unit Root Test is carried out and a Johansen co-integration test analysis is carried out, to test the stationarity and long-run relationships among the variables respectively. A multicollinearity test is also carried out to check for any case of multicollinearity among the independent variables. The E-views 9 software is used for the computation and analysis of data. The various data analysis methods are explained in detail below for clarification.

4. EMPIRICAL FINDINGS

4.1 Descriptive Statistics

The table below shows the descriptive statistics of the data set used.

Table 4.1 – Descriptive Statistics

Number of observations = 31							
	YUNP	CPS	GDPGR	YPOP	FDI	BLR	URB
Mean	10.20613	10.44677	1.402903	0.218426	1.644839	0.187384	0.044584
Standard Deviation	1.329651	3.461980	3.674762	0.019548	1.214419	0.037735	0.003732
Maximum	14.35000	19.63000	12.28000	0.250700	5.790000	0.316500	0.050100
Minimum	9.340000	5.240000	-4.510000	0.186200	0.180000	0.114800	0.039100

Source: *Author's computation (2023) E-views 9*

The mean and standard deviation of Youth Unemployment are 10.20613 and 1.329651 respectively, while the mean and standard deviation of Credit to the Private Sector, GDP Growth Rate, Youth Population, Foreign Direct Investment, Bank Lending Rate and Urbanization are (10.44677, 3.461980), (1.402903, 3.674762), (0.218426, 0.019548), (1.644839, 1.214419), (0.187384, 0.037735) and (0.044584, 0.003732) respectively.

The mean shows the average values of the variables while the standard deviation takes into account the deviation of the minimum and maximum variable values of the mean. The minimum values show the lowest of the values in the data for each variable while the maximum shows the highest of the values for each variable. The standard deviation shows how spread out the data is from the mean. The higher the standard deviation, the greater the spread of the data.

4.2 ADF Unit Root Test

Table 4.2 – ADF Unit Root Test

Variables	Levels			1st Difference			Integration Order
	t-stats	Prob.	5% level	t-stats	Prob.	5% level	
YUNP	3.5541	1.0000	-3.5742	-6.7065	0.0000	-3.5742	I(1)
CPS	-2.2391	0.1976	-2.9678	-5.0237	0.0004	-2.9763	I(1)
GDPGR	-2.8743	0.0603	-2.9640	-7.6047	0.0000	-2.9678	I(1)
YPOP	-3.33E+11	0.0000	-3.568379	-5.10E+13	0.0000	-3.5742	I(0)
FDI	-2.9659	0.0498	-2.9640	-5.8937	0.0000	-2.9678	I(0)
BLR	-1.8931	0.3309	-2.9640	-6.2800	0.0000	-2.9678	I(1)
URB	-0.8532	0.7889	-2.9640	-4.4130	0.0016	-2.9678	I(1)

Source: Author's Computation (2023) - E-views 9

Based on the results from the ADF unit root test, the dependent variable, YUNP, as well as four of the independent variables – CPS, GDPGR, BLR and URB, are integrated at order one, i.e. they at stationary at first difference.

YPOP and FDI however, from the Phillips-Perron and ADF unit root test respectively, are integrated at order zero i.e. they are stationary at levels.

4.3 Correlation analysis

Table 4.3 – Correlation Test

	YUNP	CPS	GDPGR	YPOP	FDI	BLR	URB
YUNP	1.000000	0.333446	-0.381889	0.754506	-0.448362	-0.563012	-0.484008
CPS	0.333446	1.000000	0.180449	0.674875	-0.073149	-0.496515	0.247642
GDPGR	-0.381889	0.180449	1.000000	0.038935	-0.025074	0.024888	0.764008
YPOP	0.754506	0.674875	0.038935	1.000000	-0.468043	-0.729851	0.020826
FDI	-0.448362	-0.073149	-0.025074	-0.468043	1.000000	0.520085	0.256112
BLR	-0.563012	-0.496515	0.024888	-0.729851	0.520085	1.000000	0.078058
URB	-0.484008	0.247642	0.764008	0.020826	0.256112	0.078058	1.000000

Source: Author's Computation (2023) - E-views 9

Due to the discovery of the problem of multicollinearity between explanatory variables, GDPPC, GDPGR and URB, in the original model, there would be a need to modify the initial model to 2 in cognizance of the presence of collinearity to avoid having a spurious regression result.

The models are;

$$YUNP = a_0 + a_1 CPS + a_2 BLR + a_3 URB + \mu \quad \ldots (1)$$

$$YUNP = a_0 + a_1 YPOP + a_2 FDI + a_3 GDPGR + \mu \quad \ldots (2)$$

4.4 Johansen Cointegration

Model 1 – Impact of Credit to the Private Sector, Bank Lending Rates and Urbanization on Youth Unemployment Rates.

$$YUNP = a_0 + a_1 CPS + a_2 BLR + a_3 URB + \mu$$

Since the variables are all stationary at the first difference, the Ordinary Least Square (OLS) estimator cannot be relied upon in this case as the estimates will give spurious results, hence the Error correction Model (ECM) was adopted to analyze the short-run and the long run impact of private sector credit, bank lending rate and urbanization on youth unemployment in Nigeria. However, the Johansen co-integration Test would be done to determine whether or not the variables have a long-run relationship.

Table 4.4 – Johansen Co-integration Test

29 observations after adjustments				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.546030	57.00116	47.85613	0.0055
At most 1	0.509116	34.09918	29.79707	0.0150
At most 2	0.303189	13.46428	15.49471	0.0989
At most 3	0.097914	2.988308	3.841466	0.0839

Source: Author's Computation (2023) – E-views 9.

The hypothesis for the Johansen co-integration test is;

H_0: *There is no cointegrating equation*

H_1: *There is cointegrating equation*

Rejection of the null hypothesis is carried out if the Trace statistics are greater than the critical value at a 5% significance level, otherwise, we fail to reject the null hypothesis.

For the null hypothesis, none, which states that there is no co-integrating equation in the model, the trace statistic is greater than the critical value at a 5% significance level. Hence, we reject the null hypothesis and conclude that there is a co-integrating equation in the model.

For the null hypothesis, which states that there is at most 1 co-integrating equation in the model, the trace statistics is greater than the critical value at a 5% significance level. Hence, we reject the null hypothesis and conclude that the model has at most 1 co-integrating equation.

4.5 Error-Correction Model (ECM)

The ECM was carried out since the Johansen Cointegration test shows a long-run relationship between the variables.

$$YUNP_t = \alpha_0 + \beta_i CPS_t + \gamma_i BLR_t + \delta_i URB_t + ECM_t + \mu_t$$

Table 4.5 – Error Correction Model Result

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(CPS)	0.015685	0.027334	0.573835	0.5712
D(BLR)	-0.966310	2.560074	-0.377454	0.7090
D(URB)	-19.838965	25.477787	-0.778677	0.4435
ECM(-1)	0.027001	0.092762	0.291074	0.7734
Cointeq = YUNP - (-0.5809*CPS + 35.7884*BLR + 734.7579*URB -28.3944)				
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPS	-0.580925	2.463399	-0.235822	0.8155
BLR	35.788354	186.435886	0.191961	0.8493
URB	734.757915	3173.663166	0.231517	0.8188
C	-28.394439	166.080568	-0.170968	0.8656

Source: Author's Computation (2023) – E-views 9.

Against the expectation of a negative ECM value, the ECM coefficient is positive and statistically insignificant. This could be as a result of problems with the data, or an implication of non-convergence of process in the long run. The results indicate that a deviation or shock in the youth unemployment rates from equilibrium is corrected by 2.7 per cent the following year or in the long run which is a rather slow rate of correction. That is the ECM coefficient of 0.027 shows the speed of adjustment from the state of disequilibrium in the short run to equilibrium in the long run.

Considering the ECM estimate, the impact of the credit to the private sector is determined by the coefficient of CPS, 0.015685. Meaning that a unit change in private sector credit would result in a 0.015685 rise in youth unemployment rates. This implies a positive relationship between the two variables.

Considering the ECM estimate, the impact of the bank lending rate is determined by the coefficient of BLR, -0.966310. Meaning that a unit change in bank lending rate would result in a 0.966310 fall in youth unemployment rates. This implies a negative relationship between the two variables.

Considering the ECM estimate, the impact of urbanization is determined by the coefficient of URB, -19.838965. Meaning that a unit change in urbanization would result in a 19.838965 fall in youth unemployment rates. This implies a negative relationship between the two variables.

4.6 ARDL Bounds

Model 2 – Impact of Youth Population, Foreign Direct Investment and GDP Growth Rate on Youth Unemployment Rates.

$$YUNP = a_0 + a_1 YPOP + a_2 FDI + a_3 GDPGR + \mu$$

$$YUNP_t = \alpha_0 + \sum_{k=i}^{n} \alpha_i YUNP_{t-i} + \sum_{k=i}^{n} \beta_i YPOP_{t-i} + \sum_{k=i}^{n} \gamma_i FDI_{t-i} + \sum_{k=i}^{n} \lambda_i GDPGR_{t-i} + \mu_t$$

Since YPOP and FDI are stationary at levels, and GDPGR is stationary at the first difference, there would be a need to carry out the ARDL Bounds Test to test for a long-run relationship between the variables.

ARDL BOUNDS TEST

Table 4.6 – ARDL Bounds Test

Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	k
F-statistic	2.903355	3
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.72	3.77
5%	3.23	4.35
2.5%	3.69	4.89
1%	4.29	5.61

Source: Author's Computation (2023) – E-views 9.

From the ARDL Bounds test results above, the F-statistics, 2.903355, is less than the lower bound at a 5% significance level. This means the null hypothesis of no existing long-run relationship would not be rejected. Since there is no existing long-run relationship, the ARDL would be estimated and interpreted.

ARDL Model Result

Table 4.7 – ARDL Model

Observations – 30 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
YUNP(-1)	0.949193	0.093210	10.18340	0.0000
YPOP	-2316.864	1137.089	-2.037539	0.0533
YPOP(-1)	2325.635	1136.417	2.046464	0.0523
FDI	-0.060017	0.053250	-1.127096	0.2713
GDPGR	-0.073079	0.018218	-4.011351	0.0005
GDPGR(-1)	0.041302	0.022052	1.872961	0.0738
C	3.963825	2.535576	1.563284	0.1316
R-squared	0.961776	Mean dependent var		10.23033
Adjusted R-squared	0.951804	S.D. dependent var		1.345417
F-statistic	96.45224	Durbin-Watson stat		2.322254
Prob(F-statistic)	0.000000			

Source: Author's Computation (2023) – E-views 9.

The results obtained after the ARDL was carried out reveal that the lag value of the variable YUNP, with a probability value of 0 which is less than 0.05, is statistically significant in explaining its variations. However, the lagged and current probability values of YPOP, 0.0523 and 0.0533 respectively, as well as the current probability value of FDI, 0.2713, and the lagged probability value of GDPGR, 0.0738, are greater than 0.05 which signifies that the variables are not statistically significant in explaining variations in the model. The current probability value of GDPGR, 0.0005, is less than 0.05 which shows that GDPGR is statistically significant in explaining variations in the model.

Considering the ARDL estimate, the impact of the youth population is determined by the coefficient of YPOP, -2316.864. Meaning that a unit change in the youth population would result in a 2316.864 fall in youth unemployment rates. This implies a negative relationship between the two variables.

Considering the ARDL estimate, the impact of foreign direct investment is determined by the coefficient of FDI, -0.060017. Meaning that a unit change in foreign direct investment would result in a 0.060017 fall in youth unemployment rates. This implies a negative relationship between the two variables. Considering the ARDL estimate, the impact of the GDP growth rate is determined by the coefficient of GDPGR, -0.073079. Meaning that a unit change in GDP growth rate would result in a 0.073079 fall in youth unemployment rates. This implies a negative relationship between the two variables.

The R-squared value of 0.96 shows that the variables can explain 96% of variations in the model with 4% unexplained. The F-statistics of 96.45 shows that all the variables included in the model are simultaneously significant in explaining variations in the model. The Durbin-Watson statistic of 2.32 shows no evidence of autocorrelation.

5. Conclusion and Recommendations

5.1 Explanation of results

The results obtained do not align with the work of Adewumi (2022) on the impact of bank credit on unemployment rates in Nigeria which revealed that credit to the private sector has a significant impact on Nigeria's unemployment rates. Adewumi (2022) also revealed that bank credit influences Nigeria's unemployment rate. Suggestions were made for the enhancement of monetary authorities for vital credit facilities to be given to the youth as needed.

It is however, in consonance with the work of Effiong et al. (2022) which from ARDL estimates, discovered a positive but insignificant influence of credit to the private sector on unemployment; while its one-period lag yielded a positive and significant effect. Showing that its past value does not support the reduction in unemployment. In the long run, however, credit to the private sector has a negative and insignificant effect on the unemployment rate.

This could be linked to the effect of interest rates as the study revealed a positive and significant influence of interest rates on the rate of unemployment in Nigeria. Suggestions were made to increase the volume of private sector credit to help stimulate long-term unemployment reduction in Nigeria with interest rates put in check. The reason for these results which are not consistent with theory could be as a result of the exclusion of important variables, or could be that the time series data was not lagged well enough to take in the actual effects of the independent variables on the dependent variables.

AUTHOR DECLARATIONS

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