

Monetary Policy Rate on Saving and Investment in Nigeria

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Abstract

The study empirically examines the impact of the monetary policy rate on savings and investment in Nigeria over a period spanning 38 years, from 1985 to 2022. The research is structured around four specific objectives, four research questions, and four hypotheses. The study utilizes the reserve rate and monetary policy rate (MPR) as proxies for the monetary policy rate. Annual time series data, sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics (NBS) publications, were employed for the analysis. The data analysis techniques employed in the study were Bounds co-integration, Augmented Dickey Fuller (ADF), and Autoregressive Distributed Lag (ARDL). The findings of this study revealed that the monetary policy rate (MPR) has a significant and negative effect on both savings and investment in Nigeria. In contrast, the deposit rate was found to have a considerable and positive effect on these economic activities. Specifically, the study concluded that an increase in the MPR leads to a reduction in both savings and investment, highlighting the restrictive nature of higher interest rates in the Nigerian economy. In light of these results, the study recommends that the Central Bank of Nigeria (CBN) consider adopting a monetary policy rate that is not only lower but also more stable. A reduction in the MPR could potentially stimulate investment and encourage higher savings rates, especially in key sectors such as agriculture, manufacturing, and technology. The stabilization of the MPR would help foster a more conducive environment for financing long-term investments, driving economic growth, and enhancing productivity across these critical sectors.

Keyword: Monetary, Policy. Rate, Saving, Investment

Introduction

Developed and developing economies alike have long prioritised the attainment of four macro-economic goals: full employment, high and sustainable growth, price stability, and external balance. These goals are particularly vulnerable to economic fluctuations. Policy direction is necessary for the achievement of these objectives. Economists have laid forth their goals in the policy guidelines. As a result, several developing nations, Nigeria comprised, have utilised a range of economic policy approaches to accomplish specific goals. For this reason, monetary policy which comprises actions to manage the supply, demand, cost, and direction of currency and credit is a powerful tool for economic stabilisation (Ndugbu & Okere, 2015; Olawunmi & Ayinla, 2017). To promote economic growth, attain full employment, reduce inflation, maintain a healthy balance of payments, sustain economic growth, upsurge industrialisation, and achieve economic stability are the traditional objectives of monetary policy according to Onayemi (2013). Since monetary policy is becoming more important, most governments are focussing on how to make it more successful in affecting economic growth. Therefore, monetary policy influences economic factors, which in turn drives economic growth. So, to achieve substantial macroeconomic goals-goals that frequently clash and lead to distortions in the economy-the CBN has, throughout the years, implemented a number of monetary policies meant to control and enhance the efficiency and effectiveness of the fiscal system. But monetary policies like

capital requirements and cash reserves have helped deposit money banks create liquidity via public credit and deposit bases (Anowor & Okorie, 2016). The central bank may choose to employ additional monetary policy tools, i.e. the rediscount rate or the reserve requirements (liquidity and cash ratio), in addition to selling and buying fiscal instruments like treasury bills, to control the money supply and accomplish economic goals like full employment, stable prices, and augmented output.

Ufoeze, Odingbe, Ezeabalisi, and Alajekwu (2018) stated that expansionary policy measures, i.e. a decline in the rediscount rate and an upsurge in the money supply, would boost savings and investment and encourage production through lower rate of interest. Scholars, politicians, investors, and researchers have all placed a premium on understanding how monetary policy rates (MPRs) affect saving and investment. Central banks throughout the world use the MPR which is sometimes called the benchmark interest rate to stimulate people's propensity to save and invest. Revisions to the MPR have an effect on the rate of interest given on savings and other instruments paying interest, as pointed out by Anyanwu and Duru (2018). Savings accounts, term deposits, and government bonds all pay more interest when the MPR is higher, which encourages people to put more money away. When the opportunity cost of spending now is greater than saving for future consumption, people may choose to save instead of spend due to the higher rate of interest caused by a rise in the MPR. Conversely, Uduak and Enobong (2021) pointed out that if the MPR were to substantially rise, firms and people may cut down on borrowing, which would reduce investment and economic activity. Because people's income and employment opportunities may decline as a result, they may feel compelled to save more money as a safety net.

Olisadebe and Okafor (2019) went on to say that the cost of capital is affected by the MPR since it impacts the cost of borrowing money for companies looking to invest. Businesses find investment projects more appealing and fiscally feasible when the cost of borrowing declines due to a lower MPR. Loans are more easily extended or denied depending on alteration in the MPR. Industries like real estate and manufacturing are quite sensitive to alteration in interest rates, thus a decline in the MPR might encourage banks to lend more, which in turn could enhance investment activity (Olisadebe & Okafor, 2019). Furthermore, as attested by Bankole, Ukolobi and Mcdubus (2020), alteration in the MPR and other monetary policy choices might signal to investors and affect their emotion and confidence. In times of economic uncertainty, a proactive approach by monetary authorities, for example, reducing the monetary policy rate may send a message of a policy climate that is conducive to investment, which in turn may boost investor confidence and enthusiasm for new projects.

Literature Review

Theoretical Review

This section discusses the theories adopted in this study as follow:

Classicalist Theory and the Life Cycle Hypothesis

Households are the source of savings, as attested by classical theory. The household contributes to future investment and growth by spending a portion of their disposable income in the current period. Interest is considered a favourable determinant of saving by the Classicalists. In other words, the volume of deposits upsurges in proportion to the level of interest, and the reverse is also true. It is possible to represent this mathematically as:

$$S = f(R) = \frac{ds}{dR} > 0$$

Where: S = savings, R = interest; conversely, Modigliani developed the life-cycle hypothesis, which has since been utilised to examine savings. The hypothesis proposes that a person's income is lowest in the early and late stages of their lives, when their production is lowest, and highest in the middle years, when they are most productive. As attested by the paradigm, a person is considered to be a net borrower throughout their formative years. During this time, he puts money aside to pay off his loans and prepare for retirement. In the latter part of his life, he depletes his savings. The hypothesis's identification of income level as a driver of savings is a substantial addition (Imoisi, Iyafekhe & Ezeibekwe, 2018).

Acceleration Theory of Investment

In the 1900s, economists Thomas Nixon and Albert Aftalion put out the Acceleration Theory of Investment. The goal of the accelerator hypothesis was to find a way to make investments go hand in hand with the expansion of both total demand and production. Therefore, the emphasis was on theory instead of cost. As attested by Gbanador (2007), the accelerator theory of investment states that enterprises must modify their investments to match alteration in demand if they want to upsurge production of products and services. This theory is owing to the idea of a fixed capital to output ratio. That is, businesses are considered to be operating in a steady state if the ratio of their current production to their stock of fixed capital assets remains generally constant. He went on to say that, at least in the near term, the accelerator hypothesis presupposes a constrained capital output ratio, since a capital ratio of 4:1 (or just 4) indicates that a constant-price N4 of capital is needed to create N1 of output. It takes a certain quantity of capital to make a specific amount of output. The following equation will determine the necessary capital to generate Y_t output if v is capital - output ratio and Y_t output is needed to be produced.

$K_t = vY_t$ Thus, K_t = the stock of capital, Y_t = level of output or income, V = the capital output ratio or the accelerator. In the theory of the accelerator, the capital-output ratio (V) is assumed to remain constant, which is represented as K/Y . However, changes in the capital stock, under the assumption of a constant capital-to-output ratio, lead to changes in output. Thus, when income is Y_t , the required capital stock, K_t , is given by Vy_t . Similarly, when income is Y_{t-1} in the previous period, the required capital stock is $K_{t-1} = vY_{t-1}$. From this, it is evident that when income increases from Y_{t-1} in period $t-1$ to Y_t in period t , the capital stock will rise from K_{t-1} to K_t .

Empirical Literature

In 2022, Awopegba Afolabi, Adeoye, and Akpokodje (2022) appraised the impact of the monetary policy rate (MPR) on market rate of interest in Nigeria. This study uses monthly data from 2002:M1 all the way up to 2019:M12. The upshots of the threshold regression model demonstrate that, when MPR is above the expected thresholds of 11% and 13%, respectively, it has a bigger and more substantial consequence on SINT and LINT than when MPR is below the threshold. While reducing MPR has an unfavourable effect, increasing it has a favourable effect on short-term and loan interest rates, as attested by estimates from the nonlinear ARDL model. Although the effect is not statistically substantial for SINT, it is fairly minor for LINT.

Using data collected between 1980 and 2019, Uduak and Enobong analyse how effective monetary policy was in boosting the profitability of deposit money banks in Nigeria (2021) utilising the variables in an ARDL Technique analysis, we found that deposit money banks' performance in domestic savings mobilisation was mostly unaffected by monetary policy conduct during the period. Important monetary policy variables failed to encourage domestic savings in Nigeria, as attested by our upshots. A deposit is reaction to alteration in the MPR is

transitory and will eventually fade away. There were indications of rising household savings, however, as attested by the economic income level.

In 2020, researchers Bankole, Ukolobi, and Mcdubus appraised developing countries to see how savings and investments were impacted by the availability of capital. As a case study, Nigeria was selected. Articles that were pertinent to the subject were appraised. Secondary data on the savings, money supply, and investment for the seventeen (17) years was obtained from the CBN Statistical Bulletin. The models were appropriately described, and the data was analysed utilising the E-Views7 statistical tool. Researchers found a robust link between the money supply and the independent variables.

When monetary policy changed in Nigeria in 2020, Ezeibekwe (2020) appraised the consequence on domestic investment. Drawing on data from 1981 to 2018. As attested by empirical research, the impact of interest rates on investment is proportional to the level of inflation. The impact of interest rates on investment diminishes as inflation upsurges. This suggests that monetary policy tools, like the MPR, which directly alter interest rates, are effective stabilisation tools when inflation is falling but lose their relevance when inflation is rising.

Ekong and Effiong (2020) studied the effects of monetary-fiscal coordination on poverty reduction and GDP growth in Nigeria from 1985 to 2019. The study utilised the following tools: the ECM, the ADF unit root test, and the ARDL bounds test for co-integration. The unit root test revealed that the variables were stable at mixed order level $I(0)$ and that there was a first difference at level $I(1)$. We verified a long-haul link by utilising the ARDL Bounds test for co-integration to this mixed-order data. An annual analysis by the ECM revealed that 55.4% of the short-term imbalances are resolved. Researchers also discovered that monetary and fiscal policy channels have a substantial consequence on inflation, both in the long and short term.

Using data collected between 1986 and 2018, Bank-Ola, Jemiluyi, and Johnson (2020) analyse how monetary policy affected price stability in Nigeria. The data utilised in this study came from secondary sources, namely the CBN Statistical Bulletin 2018 and the WDI. Following a diagnostic test, an ARDL model was applied. The research found that only the cash reserve ratio, out of all the monetary policy instruments, was useful and important in keeping prices stable. Over the period under consideration, imports of goods and services had a small but favourable consequence on price instability. Conversely, liquidity ratio, exchange rate, and money supply had an unfavourable but negligible effect.

As attested by Ufoeze, Odingbe, Ezeabalisi, and Alajekwu (2018), monetary policy had an effect on economic growth in Nigeria from 1986 to 2016. Researchers employed Ordinary Least Squared as part of their methodology, which also comprised unit root and co-integration testing. As attested by the upshots, there exist a long-haul link between the variables. In addition, the study's primary upshots showed that interest rates, MPRs, and investment all had minimal favourable effects on Nigeria's growth from an economic standpoint. The availability of funds, however, has a substantial favourable effect on Nigeria's growth. The unfavourable effects of the exchange rate on GDP in Nigeria are substantial. Interest rates in Nigeria are driven by economic growth, which is in turn influenced by the money supply and investment levels.

Uduakobong and Blessing (2017) analysed monetary policy's consequence on Nigeria's growth from an economic standpoint from 1970 to 2012 utilising annual data. The study utilised OLS and the Granger causality test. Upshots showed a small but favourable link between monetary

expansion and GDP growth. Most importantly, it failed to specify any link between the expansion of the money supply and the expansion of the economy.

In their 2016 study, Nwoko, Nnenna, and Anumadu appraised the years 1990–2011 and determined how well the monetary policies of the CBN might promote economic growth. The main statistical tool for this research was multiple regression models, which were utilised to examine the impact of the interest rate, average price, money supply, and labour force on GDP. While this study found that the money supply had a little stimulus on GDP, the average price and the labour force had a far larger impact. The interest rate is statistically substantial in an unfavourable way.

Anowor, Oluchukwu, and Okorie (2016) conducted an empirical re-evaluation of the impact of monetary policy on Nigeria's economic progress utilising the ECM technique. Researchers found that for every one-unit upsurge in the Cash Reserve Ratio (CRR), economic growth in Nigeria augmented by almost seven units. Since monetary policy aims, among other things, to achieve the macroeconomic ones of price stability and continuing economic progress, the upshots were consistent with economic research. The study's authors concluded that monetary policymakers should prioritise the CRR monetary policy tool due to the favourable impact it would have on economies.

Abdulazeer (2016) appraised monetary policy's consequence on Nigeria's growth from an economic standpoint in 2016. In this study, time-series data from 1990 to 2010 were used. Employing multiple regressions, we analysed data on variables i.e. the money supply, fiscal depth, interest rate, and GDP. The upshots showed that all the criteria under consideration were unaffected by Nigeria's economic progress.

The research team of Justus, Adigwe, and Echekeba (2015) looked at how the central bank of Nigeria affected the economy. In an effort to do this, we examined data from 1980 to 2010 using the OLS approach. One indicator of monetary policy is the money supply, which has the dual effect of lowering inflation and increasing GDP growth, in congruent with the study.

Udude evaluated the impact of monetary policy on the expansion of the Nigerian economy from 1981 to 2012 in his 2014 paper. The co-integration result revealed the long-haul links of the variables via the use of two cointegrating vectors. The VECM test's outcomes show that, among other factors, the exchange rate had the most substantial effect on Nigeria's economic performance. Similarly, all other variables went against statistical predictions, but the money supply went in the other direction.

Using the SVAR paradigm, CBN (2014) evaluated the impacts of monetary policy on several real production components. Except for the services and wholesale/retail sectors, which showed an immediate unfavourable response, sectoral output responded consistently to contractionary monetary policy shocks. Agriculture, industry, and the construction and building industries all showed delayed unfavourable responses, in congruent with the upshots. These outcomes fit up with what economists expect: a drop-in productivity across the board after monetary tightening. The consequences of the forecast error variance decomposition show that the money supply and the interbank call rate are the two most substantial monetary policy variables that account for the variance in sectoral production.

Methodology

This study makes use of an ex-post facto research strategy. In ex-post facto research, often called after-the-fact research, the researcher waits until after the event has already taken place before beginning to investigate. When testing theories on cause-and-effect links or when it is not

feasible or morally acceptable to follow the entire procedure of a real experimental design, it is sometimes utilised as a replacement for actual experimental research. Extending from 1985 to 2022, this research utilised time series data. The primary sources for this data were the Statistical Bulletin of the CBN and the publications of the NBS. This section of the study presents the presented model. This research used a multiple regression model to accomplish its aims and contribute to more accurate economic estimations. This research utilised a multiple regression model to determine how the MPR affects the saving and investment variables, which are dependent. The details of the model are as follows:

These are the functional expressions of the models:

$$SAV = f(MPR, DR) \quad (1)$$

$$INVT = f(MPR, DR) \quad (2)$$

The models are expressed mathematically as:

$$SAV = \beta_0 + \beta_1(MPR) + \beta_2(DR) + \mu \quad (3)$$

$$INVT = \delta_0 + \delta_1(MPR) + \delta_2(DR) + \mu \quad (4)$$

The linear models are expressed econometrically as:

$$SAV = \beta_0 + \beta_1(MPR) + \beta_2(DR) + \mu \quad (5)$$

$$INVT = \delta_0 + \delta_1(MPR) + \delta_2(DR) + \mu \quad (6)$$

Where: SAV = saving, INVT = Investment, MPR = Monetary policy rate, DR = Deposit rate
 β_0, δ_0 = constant or intercept terms, β_1, δ_1 = Parameters of Monetary policy rate, β_2, δ_2 = parameter of deposit rate, μ = Error term

For a priori expectation, MPR is expected to have unfavourable effect on saving and investment. This is mathematically expressed as $\beta_1, \delta_1 < 0$; deposit policy rate is expected to have favourable effect on saving and investment. This is mathematically expressed as $\beta_2, \delta_2 > 0$. The study used an econometric approach. To account for the unique characteristics of economic events, statisticians have developed a set of tools known as econometric principles. Its accuracy in predicting economic size is a major factor in its widespread adoption. This was accomplished primarily via the use of the ARDL method of data analysis. The statistical tool E-Views 12.0 was used to aid data analysis.

Data Analysis and Results

Table 1: Augmented Dickey-Fuller (ADF) Test Upshots

Variables	At Levels		At First Difference		Remark	Order of Integration
	ADF	Mackinnon Critical Value @ 5%	ADF	Mackinnon Critical Value @ 5%		
LOG(SAV)	-0.805161	-2.945842	-3.135088	-2.945842	Stationary at 1 st Difference	I(1)
LOG(INVT)	-0.150732	-2.948404	-10.81035	-2.948404	Stationary at 1 st Difference	I(1)
MPR	-3.340283	-2.943427	-	-	Stationary at Level	I(0)
DR	-0.930230	-2.943427	-6.185652	-2.945842	Stationary at 1 st Difference	I(1)

Source: Computation by author, 2025, E-Views 12.0 Output.

Table 1 shows the outcomes of the ADF Unit Root Test, which demonstrate that the MPR ADF test statistics were greater in absolute value than the critical value at a 5% level of significance.

This data suggests that the MPR was integrated at order zero $I(0)$ and left at that level indefinitely. The ADF test statistic for saving (SAV), investment (INVT), and deposit rate (DR) exceeds the crucial value, conversely. Savings (SAV), investment (INVT), and deposit rate (DR) were all found to be stationary at first difference, meaning they were integrated at order one, or $I(1)$. Nevertheless, since every one of the variables was level-and first-difference stationary, meaning they were mixed-order integrated at zero $I(0)$ and integrated at one $I(1)$, we can use the bound co-integration test to determine if the variables in the equation have a Long-run cointegrating link or not.

Table 2: Bounds Co-integration Test

Null Hypothesis: No Long-run Links Exist				
Critical Value Bounds				
T-statistic	Value	Significance	$I(0)$	$I(1)$
F-statistic	5.958785	10%	2.63	3.35
K	2	5%	3.1	3.87
		1%	4.13	5

Source: Computation by author, 2025, E-Views 12.0 Output

Owing to the Bound co-integration test upshots in Table 2, the null hypothesis (H_0) is rejected because the computed F-statistic (5.958785) exceeds the upper bound critical value (3.87) at a 5% significance level. This suggests that the variables are substantially interdependent. Therefore, the statistical evidence is adequate to infer that the MPR, DR, and SAV have a long-haul link or co-integration. Nevertheless, the ARDL model necessitates the presence of a long-haul link and varied order of stationarity. Consequently, we proceeded to estimate the long-term co-efficient by estimating an ARDL of the order of 4, 1, and 2.

Table 3: Result of Short-run and Long-run ARDL Co-efficient

Short-run ARDL Co-efficient				
Dependent Variate = LOG(SAV)				
Variable	Co-efficient	Std. Error	t-Statistic	Prob.*
DLOG(SAV(-1))	0.008395	0.167968	0.049982	0.9606
D(MPR)	-0.374689	0.152268	-2.460711	0.0214
D(DR)	0.288014	0.133761	2.153191	0.0416
D(DR(-1))	0.043225	0.011312	3.821311	0.0008
CointEq(-1)*	-0.073674	0.014227	-5.178275	0.0000
Adjusted R-squared	0.579154			
Durbin-Watson stat	1.966551			
Long-run ARDL Co-efficient				
Variable	Co-efficient	Std. Error	t-Statistic	Prob.*
MPR	-0.374689	0.162517	-2.305528	0.0301
DR	0.348468	0.064469	5.405203	0.0000
C	14.19522	1.355064	10.47568	0.0000

Source: Computation by Author, 2025

The short-run ARDL analysis upshots in Table 3, which demonstrate a statistically substantial unfavourable impact of the MPR on savings in Nigeria. The MPR's unfavourable co-efficient (-0.374689) and probability value (0.0214), which are below 0.05, support this assertion. In the short term, a 1unit upsurge in the MPR upshots in a reduction of 0.374689 in savings, while a 1unit decline in the MPR result in an upsurge of 0.374689 in savings. Table 3's Long-run ARDL

upshots specify that the MPR has a statistically substantial and adverse consequence on deposits in Nigeria. The MPR's unfavourable co-efficient value (-0.374689) and probability value (0.0301), which are both below 0.05, support this assertion. A reduction of 0.374689 in savings is the result of a one-unit upsurge in the MPR, while a one-unit decline in the MPR leads to a 0.374689 upsurge in savings over the long term. The deposit rate in Nigeria has a substantial and noticeable effect on savings. The above conclusion is corroborated by the deposit rate's favourable co-efficient value of 0.288014 and probability value of 0.0416, which is below 0.05. A 0.288014 upsurge in savings is associated with a one-unit upsurge in the deposit rate, while a 0.288014 decline in savings is the consequence of a one percent decline in the deposit rate in the short term. The ARDL model's Long-run estimates, as illustrated in Table 3, specify that the deposit rate has a substantial and favourable consequence on savings in Nigeria. The existence of this link is supported by the fact that the deposit rate has a favourable co-efficient value of 0.348468 and a probability value of 0.0000, which is substantially lower than the 0.05 threshold. A one-unit upsurge in the deposit rate upshots in a 0.348468 upsurge in savings, while a one-percent decline in the deposit rate leads to a 0.348468 decline in savings over the long term. As attested by the Adjusted R-squared (Adj. R²) value of 0.579154, the MPR and deposit rate can account for 58% of the systematic variation in saving in the short term. The error term is responsible for the remaining 42 percent, which is indicative of factors that are unpredictable and not accounted for in the model. The co-efficient of CointEq (-1) at -0.073674 suggests that the present period will rectify any previous deviation, indicating a 7.4% pace of adjustment to Long-run equilibrium. This implies that savings respond promptly to fluctuations in the deposit rate and MPR.

Table 4: Diagnostic Tests Upshots

Test	F-Statistic	Probability	Null Hypothesis	Decision
Serial Correlation LM Test	0.116805	0.8903	H ₀ : There is no serial correlation	Do not reject H ₀
Normality Test	0.065271	0.967891	H ₀ : Normal distribution	Do not reject H ₀
Heteroskedasticity Test	1.556509	0.1852	H ₀ : There is homoscedasticity	Do not reject H ₀
Ramsey RESET test	0.217446	0.6454	H ₀ : Correctly specified	Do not reject H ₀

Source: Computation by Author, 2025

The upshots of the diagnostic test regarding employment generation are detailed in Table 4. The outcome of the serial correlation LM test indicated that serial correlation is absent, as the Breusch-Godfrey LM test probability value exceeded 0.05. After conducting the normality test, the outcomes showed that the residuals of the model adhere to a normal distribution. In light of the fact that the outcomes of the heteroscedasticity test revealed that it was not present in the model, the assumption of homoscedasticity remained unchanged. The outcomes of the Ramsey RESET test demonstrated that the model was adequately stated, and that the analysis did not take into account any variables that were not included.

Table 5: Bounds Co-integration Test

Null Hypothesis: No Long-run Links Exist				
Critical Value Bounds				
T-statistic	Value	Significance	I(0)	I(1)
F-statistic	6.937029	10%	2.63	3.35
K	2	5%	3.1	3.87
		1%	4.13	5

Source: Computation by author, 2025, E-Views 12.0 Output

The upshots of the Bound co-integration test presented in Table 5 specify that the computed F-statistic (6.937029) exceeds the upper bound critical value (3.87) at the 5% significance level, leading to the rejection of the null hypothesis (H0). This indicates the presence of co-integration among the variables. Therefore, the statistical analysis indicates a substantial long-haul link or co-integration among INVT, MPR, and DR. The presence of a Long-run link, along with a mixed order of stationarity, is essential for the appropriate application of the ARDL model. Consequently, we moved forward to estimate the Long-run co-efficient by conducting an ARDL analysis of the order 4, 1, 2.

Table 6: Result of Short-run and Long-run ARDL Co-efficient

Short-run ARDL Co-efficient				
Dependent Variate = LOG(INVT)				
Variate	Co-efficient	Std. Error	t-Statistic	Prob.*
D(MPR)	-0.539629	0.134128	-4.023236	0.0004
D(DR)	0.822332	0.139361	5.900726	0.0000
CointEq(-1)*	0.074268	0.025400	2.923978	0.0066
Adjusted R-squared	0.528616			
Durbin-Watson stat	2.139571			
Long-run ARDL Co-efficient				
Variable	Co-efficient	Std. Error	t-Statistic	Prob.*
MPR	-0.539631	0.170765	-3.160074	0.0037
DR	0.822329	0.163956	5.015569	0.0000
C	8.335080	1.927041	4.325325	0.0002

Source: Computation by Author, 2025

The upshots from the short-run ARDL analysis presented in Table 6 specify that the MPR exerts an unfavourable and substantial stimulus on investment in Nigeria. The unfavourable co-efficient value of MPR (-0.539629) and its probability value of 0.0004, which is below 0.05, provide clear evidence of the link. This indicates that an upsurge of one unit in the MPR upshots in a decline of 0.539629 in investment, whereas a decline of one unit in the MPR leads to an upsurge of 0.539629 in investment in the short run. The upshots from the Long-run ARDL analysis presented in Table 4.6 specify that the MPR exerts an unfavourable and substantial stimulus on investment in Nigeria. The unfavourable co-efficient value of MPR (-0.539631) and its probability value of 0.0037, which is below 0.05, provide clear evidence of the link. This indicates that an upsurge of one unit in the MPR upshots in a decline of 0.539631 in investment, whereas a decline of one percent in the MPR leads to an upsurge of 0.374689 in investment over the long term. Additionally, the deposit rate exerts a favourable and substantial stimulus on investment in Nigeria". The favourable co-efficient value of 0.822332 for the deposit rate, along

with a probability value of 0.0000, which is below 0.05, supports this conclusion. This indicates that an upsurge of one unit in the deposit rate upshots in a 0.822332 upsurge in investment, whereas a decline of one unit in the deposit rate by one percent corresponds to a 0.822332 decline in investment in the short run. The Long-run estimates of the ARDL model presented in Table 6 specify that the deposit rate exerts a favourable and substantial stimulus on investment in Nigeria. The favourable co-efficient value of 0.822329 for the deposit rate, along with a probability value of 0.0000, which is below 0.05, supports this conclusion. This means that investment will rise by 0.822329 for every one-unit increase in the deposit rate and fall by 0.822329 for every one percent decrease in the deposit rate over the long run. Furthermore, the MPR and deposit rate account for 53% of the short-run systematic variation in investment, in congruent with the Adjusted R-squared (Adj. R²) value of 0.528616, while the error term, which represents unknown factors outside the model, accounts for 4.6% of the variation in the model. Lastly, the correction of any previous departure will be accomplished in the present period, as shown by the -0.074268 cointEq (-1) coefficient, which indicates that the adjustment speed towards long-run equilibrium is 7.4 percent. Alteration in the MPR and deposit rate have a comparatively immediate effect on investment.

Table 7: Diagnostic Tests Upshots

Test	F-Statistic	Probability	Null Hypothesis	Decision
Serial Correlation LM Test	2.103433	0.1416	H₀ : There is no serial correlation	Do not reject H ₀
Normality Test	0.094101	1.023891	H₀ : Normal distribution	Do not reject H ₀
Heteroskedasticity Test	0.443500	0.8144	H₀ : There is homoscedasticity	Do not reject H ₀
Ramsey RESET test	0.912302	0.3477	H₀ : Correctly specified	Do not reject H ₀

Source: Computation by Author, 2025

The upshots of the diagnostic test concerning employment generation are detailed in Table 7. The outcome of the serial correlation LM test indicated that serial correlation is absent, as the Breusch-Godfrey LM test probability value exceeded 0.05. After conducting the normality test, the outcomes showed that the residuals of the model adhere to a normal distribution. Furthermore, the outcomes of the heteroscedasticity test revealed that it was not present in the model, which provided further evidence that the assumption of homoscedasticity was correct. Based on the outcomes of the Ramsey RESET test, it was determined that the model had been adequately stated and that there were no variables that were left out of the evaluation.

Discussion of Findings

This study has conducted a thorough examination of the impact of the MPR on saving and investment in Nigeria. The study's upshots specify that the MPR unfavourably impacts saving and investment in Nigeria. An unfavourable co-efficient of the MPR confirmed this outcome. The analysis of the first and third hypotheses indicates that the MPR substantially influences saving and investment in Nigeria. This outcome indicates that the MPR exerts an unfavourable and substantial stimulus on saving and investment in Nigeria. This outcome aligns with the upshots of Ezeibekwe (2020), which demonstrated that the MPR has an unfavourable and substantial consequence on domestic investment in Nigeria. The study upshots specify that the deposit rate favourably influences saving and investment in Nigeria. A favourable co-efficient of deposit rate confirmed this outcome. The analysis of the second and fourth hypotheses indicates that the deposit rate substantially influences saving behaviour in Nigeria. The fact that this result occurred suggests that the deposit rate has had a positive and substantial impact on

the saving and investing practices in Nigeria. The upshots of the study that was carried out by Bankole, Ukolobi, and Mcdubus (2020) are related to this conclusion. The upshots of the study suggested that the deposit rate has a substantial impact on saving and investment in Nigeria from a long-term perspective.

Conclusion

This research takes a look at how the interest rate on monetary policy affects investment and savings in Nigeria. Owing to the data shown above, it is clear that the deposit rate substantially influences saving and investment in Nigeria, but the MPR substantially hinders both activities. Consequently, the research found that the MPR substantially hinders investment and savings in Nigeria.

Recommendations

The following suggestions are given in light of the study's upshots and conclusions:

1. In an effort to promote borrowing for investment purposes, particularly in vital sectors like agriculture, industry, and technology, the CBN should think about implementing a lower and more stable MPR.
2. In an effort to encourage a greater savings culture and keep the buying power of savers stable, the government should closely match deposit rates with inflation.
3. Incentives from regulators should push Nigerian banks to attract long-term savers with competitive interest rates so that they can build up capital for investments in the road. There will be more money available for lending and investment if deposit rates are higher because people and companies will save more.

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