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The Effect of Bank Interest Rate Deregulation on the Economic Growth in Nigeria

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A B S T R A C T

This study examined the effect of bank interest rate deregulation on Nigeria's economic growth in selected Bank in FCT. The study employed a survey research design and the population of the study consists of a total of 33,656 staff of five (5) selected, deposit money banks in Abuja, a modified Taro Yamani formula was to reduce the population to 378 samples, and the questionnaire approach was employed, a well-structured questionnaire was used to gather data from the respondents. Descriptive statistics analysis was conducted including percentages and frequencies while hypothesis was tested using multiple regression analysis with the aid of SPSS version 21 software, the study concludes that Interest rate deregulation plays a vital role in the banking sector of the economy and in the national growth. The following suggestions are made: The violation of savings policy should be checked so as to realize the desired economic growth of Nigeria, The violation of Exchange and interest rate policy should be checked so as to realize the desired effect of economic deregulation in the banking industry, Financial Deregulation should effective to maintain economic stability and The Management of inflation rate should be the joint task of banks and government.

Keywords: Interest Rate, Deregulation, Lending, Prime Lending Rate, Interest Rate Spread

1. INTRODUCTION

One of the economic sectors in Nigeria that is subject to the strictest regulations is the banking industry. The government has a particular interest in the banking sector because of its importance in providing credit facilities for various industries, and most significantly, in providing soft loans to small enterprises to support the growth of the national economy. In their capacity as financial intermediaries, banks assist in directing resources from economically thriving regions to economically struggling ones in order to promote trade and economic growth overall. The benefits of the economy's surplus spenders also accrue to the actual sectors of the economy.

According to Olubanjo, (2015), the banking sector, a key tool used by governments to carry out their policies, must reorganize itself effectively to meet the difficulties and fully benefit from any potential gains from deregulation. The banking sector will undoubtedly face certain difficulties as a result of economic deregulation, including competitive lending rates and efficient credit and risk management.

Given that money is owned by other people—the investing public, or depositors—the banking ethic requires that money be managed effectively and efficiently in order to preserve the competence and ongoing soundness of the banking system and to foster investor confidence in the banking system, thereby lowering the risk of bank failure Research Clue. (2015).

In order to guarantee that what is commercially rational for one bank is appropriately rational for all banks, the government may often believe that it is necessary to interfere in the banking system's operations. Interest rates levied by banks may be regulated in order to promote saving, assure timely and sufficient investment for rapid growth and development, and encourage saving mobilization.

According to Akiri and Adofu's (2007) findings, the presence of externalities and imperfections in the financial markets of the majority of developing economies has frequently necessitated government intervention through suitable intermediaries to promote investment and redirect credit towards economic units that exhibit high social returns but low commercial rates.

In a deregulated interest rate system, supply and demand in the market have a significant impact on determining interest rates, or how much to charge for deposits and loans. Since interest rates are a necessary component of money, the government plans to curtail bank credit expansion through interest rate deregulation. The business sector would not borrow if borrowing costs were high, and this would significantly lessen the inflationary tendencies brought on by surplus liquidity. Thus, the purpose of the research, which was done in Nigeria, was to determine how deregulation of bank interest rates affected economic growth.

1.2 Statement of the Problems

Investigation revealed that banking industries operate on a profit bases mobilizing fund from the supplies sectors of the economy and lending it to the deficit sectors to the economy in which interest rate is being charged. The charging of the interest rate is determined by the bank. The banks high interest rate charged to the deficit sectors of the economy result to the profitability of the banks. But one wonders if this financial deregulation has any effect on the banks or which of the following dimension exact more influence on the economic growth of Nigeria in areas such as savings in banks, banking sector loan interest rate and interest deregulation.

Despite all efforts put in place but policy makers and regulators such as CBN and the government of the day, economic stability is still not achieved which also dwindles the economic growth of Nigeria. Against this backdrop, the study of the effect of bank interest deregulation and economic growth in Nigeria is embarked upon.

1.3 Objectives of Study

The purpose of the study is to analyze the effect of bank interest rate deregulation on the economic growth in Nigeria using selected, deposit money banks in Abuja as a case study. The specific objectives are:

i. To examine the influence of bank savings on *economic growth* of Nigeria

ii. To evaluate the extent of Interest Rate Deregulation induce on *economic growth*

iii. To find out the impact of financial Deregulation on *economic growth* of Nigeria

iv. To analyze the level of banking sector loan interest rate induce on *economic growth* of Nigeria

1.4 Research Questions

The following research questions are raised in line with the objective:

i. To what degree the influence of savings induced on *economic growth* savings of Nigeria?

ii. To what extent has interest rate deregulation of the economy induce *economic growth*?

iii. To what degree is the impact of financial Deregulation on *economic growth* of Nigeria?

iv. To what level does banking sector loan interest rate induce *economic growth* of Nigeria?

1.5 Research Hypotheses

In order to pursue the objective of this study, the following two hypothesis were stated in null hypothesis

Hypothesis One

H0: bank savings does not induce *economic growth* of Nigeria

Hypothesis Two

H0: Interest Rate Deregulation of the economy does not induce *economic growth*

Hypothesis Three

H0: financial Deregulation of the economy does not impact on *economic growth* of Nigeria

Hypothesis Four

H0: banking sector loan interest rate does not induce *economic growth* of Nigeria

1.6 Significance of Study

This study helps the bank to know whether they should be more committed to increasing their charges on rate of interest and to know whether this will increase their customer patronage good will and profitability. By studying the pricing decision, it will be of benefit to the economy and individuals in the sense that it will determine approximation compensation for labour used in production.

This study equally enables firms to know consumer perceive products and the reasons for the high and low price. In addition, the study serves as reference point for future researchers in relevance area.

1.7 Scope of Study

The research focused on the effect of Bank Interest Rate Deregulation on the Economic Growth in Nigeria using selected deposit money banks. Owning to the vastness of this study, it is limited to bank savings, financial deregulation, interest rate deregulation of the economy and banking sector loan interest rate as proxies of independent variables and economic stability as proxies of dependent variable, it is also limited to FCT, Abuja as a case study dues to vast network of the bank in Abuja.

1.8 Limitations of the Study

Some of the limitations include: time frame given to accomplish this work was very short, establishment policies posed a serious limitation as most staffs are not ready to release information needed for this research work and respondent refusal to offer their cooperation at the initial time they were contacted.

2 Literature Review

2.1 conceptual reviews

2.1.1 Concept of Bank interest Rate deregulation

Bank interest is referred to as the price paid for being allowed to use bank loan. The incentive for giving up liquid for a predetermined amount of time is the role of interest. On the other hand, regulation is the process by which the government controls the main facets of the banking industry's structure and financial performance. Certain regulations have been loosened, such as those governing the interest rates at which banks can lend or borrow, those governing bank operations outside of their home countries, those limiting the kinds of transactions that certain financial institutions can undertake, the elimination of direct credit, and the deregulation of exchange rates (Timothy et al., 2012).

According to Timothy, Andy and Ofoegbu (2012), bank Interest Rate deregulation entails the removal of regulations affecting the loan acquisition from the banking sector. This causes retractions on the types of business particular financial institutions can transact, direct credit abolition and exchange rate deregulation.

2.1.2 Concept of Financial Deregulation

The term "financial deregulation" describes the removal of some restrictions that are applicable to banks. It usually happens at the national in the industry the leverage to be more self-regulatory. There are two main organizations that govern the banking industry in Nigeria. The Nigerian Deposit Insurance Company and the CBN. Laws have established these organizations to oversee and manage financial operations as well as keep an eye on participants in the Nigerian banking sector.

Adegbaju and Olokoyo (2008) opined that the need to evolve a banking sector that complies with international best practices, regional integration requirements, and the need to deepen the financial sector and reposition the Nigerian economy for growth is what motivates Nigeria's banking sector reforms. Along with tackling operational inefficiencies, governance, and risk management, strengthening capitalization is at the core of the reforms (Ajayi, 2005). The changes are intended to provide the banking sector the necessary adaptability to sustain the country's economic growth by effectively carrying out its role as the hub of financial intermediation (Lemo, 2005).

Therefore, the goal of the reforms was to guarantee a robust, diverse, and trustworthy banking sector where depositors' money is safe and to put banks in a position where they can actively contribute to the growth of the Nigerian economy. Literature has demonstrated that banking sector regulation and deregulation may improve bank performance as long as regulators and operators are committed to making the system function. There are opposing views on this matter; whereas some academics believe deregulation improves bank performance, others disagree. Both instances where regulation and deregulation have failed and those where they have succeeded in achieving their goals

The current credit crisis and the transatlantic mortgage financial turmoil have called into question the effectiveness of the banks consolidation program as a remedy for financial stability and monetary policy in correcting the defects in the financial sector for sustainable development. The key policy instrument being adopted in correcting the deficiencies in the financial sector is the consolidation of banks; the economic rationale for the domestic consolidation is undeniable; early views on consolidation suggested that it made banking more cost-efficient because larger banks could eliminate excess capacity in areas like personnel marketing and data processing.

2.1.3 Functions of Commercial Banks in the Development of Nigerian Economy

The banking sector, which serves as both a growth engine and a catalyst, is the backbone of the whole economy. It is evident that without the support and services offered by the banking sector, no area of the economy can expand or prosper. Without banks, it is impossible for the industrial, services, agricultural, and even mining sectors to operate. Commercial banks promote and provide savings. The establishment of commercial banks accelerates economic growth, especially in rural areas where deposits are scarce (Research Clue, 2015).

Commercial banks provide the money needed for expansion. To start new companies or fund other expansion plans, deficit spender units turn to commercial banks for overdrafts as well as medium- and short-term loans.

They can do business by employing checks and other financial tools. They encourage investment and provide direct loans to the public and commercial sectors so they may be used for investments. They may offer managerial advice to small-scale industrialists who do not employ specialist services. Commercial banks also offer financial advice, including investment advice, to its clientele. The currency issued by commercial banks serves as a tool for all of the apex bank's activities.

According to Olubanjo, (2015), Commercial banks act as importer referees, write travelers checks, provide credit letters, and issue credit for exports, all of which contribute to the expansion of international commerce. All of these provide backup liquidity for the economy and promote international commerce and cross-national contacts.

In addition to transmitting monetary policy, they offer some "value added" by supplying liquidity and moving money from savers to borrowers.

The efficacy of the banks consolidation program as a solution for financial stability and monetary policy in addressing the flaws in the financial sector for sustainable growth has been called into doubt by the present credit crisis and the financial instability surrounding transatlantic mortgages. The primary policy tool being used to address shortcomings in the financial industry is bank consolidation. Unquestionably, the economic justification for the domestic consolidation is sound; earlier perspectives on consolidation suggested that it increases the efficiency of banking operations by allowing larger banks to minimize surplus capacity in areas such as people marketing, data processing, and overlapping networks (Olubanjo, 2015).

If more efficient banks bought out less efficient ones, cost efficiency may also rise. Reducing the number of banks and other deposit-taking institutions while simultaneously increasing the size and concentration of consolidation firms in the industry is known as consolidation. The advancement of marketing and product initiatives, improvements in the total credit risk, technological exploitation, and improved risk control through the formation of critical mass and economies of scale are the driving reasons behind bank consolidation. Larger, better-capitalized institutions as well as increased operating efficiency have resulted from these forces.

A significant contribution to the economic growth of emerging nations is made by commercial banks. Investing in different economic sectors is a necessary component of economic development (Adegbaju and Olokoyo, 2008).

The banks gather public deposits and allocate them toward investments in industrial projects. Bank loans are obtained by the investors to fund the initiatives. The investors receive special funding to see their initiatives through to completion. International agencies' industrial loans are guaranteed by the bank. Foreign investment cash pours into emerging nations to fund initiatives.

Commercial banks have a role in the process of making the economy wealthier, especially when it comes to capital goods that are required to increase productivity. Whereas emerging economies require the banking system's services for sectoral development, established economies depend on it to help them achieve economic growth. As a result, financial institutions have the power to influence significant saving opportunities and propensities (Research Clue, 2015).

Any economy that wants to experience continuous economic growth may do so if it has robust financial institutions, namely when a robust banking system is in place. In an effort to achieve the intended macroeconomic goals for the country, their actions must be designed to be in line with government policies and initiatives.

2.2 Theoretical framework

This research examines the classical theory of interest rates as well as the kynesisan ideas; yet, it is supported by the following classical theory of interest rates:

For example, the traditional theory of interest rates holds that the supply and demand for capital affect interest rates. Time preference controls the supply of capital, but predicted capital productivity controls the demand for capital. Since it explains how real forces like time preference, thrift, and capital productivity determine the rate of interest, the theory is recognized as a genuine theory of interest (Olubanjo, 2015).

On the other hand, the loanable funds theory, often known as the neo-classical theory, describes how the supply and demand of loanable funds determine interest rates. According to the theory, the price of credit, or interest rate, is based on the supply and demand for loanable money. The government, businesses, and consumers are the three primary sources of demand for loanable cash. Interest-elastic borrowing is the tendency for consumers and business owners to borrow money more often at lower interest rates than at higher ones. The predicted rate of profit in relation to another rate of interest is also a major factor. According to Olubanji (2015), the sources of loanable funds are bank credit, savings, and hoarding, all of which are interest-sensitive.

On the other hand, the loanable funds hypothesis describes how the supply and demand of loanable funds affect interest rates. According to the idea, the price of credit is the rate of interest, which is based on the supply and demand for loanable funds. The government, businesses, and consumers are the three primary sources of demand for loanable cash. Interest-elastic borrowing is the propensity for consumers and company owners to borrow money more often at lower interest rates than at higher ones. Additionally, the predicted rate of profit in relation to the interest rate is a major determining factor. According to Olubanji (2015), the sources of loanable funds include bank credit, savings, and hoarding, all of which are interest-sensitive.

According to the Keynesian theoretical framework, interest rates are set by liquidity preferences, which take into account how central banks' expansionary and contractionary monetary policies affect interest rates as a major policy variable in order to achieve their monetary policy goals. According to Keynes, the rate of interest is the compensation for not hoarding but rather for releasing liquidity for a certain amount of time. The price is what strikes a balance between the amount of money that is readily available and the desire to keep riches in the form of cash. In a Keynesian sense, the supply and demand of money influence the interest rate. As a result, this theory is distinguished from the actual theory of the classical by being called the monetary theory of interest rates.

The entire amount of money in the nation at any given moment for all uses is referred to as the money supply. Even if the rate of interest influences the money supply to some extent, the money supply curve is said to be fully inelastic as it is established by the monetary authority.

To describe the need for money, Keynes invented the phrase "liquidity preference." The preference for liquidity is having cash on hand. The "premium which has to be offered to induce people to hold their wealth in some form other than hoarded money," in the words of Keynes, is the interest rate. The higher the liquidity preference, the higher the rate of interest that will have to be paid to the cash-holders to induce them to part with their liquid assets. The lower the liquidity preference, the lower the rate of interest that will be paid to the cash-holders (Olubanjo, 2015)

Classical Theory:

According to this theory, the rate of interest is determined by the supply and demand of capital, where the supply of capital is governed by time preference and the demand for capital is governed by expected productivity of capital. Interest rate is determined at the intersection of the demand curve and the supply curve at a given level of income (Adegbaju and Olokoyo, 2008)

Since the idea is founded on actual supply and demand forces, it is a legitimate theory of interest. It considers thrift on the supply side and productivity on the demand side, and it entirely ignores the impact of money on interest rates. This theory's flaw stems from its claim that money is only a mask, an inert force that affects the interest rate. Because this theory is predicated on the erroneous premise that resources are fully used, it also entirely overlooks the impact of investments on income. The theory's detractors further contend that the conventional approach conflates saving behavior with the quantity saved Olubanji (2015).

2.3 Empirical Studies

Majed and Ahmed (2010) examined how Jordanian investment was affected by real interest rate liberalization between 1990 and 2005. The study discovered that the liberalization of interest rates has a detrimental effect on investment. According to the report, investments will drop by 44% for every 1% increase in interest rates.

Eregha (2010) examined interest rate and investment determination fluctuations in Nigeria between 1970 and 2012 and discovered a negative association between investment and interest rate variations in Nigeria.

The structural relationship between interest rate liberalization and the economic performance of the countries in Sub-Saharan Africa (SSA) from 1980 to 2013 was examined by Egbetunde et al. (2017). The study's empirical findings showed that interest rate liberalization and economic growth in SSA nations are significantly influenced by trade openness and price stability.

Using the Arellano and Bover methodology of the linear generalized method of moments, Akinsola and Odhiambo (2017) investigated the effect of financial liberalization on economic development for a sample of thirty SSA nations. According to the study, the financial liberalization variable's coefficient is substantial and beneficial for SSA. Additionally, the outcome demonstrated that the financial liberalization dummy sign was statistically negligible and negative for low-income nations.

Using time series data from1970 to2014 Okwuchukwu and Ariwa(2017), examined the impact of financial system liberalization,Savings and Investment on the Nigerian economy. The study found that financial liberalization proxied by real interest rate had a negative significant impact on the Nigerian economy. The result further showed that the dummy variable which captured the liberalization policy was how ever not statistically significant.

Akpansung and Waziri (2018) attempted to ascertain whether or not financial liberalization policies promoted economic growth in Nigeria for the period spanning1986-2014, using ARDL-bound stetting approach and unrestricted ECM to co integration analysis. Employing three alternative measures of financial liberalization

3.1 RESEARCH METHODOLOGY

3.2 Research Design

This research adopts survey research design; the reason for using survey research design is to collect relevant data from respondents in the field comprising the target respondents who are employees of selected deposit money banks (DMB) in Abuja.

3.3 Population of the Study

The population of the study consists of the entire 33,656 staff of five (5) selected, deposit money banks (DMB) operating on the Nigeria Exchange Group (NGX) as at 31st December 2022.The five (5) listed banks met the selection criteria and formed the population for this study.

3.4 Sample Size Determination

The sample size was determined using the modified Taro Yamane sample size determination technique (1967) which is;

$$n = \frac{N}{3 + N(e)^2}$$

Where; N= Population size

n= Sample size

e= Error of Margin (0.05)

$$n = \frac{33{,}656}{3 + 33{,}656\,(0.05)^2} = \frac{33{,}656}{3 + 84.14} = \frac{33{,}656}{89.14} = 377.56 \simeq 378$$

Israel (2013) proposed expanding the sample size by 10% to 30%. As such, the research raises the previously calculated sample size of 378 by 10% (10/100*378=37.8) to 416.

3.5 Sampling Techniques

The stratified sampling method was further used to group the respondents into different strata based on the selected deposit money banks (DMB) and sample were draw bellow;

Table 3.2 Summarized Samples

Bank staff	**Proposed Sample**
First Bank Plc	94
Guarantee Trust bank	61
Zenith Bank Plc	80
United Bank of African	95
Access bank.	48
Total	378

Source: Researchers source, 2024

3.6 Sources and method of Data Collection

The major source of data for this study was primary source. The primary source was the use of questionnaire.

3.8 Method of Data Analysis

A multiple regression model was used with the aid of statistic package for social science (SPSS) version 21 to determine and analyse human resource analytics and organisational performance. This is because regression determines the extent to which the independent variable affects the dependent variable.

3.8.1 Model Specification

The model for the multiple regressions is:

$EG = a + Q_1S + Q_2IRD + Q_3FD + Q_4IR + \epsilon$-------------i

Where

i. S = savings in banks
ii. IRD= interest rate deregulation

iii. FD= financial deregulation

iv. lR= loan interest rate

α=Intercept,ßI=Independentvariable,ϵ=Errorterm

EG= **economic growth**

Decision rules:

The null hypothesis is rejected if the p-value is less than or equal to the critical values of 0.05 otherwise it accepted.

4.1 RESULT AND DISCUSSION

Out of 416 questionnaires distributed, Only 389 (94%) of the questionnaires sent were correctly filled and returned which were used in the study.

4.1.1 Multiple Regression Analysis

The regression summary for interest rate deregulation and economic growth was presented in table 4.1, the result shows the basic parameters that explains the variables; (R) which is the coefficient of correlation, The coefficient of determination which is (R-square), the adjusted coefficient of determination (R-square adjusted) and *Durbin Watson (DW) statistic.*

The (R): the coefficient of correlation (R) is the root square of the ***R-square*** and the correlation between the observe value and predicted values of the dependent variable (economic growth and sustainability). There, the value determines the strength of the correlation; the value of .586[a] indicates avery strong correlation since its more than 0.5.

The R^2 ***(R-square):*** The coefficient of determination (R-square), used to measure the goodness of fit of the estimated model, indicates that the model is reasonably fit in prediction. The R^2 (R-square) value of 0.343 shows that variables of interest rate deregulation has effect on economic growth in Nigerian

It indicates that about 34.3 per cent of the variation in economic growth is explained by interest rate deregulation, while the remaining unaccounted variation of 65.7 percent is captured by the white noise error term.

The significant is that there is a relationship between savings in banks, interest rate deregulation, financial deregulation , loan interest rate and economic growth in Nigeria

The**adjusted** R^2 ***(R-square*****adjusted*****): is based on the sample size of the study,*** it attempts to yield a more honest value to estimate the R-squared for the population by determine the level of variable in the population. From the regression result the adjusted R squared is *.336 and the* R squared is *.343* which is good.

Std. Error of the Estimate –The standard error of the estimate, sometimes called the root mean square error, is the standard deviation of the error term and is the square root of the mean square residual (or error). The model showed a .90093 standard error in the estimate.

Serial correlation: To determine whether there was autocorrelation or serial correlation between the error terms, the *Durbin-Watson (DW) statistic* was employed. The *Durbin-Watson (DW) statistic* of 1.790 further suggests that there is no autocorrelation among the variables in the model. This demonstrates the estimates' objectivity and suitability for use in making policy decisions.

Table 4.1 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.586[a]	.343	.336	.90093	1.790

Source:Computed by Author using SPSS Statistical Software (Version21).

a. Predictors: (Constant), savings in banks, interest rate deregulation, financial deregulation , loan interest rate

b. Dependent Variable: employees Satisfaction

The result of the analysis of variance (ANOVA) table for the overall regression model result was presented in table 4.2.

F and **Sig.** – The F-value is the Mean Square Regression (40.658) divided by the Mean Square Residual (.812), yielding F=50.091. Since it is significant at p-value of 0.000, this indicates that the specified and estimated regression model was of a good fit and statistically significant.

TABLE 4.2 ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	162.631	4	40.658	50.091	.000[b]
1	Residual	311.683	384	.812		
	Total	474.314	388			

Source: Computed by Author using SPSS Statistical Software (Version 20).

a. Dependent Variable: economic growth

b. Predictors: (Constant), savings in banks, interest rate deregulation, financial deregulation , loan interest rate.

Furthermore, table 4.3 bellow shows the estimated result of the regression coefficient of the independent variables used for the test of hypotheses formulated in line with the objective and research questions of the study

Table 4.3 Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.208	.147		1.413	.158
	Bank savings	.420	.078	.256	5.402	.000
1	Interest rate deregulation	.071	.065	.070	1.086	.278
	Financial deregulation	.288	.048	.296	6.054	.000
	Bank loan	.167	.054	.173	3.092	.002

Source: Computed by Author using SPSS Statistical Software (Version 21).

a. Dependent Variable: economic growth

Hypothesis One

H0: bank savings does not induce *economic growth* of Nigeria

from the coefficients table above, sig. value is 0.00, which is less than the acceptable limit of 0.05 and the standard effort of 0.078 is less than the t-statistics value of 5.402, we reject the first null sub hypothesis $Ho_{1(1)}$ and accept $H_{1(1)}$,this indicates that **bank savings** induce *economic growth*, which means that by 1 % increase in **bank savings**, *economic growth* of Nigeria will increase by 42%.

Hypothesis Two

$H0_2$: Interest Rate Deregulation of the economy does not induce *economic growth*

Sig. value is 0.278, which is more than the acceptable limit of 0.05 but the standard effort of 0.65 is less than the t-statistics value of 1.086,we accept the second null sub hypothesis $Ho_{1\,(2)}$, this indicates that **Interest Rate Deregulation** of the economy induce *economic growth*, which means that by 1 % increase in **Interest Rate Deregulation**, economic growth will increase by 7%.

Hypothesis Three

$H0_3$: financial Deregulation of the economy does not impact on *economic growth* of Nigeria

Sig. value is 0.00, which is less than the acceptable limit of 0.05 and the standard effort of 0.048 is less than the t-statistics value of 6.054, we reject the third null sub hypothesis $Ho_{1\,(3)}$ and accept $H_{1(3)}$, this indicates that **financial Deregulation** of the economy impact on *economic growth* of Nigeria, which means that by 1 % increase in **financial Deregulation**, economic growth will increase by 28%.

Hypothesis Four

$H0_4$: banking sector loan interest rate does not induce *economic growth* of Nigeria.

Sig. value is 0.02, which is less than the acceptable limit of 0.05 and the standard effort of 0.54 is less than the t-statistics value of 3.092, we reject the first sub hypothesis $Ho_{1\,(4)}$ and accept $H_{1\,(4)}$, this indicates that banking sector loan interest rate induce *economic growth* of Nigeria, which means that by 1 % increase in banking sector loan interest rate, *economic growth* will incease by 16%

Generally, from the regression result in table 4.27 the calculated F-value for on the **Interest Rate Deregulation** is 50.091 and the critical value is 1.96 under 95% confidence levels. Since the sig value is less than the critical value ($0.000<0.05$) it falls in the rejection region, we reject the first null hypothesis ($H0_1$). The conclusion here is that **Interest Rate Deregulation** of the economy significantly induces economic growth in Nigeria.

4.1.2 Discussion of findings

The first finding shows that bank savings induce *economic growth* of Nigeria, this in inline with Egbetunde et al. (2017) whos empirical findings showed that interest rate liberalization and economic growth in SSA nations are significantly influenced by trade openness and price stability and savings.

The second findings indicated that Interest Rate Deregulation of the economy induce *economic growth*, however, this is not in line with Eregha (2010) who discovered a negative association between investment and interest rate variations in Nigeria.

The third findings indicate that financial Deregulation of the economy impact on *economic growth* of Nigeria, this is supported by Akinsola and Odhiambo (2017) who investigated the effect of financial liberalization on economic development for a sample of thirty SSA nations and found that the financial liberalization variable's coefficient is substantial and beneficial for SSA.

The forth findings indicate that banking sector loan interest rate induce *economic growth* of Nigeria, however, this is not in line with Okwuchukwu and Ariwa (2017), who found that financial liberalization proxied by real interest rate and loan had a negative significant impact on the Nigerian economy.

5.1 Conclusion

The research work was successfully researched to meet the objectives set at the beginning of the research work. The study found that high interest rate induce saving in banks and revitalize the economic growth in Nigeria

It also found that Interest Rate Deregulation of the economy induce *economic growth*, Financial Deregulation of the economy impact on *economic growth* of Nigeria and banking sector loan interest rate induce *economic growth* of Nigeria

Based on the finding and in line with empirical evidence, the study concludes that Interest rate deregulation plays a vital role in the banking sector of the economy and in the national growth.

5.4 Recommendation

The following recommendation were made in line with the findings

i. The violation of savings policy should be checked so as to realize the desired economic growth of Nigeria

ii. The government should check Exchange and interest rate policy violation so as to realize the desired effect of economic deregulation in the economy.

iii. Financial Deregulation of the economy should effective to maintain economic stability

iv. The Management of inflation rate should be the joint task of banks and government to optimize banking sector loan interest rate.

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