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An Appraisal of the Performance of Money Market as a Catalyst of Economic Growth in Nigeria

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ABSTRACT

The impact of money market as a stimulus for economic growth in Nigeria has been increasingly obvious over the years. This study examined the performance of money market as a catalyst of economic growth and development in Nigeria from year 1999 to 2017, the main objectives of the study include; evaluating the contribution of the money market to the economic growth of the country and to ascertaining the impact of money market in financial development in Nigeria. The study utilized secondary data from the Central bank (CBN) statistical bulletin, Federal Bureau of Statistics, CBN and some selected commercial banks statement of account and annual report of various years. The methodology used in the research was ordinary least square method (OLS) which is quantitative in nature, that is, regression was used to analyze the data. Major findings reveal that the money market immensely contributes to the economic growth and development in Nigeria, albeit there are some factors bedeviling its performance like high rate of interest, devaluation of the Nigerian naira, and inflation. It was concluded that a lot is still required in the area of improving the operational efficiency, enhancing the depth and breadth of the market, building regulatory capacity. Thus, the study recommended that Nigerian money market instrument should articulate robust strategies to invigorate multitude and viable investments for sustained economic growth and development in the country.
Keywords: Money Market, Economic growth, Capital Market and Financial Sector

INTRODUCTION

It is increasingly obvious that Nigerian money market contributes significantly in invigorating the financial system towards achieving economic growth in the country. Money market as an indispensable mechanism for liquidity management in the financial system of a country undoubtedly plays a crucial role for trades and investments to thrive which go a long way in accelerating economic growth and development. Traditionally, money market is the half

segment of the financial system while the capital market as the other part; whereas the money market provides short-term securities, that is, securities with tenure of one year or less, instruments traded in money market is characterized by low -level of return, high degree of safety, that is, low level of risk, high degree of liquidity and good institutional structure. The capital market on the other hand makes available intermediate and long-term securities, that is, securities that have more than one year of maturity say three years, five years, ten years and twenty-five years. The capital market comprises the bond market and stocks (shares) market. The bond market is the market where lending and borrowing of capital (exchange of securities and cash) take place while the stocks market is the market where shares are bought and sold. However, regardless of whether it is a bond market or stock market, there is also a division into primary and secondary market. The primary market is exclusively for new issues while the secondary market is for existing issues. Thus, money market is a second part of the Nigerian financial market which essentially exists to facilitate trading in short-term financial instruments to meet short-term needs of large users of funds such as governments, banks and other similar institutions.

The Nigerian money market as an integral part of the financial sector is apparently the driving-force for economic growth and development. It plays a crucial role in the implementation and indeed execution of monetary policy. According to Ajayi (2008) money market remains a critical instrument used to kick start a country's economy to enhance economic growth and development. No country across the world can ever achieve sustainable economic and development without local and/ or foreign investments. Money market facilitates transmission and transfer of funds in an economy; it provides funds for both the public and private institutions that need such financing to meet their working capital requirements (Noko, 2011). As a result of this, the firms' output increases and their revenue improves greatly thereby substantially increasing the country's aggregate output, which as well improves the living standard of the average populace. Nigerian money market like any other money market in the world primarily exists as a means of liquidity adjustment, the major considerations being the safety, liquidity of financial instrument and the rate of return (Nwosu and Hamman, 2008). Commercial banks are the dominant players in the money market while it provides the basis for the

operation, manipulation and execution of monetary policies (indirect instruments), with discount houses intermediating funds between the central bank and other banks where the former is playing the role of the lender of last resort to the market (Iyiegbuniwe, 2005).

Money market plays a key role in banks' liquidity management and among the most liquidity in the financial sector. By providing the appropriate instruments and partners for liquidity trading; the money market allows the refinancing of short and medium-term position and facilitates the mitigation of liquidity risk of businesses. The banking system and the money market represent the exclusive setting upon which monetary policy operates. A developed, active and efficient interbank market enhances the efficiency of central bank's monetary policy, transmitting its impulses into the economy best. Thus, the development of the money market soothes the progress of financial intermediation and boost lending to economy, hence improving the country's economic and social welfare. The deepening and broadening of the financial market is germane to structural reforms in an economy. It ought to be ceaseless and requires the commitment of domestic and external factors. It naturally adapts to the different economic development stages the country goes through. There cannot be a developed and well-integrated economy without open, integrated, efficient, transparent and well-regulated markets. Sequel to this background, this study sought to evaluate the efficiency of money market in fostering economic growth and development through it various participants and instruments.

Statement of the Problem

The existence of money market in the Nigerian financial system has tremendously improved the activities of both investors and entrepreneurs in the Nigerian economy. As a result of the emergence of money market, prospective investors invest with the hope of reasonable returns and business operators assess adequate funds for financing shortages in their working capital and other short-term financial needs.

However, there is a growing literature on the role of money market on economic growth; researches conducted focus more on the investigation of how to increase economic growth through capital market instruments. Moreover,

researches established that money market instruments are also tools to increasing economic growth therefore, more studies needed to be conducted for better understanding of the relationship between money market instruments and economic growth in the Nigerian context.

Additionally, most of the studies conducted in the area under study fail to take into consideration the difference and also the interrelationship between the money market instruments and economic growth, and this triggers the need to investigate the situation bearing in mind the appropriateness of the methodology under study. To the best of our knowledge, studies conducted in the area shows conflicting results and this could be attributed to failure to adopt appropriate methodology. The present research study therefore followed this line of thinking and examined the relationships between money market performance and the economic growth in Nigeria. It was an attempt to study the relationship between money market performance and economic growth. The study therefore sought to examine the relationship, between the money market performance and economic growth in Nigeria.
Finally, In view of the focus of the previous studies, some gaps exists for future studies to fill in. It is on this premise that this study stands to make contribution by examining the relationship between money market performance and economic growth in Nigeria

REVIEW OF RELATED LITERATURE

Conceptual Literature

Money Market

At a microeconomic level, intermediaries (mainly banks) re-allocate liquidity (originally supplied by the central bank within the banking System at the rate decided upon by central bank) through the interbank market, such that does institutions with liquidity excess transfer their funds to those with deficits. A redistribution of funds, primarily by overnight lending, between banks may be necessary to cope with both expected and unexpected liquidity needs, risk sharing purposes or simply because banks are heterogeneous and specialized in different activities. Vento and Ganga (2010) opine that a deep and liquid money market supports the main purpose of financial intermediation i.e the channeling of funds from savers to investments. They maintain that the bank's ability to withstand liquidity shocks and to provide lending to one another

crucial for both financial stability and real economy since strains in money market can make pressure on the financing conditions faced by non-financial corporations and households which, in turn, lead to higher credit risk.

Iyiegbuinue (2005) states that the rationale for the money market is the need for liquidity adjustment arising from non-synchronization of cash Inflows and outflows of economic units. Wrights man (1976) defined the money market as a wholesale market for low risk, high, short term debt instruments. Short-term, refers to tenor of less than one year. He went further describing the money market as a wholesale market where trade is big, therefore skill is paramount. The motto of the money market is "my word is in bond", a situation where trades do not renege on commitment made even when such commitment are made verbally. Nwosu and Hamman (2008) described the money market as being central to the allocation of capital, the efficient distribution of liquidity among financial institution, and the hedging of short-term risk. They noted that money markets serve as channels for the execution and transmission of monetary policy and as trading venues for the short-term instruments.

According to Iyiegbuinue (2005), money market deals in short-term funds, which are channeled from surplus income economic units to the deficits income units. Therefore, money market provides opportunity for savers to invest their temporary surplus funds and opportunities for borrowers who have temporary deficits funds to borrows and meet their production or consumption needs. Anyanwu (1996) comprehensively defined the money market as a group of financial institutions or exchange system set up for dealing in short-term debt instruments of high quality, such as treasury bills, treasury certificates, commercial papers, call money, bankers units fund, ways and means advances as well as dealing in gold and foreign exchange. While denoting trading in money and other short-term financial assets, the money market comprises all the facilities of the country for the purchase and sale of money for intermediate and deferred delivery and for the borrowers and lending of money for short period of time. He said "it is a manifestation of dealing in short-term financial instrument, their sale and purchase, as also borrowing and lending for short periods on the one hand and collection of dealers in these assets on the other". Thus, a collection of financial institutions set up for the granting of short-term loans and dealing in short term securities, gold and foreign exchange.

Nwosu and Hamman (2008) noted that the need for a money market arises because receipts of economic units do not always coincide with their expenditures; thus, the money market functions by channeling short-term funds from the surplus units to the deficit units of the economy. Hamberg (1981) says if we were to search for a single word that captures the essence of a money market that would be "liquidity'. The money market is a place where the state and other financial intermediaries can adjust the portfolios of liquid assets to suit their needs. It is also the place in which the central bank carries out the open market operation (OMO) to adjust the liquidity of the whole economy.

Aside from the Central Bank, the money market enables its participants with temporary cash surpluses to place them in highly liquid interest securing instrument with the assurance that the funds can be regained quickly by issuing new money market instrument, that is borrowing in the money market or by selling existing holding of money markets or by selling existing holdings of money market instruments.

To this end, if the provision of liquidity is the essential function of the money market; how does it accomplish this function? The answer is in three folds; firstly, the instruments traded in the money market are issued only by large, well known borrows with the highest credit rating. Secondly, money markets instruments are all short-term maturities may be as long as one year, but they are most commonly 90 days or less. As a result of short-term maturities, money markets instruments are subject to minimal interest risk, and finally, but far from least is the enormous breath and stability of money market trading enabling it to absorb short-term stock typically holding fluctuation in securities price within narrow bond. The market for the instruments involved is incredibly broad.

Culbertson (1961) throws more light on the importance of money market to the government particularly in periods of budgetary deficits since it enables the treasury to obtained funds to meet temporary need when it does not wish or is unable to increase its funds debt.
The service which the money market renders to the governments is of utmost importance. Where a money market does not exist, a government in need of short-term fund can finance itself either through issuance of flat money or via

borrowing directly from the Central Bank such methods of financing of credit and currency system whereas the existence of a well-organized money market enables the government to shift this burden onto the open market.

Verhetrstaeten (1984) made known the competition and regulation in financial market in finance. Finally, government intervention in the agricultural sector takes through a specialized institution, the mutual agriculture institute, on the local; it is comprised of 9500 local cooperative banks, 90 regional banks and central unit, the National Agriculture Credit Institution. The letter is a public credit institution controlled jointly by the Minister of Agriculture and Minister of Finance, receives demand deposits and short-term savings and issue medium -term debt instrument bonds.

Okigbo (1981) took a study of the financial system and revealed that the integration of the financial system as a whole remains a problem of the future; the paucity of institutions that can reach the rural areas, the lack of expertise in the money market mechanism outside of the main centre, the prevalence of face to face lending in the rural areas and therefore, the slow development of the technique for the distribution of financial assets, these militate against rapid development of the money market which is essential rather than confine it to just one centre.

Money Market and Economic Growth

One of the most enduring debates in economics is whether financial market causes economic growth. Schumpeter (1912) argued that technological innovation is the force underlying long-run economic growth, and that the cause of innovation is the financial sector's ability to extend credit to the entrepreneur (Hicks, 1969). Robinson on the other hand, maintained that economic growth creates a demand for various type of financial services to which the financial system responds, so that "where enterprise leads finance follow" (Robinson 1952).

The pioneering works of Gurley and Shaw (1967) and Goldsmith (1969) on the relationship between financial market and economic development incidentally coincided with the period when most of the developing countries gained political independence. Following the attainment of political independence,

developing countries government where pre-occupied with development strategies, particularly developmental planning aimed at higher sustainable growth rate and ultimately economic development. Initially, the development plans focused on the provision of a necessary infrastructure with a view to ensuring a smooth industrial take-off in the respective countries because development is widely considered as an offshoot of industrialization and hence capital formation. In some models, the structure of financial market is imposed exogenously, and attention is focused on financial market reinforces economic growth by increasing social marginal productivity of investment and/or increasing the fraction of savings channeled to investment (Bencirenga and Smith (1991); Cooley and Smith (1998)).

In others, the approach has been to model financial market as an endogenous outcome of the growth process with consideration given to the co-evolution of real and financial activities (Greenwood and Jovanoic, 1990). Over the last decade, a substantial volume of research has been devoted towards understanding the relationship between financial market and real economic activity. At the empirical level, evidence has been found of a strong positive correlation between the level of financial market and long-term growth (king and Levine 1993). Yet it has been widely, recognize for some time that a financial market development is a multifaceted process that takes place through various distinct stages from the emergence and expansion of bank-intermediate debt finance to the materialization of stock market and the increasing use of the equity as an additional instrument by which firms are able to raise funds. Goldsmith (1969) and Levine (1996) are of this view that the level of financial market development is a good predictor of future rates of economic growth, capital accumulation, and technological change. In contrast, at the other extreme, there is often what is referred to as the casino hypothesis view, which has a disregard for the financial market as a catalyst for economic development. Its proponents believe that the financial market may have a retrogressive effect on development by inhibiting the growth and distribution of income hence they were of the opinion that the financial market should be suppressed or nationalized (Kitchen; 1986). They see financial market as a legitimate arena for the private sector to make money. Empirical Research; however, is yet to provide a consensus on the casual relationship between financial market development and economic development, (Gupta 1984). It can how ever be

inferred from Patrick's"demand-following" and "supply-leading" phenomena that the direction of causation between financial market and economic growth could be from either direction. He postulates that at the initial development stage, the development of financial institutions may accelerate a take off stage, which as economic growth progresses this supply-leading phenomenon would give way for financial innovations, demand following phenomena to prevail (Patrick, 1966). He shows that the two phenomena can simultaneously occur in the same economy according to the levels of sectoral development of the economy. Evidently the supply-leading phenomenon however, seems to be more pervasive in the developing countries were legacies of their former colonial masters are followed. Noteworthy, also is that financial innovations had been very slow in the developing countries with few exceptions, e.g. Hong-Kong. Chandavarkar (1973), however concludes that though finance is relevant for development it is more basic and casual links are not so much through a number and variety of financial institutions and instruments as in the adoption of appropriate Patrick's concept of demand-following and supply-leading hypothesis because the mere availability of financial institutions and service does not guarantee economic development since inappropriate policies may obstruct the linkage between financial market development and economic development.

According to Levine (1996), a growing body of theoretical and empirical work would push even skeptics towards the belief that the development of financial market and institution is critical to economic growth, rather than a sideshow or a passive response to growth. Levine argues that the preponderance of theoretical reasoning and empirical evidence suggest a positive, first order relationship between financial market development and economic growth. There is evidence that the level of financial development is a good predictor of future rate of economic, capital accumulation and technological changes.

The starting point of thinking about economic growth is invariably Solow's model in which the key determinants of growth are exogenous variables. In this model, sustained growth in output per head is only possible as a result of exogenous technical change. However, the resurgence of interest in growth theory over the last two decades has been inspired largely by the Romer-Lucas, paradigm of endogenous growth, in which the key determinant of output may

be endogenous variables. In this paradigm, output per head can grow over time because of endogenous forces within the economy, particularly, human capital and the knowledge base. A third tradition in the literature stemming from Goldsmith's work emphasizes the importance of financial markets in the process. Financial markets facilitate growth by enabling efficient intertemporal allocation of resources, although there remains some debate as to whether financial market development causes economic growth or vice-versa.

Nwosu and Hamman (2008) maintain that money market services as the first step of the transmission of monetary actions to an economy and as such, money market rates serve as a useful indicator of expectations regarding future monetary actions. They further stated that the money market promotes financial stability and facilities the development of a liquid bond market. The effectiveness of indirect control an efficient competitive money market is very essential in order to permit banks to compete for a share of supply of resources and achieved desired structure of interest rates. As banks mobilize deposits, grant loans and advances their daily positions will result in temporary surplus or deficit holdings Oke (1993).

Layi (1998) revealed that a competitive money market provides equal opportunity for all banks to buy or sell the standard instruments in these markets, thereby establishing a standard cost of funds and deposit rates. Thus, the existence of broad markets in short-term securities and inter-bank loans leads to more effective and active competition in the deposit and loans markets, which may grow to form a solid foundation for the development of the financial market.

Oduyemi (1996) reflected that what is most important in the transmission of the effect of monetary policy to real sectors of the economy is the interest rate prevailing in the loans and advances market where interaction between lenders (banks and other financial institutions) and borrowers (firms and individuals) take place. In sharing the credit among individuals and firms, banks are guided by their cost of funds and the prevailing conditions in the money market, including the demand situations and returns on other activities competing for funds. Borrowers, on their part are influenced by the real rate of returns expected on investment opportunities available to them. Competition among

lenders and borrowers will lead to the determination of adjusted interest rate that will lead to an efficient allocation of the credit in meeting the private demand. The role of the money market is therefore to serve as a medium of these activities to occur. The competitive the money the money market is the more efficient the structure of interest rate that will emerge.

Ikihde and Alawode (1993), explained that under flexible interest rate, variations in the rates will occur partly due to non-monetary forces during nominal expenditures such as changes in government expenditure, investment demand, export earnings, consumption expenditure etc. Another source of variation in interest rates under a flexible regime is the change in the demand for money as depicted by variations in the velocity of money. For a system of indirect monetary control to attain its objectives, it should therefore operate in such a way as to minimize inflation in interest rates. The effectiveness of indirect approach to monetary and credit control depends on the existence of a stable and relatively interest elastic demand function for domestic credit by non-bank public. This is to allow the effect of a change in interest rates on the demand for credit and, consequently, on money supply to be predictable and significant.

Money market has been able to achieve the movement of portfolios from the commercial bank deposits to money market instruments occasioned by the attractiveness of the interest rate (rate of return) on the latter thereby also stimulating the savings habits of the non-bank that found the commercial bank deposits unattractive.

This stimulation of the non-bank public to money market instrument that guarantee them a higher yield to the commercial bank deposits enables the movement of these surplus cash to areas in deficit in the economy that are in need, implying a mobilization of resources for investment purposes that lead to industrialization of the economy and economic growth.
Ogwuma (1997) opined that the reforms that are intended to encourage the development of open financial market and promote competition among banks and other financial institutions make it possible for the central bank to use money market for indirect control of monetary aggregates and interest rates as these will create conditions under which domestic and foreign investment will

become feasible for a wider range of investors. Domestic markets will become more sensitive to change in foreign financial markets. This will make it increasingly difficult for the monetary authorities to maintain local interest rates below the risk-adjusted levels available abroad.

The objectives of the reforms could be achieved if policies that would lead to the minimization of risks, promotion of macro-economic stability, maintenance of socio-political peace and security of private property would be embarked upon. This will contribute to a significant reduction in the perceived investment risks which have constituted the basis for sustained capital flight and loss of confidence in the economy.

Oduyemi (1996) said that activities of the money market are dominated by federal government securities, which are held mainly by the central bank of Nigeria. Brokerage services in the market are controlled wholly by the banks while there is still no adequately developed secondary market for treasury securities. For this reason, money market activities will remain narrow even if the volume of securities is very large. Brokerage services need to be extended to a number of independent brokers beside banks as accredited official dealers in government securities as it is practiced in many countries such as Indonesia, Malaysia and U.S.

The development of the money market is important for a successful use of open market operations. Efforts should be geared towards making the market more active along the lines indicated. To this end, non-treasury securities could be introduced to the market.

Empirical Literature

There is an ever- growing and expanding body of empirical literature that economies with highly developed financial systems experience faster economic growth. I.e. a Cross-economy studies by Zervos and Levine (2000) shows that developed banks and markets are correlated to faster growth. This finding is in conformity with a finding of Christopoulos and Tsionas (2004) which uses panel and time series estimation techniques. Moreover, several studies have been conducted on the relationship between financial intermediation and economic growth. Some earlier studies have examined the relationship between

the capital market and economic growth in Nigeria and majority of these studies have revealed that capital market promotes economic growth (Levine, 1996; and Atje and Jovanovic, 1993). On the other hand, not much empirical works have been carried out to show the impact of the money market on economic growth in Nigeria. Empirical evidences are conflicting as to the relationship between money market and economic growth. I.e. Jovanovic and Greenwood (1990) indicates that financial intermediation accelerates economic growth.

Similarly, Verma and Wilson (2005) examined the relationship between savings, investment, foreign inflows and economic growth in Indian using ordinary least square method and annual time series data from 1950 to 2001. The study revealed that savings and investment affect GDP in the long run while GDP has significant but small effects on household savings and investment in the short run. This means that the feedbacks to GDP are absent in the long run and only small in the short run. However, their results and findings did not support the Solow and endogenous growth theory which states that there is need to increase household savings and investment so as to encourage economic growth. Additionally, Mohamed (2014) examines the causal relationship among savings, investment and economic growth in Ethiopia using annual time series data from 1970-2011 in a multivariate framework. The result from the Testing indicates that there exists co-integration among savings, investment and gross domestic product when GDP is taken as dependent variable. The study also revealed that labor force and investment have significant positive effect on economic growth of Ethiopia both in the short-run and in the long-run while savings and human capital are statistically insignificant.

Finally, Okpe, (2013) Examined the contribution of money market to the growth of small and medium scale enterprises during the period of 1980-2007 with special emphasis on the performance appraisal of the stock market. The result from the empirical analysis carried out using Ordinary Least Squares estimation techniques revealed that the Nigeria stock exchange market appears to be considering the position of the government and the players in the industry in the area of formation and implementation of favorable policies. However, Ikpefan and Osabuohien(2012) The study investigated the interaction between discount house, money market instrument and economic growth in Nigeria and

using time series on data obtained from the Central Bank of Nigeria and employing Co-integration and Vector Error Correction techniques. The result of the findings showed a long run relationship between discount houses operation and economic growth and money market instruments.

Theoretical Literature

There are theoretical arguments about the role of the financial system in economic growth. Some economists see the role as minor, while others see it as significant. The linkage between the financial sector and economic performance can be seen by the relationship between money supply and gross domestic product ratio. The existence of money markets facilitates trading in short-term debt instruments to meet short-term needs of large users of funds such as governments, banks and similar institutions.

THEORIES OF ECONOMIC GROWTH AND FINANCIAL INTERMEDIATION

The Neoclassical Theory

The neoclassical growth theory, this theory is built upon the basic neoclassical frameworks of long run economic growth. This theory explains economic growth using four main variables: productivity, capital accumulation, population growth and technological progress. The theory also states that the long run economic growth is exogenously determined, that is, economic growth is determined by factors outside the basic model specifications. The basic building block of this theory is the production function which has constant labor (L) and capital (K) which are reproducible.

Another basic premise of the neoclassical growth model is that there tends to be a convergence to a steady state in the long run depending on the technological progress and rate of labor force growth. It states that a country that has higher savings than other will tend to grow faster than those with low savings. In the very long run the role of capital accumulation plays a smaller role in this model than technological progress as nations move to the steady state. The neoclassical growth model emphasizes mostly on the importance of technological innovation in the long run growth to offset the effects of diminishing returns that affect both capital accumulation and labor increases in the economy (Aghion& Howitt, 1998).

Financial Intermediation Theory

This theory brings together lenders with excess funds and borrowers who need the money and is done by a third party agent (bank). The theory also states that resource allocation are based on perfect and complete markets. It is also built on the basic assumptions of the neoclassical model which include little or no transaction costs in getting information as it is freely available to all participants in the market. Even though these assumptions are not realized in the real world due to various market imperfections such as asymmetric information which increases transaction costs and result in other having a competitive edge over others. Financial intermediaries therefore exist to remove these imperfections and they do it in many ways. Intermediaries remove transaction costs by sharing or diversifying the evaluation of assets fixed costs, something individuals find difficult to do. This means that business is diversified by financial intermediaries such as banks and with that costs are able to be reduced through economies of scale. Asymmetric information is removed through intermediaries as they act as delegated agents for the lenders through collecting information on the borrower and also doing a number of screenings. Financial intermediaries also give investors signal to invest in the assets they have particular knowledge of as they do extensive research about the market that some individuals can not readily and actively do. Intermediaries like banks also provide commitments to long term relationships with customers and thereby creating a relationship with the customer, removing the problem of adverse selection and moral hazard (Gwilym, 2008). The intermediation theory recognizes only the importance of financial intermediaries in the economy for the role of removing transaction costs and asymmetric information. A lot of empirical investigations have adopted both the neoclassical and financial intermediation theories in several different contexts of economic growth. E.g. Ibrahim, Ogunde and Saheed (2015) employed this model in the study of the relationship between financial market operation and economic growth, (1981-2013). While Evans (2013) used neoclassical model in financial market development and economic growth in east Africa another study of Meron (2016) used neoclassical and financial intermediation models in financial development and Economic growth in Ethiopia. Therefore, due to the rich literature support available. This study also adopted both the neoclassical and financial intermediation models.

METHODOLOGY

The method of data analysis used in this study was the ordinary least square method (OLS). This technique includes table and the test for the hypothesis formulated by using regression analysis at 5% level of significance.

In demonstrating the application of the ordinary least square method, two multiple regression models were used with the Gross domestic product as the dependent variable in the model. The values of treasury bills, certificate deposit, commercial paper, banker acceptance outstanding in the money market were the explanatory variables in model.

Model Formulation and Specification

The model used to capture the role of money market instruments in the economic growth and financial development of Nigeria are stated below with the independent

Variables as amount traded in treasury bills certificate of deposit, commercial paper, Banker acceptance while the dependent variable is Gross domestic product (GDP)

1. Economic criteria

It aims at detecting the violation or validity of the assumption of the econometric method employed (i.e. OLS). To test the validity of the assumption of non-correlated disturbances, the "Durbin Watson Statistics" was in the evaluation of the results of estimates.

Model Specification

gdp = ao + aitb + a2 cd + a$ cp + a* ba +U;

Where gdp - Real Gross Domestic Product

tb - Value of Treasury Bills Outstanding

cd - Value of Certificate of Deposit Outstanding

cp - Value of Commercial Paper Outstanding

ba - Value of Banker Acceptance Outstanding ao, ai, a2, a3, and 84 - Parameters

Uj - Error term

The researcher adopts this approach for the study because the research is quantitative in nature, which use numerical values and needs a statistical method of analysis to analyze the data. The approach is suitable for this work as it shows the degree of correlations between the independent variable, money market which used this instrument; treasury bills, certificate of deposit,

commercial paper, Banker acceptance and the dependent variable, Economic development which is measure in Gross domestic product (GDP)

Re-Statement of Research Hypothesis

The hypotheses that were tested are: Hypothesis

Ho: There is no significant relationship between money market and Economic growth in Nigeria.

Hi: There is no significant relationship between money market and Economic growth in Nigeria.

A' Priori Expectation

Economic Criteria

This refers to the sign and size of the parameters in economic relationships. Regression Model gdp = a0 + aitb + a2cd + a3 cp + a4ba + Uj

It is expected that ao> 0, ai> 0, a2> 0, a3> 0 and a*> 0

However, if the estimates of the parameter turn up with sign or size not conforming to economic theory, they should be rejected, unless there is a good reason to believe that in the particular instance, the principles of economic theory do not hold.

Statistical Criteria

This aims at the evaluation of the statistical reliability of the estimates of the parameters. In this line, the "t-statistics" was employed to test the hypotheses concerning the true values of the population parameters. The "R" -Statistics was also employed as the coefficient for determination to measure the Goodness of fit to the regression line to the observed samples value of the variable while the "F-statistics" was also used to test the overall significance of the regression.

DATA PRESENTATION AND ANALYSIS

The Regression Model

Gdp = 202660 + 0.195 tb + 5,3led - 0.39cp + 4.927 ba t- statistic (13.202) (2.934) (3.17) (-3.954) (4.144) std. Error (15350.349) (0.067) (1.675) (0.099) (1.189) F-Ratio - 49.413 R2 - 0.888 R2 - 0.870 Std ofgdp - 603359194 D-W - 0.789 N - 30 d.f - N - K =30 - 5 =25 • Figures in parenthesis are the standard errors

a - Significant at 5% Source: Computed by Author from the Regression Results (Appendix II) 4.2 Interpretation Regression Results Regression Model
Going by the results of the regression, there is positive relationship between the gross domestic product and all the money market instruments considered in the analysis except for commercial paper. However, the degree of relationship between the variable differs. A 1% change in the certificate of Deposit and Banker Acceptance would lead to a greater proportionate change in the realm of Treasury Bills and Commercial papers.

The theoretical t-value at 5% level of significance with twenty-five degrees of freedom is 1.708. Which is less than the absolute values of all the calculated t-values of the parameter. We shall therefore reject the null hypothesis and accept the alternative hypothesis for all parameters. This implies that the all the parameters estimate for Treasury bill, certificate of deposit, commercial paper and Bankers' Acceptance are statically different from zero i.e. they are relevant variables that affects the economic growth of the country.

The adjusted coefficient of determination gives 0.888 or 88.8% meaning that the regression model is approximately 89% significant i.e the variations in the dependent variable i.e. Gross Domestic Product is about 89% attributable to the changes in the independent variable i.e. the amount of Treasury bill, certificate of Deposit, Commercial Paper and Bankers' Acceptance traded on the Nigerian money market.

The calculate F-value (49.413) is greater than the critical F-value at 5% Level of significance with vi =4 and v2 =25(2.76). Therefore, the null hypothesis would be rejected and the alternative hypothesis accepted. This signifies that the overall regression and relationship between the Gross Domestic Product and the amount of Treasury bill, Certificate of Deposit, Commercial paper and Bankers' Acceptance traded on the Nigerian money market is significant. The computer D (Durbin-Watson) is 0.789, which reveals so that there is some degree of positive autocorrelation between the Gross Domestic product and the amount of treasury bill, Certificate of Deposit, Commercial Paper and Bankers' Acceptance traded on the money market in Nigeria.

SUMMARY

This study investigated the role of the money market in the Nigerian economic growth and financial development between the period 1999 and 2017. The major findings of the study are summarized below.

Overall, the result of the regression analysis revealed that the Nigerian money market contributes immensely to the economic growth of Nigeria. The Nigerian money market has been providing the needed short-term fund in the economy. It was also found that not all the money market instruments considered in the analysis are active and impact significantly on the gross domestic product of the country.

Furthermore, an individual analysis of all the variables shows that all the money market instrument has less proportionate influence development in the Nigeria. This implies that the Nigerian money market has not yet develops to make much impact or contribution to the financial system development of the country.

A chronological study of the amount of the instruments traded on the Nigerian Money Market also shows that the volume traded of some of the instruments is relatively low; most especially the certificate of deposit. Except for the Treasury bill that was traded in high volume, other money market instruments considered were not active. Some of factors identified as being responsible for the less vibrancy of the Nigerian money market include: economic and political issues, legal environment, transparency, professionalism etc.

CONCLUSION

The study has examined the role of the money market in the economic growth of Nigerian economy. The empirical analyses focus on the impact on the money market activities on the economic growth of Nigeria using the Gross Domestic Product as the yardstick for growth measurement. The major money market instruments considered are: Treasury bill, certificate of deposit, Bankers' acceptance and commercial papers. Depicting the tremendous contribution that the market has not made significant impact on the financial system development due to the fact that some of the instruments traded on the market are not yet fully developed.

The tremendous advances recorded in the 20th century is no doubt indicative of future prospects which may translate into bigger challenges in the years ahead. For instance, the information explosion recorded will contribute immensely to the growth of the market. While the Nigerian money market has no doubt recorded some to be done in the areas of creating public awareness. Similarly, a lot is still required in the area improving the operational efficiency, enhancing the depth and breadth of the market and building regulatory capacity. These are required to appropriately position the market to face the challenges ahead.

RECOMMENDATION

Given its resources coupled with a large internal market, Nigeria today should have been the leading economy in Africa and one of the leading economies in the developing world. Unfortunately, the inability of the country to properly harness these resources, over the years, has left the economy in a dismal state. To achieve remarkable progress in the 21st century the nation must resolve to avoid policy and implementation errors of the past. The post should be a lesson to the country and future be looked to with hope and unflinching determination to turn this nation into an economic envy of the world. The following recommendations could be suggested from the findings of the study.

(i) Development of New Money Market Instruments

It was found that most of the money market instruments are not active and it becomes necessary for new instruments to be developed in order to make the market more vibrant and competitive. Although some steps have been taken in this regard, one expects that traditional derivatives such as future and options would be an integral part of the market in this generation. Derivatives such as stock index future, interest and currency future as well as option on individual stock, in particular are expected to be widely and actively traded in the country thereby providing hedging and speculative opportunities to players.

(ii) Improved infrastructure

The efficiency of infrastructural facilities such as power and telecommunication are pivotal to the development of the money markets any nation. Hopefully, privatization would significantly improve the efficiency of these infrastructures and accelerate the operational efficiency of the Nigerian money in order in contribute more to growth process of the nation.

(iii) Increased Public Awareness

The publicity about the existence of Nigerian money market is very low and this has negatively impacted on the activities of the market. There is need to sensitizes Nigerian about the advantages of the money market so that they cease the opportunity of participating in the activities of the market.

(iv) Political Stability

It is overly important that a strong and stable economic environment be supported by stability in the political sphere. Indeed, without political stability, an economy cannot make meaningful progress; neither can its money market flourish. It is a fact that economic and political instability begets uncertainties, erodes confidence, and encourages dis-investment which could impede money market development. A stable environment, in contrast, strengthens confidence and engenders local and foreign investment.

(V) Savings Mobilization

While recent policies to attract foreign investment are certainly commendable, concerted efforts must also be made to considerably stimulate local savings and participation in the t sector of the economy. The nation must as a matter of priority build a strong local entrepreneurial base. In the 21st century, Nigerian entrepreneurs should be positioned to penetrate and make a mark in the global market.

The experiences of developing countries such as South Korea, Taiwan, Malaysia and Brazil in promoting a strong industrial base are worthy of emulation. Such global inroad by Nigerian entrepreneurs would not only improve our economic fortunes but would give the required visibility and respectability to the country. Obviously, globalization would intensify in the 21st century, placing significant to competitive pressure on nation. Nigeria should be well prepared to compete. Countries which are not positioned for globalization would be obviously left out in the global economic and political scheme.

(Vi) Return of Capital Flight

Efforts should be made to encourage the return of flight capital by nationals. One envisages that under a conducive atmosphere characterized by the right fundamental - economic and political, flight capital would return and Nigerians

in Diaspora would invest in the country, just as Indians is Diaspora have contributed to the development of the Indian sub-continent. After all, Nigerians have a greater stake in the country and should be more committed to its development. Capital flight evidences a "vote of no confidence" in a country, and as long as confidence is absent in that country, funds which are out and new funds would often flow to geographic areas and investments which offer certain attractions including safety of investment, good return and stability. Nigerians in Diaspora should be encouraged to participate in the privatization exercise and well-structured specialized funds as vehicles for attracting their funds into the country. Information on the Nigerian money market should also be regularly made available to Nigerians abroad and as a matter of fact foreigners. This could stimulate their interest and propel them in the money market instrument.

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