

Interest Rate, Savings Mobilization and Economic Growth: Evidence from Nigeria

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Abstract- Interest rate, savings mobilization and economic growth are of great importance to broad spectrum of people, the government, business, firms, entrepreneurs, foreign investors, the financial sector and the households. Most of the studies considered in Nigeria either examined interest rate-economic nexus, interest rate-savings mobilization or savings mobilization-economic growth. Thus, this study examined the relationship between interest rate, savings mobilization and economic growth in Nigeria. The study also examined the interactive effect of interest rate and savings mobilization on economic growth in Nigeria. The null hypothesis was that no relationship between interest rate, saving mobilization and economic growth in Nigeria. The study used Dynamic Ordinary Least Square technique on data obtained from the Central Bank of Nigeria, Statistical Bulletin, and 1986-2016 to examine the relationship between the variables. The findings showed that 1% increase in real interest rate and savings mobilization will bring about 69% and 80% increase in economic growth in Nigeria. Furthermore, the interactive effect (INRT*GNS) used in this study showed that real interest rate and savings mobilization have significant effect on economic growth. By implication therefore, the interactive effect contributed significantly (81%) to increase economic growth within the study period. The study concluded that economic growth is strongly influenced by interest rate and savings mobilization in Nigeria. Therefore, the study recommended that there is need to adequately deepen the financial system that would enhance savings mobilization mechanism, so as to boost economic growth in Nigeria.

Indexed Terms- Interest rate, savings mobilization, economic growth, dynamic ordinary least square.

I. INTRODUCTION

Interest rate, savings mobilization and economic growth are inextricably linked with one another. They are among the economic variables that are of great significance to a broad spectrum of people, group of individuals, the government, business, firms, entrepreneurs, foreign investors, the financial sector and the households. Over three decades, there has been a noticeable variance in interest rate, savings mobilization and economic performance around the world, especially in developing countries, Nigeria inclusive. As a result, various governments via, programmes, policies, financial liberalization and financial reforms have been making concerted efforts to improve economic performance, so as to boost economic growth.

Following the introduction of the financial liberalization concept in the 1970s, many economies-India, China, Turkey, Angola, Gambia, Ghana, Kenya, Malawi, Nigeria, Tanzania, Zambia, among others; have made attempts at liberalizing their financial sectors by deregulating interest rates, eliminating or reducing credit controls, allowing free entry into the banking sector, giving autonomy to commercial banks, permitting private ownership of banks and liberalizing international capital flows. Odhiambo (2009) posits that financial liberalization and interest rate liberalization seem to have been the main centre of attention over a decade. Besides, financial institutions (Banks) are statutorily vested with the primary responsibility of financial intermediation in order to make funds available to all economic agents. The intermediation process involves moving funds from surplus sectors or units of the economy to deficit sectors or units (Uremadu, 2002). The extent to which this could be done depends on the level of development of the financial

sector as well as the savings habit of the populace. The availability of investible funds is therefore regarded as a necessary starting point for all investments in the economy which will eventually translate into economic growth and development (Uremadu, 2006). In Nigeria, the level of funds mobilization by banks is quite low due to a number of reasons, ranging from low savings deposit rates to the poor banking habits or culture of the people.

Furthermore, another disincentive to funds mobilization according to this author is the attitude of banks towards small savers. Most banks target corporate customers and government deposits and pay little or no attention to the small savers. Admittedly, the services rendered to the small savers are more tasking on the banks, but there is need to encourage them to save. As a matter of fact, the funds from household savings are relatively cheaper and more stable than government deposits that are very volatile and expensive. The volatile nature of interest is determined by many factors, which include savings, government spending, and risk of investment, inflationary expectations, liquidity preference, and market imperfections in an economy, among others. The primary role of interest rate policy is to help in savings mobilization through financial reforms for the purpose of boosting economic growth in Nigeria. Consequently, savings mobilization by individuals, business, investors and governments partly determines the level of interest rate.

In Nigeria, saving culture has been very poor relative to other developing countries. For example, during the period 1986 to 1989, domestic saving averaged 15.7 percent of GDP. However, with the distress in the financial sector of the 1990s, the rate of aggregate saving reduced significantly. The distress syndrome resulted in a significant fall in domestic saving in the period 2007 to 2010, with the saving to GDP ratio dropping to 9.2 percent. In 2010 to 2015, the figure stood at 25.47, 25.83, 33.30, 19, 22.24 and 16.39 percent in that order and this implies that the level of savings in Nigeria is too low compared to other advanced economies. Essentially, there is an emergency need to encourage Nigerians to change their current attitude towards saving.

Most existing studies have either considered interest rate-economic growth nexus (Obamuyi, 2009; Ifeanyi&Chukwu, 2014; Obute, Asor and Itodo, 2012; Nwachukwu and Odigie, 2009); savings mobilization and economic growth (Okpara, 2010; Sahoo, Ntara&Kamaiah, 2001; Nuruden, 2010, Adeleke, 2014) or interest rate-savings mobilization nexus (Simon-Oke&Jolaosho, 2013; Soyinbo and Olayiwola, 2000). However, only few studies (Mashama, Magweva, Linda &Gunmbo, 2014) considered the relationship between interest rate, savings mobilization and economic growth. Majority of such studies are in foreign countries, and as a result, problematic in attempting to apply their findings in Nigeria. Also, most of the studies reviewed failed to examine the interaction effect of interest rate and savings mobilization on economic growth in Nigeria. Thus, the study intends to fill the gap by examining the effect of interest rate and savings mobilization on economic growth in Nigeria using Dynamic Ordinary Least Square (DOLS) method for the period 1986-2016. To guide this study, the following questions were raised-what is the nexus between interest rate, saving mobilization and economic growth? What have been the interaction implications of interest rate and savings mobilization on economic growth in Nigeria. The rest of this paper is organized as follows. Following this introduction, section two provides literature review. Section three covers the method, section four deals with results while section five deals with discussion. Section six concludes the study.

II. LITERATURE REVIEW

Interest rate refers to the return or yield on equity or opportunity cost of deferring current consumption into the future. Also, interest rate can be defined as the payment made to a lender by a borrower for the use of a sum of money for certain period of time. It seems as the return being paid to the provider of financial resources, forgoing the fund for future consumption. According to Jhingan (2003), interest is the price which equates the supply of 'credit' or savings plus the net increase in the amount of money in the period, to the demand for credit or investment plus net 'hoarding' in the period. Interest rate is determined by many factors—level of savings,

government spending, risk of investment, inflationary expectations, liquidity preference, and market imperfections in an economy, among others. In support, Chris and Anyingang (2012) opined that interest rate is influenced by the investment demand, the level of savings (or conversely the level of consumption), demand for money or the liquidity preference, the quantity of money. Therefore, the primary role of interest rate policy is to help in savings mobilization through financial reforms for the purpose of boosting economic growth in Nigeria.

Consequently, savings mobilization by individuals, business and government partly determines the level of interest rate. For instance, an increase in interest rate on savings boost savings mobilization. Interest rate has significant effect on savings and it favours the savers when the rate is high, when interest rate is low, it favours the investors. Besides, savings seem to be as beneficial for both individual and economy at large. Furthermore, increase savings reduced expenditure, when savings increases, investment also increases which are very essential for economic growth, as a result, savings mobilization is very necessary in any economy. Savings mobilization is the method of organizing and encouraging people to cultivate the habit or practice of savings part of their disposable income that is not spent on consumption for the purpose of improving their standards of living and develop their own environment. People save for different reasons-economic, social, political, cultural, and so on. People's ability to save depends on earnings; consumption habits, social-cultural obligations, personal ambitions and surrounding conditions. Savings can be formal whereby banks are statutorily vested with the primary responsibility of financial intermediation in order to make funds available. The process of mobilizing savings by the banks hinges on financial stability. Stability of the financial system is vital to prompting the mobilization of savings and to facilitate the penetration of the formal financial system into the low and middle-income sections of the population.

Many empirical studies have either considered interest rate-economic growth nexus (Ifeanyi&Chukwu, 2014; Itoro, et al., 2012; Nwachukwu&Odigie, 2009; Obamuyi, 2009; Obute, et al., 2012; Albu, 2006); savings mobilization-

economic growth nexus (Okpara, 2010; Sahoo, et al., 2001) or interest rate-savings mobilization nexus (Simon-Oke, et al., 2013; Chinyere, 2015; Siyanbola, et al., 2012) with inconclusive results. However, only few studies (Mashama, Magweva, Linda & Gunmbo, 2014) considered the relationship between interest rate, savings mobilization and economic growth.

Also, Utile, Okwori and Ikpambese (2018); Udoka and Anyingang (2012) examined the effect of interest rate fluctuation on the economic growth of Nigeria for the period of 1970-2010 using OLS. The findings showed an inverse relationship between interest rate and economic growth in Nigeria. More so, Okpara (2010), Sahoo, Ntara and Kamaiah (2001) examined the relationship between saving mobilization and economic growth. Their findings are mixed for the period under review. Whereas, Nuruden (2010) and Adeleke (2014) found that bi-directional causality existed between savings and economic Growth in Nigeria. The study by Stephen and Obah (2017) found positive relationship between the variables.

Furthermore, in Nigeria, other related studies are also examined. For example, Acha and Acha (2011) examined the implications of interest rate for savings and investments in Nigeria using OLS for the period of 1970-2005. The finding showed that negative relationship existed between interest rate, savings and investments. Additionally, Eregha (2010) investigated variations in interest rate and investment determinants Nigeria using dynamic model of two equations. He found an inverse relationship between interest rate and investment. Again, Rasheed (2010) used ECM to examine interest rates determination in Nigeria. The findings established positive relationship between the variables. Orji (2012) examined the determinants of savings applying ARDL method and found that positive relationship existed between the variables. More so, using OLS, Emeka and Ene (2015), and Siyanbola, Sobande and Adedeji (2012) assessed the effect of interest rates deregulations on the performance of deposits mobilization and found positive and significant relationship between the variables in the estimated model. In contrary, Ogbulu, Urukpa and Umezina (2015) found no relationship between deposit rates and fund mobilization using OLS.

Romm (2005), Tang and Chau (2009) explored the relationship between savings and growth in Malaysia and South Africa applied VECM and OLS method respectively. The empirical result found positive relationship between savings and economic growth. Again, Nicholas and Odhiambo (2008, 2009) found positive and significant relationship between the variables in Kenya and South Africa. Olajide (2009) examined the causal relationship between savings and economic growth in Nigeria between 1970 and 2006 using Toda Yamamoto technique. The study found that uni-directional causality existed between savings and economic growth. In Zambia, Mphuka (2010), used bivariate vector auto-regression (VAR) estimation and found that uni-directional relationship existed between economic growth and savings. Cambodia Seng (2014) used Granger causality to examine the causal relationship between domestic savings and economic growth. The study found that there is no causal relationship between domestic savings and economic growth.

In Nigeria, several literatures have examined relationship between interest rate and economic growth (Obamuyi, 2009; Chukwu, 2014; Obute, Asor and Itodo, 2012, Nwachukwu and Odigie, 2009), while some studies have assessed the nexus between savings mobilization and economic growth (Okpara, 2010; Sahoo, Ntara & Kamaiah, 2001; Nuruden, 2010, Adeleke, 2014). But, the nearest studies (Simon-Oke & Jolaosho, 2013; Soyinbo & Olayiwola, 2000) investigated the relationship between interest rate and savings mobilization in Nigeria while other related studies examined interest rate, savings mobilization and economic growth (Mashama, et al., 2014; Nabar, 2012) were carried out in other countries-Zimbabwe, China, India respectively. This is particularly worrisome, coupled with the fact that most studies on interest rate, savings mobilization and economic growth have been predominantly foreign countries and, as a result, problematic in attempting to apply their findings wholesale in Nigeria. However, to the best of knowledge, no known studies have considered the nexus between interest rate, savings mobilization and economic growth in Nigeria. Moreover, the findings reviewed on related studies on the relationship between the variables are still debatable in the existing literature.

Apart from being limited and scanty, the empirical literature is weakened by not covering the recent period. Besides, the literatures reviewed failed to consider interactive effect of interest rate and saving mobilization on economic growth. The neglect of this interactive effect in the existing literature created an empirical gap for which this study is designed to fill. More so, the empirical literature is weakened by not covering the period of recent economic situations in Nigeria. Therefore, the study intends to examine the relationship between interest rate, saving mobilization and economic growth in Nigeria using dynamic ordinary least square method for the period of 1986-2016.

III. METHOD OF ANALYSIS

1 Theoretical Framework

Several theories have been developed in the attempt to understand the concept of interest rate and savings. The modern theory of interest rate is superior to both the classical and the Keynesian theories of interest rate (Osofisan, 1993). This is because, the modern theory comprises of four components-savings, investment, the demand for money, and the supply of money. Modern theory of interest postulates that the equilibrium level of money income and the equilibrium level of the rate of interest will be determined by that particular combination of income and the rate of interest at which the double condition of equilibrium stated below occurs given the savings, the investment, the demand for money and the supply of money.

Thus;

$$I = S \quad (1)$$

$$Md = Ms \quad (2)$$

Where:

I, S, Md and Ms Represent investment, savings, demand for money and supply of money respectively. According to equation one above, it then means that in the monetary sector of the economy the demand for money is equal to the supply of money. In equation (2), investment and savings are in equilibrium in the real sector of the economy. The theory claims that any other combination of income and the rate of interest either in the monetary sector or in both sectors of the economy will be in disequilibrium. As a result of this, money income and rate of interest will change until the level of money

income and that of the interest rate is re-established at which both sectors of the economy are in equilibrium.

2 Model Specification

The study adopts Stephen and Obah (2015) with little modification. According to them, economic growth is determined national savings and this is specified as:

$$\ln RGDP = \alpha_0 + \alpha_1 \ln GNS_t + U_1 \tag{3}$$

The study therefore incorporates some other variables into the model of Stephen, et al., (2015), in order to be in line with the objectives in which research work is meant to achieve. Thus, this study is modified such that economic growth is determined by real interest rate, savings mobilization, real exchange rate, inflation rate and credit to private sector-GDP in Nigeria. Hence, this is mathematically written as:

$$\ln RGDP = \alpha_0 + \alpha_1 \ln RT_t + \alpha_2 \ln GNS_t + \alpha_3 EXCR_t + \alpha_4 \ln RF_t + \alpha_5 \ln CPSt + U_2 \tag{4}$$

Equation (3) therefore is used to achieve the relationship between interest rate, savings mobilization and economic growth in Nigeria. Where RGDP, INRT, GNS, EXCR, INRF and CPS represent real economic growth, real interest rate, savings mobilization proxied by gross national savings, real exchange rate, inflation rate and credit to private sector respectively.

To achieve interactive effect of the variables on economic growth, the model specified as:

$$\ln RGDP = \alpha_0 + \alpha_1 \ln RT_t + \alpha_2 \ln GNS_t + \alpha_3 \ln INRT * GNS_t + \alpha_4 EXCR_t + \alpha_5 \ln RF_t + \alpha_6 \ln CPSt + U_2 \tag{5}$$

** Where $\ln INRT * GNS_t$ = real interest rate times savings mobilization.

Equation (5) is employed to achieve the interactive effect of interest rate and savings mobilization on economic growth within the period of study.

This study used dynamic ordinary least square (DOLS) method for the purpose of the study. The ordinary least square enables us to induce flexibility by contributing to the dynamics significance of interest rate and savings mobilization in a unified manner in the model. The method used in this study is an approach for fitting the sum with the squared vertical deviation of point from the line that is the

overall discrepancy between the variables in the estimated model.

3 Type and Sources of Data

The data series set for this study covers the period between 1986 and 2016. The key variables for the study are interest rate (INRT), savings mobilization proxied by gross national savings (GNS) and economic growth (RGDP) in Nigeria and they were obtained from Central Bank of Nigeria (CBN) Statistical Bulletin. Economic growth is measured by gross domestic product (GDP), adjusted for inflation- in order words, expressed in real as opposed to nominal terms. Real interest rate is measured by the Fisher equation, which states that the real interest rate is approximately the nominal interest rate minus the inflation rate. Furthermore, gross national savings is measured by disposable income that is not spent on consumption annually. Real exchange rate is measured by the ratio of the price of one currency (domestic currency) to another currency (foreign currency). Inflation is basically measured by purchasing power parity of money while credit to private sector is measure by the ratio of financial resources provided to the private sector by financial institutions to the GDP.

IV. EMPIRICAL RESULTS

1. Descriptive Statistics of the Data Series in Nigeria for the Period 1986-2016

Table 1: Descriptive Statistics of Variables

	RG DP	IN RT	GN S	EX CR	IN RF	CP S
Mean	6.4 114 29	13. 738 33	18. 770 60	63. 834 21	19. 947 38	13. 650 00
Median	5.6 000 00	12. 720 00	19. 242 65	21. 886 10	12. 705 00	12. 700 00
Maximum	33. 700 00	28. 020 00	38. 932 70	20 0.0 100	72. 800 00	38. 300 00
Minimum	0.3 000 00	3.3 200 00	0.0 000 00	0.5 464 00	4.7 000 00	6.4 300 00
Std.D	5.7	6.3	8.3	68.	17.	6.0

ev	617 41	575 98	878 33	125 86	174 85	479 36
Skewness	2.8 737 62	0.5 104 45	- 0.09 164 1	0.4 886 43	1.5 562 37	2.5 856 02
Kurtosis	13. 792 19	2.2 747 79	2.8 468 91	1.5 993 68	4.3 667 72	10. 360 39
Jarque-Bera	261 .63 44	2.7 442 79	0.09 981 1	5.1 044 97	20. 222 23	141 .60 41
Probability	0.0 000 00	0.2 535 64	0.99 513 1	0.0 779 06	0.0 000 41	0.0 000 00
Sum	26 9.2 800	57 7.0 100	788 .365 0	26 81. 037	83 7.7 900	57 3.3 000
Sum Sq. Dev	13 61. 104	16 57. 181	288 4.58 5	19 028 6.4	12 093 .99	14 99. 679
Observations	42	42	42	42	42	42

Source: Researcher's Computation, 2018.

Descriptive statistics for the data series can be found in Table 1. The descriptive statistics showed only savings mobilization was normally distributed within the period of study. This is because the value of Kurtosis is very close to 3 (i.e. 2.846891) and the Jarque-Bera's value is almost zero. However, other data series were not normally distributed within the estimated period.

2. Unit Root and Co integration Test Results

Table 2: The Result of Unit Root Test

Variables	Level	1 st difference	Critical value (5%)	Decision
RGDP	- 5.91789 3*	-	- 2.9350 01	I(0)
INRT	- 1.86028 2	- 7.936614 **	- 2.9350 01	I(1)
GNS	-	-	-	I(0)

	4.16496 2*		2.9350 01	
EXCR	- 1.10086 0	- 6.340911 **	- 2.9350 01	I(1)
INRF	- 3.36007 3*	-	- 2.9350 01	I(0)
CPS	- 3.06914 9*	-	- 2.9350 01	I(0)

Source: Researcher's Computation, 2018.

* denotes stationary at 5% level

** denotes stationary at 5% 1st difference

Denotes significance at 5% level

I (0) denotes at 5% level

I (1) denotes significance at 1st difference

The Table 2 of the unit root test showed that the variables were integrated at order on I (0) except real interest rate and real exchange rate were integrated at order on I(1). The result of cointegration showed a long run relationship among the variables.

The empirical results of the Max-Eigen and the Trace tests are presented in Table 3.

Table 3: Result of Co integration Test

Trace Statistic	0.05 Critical Value	Hypothesized No of CE(S)	Prob**
139.4353	95.75366	None *	0.0000
83.55015	69.81889	At most 1 *	0.0027
41.18062	47.85613	At most 2	0.1830
22.65188	29.79707	At most 3	0.2636
5.644163	15.49471	At most 4	0.7371
0.235767	3.841466	At most 5	0.6273
Max-Eigen Statistic	0.05 Critical Value	Hypothesized No of CE(S)	Prob**
55.88520	40.07757	None *	0.0004
42.36953	33.87687	At most 1 *	0.0038
18.52873	27.58434	At most 2	0.4518
17.00772	21.13162	At most 3	0.1716
5.408396	14.26460	At most 4	0.6896
0.235767	3.841466	At most 5	0.6273

Source: Researcher's Computation, 2018.

* denotes cointegrated at 5%

Table 3 provides the empirical results from the application of Johansen co-integration test among the data series. The result of cointegrated proved along run relationship among the variables. Therefore, the study therefore estimated a long run model using DOLS.

Table 4: The Empirical Result of Dynamic Ordinary Least Square

Dependent Variable: RGDP

Variable	Coefficient	Std. Error	t-statistic	Prob.
INRT	0.688061	0.271182	2.537266	0.0430*
GNS	0.800355	0.159388	5.021425	0.0058*
EXCR	0.044661	0.052301	0.853919	0.4214
INRF	0.019021	0.305296	0.062302	0.9521
CPS	0.503026	0.169779	2.962828	0.0198*
C	94.079164	8.778374	10.71715	0.0000*
R-squared 0.709270				

Source: Researcher's Computation, 2018.

** denotes significance at 5% level

* denotes significance at 1% level

Table 4 showed the relationship between the variables in the estimated model within the period of study. The real interest rate and savings mobilization are positive and statistically significant at 5% and 1% level. Findings showed that a unit percent increase in real interest rate and savings mobilization led to about 69% and 80% increase in economic growth in Nigeria. This result suggests a positive relationship exists between real interest, savings mobilization and economic growth in Nigeria. Also, ceteris paribus, credit to private sector to GDP showed a positive and significant at 1% level. The results prove that a unit percent increase in credit to private sector to GDP brings about 50% increase in economic growth in Nigeria.

Moreover, a positive but not significant relationship existed between real exchange rate and economic

growth in the model. The coefficient of real exchange rate is positive (0.044661) on economic growth in Nigeria and this suggests that a unit percent increase in real exchange rate led to about 4% increase in economic growth. The result confirms the a-priori expectation in the model. In the same way, inflation rate (INRF) has a direct sign (0.019021) in the model and not significant. The findings prove that a unit percent increase in inflation rate brings about 2 percent increase in economic growth in the estimated model. However, if all the independent variables were excluded from the estimated model, the constant value indicated positive at 94.07916 and this implied that the intercept value (α_0) is still positive in the model within the period of study in Nigeria.

The result of the interactive effect of interest rate and savings mobilization on economic growth in Nigeria using DOLS, is presented in Table 5 below.

Table 5: The Empirical Result of Dynamic Ordinary Least Square

Dependent Variable: RGDP

Variable	Coefficient	Std. Error	t-statistic	Prob.
INRT	-0.373284	0.235850	-1.582717	0.8570
GNS	0.523469	0.144827	3.614443	0.0049
INRT*GNS	0.813928	0.203596	3.997760	0.0037
R-squared 0.750426				

Source: Researcher's Computation, 2018.

Table 5 showed the coefficient of interactive effect of interest rate and savings mobilization on economic growth. Findings of interactive effect showed simultaneous affection economic growth. This prove that 1% change in interest rate timesaving mobilization (INRT*GNS) had 81% significant effect on economic growth in Nigeria. In addition, positive relationship existed between economic growth and savings mobilization. This implied that a unit percent increase in savings mobilization led to about 52% increase in economic growth. However, an inverse relations existed between interest rate and economic

growth and this means that unit percent increase in interest rate would lead to 37% decrease in economic growth. Furthermore, the R-square (R²) revealed the predictor power of a model and it is derived to be 0.750426. This implied that real interest rate, savings mobilization and INRT*GNS explained about 75 percent systematic variation on economic growth for the period 1986-2016, in Nigeria.

V. DISCUSSIONS

The study examined the relationship between interest rate, savings mobilization and economic growth, with aimed of assessed the interactive effect of the variables on economic growth. The results prove that interest rate played a significant effect on economic growth in Nigeria. Hence, a high interest rate encourages savings and economic growth in way of the link between savings, investment and economic growth. This result is in agreement with the prediction of economic theory and existing studies (Ifeanyi&Chukwu, 2014; Siyanbola, et al.,2012; Obamuyi, 2009; Nwachukwu&Odigie, 2009) that higher interest rate from financial institutions will increase household savings in the banking system thereby improving economic growth. This conclusion opposes Eregha (2010), Acha and Acha (2011), who found that an inverse relationship existed between the variables. This implies that the results disagreed with the interest rate theory which states that the low level of interest rate encourages manufacturers and entrepreneurs to borrow money which increases their productive capacities. More so, in term of method used, the results is in contrary with Onwumere, Okore and Ibe (2012) who surmised that no relationship between existed between the variables. By implication, the study suggests that policy makers in Nigeria should provide adequate deepening financial system through innovations, necessary and effective regulation and supervision, a sound and efficient legal system, efficient savings mobilization of funds and making such funds available for investment, so as to boost economic growth in Nigeria.

Furthermore, the result of the findings prove that positive relationship existed between savings mobilization and economic growth. This finding is in agreement with Albu (2006), Simon-Oke and

Jolaosho (2013) who surmise that positive and significant relationship existed between savings mobilization and economic growth. Also, in term of method applied, Orji (2012), Sahoo, Ntaraj and Kamaiah (2001) found an inverse relationship between the variables. By implication, a rise in savings mobilization pave way for an average investor, entrepreneur, businessman, to access fund in Deposits Money Banks (DMBs) on capital investment, which, ultimately, boosts economic growth over time. In addition, more access to private-sector investors via DMBs will have significance multiplier effects on economic growth. For example, the findings suggest that 1% increase in savings mobilization and credit to private sector brings about 80% and 50% increase in economic growth. As a result, policy makers' effort at improving savings mobilization in achieving economic growth through innovations, constant and effective regulation, efficient mobilization of necessary funds, thorough monitoring and supervision and making such funds available for productive investments, which in turns lead to economic growth in Nigeria.

Finally, the sign of relation between economic growth and the controls variables reflect similar some models. For example, Okpara (2010), Itodo, et al., (2012) who surmised that real exchange rate, inflation rate and credit to private sector have significant effect on economic growth in Nigeria.

VI. CONCLUSION

The study examined the relationship between interest rate, savings mobilization and economic growth in Nigeria using DOL within the period of 1986-2016. Specifically, the study investigated the interactive effect of interest rate and savings mobilization on economic growth. The findings showed that economic growth is highly influenced by interest rate, savings mobilization and credit to private sector in Nigeria. More so, the interactive effect revealed that both the variables (interest rate and savings mobilization) played a vital role in economic growth over the study years. Therefore, the study concluded that real interest rate and savings mobilization are still significant in influencing economic growth in Nigeria. The study therefore recommended that there is need to further encourage Nigerians to change their

current attitude towards saving. The right saving culture must also be put in place by institutions and regulatory agents who influence the decisions of households, firms and governments. In this regard, there is need to put in place a coherent economic policy which is capable of providing the much needed enabling environment for financial institutions that would enhance savings mobilization mechanism, which in turns bring about economic growth.

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