

Money Market Instrument and Domestic Real Savings in Nigeria

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Article History	Abstract
Original Research Article	<i>This study examined the effect of money market instruments on domestic savings in Nigeria. The study specifically sought to determine the extent to which money market instruments affect domestic savings. Time-series data covering the period from 1990 to 2024 were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin and publications of the National Bureau of Statistics (NBS). Domestic savings was modeled as a function of Treasury Bills, Commercial Papers, Bankers' Acceptances, and Eligible Development Funds. The study employed econometric techniques, while the R-squared, probability coefficients, t-statistics, Durbin-Watson statistic, and F-statistic were used to evaluate the relationship between money market instruments and domestic savings. The findings revealed that 63.1 percent of the variation in domestic savings was explained by variations in money market instruments. At lag one, Bankers' Acceptances and Treasury Bills were found to have negative effects on domestic savings, while Commercial Papers and Treasury Bills had positive effects on domestic savings in Nigeria. Based on these findings, the study concludes that money market instruments significantly influence changes in domestic savings in Nigeria. The study recommends that fiscal policy should be aligned with monetary policy objectives to minimize distortions in the money market. Excessive government borrowing should also be curtailed through diversification of financing sources, improved revenue mobilization, and further deepening of the money market to enhance domestic savings. Regulatory authorities should formulate effective strategies for managing money market instruments, while government Treasury Bills should be made readily available to commercial banks, as this could contribute to increased domestic savings.</i> Keywords: Money Market Instruments, Domestic Savings, Treasury bill, Commercial Paper, Bankers Acceptance.
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Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited. Citation: Dr. J.C. Amadi & Dr. E.N. Maduba. (2026). Money market instrument and domestic real savings in Nigeria. <i>UKR Journal of Economics, Business and Management</i>, 2(8), 288-302.	

Introduction

The amount and composition of savings in the financial sector are significantly influenced by changes in the macroeconomic environment. Macroeconomic conditions, domestic savings, and economic performance are closely interconnected, particularly in developing economies where the financial market remains relatively underdeveloped. Factors such as high inflation rates, low disposable incomes, and limited access to financial services can place considerable pressure on savings levels. In Nigeria, both private and public savings are strongly influenced by prevailing economic conditions and government policies, while the stability and effectiveness of the financial system remain essential for successful savings mobilization. The inability of the financial sector to effectively mobilize adequate savings required for

economic growth can constitute a major constraint to development. For instance, a limited network of bank branches may discourage individuals from saving and weaken government efforts aimed at promoting a savings culture (Aladelusi, 2021). Savings are therefore critical to the development process, and a well-developed financial system is necessary to generate the savings required to finance investment activities and accelerate economic growth and development. According to Budha (2012), the savings rate is an important determinant of a country's long-run per capita income. In line with this argument, the neoclassical exogenous growth model posits that a higher savings rate contributes to greater per capita income, while endogenous growth theories suggest that the savings rate

influences long-run economic growth because an increase in savings can lead to a higher rate of economic growth.

Savings mobilization encompasses policies aimed at increasing the propensity to save as well as policies designed to redirect mobilized savings toward productive investment. Capital formation through savings mobilization is an important determinant of economic growth and development. Countries that are capable of accumulating substantial levels of capital tend to achieve faster rates of economic growth and development (Ighoroje & Eloho, 2022). Savings provide developing countries such as Nigeria with the capital required to finance investment, expand productive activities, and improve economic performance. An increase in savings can lead to greater capital formation and increased production, which may subsequently promote employment creation and reduce dependence on external borrowing by government. Savings represent the portion of income that is not used for current consumption; when these savings are channelled into productive capital investment, they contribute to increased output and economic activity (Ebi & Ihejiraka, 2022). Consequently, savings mobilization has increasingly been recognized as an important indicator of economic growth and development performance.

The neoclassical growth theory argues that an increase in the savings rate raises steady-state output by more than its direct effect on investment. This is because higher income generated through increased investment can lead to additional savings, which subsequently supports further investment and production (Ebi & Ihejiraka, 2022). However, the persistent changes in the magnitude of savings and investment in Nigeria, particularly in relation to the level of private-sector activities, have important implications for economic growth. From the Keynesian perspective, savings are defined as the amount of income remaining after an individual's consumption expenditure has been deducted from disposable income during a given period. Savings can also be described as the portion of disposable income that is not spent on consumer goods but is accumulated or invested directly in capital assets, used to repay obligations such as home mortgages, or invested indirectly through the purchase of financial securities.

Money market generates balance for a banks daily surpluses and deficit, arising from its daily operations, such as deposit mobilization and granting of loans and advances Onoh (2002). In fact money market positions a deficit banks in a better position to sell its treasury security for cash to continue lending and advance operation, while surplus positioned banks purchases standard instruments with their surplus fund, instead of holding idle fund which have zero yield in terms of return. Money market provides a form of easy purchase and serves as standard instruments to reflect

the surplus and deficit position of the banks thereby affecting its profitability.

The importance of savings has long been acknowledged by classical economists, as savings play a crucial role in the mobilization of domestic resources and the promotion of economic growth, particularly in developing countries (Lewis, 1954). However, it is important to note that some empirical studies have established a negative relationship between domestic savings and economic growth (Joshi, Pradhan, & Bist, 2019). The saving-growth nexus occupies an important position in the neoclassical growth models of Solow (1956), Cass (1965), Ramsey (1928), and Koopmans (1965). According to these growth models, higher savings rates are expected to promote economic growth because increased savings provide greater resources for capital investment. Savings are positively associated with economic growth in countries that are not close to the technological frontier, whereas savings may not have a significant positive effect on growth in countries that are already close to the technological frontier. Savings contribute to economic growth through the efficient utilization of resources, which enhances the productive capacity of an economy (Mason, 1988). Thus, sustained economic growth and development require adequate investment, which is largely a function of savings. The factors influencing domestic savings therefore remain an important concern for economic policymakers. Godfrey and Agwu (2019), Obi (2021), Aladelusi (2021), Ebi and Omoijahe (2021), and Ighoroje and Eloho (2022) found a positive relationship between Treasury Bills and economic growth, whereas Uruakpa (2019), Ishola *et al.* (2021), and Ebi and Ihejiraka (2022) reported a negative relationship between Treasury Bills and economic growth. Similarly, Dameji *et al.* (2021), Ogbuji (2021), and Ighoroje and Eloho (2022) established that Commercial Papers have a positive impact on economic growth, while Akpotor (2021) and Ebi and Ihejiraka (2022) reported otherwise. Against this background, the present study seeks to examine the extent to which money market instruments affect domestic savings in Nigeria.

Literature Review

Money Market Instruments

Money market instruments are short-term credit instruments of high quality that include Treasury Bills, Treasury Certificates, Bankers' Acceptances, Commercial Papers, Eligible Development Funds, Certificates of Deposit, among others (Ndugbu, Duruechi & Ojiegbe, 2016). These instruments serve as important components of fund and liquidity management strategies, enabling banks and other financial institutions to effectively manage temporary liquidity shortfalls arising from deposit withdrawals and loan demands (Ebhodaghe, 2015). The

money market itself refers to a financial market where short-term and, in some cases, medium-term funds are borrowed, lent, bought, and sold. Unlike commodity markets and stock exchanges, the money market does not operate from a specific geographical location. Instead, transactions are increasingly conducted electronically through modern information and telecommunication platforms. Major participants in the money market include deposit money banks, government institutions, corporations, enterprises, money market mutual funds, the Central Bank of Nigeria, pension funds, and other financial institutions (Ndugbu *et al.*, 2016).

Reasons for the establishment of money market in Nigeria

- i. Indigenize the credit base: this is to prevent the outflow of funds to overseas markets as well as encourage the retention of funds in the country, hence meeting the working capital requirements of businessmen and industrialist Ngerebo (2002).
- ii. Create opportunities for the mobilization of liquid funds to meet the temporary credit requirement of government.
- iii. Enable the banks to economize on their cash holdings and adjust their liquidity positions and conveniently as possible.
- iv. provide the basis for operating and executing an effective monetary policy, which is the principal traditional function of any money market.

Instrument of Money Market

Treasury Bills

Money market instruments are generally issued by obligors or obligees with the highest credit ratings and are characterized by a high degree of safety of principal (Uremadu, 2005). The maturity period of money market instruments may extend up to one year, although they normally have maturities of three months (90 days) or less. In practical terms, some of these instruments may be structured to mature within only a few days or even one day. Consequently, they involve relatively low risk of loss arising from changes in interest rates (Ogunleye, 2001). A clear understanding of the money market can therefore be developed by examining the nature and operation of the various debt instruments traded within it. These instruments provide the mechanism through which short-term funds are mobilized, transferred, and utilized among different participants in the financial system (Uremadu, 2005). Among the various money market instruments, Treasury Bills constitute one of the most important instruments used in Nigeria (Ezema, 1993). Treasury Bills are issued by the Federal Government through the Central Bank of Nigeria

to raise short-term funds when the government needs to finance its budgetary requirements. Because of their relatively low risk, liquidity, and government backing, Treasury Bills are particularly important and popular among commercial banks and other financial institutions (Ezema, 1993).

Commercial Papers

A commercial paper is an unsecured short-term debt instrument that represents an unconditional promise by the issuer to pay a specified amount to, or to the order of, a third party at a specified future date. It is normally issued by commercial and industrial enterprises that require short-term funds to finance their current operations and working capital requirements. Commercial papers are usually marketed on behalf of the issuing enterprises by commercial banks, merchant banks, investment banks, and other authorized money market intermediaries. The instrument generally carries a fixed interest rate determined by the issuer, which is usually set at a level attractive enough to encourage potential investors to purchase the paper, while the financial institutions involved in marketing the instrument earn commissions from its sale.

Commercial papers provide an avenue through which commercial enterprises, through their bankers, particularly merchant or investment banks, can obtain short-term financing with maturities generally ranging from three to six months (Ezema, 1993). The use of commercial paper is considered attractive where the cost of borrowing through the instrument is lower than the interest charged on bank overdrafts. For example, where the interest rate on an overdraft is 18 percent and the commercial paper rate ranges between 16 and 17 percent, a company may prefer to raise funds through commercial paper because of the lower financing cost. In this arrangement, the creditworthiness and financial standing of the issuing company are more important than that of the agent bank, since the commercial paper is not guaranteed by the bank that facilitates its issuance and marketing.

Eligible Development Stock

In order to broaden the scope and operation of the money market, the Central Bank of Nigeria (CBN) in 1975 reclassified all Federal Government development stocks with less than three years to maturity as liquid assets and made them acceptable for the purpose of calculating the statutory liquidity ratio. As liquid assets, these development stocks can be converted into cash and utilized for purposes for which other traditional money market instruments may be required. The major holders of these securities are usually commercial banks, and they are commonly referred to as Federal Republic of Nigeria Development Stocks (Ezema, 1993). In most cases, the stocks are issued and

redeemed at par, while the interest payable on them is fixed and paid semi-annually. One major advantage of Eligible Development Stocks (EDS) is that the Central Bank of Nigeria is always prepared to purchase them back at their prevailing market value when necessary. In addition, commercial banks are permitted to hold a proportion of their assets in development stocks, thereby providing them with an additional liquid and relatively secure investment instrument.

Bankers Acceptances

Specifically, a Banker's Acceptance is a transferable and negotiable draft drawn on a bank and unconditionally accepted by the bank, requiring the accepting bank to pay a specified sum of money to, or to the order of, a third party at a specified future date. The acceptance can be transferred through endorsement and is therefore regarded as a highly marketable money market instrument. By selling Banker's Acceptances to investors at a discount, a bank can provide financing to its customers without directly utilizing its own loanable funds. As the primary obligor, the accepting bank is responsible for paying the holder of the instrument the stated amount at maturity.

When a bank accepts a promissory note or bill of exchange drawn by its customer, the instrument becomes a Banker's Acceptance. Banker's Acceptances therefore represent borrowings undertaken by banks on behalf of their customers, for which the accepting bank assumes the primary obligation (Luckett, 1984; Ezema, 1993). They are generally considered less risky than commercial papers because of the credit standing and payment obligation of the accepting bank. Banker's Acceptances normally have maturities ranging from three to six months, or approximately 90 to 180 days, similar to commercial papers. They may be issued by individuals, companies, or other banks and subsequently accepted by a bank on behalf of its customers (Ezema, 1993).

Domestic Savings

Savings refer to the portion of income that individuals, businesses, or institutions do not utilize for immediate consumption (Odhiambo, 2021). In the case of individuals, savings represent personal income set aside for future use, while for businesses, they may take the form of retained profits. According to Ejinkonye and Okonkwo (2022), savings essentially involve setting aside money that is not required for immediate consumption after taxes and other necessary expenditures have been deducted. Such savings may be kept as reserves, invested in financial or physical assets, or used to acquire tangible and intangible goods in the future. Saving therefore involves sacrificing a portion of present consumption in order to achieve future financial benefits. Funds that are not spent immediately can be

invested and may generate returns in the form of dividends, interest, rent, or capital appreciation, thereby providing additional income to the saver. At the national level, savings represent the portion of current national income that is not devoted to consumption. An increase in national savings contributes to the accumulation of capital stock and consequently enhances the economy's capacity to produce goods and services. Savings can therefore be generated either by setting aside part of income or by reducing current expenditure. Every economy needs to generate adequate savings to finance its investment requirements, either through domestic savings or through external borrowing.

A higher savings rate generally promotes increased investment, provided that three important conditions are satisfied. First, an increase in actual savings must release sufficient financial resources for investment; second, an effective financial system must exist to mobilize and channel these savings toward productive investors; and third, the mobilized funds must be converted into productive investments that create additional capital (Mahmood, 2007). Improving savings and ensuring that mobilized funds are efficiently invested in profitable economic activities are therefore essential for accelerating economic growth. Osundina and Osundina (2015) noted that low levels of savings negatively affect capital accumulation, which is a critical requirement for economic development. Savings consequently constitute an important macroeconomic factor for achieving sustained economic growth. Domestic savings in an economy are generally derived from three major sources: households, the private sector, and the government sector. When effectively mobilized and utilized, increased domestic savings can promote investment and consequently stimulate economic expansion. An increase in domestic savings indicates that more financial resources are available for investment, and when these resources are directed toward productive sectors, they can make a significant contribution to economic growth and development in Nigeria. Household savings, in particular, are generally measured as the amount remaining after consumption expenditure is deducted from disposable income, while also taking into account changes in pension benefits.

Types of Domestic Savings

Household Savings

Household savings are calculated by deducting household consumption expenditure from disposable income, while taking into account changes in pension benefits. Disposable income generally comprises income from employment and unincorporated businesses, together with interest, dividends, and social benefits, after deducting current taxes, interest payments, and social contributions. It may also include imputed rental income received by owner-

occupiers. Household savings therefore represent the portion of discretionary income that is not used for final consumption. The difference between disposable income and adjusted disposable income reflects social transfers in kind, thereby providing a broader basis for understanding household savings. Consequently, household savings can be viewed as the amount of income retained after meeting current consumption needs. The actual household savings ratio is influenced by three major factors: (i) the unexpected income effect caused by inflation; (ii) the inflation impact on savings; and (iii) the savings ratio under the assumption of accurate relative price information.

Firms' Savings

Firms' savings refer to the portion of earnings retained by businesses for reinvestment, maintaining cash reserves, meeting future expenditure requirements, or financing other business activities rather than distributing the earnings as dividends. These savings are important for financing internal investments, strengthening financial stability, supporting business expansion, and facilitating long-term growth. The savings behaviour of firms is influenced by several factors. Market conditions play an important role, as changes in demand, market competition, and general business conditions can affect the level of earnings retained by firms. Taxation and investment incentives also influence corporate savings because tax policies can either encourage or discourage savings by changing the after-tax return on retained earnings and investment (Devereux & Griffith, 2003). Similarly, access to external finance affects firms' savings decisions, as businesses with easier access to credit and other sources of external financing may have less need to retain earnings for investment purposes (Beck & Demirgüç-Kunt, 2006). Firms' savings are therefore an important component of the financial system, influencing not only the financial strength and investment capacity of individual firms but also capital formation and economic growth. Current evidence indicates that market conditions, taxation policies, investment incentives, and access to finance are among the major factors determining the savings behaviour of firms.

Public Sector Savings

Public sector savings refer to the portion of government revenue retained for future use rather than immediately spent. These savings are important for financing public investment projects, maintaining fiscal stability, supporting economic development, and reducing dependence on external borrowing. Several factors influence public sector savings. Government revenue, including taxation and other income sources, directly determines the resources available for public savings (Waqar & Babar, 2023). Public expenditure management is also important because effective control of government spending improves the

capacity to save, while poor expenditure management can result in budget deficits and lower savings. Macroeconomic conditions, including economic growth, inflation, and overall stability, also affect public savings. During economic downturns, savings may decline as government expenditure on social welfare programmes increases (Abdul, Davide, & Petia, 2015).

Keynesian Theory of Absolute Income Hypothesis

According to Froyen (1998), in his theory, Keynes contends that consumption is an important ingredient in the determination of income. According to the fundamental psychological law, men are inclined to increase their consumption with the increase of their income, but not as much as the increase of their income. His psychological law is expressed in the Keynesian consumption function form as:

$$C = a + bY_{Da} > 0, 0 < b < 1 \quad (1)$$

C is real consumption and YD is real disposable income, which is GNP less taxes. The intercept is a, which is the consumption at zero income. b is the Marginal Propensity to Consume (MPC) which evaluates the increase in consumption per unit increase in the disposable income (MC/MYD). The ratio of consumption to income is known as the Average Propensity to Consume and is given by

$$APC = \frac{C}{Y_D} + \frac{a}{Y_D + b} \quad (2)$$

The APC is greater than the MPC, by the amount a/Y . Hence the APC declines as Income increases. This implies that as income of the households rises; they consume a small fraction of income, which means that their larger portion of income is saved. The Marginal Propensity to Save (APS) is a larger fraction of income equals $(1-APC)$, or

$$APS = 1 - a/Y_D - b = -a/Y + (1 - b) \quad (3)$$

If the disposable income (Y_D) is equal to zero, saving is negative or very low, and generally, the income-savings relationship is not proportional. The theory assumes that rich people save more than poor people, other things hold constant (Froyen, 1998).

Permanent income hypothesis

The permanent income hypothesis (PIH) is a post Keynesian theory of consumption proposed by Milton Friedman in 1957. The model assumes that the marginal propensity to consume of families is a constant. This view is incompatible although it pertains to an unanticipated change in expectations or unanticipated big loss of financial assets. Such situations would probably impair households'

propensity to spend. Furthermore, the households' propensity to spend may be more likely to vary over time (Froyen, 1998).

The consumption is proportional to permanent income function: $C = kY^D$ (2.4). Here, Y^D is a permanent income, and k is the factor of proportionality ($k > 0$). Permanent income is an expected average long term income from both "human and non-human wealth", which is both expected labor income (human capital) and the expected earnings from assets holdings (non-human wealth). It assumes also a random element to consumption known as transitory consumption. The measured income can be written as $Y = Y^P + Y^T$ (4)

According to PIH, it is only the permanent income that influences consumption. Even though consumption is a transitory component of consumption, but it is independent of transitory income. According to him, individuals in each period adjust their estimates of permanent income by a fraction j of the discrepancy between actual income in the current period and the prior period's estimates of permanent income. It is shown by the following equation:

$$Y^P_t = Y^P_{t-1} + j(Y_t - Y^P_{t-1}) \quad (0 < j < 1) \quad (5)$$

This paper verifies the backward looking expectation theorem, which claims that people change their estimate of their permanent income by the difference between the actual income in previous periods and the previous estimate of permanent income (Froyen, 1998).

The PIH explains the lack of consensus about the consumption-income link in the long as well as in the short run. In the near run, years of high income will be years of positive transient components of income. But this ratio is essentially proportional in the long-run as indicated by equation (2.4) with a constant APC equal to k . Finally, since consumption only increases with permanent income, the ratio of consumption to measured income will be low in the high-income years (Froyen, 1998).

Life Cycle Theory of Consumption

According to Froyen (1998), the Life Cycle Hypothesis (LCH) was developed by Albert Ando, Richard Brumberg, and Franco Modigliani in 1963. The central objective of saving under the LCH is to accumulate sufficient financial resources for retirement and to maintain consumption over the individual's lifetime. The hypothesis focuses on the consumption-saving decisions of individuals and suggests that economic agents consciously seek to maximize the present value of their lifetime utility by distributing their consumption expenditure over different stages of life. In addition, individual or household consumption is determined not only by current income but, more

importantly, by expected long-term earnings. Individuals are therefore assumed to plan their expenditure based on the income they expect to receive throughout their lifetime rather than solely on their current income. The hypothesis further assumes that individuals plan to distribute their expected lifetime earnings over **T equal periods**, allowing them to maintain a relatively stable level of consumption throughout their lifetime (Froyen, 1998). Hence, the following consumption equation provides a simplified representation of the model:

$$C_t = 1/T [Y^1_t + (N-1)Y^{1e}_t + A_t] \quad (6)$$

LCH suggests also that the consumption would be quite unresponsive to change in current income (Y^1_t) that did not also change the average expected future income. From equation (2.7), the following expression is derived; $\Delta C_t / \Delta Y^1_t = 1/T$ (7)

Therefore, an income that was expected to persist through the working years would mean that the expected annual labor income (Y^{1e}) also rose and the effect of the consumption would be much greater as shown by the equation:

$$\Delta C_t / \Delta Y^1_t + \Delta C_t / \Delta Y^{1e} = [1/T + N-1/T] = N/T \quad (8)$$

The LCH views the individual's place in life as influencing their consumption and saving habits. The young who enter the job force have a substantially lower income and perhaps a negative saving rate. Income can change throughout mid-life and the degree of savings also increases. Income declines in the later stage of life and may tap the era of dissaving (negative saving rate) in retirement.

Based on the examination of LCH by the previous researchers, the following essential predictions are disclosed that the individuals keep their standard of consumption throughout their entire period (Tesda, 2013). LCH argues that growth in GDP will boost aggregate savings because it raises lifetime incomes and savings of younger age groups relative to older age groups. Therefore, it is projected that countries with greater GDP growth rate will save more than countries with lower growth rate (Athukorala and Sen, 2004).

Empirical Review

Agbada and Odejimi (2015) examined the impact of money market instruments on the economic viability of Nigeria for the period 1981 to 2011, using the Ordinary Least Squares (OLS) multiple regression technique to analyze the data. Treasury Bills (TBs), Treasury Certificates (TCs), Certificates of Deposits (CDs), Commercial Papers (CPs), and Bankers' Acceptances (BAs) were used as explanatory variables. The findings indicated a positive linear

relationship between economic viability and the selected money market instruments. The study recommended that monetary authorities should formulate policies aimed at strengthening money market operations and remain proactive in their surveillance responsibilities to prevent practices capable of undermining market deepening and financial soundness. Similarly, Antwi, Atta Mills, and Zhao (2012) conducted an empirical analysis of the performance of the Ghana Stock Exchange and Treasury Bills over the period 1990 to 2010. The findings revealed that the Ghana All-Share Index recorded higher risk and higher returns compared with Treasury Bills.

Chuba and Ebhotemhen (2019) examined the relationship between Nigeria's GDP growth and gross domestic savings. Their findings supported the Keynesian and Harrod-Domar models, revealing a statistically significant but negative relationship between the variables. Oyedokun and Ajose (2018) investigated the relationship between domestic investment and economic growth in Nigeria from 1980 to 2016. The study concluded that domestic investment promotes economic growth after establishing a strong and consistent relationship between GDP and domestic investment. Odhiambo (2018) found a Granger causal relationship between savings and economic growth, emphasizing the important role of savings in the development of the banking sector. Anthony *et al.* (2017) examined domestic savings and economic development in Ghana from 1970 to 2013. Their findings showed that several economic factors had positive long-run effects, while domestic savings had a negative but insignificant short-run effect, suggesting the need for further investigation in light of recent economic developments.

Davis (2013) employed the co-integration approach to investigate the determinants of private savings in Ghana, using the Phillips and Ouliaris (1990) residual-based co-integration tests to establish the long-run relationship between private savings and its determinants. The findings revealed that financial liberalization, per capita income, and inflation had positive and significant relationships with private savings. The study also reported a positive and significant coefficient for the fiscal deficit variable, supporting the Ricardian Equivalence hypothesis. The study concluded that although there is a strong willingness to save among individuals, the capacity to save remains relatively weak.

Edward and Sampson (2024) examined the factors determining savings in Nigeria using secondary data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin and Annual Reports of the National Bureau of Statistics covering the period from 1990 to 2023. Total savings to Gross Domestic Product (GDP) was modeled as a function of savings rate, real GDP, public

expenditure as a percentage of capital expenditure to GDP, economic openness measured as export-import to GDP, financial deepening measured by private sector credit to GDP, inflation rate, and exchange rate. The study employed Ordinary Least Squares, co-integration analysis, the Augmented Dickey-Fuller (ADF) unit root test, and the Error Correction Model to examine the long-run and short-run relationships among the variables. The R^2 , F-statistics, and t-statistics were used to determine the extent to which the independent variables explained variations in total savings. The findings revealed that 74.1 percent and 64.8 percent of the variation in total savings were explained by the specified variables, while the F-statistic confirmed that the model was statistically significant and the Durbin-Watson statistic indicated the absence of serial autocorrelation. The study recommended that regulatory authorities should develop policies, strategies, and measures to improve the operational efficiency of the financial system through effective regulation. It further recommended that the regulatory framework of the financial system should be integrated with macroeconomic objectives, particularly savings mobilization, and that regulatory bodies should be effectively managed to prevent policy conflicts with other macroeconomic objectives.

Ejinkonye and Okonkwo (2022) used data from the Global Development Indicators to investigate the effects of gross domestic savings and investment on Nigeria's economy between 1981 and 2020. The study employed regression analysis and was theoretically anchored on the Neoclassical Growth Theory and the Harrod-Domar Growth Model. The findings revealed a significant negative relationship between GDP growth rate per capita and gross domestic investment, while gross domestic savings had a significant positive relationship with GDP per capita. Similarly, Agu and Omolade (2021) examined the effects of savings and investment on Nigeria's economic growth between 1980 and 2019. Using ARDL and co-integration techniques, the study found that both savings and investment had negative and statistically significant effects on economic growth in both the short and long run.

Etale and Ayunku (2017) investigated whether the money market stimulates economic growth in Nigeria using the Granger causality approach. The study used Treasury Bills (TBs), Commercial Papers (CPs), and Bankers' Acceptances (BAs) as proxies for the money market, while Gross Domestic Product (GDP) was used as a measure of economic growth. Time-series data covering the period from 1989 to 2014 were obtained from the Central Bank of Nigeria Statistical Bulletin and the National Bureau of Statistics. The study employed the Augmented Dickey-Fuller (ADF) test, Ordinary Least Squares (OLS) multiple regression, and Granger causality test. The findings

indicated that Treasury Bills and Commercial Papers had positive and significant effects on GDP, while Bankers' Acceptances had a positive but insignificant effect on GDP in Nigeria. The Granger causality results revealed no directional causal relationship between Treasury Bills, Commercial Papers, and GDP. However, a significant bidirectional relationship was found between Commercial Papers and Treasury Bills and between Commercial Papers and Bankers' Acceptances at the 5 percent level. The study recommended that appropriate policies should be adopted to strengthen and deepen the money market so that it can make a meaningful contribution to Nigeria's economic growth and development.

Eze and Nwigboji (2016) examined the relationship between domestic savings and economic growth in Nigeria using real GDP, financial depth, government expenditure, and total private savings. The study was based on data obtained from the CBN Statistical Bulletin covering the period from 1981 to 2014. Using the Augmented Dickey-Fuller (ADF) test, Vector Autoregression (VAR) models, and Granger causality tests, the study found that total private savings had a positive effect on real GDP and that a causal relationship existed between GDP and total private savings. Matthew and Manu (2021) investigated the effect of savings on economic growth across thirty African countries. Their findings showed that a 1 percent increase in savings was associated with a 3.96 percent increase in economic output. The study also established that improvements in the current account balance and foreign direct investment contributed to economic development, although it did not establish a significant relationship between economic growth and domestic savings.

Ahmed *et al.* (2020) employed the Autoregressive Distributed Lag (ARDL) model to examine the effect of domestic savings on economic development in Algeria between 1980 and 2018. The findings revealed that savings had a significant influence on economic growth in both the short and long run. Based on the findings, the study recommended strategies for increasing domestic savings as a means of financing capital accumulation and promoting economic expansion. However, the study noted that the experience of Algeria, which has a relatively strong savings culture, may not be directly applicable to Nigeria, where the savings culture remains comparatively weak.

Mohamed (2014) examined the causal relationship among savings, investment, and economic growth in Ethiopia using annual time-series data covering 1970 to 2011 within a multivariate framework. The ARDL Bounds Testing approach revealed the existence of co-integration among savings, investment, and Gross Domestic Product (GDP) when GDP was specified as the dependent variable. The findings further showed that labour force and investment

had significant positive effects on economic growth in Ethiopia in both the short and long run, while savings and human capital were statistically insignificant. Similarly, Turan and Olesia (2014) used the Johansen co-integration test and an error correction model to examine the effect of savings on Albania's economic performance between 2000 and 2012. Their findings indicated the existence of a stable long-run equilibrium relationship between economic growth and savings, suggesting that the two variables are closely interconnected. Davis (2013), using a co-integration approach, investigated the determinants of private savings in Ghana and found that financial liberalization, inflation, and per capita income were positively related to private savings. The study also supported the Ricardian Equivalence hypothesis and concluded that Ghana had a strong willingness to save despite having limited capacity to save.

Ndugbu, Duruechi, and Ojiegbe (2016) examined the relationship between money market instruments and bank performance in Nigeria over the period from 1990 to 2014. The study utilized data obtained from the Central Bank of Nigeria Statistical Bulletin and employed Ordinary Least Squares (OLS) multivariate regression, the Granger causality test, the Johansen and Juselius co-integration test, and the Error Correction Mechanism. The findings revealed that Treasury Bills and Commercial Papers had positive and significant relationships with bank performance, while Bankers' Acceptances had a negative relationship with bank performance. The study concluded that money market instruments can enhance the ability of banks to increase money supply through effective monetary policy, stimulate economic activities, and consequently contribute to financial deepening. However, the study further suggested that money market instruments do not directly contribute to financial deepening in Nigeria.

Nwonye *et al.* (2022) examined the growth of savings in the Nigerian economy using data obtained from the Central Bank of Nigeria (CBN) Annual Bulletin covering the period from 2011 to 2020. The study employed multiple regression analysis to examine the relationship between savings and economic growth. The findings revealed that total savings had a positive and significant effect on Nigeria's Gross Domestic Product (GDP). The study also found that private consumption expenditure had a negative and insignificant effect on GDP, while gross fixed capital formation had a significantly negative effect. However, credit to the private sector was found to have a positive and significant effect on economic growth. Despite these findings, the relatively short period covered by the study may limit its applicability for broader and long-term econometric assessments of the relationship between domestic savings and economic growth in Nigeria.

Rahman and Ferdaus (2021) examined the dynamic effects of domestic savings and domestic investment on economic growth in Pakistan using annual data covering the period from 1973 to 2018. After establishing that the variables were stationary at first difference and that a long-run co-integrating relationship existed among them, the study employed the Dynamic Ordinary Least Squares (DOLS) approach to estimate the long-run elasticities. The empirical findings revealed that domestic savings had a negative relationship with economic growth, while domestic investment had a positive relationship with economic growth in Pakistan. The results therefore indicated that domestic savings dampened economic growth, whereas domestic investment contributed positively to economic growth. The causality analysis further revealed a bidirectional causal relationship between domestic savings and economic growth and a unidirectional causal relationship running from economic growth to domestic investment. Based on these findings, the study recommended policies aimed at accelerating economic growth and ensuring its long-term sustainability in Pakistan.

Ugah (2023) investigated the macroeconomic determinants of domestic savings in Nigeria using historical time-series data obtained from the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), and International Monetary Fund (IMF) bulletins covering the period from 1990 to 2019. The study employed the unit root test, Johansen co-integration test, and Error Correction Model (ECM) regression technique. The Augmented Dickey-Fuller (ADF) unit root test indicated that the variables were stationary, while the Johansen co-integration test established the existence of a long-run relationship among the variables. The ECM results revealed that deposit rate and inflation rate had negative and insignificant effects on domestic savings, while income level had a positive and significant effect. Financial deepening was found to have a negative but statistically significant effect on domestic savings. The study concluded that income level, deposit rate, financial deepening, and inflation rate are important determinants of the volume of domestic savings in Nigeria. It therefore recommended that government and monetary authorities should formulate sound policies and create a favourable economic environment capable of promoting domestic savings and consequently supporting economic growth in Nigeria.

Ahmad and Verma (2017) employed the ARDL Bounds Testing approach to investigate the relationship between savings, investment, and economic development in India over the period from 1951 to 2014. The findings indicated that savings contributed to economic growth rather than growth being the primary driver of savings, although

investment also played an important role in promoting economic development. Similarly, Siaw *et al.* (2017) examined the relationship between domestic savings and economic development between 1970 and 2013. Their findings demonstrated that domestic savings had a substantial and positive long-run effect on economic growth, despite having a negative and insignificant short-run effect. The results suggest that although domestic savings may not immediately translate into economic growth in the short run, sustained savings accumulation can provide the financial resources required for investment and contribute significantly to long-term economic development.

Literature Gap

The empirical literature reviewed reveals that there is no consensus among previous studies regarding the impact of money market instruments on economic growth and related financial outcomes in Nigeria. For instance, Godfrey and Agwu (2019), Obi (2021), Aladelusi (2021), Ebi and Omoijahe (2021), and Ighoroje and Eloho (2022) found a positive relationship between Treasury Bills and economic growth. In contrast, Uruakpa (2019), Ishola *et al.* (2021), and Ebi and Ihejiraka (2022) reported a negative relationship between Treasury Bills and economic growth. Similarly, Dameji *et al.* (2021), Ogbuji (2021), and Ighoroje and Eloho (2022) established that Commercial Papers have a positive impact on economic growth, whereas Akpotor (2021) and Ebi and Ihejiraka (2022) found a negative impact. Similar inconsistencies were observed regarding the effects of other money market instruments on economic growth in Nigeria. These conflicting findings indicate the need for further empirical investigation, particularly in relation to domestic savings, which has received comparatively limited attention. Therefore, this study examines the effect of money market instruments on domestic savings in Nigeria.

Methodology

This study was designed to examine the impact of money market instruments on domestic savings in Nigeria. The research adopted descriptive, empirical, and quasi-experimental research designs. The relevant data used for the study were obtained from publications of the Central Bank of Nigeria (CBN), including its Economic and Annual Reports for various years. The data were analyzed using multiple linear regression based on the Ordinary Least Squares (OLS) method. This quantitative approach involved the presentation of data in tables and the testing of the formulated hypotheses using OLS regression analysis at a 5 percent level of significance. To ensure that the results obtained did not suffer from spurious regression, the study tested the stationarity properties of the variables at different levels before estimating the model. Other diagnostic tests

conducted included the normality test, Durbin-Watson test for serial correlation, heteroskedasticity test, and model specification test. Furthermore, to statistically evaluate the analytical model, assess the reliability of the estimated results, and determine the strength of the relationship among the variables, the coefficient of correlation (R), coefficient of determination (R^2), Student's t -test, and F -test were employed.

Stationarity of Time Series Data

It is almost conventional in time-series analysis to determine the order of integration of each variable in order to avoid the problem of spurious regression (Granger & Newbold, 1974; Phillips, 1986). The unit root test is conducted primarily to establish whether the variables are stationary at level, first difference, or second difference, represented as $I(0)$, $I(1)$, and $I(2)$, respectively. A variable is considered stationary at level, $I(0)$, when it does not require differencing to achieve stationarity. When a variable becomes stationary after first differencing, it is said to be integrated of order one, $I(1)$, while a variable that becomes stationary only after second differencing is integrated of order two, $I(2)$. The unit root test technique adopted in this study is the Phillips-Perron (PP) test developed by Phillips and Perron (1988), which is used to determine the stationarity properties and order of integration of the variables included in the model.

Decision Rule

$H_0: = 0$: there is presence of unit root in the time series data.

$H_1: 0$: there is absence of unit root in the time series data.

Co-integration Test

After conducting the unit root test, if the variables are not stationary at level $I(0)$, it becomes necessary to examine whether a co-integrating relationship exists among the variables. Co-integration refers to the statistical evidence of a stable long-run equilibrium relationship among non-stationary variables. There are two major approaches for examining co-integration relationships: the Engle and Granger two-step procedure (1987) and the Johansen and Juselius (1990) approach, which is based on the Vector Autoregressive (VAR) framework. In this study, the Johansen procedure was adopted to test for the existence and number of co-integrating relationships among the variables. Two likelihood ratio tests, namely the Trace Test and the Maximum Eigenvalue Test, were employed to determine the number of co-integrating vectors and establish whether a long-run equilibrium relationship exists among the variables.

$H_0: r = 0$: there is no cointegration in the series

$H_1: r > 0$: there is cointegration in the series

The statistic test the null hypothesis that the number of co integrating vectors is r against the specific alternative of $r+1$ co-integrating vectors. The condition for a long-run co-integrating vector is that the trace statistics (likelihood ratio) must be greater than 5% critical value.

Granger Causality Test

The causal relation of the variables in the econometric models is described in terms of time series data (Granger, 1969). Causality test is used to know the causal relationship between liberalized financial services and intermediation efficiency measures in Nigeria. The basic idea of doing this test is that it allows us to determine whether the independent variables can cause changes in the dependent variable and vice versa. Let X and Y be variables;

H_0 : X does not granger cause Y

H_1 : X does not granger cause Y

If the probability value of F -statistic is less than 0.05, we reject H_0 and conclude that X granger cause Y , a unidirectional and short-run effect occurs if X granger cause Y but Y does not granger cause X . a feedback, bi-directional or long-run relationship exist if X granger cause Y and Y granger cause X respectively. However, independent causation is reached when X does not granger cause Y and Y does not granger cause X .

Model Specification

The model specified below is based on principles, theories and empirical findings on the relationship between the money market instruments and domestic savings. The model is specified as follows

$$DS = f(TB, CP, EDS, BA) \quad (8)$$

$$DS = \beta_0 + \beta_1 TB + \beta_2 CP + \beta_3 EDS + \beta_4 BA + \mu \quad (9)$$

Where

DS = Domestic savings as percentage of gross domestic product

TB = Treasury bills

CP = Commercial paper

EDS = Eligible development stock

BA = Bankers acceptance

μ = Error term

β_0 = intercepts of the regression line

A-Prior Expectation of the Result

The explanatory variables are expected to have positive and direct effects on the dependent variables. That is a unit increase in any of the variables is expected to increase domestic savings in Nigeria

Table 1: Unit Root Test

Null Hypothesis: D(DS,2) has a unit root		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.534416	0.0167
Test critical values:	1% level	-3.769597	
	5% level	-3.004861	
	10% level	-2.642242	
Null Hypothesis: D(BA,2) has a unit root			
Augmented Dickey-Fuller test statistic		-10.03798	0.0000
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	
Null Hypothesis: D(CP,2) has a unit root			
Augmented Dickey-Fuller test statistic		-7.526009	0.0000
Test critical values:	1% level	-3.689194	
	5% level	-2.971853	
	10% level	-2.625121	
Null Hypothesis: D(TB,2) has a unit root			
Augmented Dickey-Fuller test statistic		-5.029066	0.0004
Test critical values:	1% level	-3.711457	
	5% level	-2.981038	
	10% level	-2.629906	
Null Hypothesis: D(EDS) has a unit root			
Augmented Dickey-Fuller test statistic		-7.041490	0.0000
Test critical values:	1% level	-3.699871	
	5% level	-2.976263	
	10% level	-2.627420	

Source: Computation by author using E-view 9.0

Table 1 presents the empirical results of the unit root test conducted to determine the stationarity properties of the time-series variables used in the study. The decision criterion is based on comparing the Augmented Dickey-Fuller (ADF) test statistics with the corresponding critical values at the selected levels of significance. The null hypothesis states that the variable contains a unit root, indicating non-stationarity. The results reveal that the

variables under investigation are not stationary at first difference, except for Foreign Portfolio Investment in the money market. Since the ADF test statistics for the variables are greater than their corresponding critical values at the 10 percent level of significance, the null hypothesis of the presence of a unit root is rejected. This indicates that the variables exhibit stationarity and can therefore be subjected to further econometric analysis.

Table 2: Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.765612	110.0766	95.75366	0.0036
At most 1*	0.641000	96.55337	69.81889	0.0086
At most 2*	0.562405	75.82036	47.85613	0.0355
At most 3	0.174367	11.02655	29.79707	0.9605
At most 4	0.159203	5.278407	15.49471	0.7786
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.765612	43.52327	40.07757	0.0197
At most 1*	0.641000	80.73301	33.87687	0.0134
At most 2*	0.562405	54.79381	27.58434	0.0093

At most 3	0.174367	5.748147	21.13162	0.9874
At most 4	0.159203	5.202142	14.26460	0.7162
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.755112	101.5466	95.75366	0.0188
At most 1*	0.664180	79.33799	69.81889	0.0362
At most 2	0.391509	26.60257	47.85613	0.8689
At most 3	0.190480	11.69939	29.79707	0.9418
At most 4	0.147456	5.359956	15.49471	0.7695
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.755112	42.20865	40.07757	0.0283
At most 1*	0.664180	52.73542	33.87687	0.0479
At most 2	0.391509	14.90318	27.58434	0.7558
At most 3	0.190480	6.339431	21.13162	0.9752
At most 4	0.147456	4.785928	14.26460	0.7686

Source: Author's Computations using E-Views 9.0

The Johansen co-integration test is employed to determine whether a long-run equilibrium relationship exists among the variables in the model. The test is based on the assumption that although individual variables may be non-stationary, a linear combination of them may be stationary, thereby indicating the existence of a stable long-run relationship. In most cases, when two variables are integrated of order one, $I(1)$, their linear combination may also be $I(1)$, unless they are co-integrated. More generally, when variables with different orders of integration are combined, the resulting combination tends to have an order of integration corresponding to the highest order among the variables.

The Johansen-Juselius co-integration test results presented in the tables above indicate that the variables are co-integrated and statistically significant at the 5 percent level. The findings therefore suggest the existence of a long-run and stable relationship among the variables included in the model. Both the Maximum Eigenvalue and Trace statistics indicate the presence of one co-integrating equation at the 5 percent level of significance. This provides evidence that the variables share a common long-run equilibrium relationship, implying that although short-run movements may occur among the variables, they tend to adjust toward their long-run equilibrium over time.

Table 3: Money Market Instruments and Domestic Savings

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(BA(-1))	-0.224556	0.316619	-0.709233	0.4891
D(CP(-1))	0.005883	0.030867	0.190583	0.8514
D(TB(-1))	0.278172	0.237305	1.972215	0.0494
D(EDS(-1))	0.233064	0.361307	0.645057	0.5286
D(BA(-2))	-0.150230	0.270230	-0.555936	0.5865
D(EDS(-2))	-0.440469	0.236461	-1.862753	0.0822
D(CP(-2))	0.050007	0.037938	1.318123	0.2072
D(TB(-2))	-0.136354	0.224233	-0.608089	0.5522
D(DS(-1))	0.274233	0.366458	0.748333	0.4658
D(DS(-2))	-0.134334	0.274994	-0.488500	0.6323
C	4.518553	3.396853	1.330217	0.2033
ECM(-1)	-1.528238	0.484789	-3.152378	0.0066
R-squared	0.802702	Mean dependent var		0.716897
Adjusted R-squared	0.631710	S.D. dependent var		28.51370
S.E. of regression	17.30408	Akaike info criterion		8.846034
Sum squared resid	4491.470	Schwarz criterion		9.506108
Log likelihood	-114.2675	Hannan-Quinn criter.		9.052761

F-statistic	4.694387	Durbin-Watson stat	1.784002			
Prob(F-statistic)	0.002805					
VAR Lag Order Selection Criteria						
Lag	LogL	LR	FPE	AIC	SC	HQ
0	-812.2840	NA	1.30e+17	56.43338	56.71627	56.52198
1	-759.9996*	79.32809*	4.48e+16*	55.31032*	57.29054*	55.93050*
2	-714.2473	50.48530	3.26e+16	54.63774	58.31530	55.78951
3	-611.7360	70.69746	1.03e+15	50.05076	55.42564	51.73410

Source: Author's Computations using E-VIEWS 9.0

The existence of co-integration among the variables permits the application of the Error Correction Model (ECM), which explains the systematic adjustment process following short-run deviations from the long-run equilibrium and captures the short-run transmission mechanism among the variables. The ECM results are presented in Table 3 above. The estimated lagged error-correction term (ECM_{t-1}) emerges as an important channel of adjustment and is statistically significant, confirming the existence of a long-run relationship between money market instruments and domestic savings in Nigeria. This implies that the variables adjust over time to correct deviations from their long-run equilibrium relationship. The coefficient of the ECM indicates an adjustment speed of approximately 153 percent, suggesting a relatively rapid adjustment of the variables toward equilibrium following any short-run disequilibrium. The independent variables jointly explain 63.1 percent of the variation in domestic savings in Nigeria, while the model is statistically significant based on the F-probability value. The study further found that, at lag one, Bankers' Acceptances and Treasury Bills had negative effects on domestic savings, while Commercial Papers and Treasury Bills had positive effects on domestic savings in Nigeria.

Discussion of Findings

The study found that 63.1 percent of the variation in domestic savings was explained by variations in money market instruments. At lag one, Bankers' Acceptances and Treasury Bills were found to have negative effects on domestic savings, while Commercial Papers and Treasury Bills had positive effects on domestic savings in Nigeria. The positive effects of the variables are consistent with the study's a priori expectations, while the negative effects contradict the expected relationships and may be attributed to volatility and fluctuations in the respective variables. The positive effects also support the liquidity management theory of commercial banks, which emphasizes the role of financial instruments in managing liquidity and mobilizing funds within the financial system. In particular, the positive effects of Commercial Papers and Treasury Bills are consistent with the objectives of money market instruments and the expectations of the study, as these instruments

provide avenues for mobilizing and allocating short-term funds. The findings further reflect the ongoing reforms in Nigeria's money and financial markets and are consistent with the findings of Guru *et al.* (2002), who identified efficient expense management as one of the important factors explaining high bank profitability, while high interest rates were associated with lower bank profitability and inflation had a positive effect on bank performance. The findings also support Chantapong (2005), who found that foreign banks had higher profitability than domestic banks on average, although the profitability gap between foreign and domestic banks narrowed during the post-crisis period, suggesting that financial restructuring programmes produced some positive outcomes. Similarly, the findings are consistent with Heffernan and Fu (2008), who reported that net interest margin provides a useful measure of bank performance compared with more conventional profitability measures such as Return on Average Assets (ROAA) and Return on Average Equity (ROAE).

Conclusion And Recommendations

Conclusion

This study examined the effect of money market instruments on domestic savings in Nigeria. The findings revealed that 63.1 percent of the variation in domestic savings was explained by variations in money market instruments, while the model was statistically significant based on the F-probability value. At lag one, Bankers' Acceptances and Treasury Bills were found to have negative effects on domestic savings, while Commercial Papers and Treasury Bills had positive effects on domestic savings in Nigeria. Based on the probability coefficients, Government Treasury Bills had a probability value of 0.0494, which is less than 0.05; therefore, the study concludes that Government Treasury Bills have a significant effect on domestic savings in Nigeria. Commercial Papers had a probability value of 0.8514, which is greater than 0.05, indicating that Commercial Papers have no significant effect on domestic savings in Nigeria. Similarly, Government Eligible Development Stocks had a probability value of 0.5286, which is greater than 0.05, showing that they have no significant effect on domestic savings. Finally, Bankers' Acceptances recorded

a probability value of 0.4891, which is also greater than 0.05, indicating that Bankers' Acceptances have no significant effect on domestic savings in Nigeria.

Recommendations

- i. Monetary authorities should adopt a balanced policy approach that combines interest rate adjustments with prudent liquidity management in the money market. Over-reliance on interest rate hikes could dampen money market activity, whereas a calibrated use of open market operations and reserve requirements may achieve monetary stability without excessively suppressing market depth.
- ii. Fiscal policy must be aligned with monetary objectives to avoid distortions in the money market. Excessive government borrowing should be curtailed by diversifying financing sources, strengthening revenue mobilization, and deepening the money market for increase in domestic savings.
- iii. The regulators should develop strategies of controlling the money instrument and government treasury bills should be made available to commercial banks as this improves domestic savings.
- iv. Money market, the short term investments component of the money market should also be strengthened with policy framework and application that will ensure trading and investments in the instruments (such as treasury bills, treasury certificates, and short term securities) in the sub-market do not retard the growth of the Nigerian economy.

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