
A Critical Evaluation Of The Impact Of Money Market In The National Development Of Nigeria

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ABSTRACT

This study examines the role of Nigeria money market in the national development. It discusses the essentiality of money market and its position in the nation's economy, Nigeria in particular. The population of this study was estimated eighty (80). However, the instrument used in gathering information to his work is from two sources which are the primary source and secondary source. Well designed and structured questionnaires were also used. Findings indicate that money market has much benefit to present to the economy and the nation at large. It is also pivotal to ensure that the regulatory instrument used by the regulatory authorities to manage this sectors (surplus and deficit) should be that which contributes towards its development and growth. Area of success as well as challenges that needs to be addressed are identified. Specifically, it is recommended that regulators of money market should make legislation to keep pace with the changes in modern money market operation especially with the advent of new technologies.

Keywords: Money, Market, Money Market , Surplus Savings Unit & Deficit Spending Unit, National development, economy.

1.0 INTRODUCTION

The Money Market in Nigeria Economy is a vital sector and its position in the economy cannot be over emphasized because it provides the necessary lubricant that keeps the wheel of the economy moving. For this reason we often refer to it as an engine room for economic growth. It

is also pertinent to note that the financial system depends on the structure of the capital market of such economy in which the Nigerian stock exchange (NSE) occupies the central position of a strong and viable financial system. The sector do not only provide or raise funds for investment but it also allocates the funds for investment

efficiently and effectively as possible to those viable projects that offers the best returns to fund or investment owners. The well-being of the sector to a very large extent determines the growth of the economy. However, if the sector happens to be weak, the economy suffers for it.

The money market in Nigeria was established and nurtured by the Central Bank of Nigeria (CBN) primarily for mobilizing domestic savings for productive investment as well as provide the government with funds to enable it implement its economic programme. The Money market is a market for short term funds, designed to channel resources from surplus sector to the deficits sector of the economy. Prior to the establishment of Central Bank of Nigeria (CBN), there was no money market. What existed then was only a market for short term borrowing based on commercial paper, which was an integral part of the London money market to Nigeria for the purpose of financing export produce. After the establishment of CBN, there was then a need to establish a local money market that would provide opportunities for investment in liquid domestic assets. After the establishment of the money market in Nigeria, certain kind of financial instruments such as treasury bills, treasury certificates, commercial papers e.t.c. surfaced.

Financial institutions such as the CBN, Deposit money bank, Discount houses, Individuals, finance companies, corporate bodies, Bureau de Change which are the major operators in the money market are actively involved in fund transfer. It is therefore assumed that they are in better position to perceive the role of money market in the National Development.

Notwithstanding, the resent global economic meltdown which tends to set a disjunction between the surplus and the deficit sectors. The surplus sector appears not to be interested in lending to the deficit sector, this pose a serious bottleneck to the proper functioning of the money market, thereby reducing the level of investment in the economy. The logic question now is what would be the lot of Nigeria economic and its inhabitants in general.

OBJECTIVES OF THE STUDY

The followings are the objectives:

1. To identify the impact of supervisory roles on the regulations of money market operation.
2. To take a careful look at the effect of money market operation on its operators.
3. To identify the hindrances that affect money market operations in Nigeria.

1.2 RESEARCH QUESTION

In the cost of this study the following research questions were formulated:

- i) Does supervisory role of regulations has any impact on money market operation?
- ii) Does the operation has any effect on the money market operation?
- iii) Does hindrances affect money market operation?

1.3 SIGNIFICANCE OF THE STUDY

This study will be of importance to the following persons:

- i) Organizations – To know the risks involved in financial management
- ii) Students – It will serve as a reference materials for related field of study
- iii) To researchers – It will serve as a reference to other researchers who may like to carry out the same work.

1.4 STATEMENT OF HYPOTHESIS

In line with the specific objectives, the following Hypothesis is formulated in its null and alternate form.

H₀¹: Money market has no impact in the national development

H_A¹: Money market has an impact in the national development

Money market operations has no hinderances in the National Economic Development

2.0 REVIEW OF RELATED LITERATURE

Keywords: Money, Market, Money Market, Surplus Savings Unit & Deficit Spending Unit, National development, economy.

2.1 THEORETICAL FRAMEWORK

The theoretical framework of this study anchors more on the dichotomy that exists between the surplus sector and the deficit sector. The major role of Nigeria money market is the mobilization of domestic savings aimed at productive investment as well as providing the government with funds to enable the implementation of its economic programmes.

One of the factors that contributes to the presumed effect of this dichotomy is effective communication and sensitization. Vital information relating to Nigeria Money will yield positive effect if they are well communicated.

2.1.1 MONEY MARKET IN NATIONAL DEVELOPMENT

A well-developed money market is an asset to any company and this is because of the immense benefit accruing to such a country. According to Anyanwu and Nwokoro (2007) money market offers many products/services designed to meet customers' needs, most of the products/services are common among the banks while others are restricted and can only be used by the regulatory authority for specific purposes. These products/services benefit both the government, CBN, financial institution, the economy as well as the general public.

As an investment outlet, both corporate entities and members of public are given an opportunity to earn income on their surplus fund which could have been hitherto idle the deficit units of the economy and also provides the needed fund at a lower cost when compared with borrowing from a foreign market or money lenders. Without the money market, the government and the CBN monetary policies could not be easily implemented as money, provides channel through which the CBN inject cash into the economic as well as executes its monetary policies and performs its function of index of last resort.

Further, the market ability to mobilise surplus funds from the economy

for redistribution to deficit units for productive investment ensures efficiency allocation and utilization of funds for rapid economic growth and development.

Finally, the role of a well developed money market in the National development of any country especially Nigeria cannot be over emphasized as it assist in the development of its immediate environment, provide employment opportunities to the general public as well as contribute towards the overall National development of the country.

2.1.2 FINANCIAL MARKET

1. The term Market can often be used for exchanges of securities and Organizations that facilitates the exchange of such securities in Nigeria is called Security and Exchange Commission. They are also in charge of the regulation and the smooth operation of the market and its participant. Rather than calling it a market, we can call it a Financial Market as it deals with financial securities. It should be known that almost all the characteristics attributed to an ordinary market can also be attributable to the Financial Market. It can be physically done or Virtual. Infact, in the advent of the recent and ongoing Corona Virus, most transactions has been virtually online rather than in physical and

if done in physical, all the laid down Covid 19 guidelines must be strictly observed. A market can be summarily seen as the organization of institution or mechanisms for creating and exchanging financial assets. The surplus sector oftentimes appears not to be interested in lending to the deficit sector which poses a serious bottleneck to the proper functioning of the money market, thereby reducing the level of investment in the economy

2.1.3 SURPLUS SAVNGS UNIT (SSU) AND DEFICIT SPENDING UNIT (SSU)

Surplus units are Investment Units that provide funds to the financial markets while deficit units are Borrowing Units having lesser funds than surplus unit and obtain funds from the financial markets who acts as a middle man for investment or utilization purposes. Surplus units include households with savings, while deficit units include firms or government agencies that borrow funds.

This surplus unit are often seen as Spenders or investors of funds. When they spend, then they invest in items that yield future benefits such as Real Estate, Landed Properties and others. A surplus spending unit is an economic unit with income that is greater than or equal to expenditures on consumption throughout a period. A

surplus spending unit earns more than it spends on its basic needs and therefore has money left over to invest into the economy through the form of purchasing goods, investing, or lending. A surplus spending unit can be a household, business, or any other entity that makes more than it spends for the purpose of sustaining itself.

The Deficit spending unit on the other hand spends more than it makes and has to borrow from surplus units in order to sustain itself. Once an entity is a surplus or deficit spending unit, it does not have to maintain that status forever. A deficit spending unit can become a surplus spending unit if it begins to generate additional income, covers its basic expenses, and pays off all of its own deficits from an earlier period.

For example, a household (surplus unit) can invest its savings into a bank account either fixed or current and another household or a business that needs such money for investment (known as the deficit unit) will borrow such money from the middleman (known as the bank) in the form of Loan. One objective of the middle man or the financial manager is to be able to have the knowledge of a Finance mix and time interval. He must know the required time range period it will take for the Investor (Surplus Savings Unit) to receive back his funds (that is principal and

interest) and to also know the time frame it will take the Borrower (Deficit Spending unit) to pay back the funds there by initially collecting a collateral in terms of default.

2.1.4 NATIONAL DEVELOPMENT

National, according to Longman dictionary of contemporary English, refers to a phenomenon that embraces a whole nation. National development therefore can be described as the overall development or a collective socio-economic, political as well as religious advancement of a country or nation say Nigeria. This is best achieved through development planning, which can be described as the country's collection of strategies mapped out by the government.

2.1.5 ECONOMY

When we say the word "economy", it can be traced back to the Greek word οἰκονόμος (i.e. "one who manages a household"), a composite word derived from οἶκος ("house") and νέμω ("manage; distribute") by way of οἰκονομία ("household management"). The first recorded sense of the word "economy" is in the phrase "the management of œconomic affairs", found in a work possibly composed in a monastery in 1440. "Economy" is later recorded in more general senses, including "thrift" and "administration". The most

frequently used current sense, denoting "the economic system of a country or an area", seems not to have developed until the 19th or 20th century. **It is also** the state of a country or region in terms of the production or consumption of goods and services and the supply of money.

An economy consists of economic system in a certain region, comprising the production, distribution or trade, and consumption of limited goods and services in that region or country.

3.0 RESEARCH

METHODOLOGY

RESEARCH DESIGN

In this work, descriptive research survey method was used to carry out the research.

3.1 POPULATION OF THE STUDY

The population of a research study refers to the total or aggregate number of persons or items converted by the study and it represents the source of the sample of study (Onyekwere 2005). Therefore the study is on the role of money market in the development of Nigeria economy, the

population of this study is infinite and therefore is taken to be so.

3.2 SAMPLE AND SAMPLING TECHNIQUE

Sample is a part or fraction of the population from which data were actually collected. Therefore, in selecting the sample size, the researcher considered the fact that the questions and answers needed should be from persons in the area of banking system in Nigerian. The sample size of the population is infinite, therefore is taken to be so. The sampling technique used was random sampling techniques.

3.3 INSTRUMENT FOR DATA COLLECTION

The research instruments used in this study include:-

- 1) Questionnaires:- It is a planned series of questions, usually typed, administered to a group of people who are

expected to respond to the questions with intent to gather and analyze data in order to draw a conclusion. (Onyekwere 2005).

2) Personal interview:- This is a face to face discussion where one person seeks information from another (Alozie 2005) it involves a person seeking the information called the interview and another giving the information called the respondent.

In addition to the questionnaires are personal interview with senior staff in the money market, the question during the interview deals with the topic under study.

The choice of the personal interview is that the researcher has control of the type of response she receives which is appropriate for the study, it ensures that detailed response is given to any question asked and the researcher has the opportunity to record non-verbal communication which may improve the quality of response. (Nworuh 2005).

3.4 VALIDATION AND RELIABILITY OF INSTRUMENT

To validate the text for this study, the questionnaire was forwarded to experts in the field to assess content, criteria and construction validity before they were administered to respondents.

3.5 DISTRIBUTION AND RETRIEVAL OF THE INSTRUMENT

In this research work, use of well designed and structured questionnaire were distributed through the researcher to the respondents.

3.6 METHOD OF DATA ANALYSIS

To facilitate an easy understanding of data analysis, the researcher used frequencies and simple percentage.

A percentage rank used indicates the value that falls below a given score and it seeks to show the relative relationship formula used in simple percentage.

Simple percentage = $\frac{N}{NI} \times 100$

NI

Where n = Sample size or respondents

N = Total sum of all the respondents of the questionnaires.

	Fidelity Bank	26	32.9	43.0
	Total	60	75.9	100.0
Missing	System	19	24.1	
Total		79	100.0	

RESULT

DATA PRESENTATION AND ANALYSIS

The analysis of the data gathered in the course of this work follows the agreement of the questionnaire. The aim is to reveal the improvement of the data collected to real situation.

The analysis are therefore based on the 71% or 60 questionnaires returned.

Question 1: what does the real sector of the economy stand to gain from t

		Frequency	Percent
Valid	Credit facilities	21	26.6
	Investment advice	21	26.6
	Safe custody	11	13.9
	Reference	7	8.9
	Total	60	75.9
Missing	System	19	24.1
Total		79	100.0

PRESENTATION AND DISTRIBUTION OF THE FINDINGS

The sample data used in caring out this research in order to get adequate information needed to evaluate the role of the money markets in national Development is shown below.

From the table above, 35% of the respondents were of the opinion that real sector stand to gain from the Nigerian money markets while 35% supported Investment advice, safe custody 18.3%, and finally reference 11.7%

Question 2: Does money markets play any role in the development of Nig

		Frequency	Percent	Valid Per
Valid	Yes	35	44.3	58.3
	No	25	31.6	41.7
	Total	60	75.9	100.0
Missing	System	19	24.1	
Total		79	100.0	

Frequency Tables

Respondents

		Frequency	Percent
Valid	Zenith Bank	34	43.0

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In the research and from the table above, 58.3% of the respondents were of the opinion that money markets play any role in the development of Nigeria economy, while 41.7% were of the opinion that money markets do not play any role in the development of Nigeria economy.

	40%	21	26.6
	50%	15	19.0
	50% and Above	10	12.7
	Total	60	75.9
Missing	System	19	24.1
Total		79	100.0

From the table above, 23.3% of the respondents said they can rate the contribution of the Nigerian money markets in the development of the economy in the above stated questions, while others are 35%, 25.0%, 16.7% respectively.

Question 3: To what extent has the various reforms in the money markets stabilized the economy of Nigeria?

		Frequency
Valid	To a very great extent	21
	To a great extent	23
	To an extent	9
	To no extent	7
	Total	60
Missing	System	19
Total		79

Question 5: Do you agree that the role by money markets is fundamental

		Frequency	Percent
Valid	Agree	23	29.1
	Disagree	29	36.7
	Strongly Disagree	3	3.8
	Strongly disagree	5	6.3
	Total	60	75.9
Missing	System	19	24.1
Total		79	100.0

From the table above, 35% of the respondents were of the opinion that the various reforms in the money markets do stabilize the Nigeria Economy to a very great extent, while 38.3% agreed to a great extent, others are 15%, 11.7%.

Question 4: In which of the following ways can you rate the contribution of the Nigerian money markets in the development of the economy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30%	14	17.7	23.3	23.3

Question 6: Can you specify some of the roles you think money market pl

		Frequency	Percent	Total	60	75.9	100.0
Valid	Credit facilities	34	43.5	Missing	System	19	24.1
	Referees	20	25.3	Total		79	100.0
	Investment advice	1	1.3			1.7	91.7
	All of the above	5	6.3			8.3	100.0
	Total	60	75.9			100.0	
Missing	System	19	24.1				
Total		79	100.0				

Question 7: Does the money markets have any positive effect on the growth and development of the country's economy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	32	40.5		
	Disagree	28	35.4		
	Total	60	75.9		
Missing	System	19	24.1		
Total		79	100.0		

Question 9: Does money markets allocation of funds to different sectors in

		Frequency	Percent	Valid Percent
Valid	Yes	38	48.1	63.3
	No	16	20.3	26.7
	3	6	7.6	10.0
	Total	60	75.9	100.0
Missing	System	19	24.1	
Total		79	100.0	

Question 8: Has the roles played by the Nigerian money market 80 far been satisfactory?

		Frequency	Percent
Valid	Yes	36	45.6
	No	24	30.4

Question 10: How would you assess the service offered by the Nigerian money market?

		Frequency	Percent	Valid Percent
Valid	Very good	21	26.6	35.0
	Good	19	24.1	31.7
	Fair	20	25.3	33.3
	Total	60	75.9	100.0

Missing	System	19	24.1	Total	79	100.0
Total		79	100.0			

Question 14: What are the challenges confronting the Nigerian money market?

Question 11: Has the consolidation of the banking industry in all markets and the economy?

		Frequency	Percent
Valid	Yes	43	54.4
	No	18	22.8
	Total	61	77.2
Missing	System	18	22.8
Total		79	100.0

		Frequency	Percent
Valid	Public risk aversion	19	24.1
	Poor corporate government	19	24.1
	All of the above	22	27.8
	Total	60	75.9
Missing	System	19	24.1
Total		79	100.0

Question 12: Do you agree that the growth and development of the economy depends on the Nigeria money market?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	3.8	5.0	5.0
	Agree	20	25.3	33.3	38.3
	Disagree	19	24.1	31.7	70.0
	Strongly disagree	18	22.8	30.0	100.0
	Total	60	75.9	100.0	
Missing	System	19	24.1		
Total		79	100.0		

Question 15: Do you think that the measures put in place by the CBN is a hindrance to the development of the economy?

Question 13: Do you think Nigeria money markets have positive impact on the real sector of the economy?

		Frequency	Percent
Valid	Yes	42	53.2
	No	18	22.8
	Total	60	75.9
Missing	System	19	24.1

		Frequency	Percent	Valid Percent
Valid	Yes	28	35.4	46.7
	No	32	40.5	53.3
	Total	60	75.9	100.0
Missing	System	19	24.1	
Total		79	100.0	

4.1 RECOMMENDATION

Based on these findings of this project, I recommend that regulators of money market should make legislation to keep pace with the changes in modern money market operation.

Also the management of money market should be in the hand of qualified personnel so as to ensure that its objectives are achieved.

4.0 CONCLUSION

In line with Anyanwu and Nwokoro (2007) it was found that a well developed money market is comparatively efficient in the sense that it is responsive to changes in demand for and supply of money market helps in financing trade and business activities as well as promoting fair competition within the market.

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Statistics

	Respondents	what does the real sector of the economy stand to gain from the Nigerian Money Market.	Does money markets play any role in the development of Nigeria economy?	To what extent has the various reforms in the money markets stabilized the economy of Nigeria?	In which of the following ways can you rate the contribution of the Nigerian money markets in the development of the economy?	Do you agree that the role by money markets is fundamental to the development of the Nigerian economy?	Can you specify some of the roles you think money market play in the development of Nigerian economy?	Does the money markets have any positive effect on the growth and development of the country's economy?	Has the roles played by the Nigerian money market in the growth and development of the economy 80 far been satisfactory?	Does money markets allocation of funds to different sectors improve the economy in any way?	How would you assess the service offered by the Nigerian money market?	Has the consolidation of the banking industry in any way improve the services of the money markets and the economy?	Do you agree that the growth and development of the economy depends on the Nigeria money market?	Do you think Nigeria money markets have positive impact in enhancing productivity in the real sector of the economy?	What are the challenges confronting the Nigerian money market in the development and growth of the economy?	Do you think that the measures put in place by the CBN is adequate in ensuring the development of the economy?
N Valid	60	60	60	60	60	60	60	60	60	60	60	61	60	60	60	60
Missing	19	19	19	19	19	19	19	19	19	19	19	18	19	19	19	19
Mean	1.43	2.07	1.42	2.03	2.35	1.83	1.62	1.47	1.40	1.47	1.98	1.30	2.87	1.30	3.05	1.53
Std. Error of Mean	.065	.130	.064	.128	.132	.112	.114	.065	.064	.087	.108	.059	.118	.060	.107	.065
Median	1.00	2.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	2.00	1.00	3.00	1.00	3.00	2.00
Mode	1	1 ^a	1	2	2	2	1	1	1	1	1	1	2	1	4	2
Std. Deviation	.500	1.006	.497	.991	1.022	.867	.885	.503	.494	.676	.833	.460	.911	.462	.832	.503
Variance	.250	1.012	.247	.982	1.045	.751	.783	.253	.244	.456	.695	.211	.829	.214	.692	.253
Skewness	.276	.586	.347	.688	.225	1.143	1.607	.137	.419	1.148	.032	.921	-.146	.895	-.095	-.137
Std. Error of Skewness	.309	.309	.309	.309	.309	.309	.309	.309	.309	.309	.309	.306	.309	.309	.309	.309
Kurtosis	-1.991	-.718	-1.946	-.502	-1.034	1.057	2.058	-2.051	-1.889	.106	-1.564	-1.191	-1.047	-1.241	-1.553	-2.051
Std. Error of Kurtosis	.608	.608	.608	.608	.608	.608	.608	.608	.608	.608	.608	.604	.608	.608	.608	.608
Range	1	3	1	3	3	3	3	1	1	2	2	1	3	1	2	1
Minimum	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1
Maximum	2	4	2	4	4	4	4	2	2	3	3	2	4	2	4	2
Sum	86	124	85	122	141	110	97	88	84	88	119	79	172	78	183	92

a. Multiple modes exist. The smallest value is shown