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Original Research Article

Deposit Money Banks and Economic Development in Nigeria

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Abstract: This study investigated the impact of the activities of Deposit Money Banks (DMBs) on economic development in Nigeria. Economic development was proxied by gross domestic product per capita (GDPPC), while the activities of Deposit Money Banks were measured by five independent variables: broad money supply (MS), credit to the private sector (CPS), savings rate (SR), prime lending rate (PLR), and maximum lending rate MLR). Data on these variables for the period 1981 to 2023 were sourced from the Central Bank of Nigeria Statistical Bulletin, and the World Bank Development Indicators for Nigeria. The stationarity of each variable was tested using the Augmented Dickey-Fuller unit root test which revealed that all the variables became stationary after taking the first difference. The Johansen cointegration test confirmed that the variables have long-run relationship after identifying two cointegrating equations. Estimates of the parsimonious error correction model indicate that broad money supply, credit to private sector, and savings rate all have insignificant impacts on economic development in Nigeria. Conversely, both prime lending rate, and maximum lending rate have significantly influence on Nigeria's economic development. A unit increase in PLR and MLR led to about a 1.24- and 0.11-unit improvement in Nigeria's economic development respectively. Based on the findings, the study recommended among others that the Nigerian government through the monetary authorities should maintain and monitor the prime lending and maximum lending rates, to avoid fluctuations that may cause these variables to impact negatively or insignificantly on the nation's economic development.

Keywords: Economic development, broad money supply, savings rate, and maximum lending rate.

1.0 INTRODUCTION

Achieving sustainable and improved economic development has been the hallmark of nations around the world. This objective became important in the 1940s when countries in Asia, Africa, and Latin America began to gain their independence. The primary goal was to rebuild and grow strong nations independent of external or colonial influence. To this end, the United Nations defined the economic development of these countries in the context of growth, projecting that nations that have the ability to increase production by 5% and above would be considered as developing. However, many African, Latin American, and Asian countries surpassed this threshold, but were characterized with high level of poverty, unemployment, inequality and low standard of living. It is on this note that Dudley Seers argued that economic development should be concerned with questions about what is happening to poverty, unemployment and inequality. For Seers, a nation attains economic development when these trio are on the decrease.

Other opinions about the concept of economic development abound, however, it is generally considered as the increase in economic production that brings about economic and structural transformations that improve living standards, by reducing poverty, unemployment, and income inequality. Panth (2020) refers to economic development as the structural transformation of an economy which occurs by introducing more mechanised and updated technologies to increase labour productivity, employment, incomes, and standard of living of the population. For Kumari and Bhanoo (2022), economic development denotes a progressive change in the socio-economic structure of a country, brought about by changes in technological and institutional mechanisms of production as well as distribution.

As an evolving concept, several methods have been proposed by different scholars for the measurement of economic development. For instance, Lipsey (2009) maintains that there are many possible ways of measuring a country's degree of development like

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income per head, the percentage of resources unexploited, capital per head, savings per head and amount of social capital. Other common indicators include human development index, quality of life index, gender related development index, capability approach, social indicators and others (Panth, 2020; Kumari & Bhanoo, 2022). From the foregoing therefore, economic development can be measured using several indicators which could be quantitative or qualitative.

The banking sector is vital for the financing of investments and production through the basic activities performed by banks; one is deposit-taking through the mobilisation of idle funds in the hands of customers thereby offering them interest on amount saved and the other is lending activities, from which, the bank earns interest on funds borrowed for personal and business investment (Mushtaq, 2016). Deposit Money Banks (DMBs) promote economic development by mobilising savings, fostering capital accumulation and financial inclusion, especially in rural areas. By providing credit, they fund business growth, support SMEs, and facilitate trade through services, and likewise, promote investments by financing infrastructure and boosting capital market growth. Additionally, they generate employment both directly within the sector and indirectly through business financing (Ali, 2025).

In Nigeria, Deposit Money Banks (DMBs) are saddled with the responsibilities of providing capital for investment purposes, creating enabling atmosphere for customer savings, and also serves as a channel through which the Central Bank regulate money supply in the economy. These activities of Deposit Money Banks have impacts on the economic development of Nigeria. For instance, DMB's ability to coordinate adequate savings provides a strong base for capital formation which are channeled to the productive sectors of the economy, therefore increasing productivity, employment generation, poverty reduction and improvement in living standards and vice versa. Proper coordination and control of money supply ensures that excess money is not in circulation, therefore, reducing inflation which impacts negatively on the economic welfare of the people. More so, DMB's ability to offer low interest rates presents incentives for investment to thrive in the country, thereby leading to expansion in productivity and subsequently, improvement in overall welfare. Thus, the level of economic development of a country partly depends on how strong and robust its banking sector is.

Several reforms have been carried out to expand and strengthen the performance of DMB's in the country. Some of these reforms among others include: the bank consolidation reform of 2004 (CBN, 2004); financial inclusion policy of 2012 (Ozili, 2022); the recent Naira redesign policy of 2022, and the many policies on withdrawal (Sodiq, 2023); and the current bank capitalisation policy of 2024. Despite these policies, Deposit Money Banks in Nigeria continue to struggle in discharging her statutory duties necessary for enhancing economic growth and development in the country. For instance, Nigeria's Credit to Private Sector as a percentage of GDP was only 14.1% in 2022, far below the 90.7% average for BRICS countries (World Bank, 2023). To reach this benchmark, Nigerian banks need to amplify their lending efforts nearly sixfold (Iwedi, Okey-Nwala, & Wachukwu, 2024). It is against this back drop that this study seeks to examine the impact of Deposit Money Banks on economic Development in Nigeria.

Several studies have focused on examining the impact of Deposit Money Banks on Economic growth in Nigeria. Very few studies such as Kolapo and Olaniyan (2019), and Ayegbeni (2020) exist on this subject matter. This study therefore contributes to empirical literature. It is however different from other studies as it decomposes DMB's interest rate to both prime lending rate and maximum lending rate.

2.0 EMPIRICAL LITERATURE

The impact of DMBs on Nigeria's economic development often brings about mixed reactions among scholars and policymakers. For instance, Using data from 1970 to 2016, Kolapo and Olaniyan (2019) considered the link between deposit money banks' credit to private-public sectors and economic development in Nigeria. Per capita income was employed as the dependent variable, while credits to private sectors, credits to government sectors, lending interest rate and money supply were employed as the independent variables. The estimation techniques employed in the study comprised the Ng-Perron, Augmented Dickey Fuller Breakpoint Unit Root Tests and Toda-Yamamoto augmented Granger causality test. The regression output revealed that banks' credit and economic development granger cause each other. Based on this finding, the study recommended among others that the activities of deposit money banks be regulated by the monetary authorities to foster the increase of credits to private sectors, and that special attention be given to lending interest rate as this has the tendency of undermining the economic development in the country.

In another study, Aiyegbeni (2020) examined how the activities of Deposit Money Banks have impacted economic development in Nigeria. Data spanning from 1981 to 2018 were obtained from the statistical bulletin of the Central Bank of Nigeria, and World Bank Development Index Website. The Ordinary Least Square (OLS) and General Least Squares (GLS) estimation techniques were utilised in study's analysis. The outcome of the regression estimates indicated that the effects of Bank Deposits and Exchange rate on Nigeria's economic development are positive but however insignificant. Conversely, the effects of bank credit and interest rate on Nigeria's economic development are negative and insignificant. Following these findings, the study reached the conclusion that only

DMB branches have positive and significant impact on Nigeria's economic development.

Utilising the Analysis of Variance (ANOVA) technique, Bello *et al.,* (2020) investigated the effect of commercial banks performance on economic development in Nigeria. Specifically, the study analysed the impact of bank credit on Nigeria's economic development, and measured how growth in commercial banks liquidity liabilities impacted on economic growth in Nigeria. Data were collected from a sample size of 20 entrepreneurs using questionnaires. From the outcome of the analysis, the study found that the availability and advancement of bank credit increased entrepreneurial development. The study thus, recommended among others that commercial banks should endeavour to support owners of entrepreneurship businesses with proven characteristics and business viability, by ensuring that they have access to credit advance.

In another study, Ajudua (2023) using data from the period 1986 to 2020 empirically analysed the impact of deposit money banks' performance on the economic growth of Nigeria. Findings from the unit root test, cointegration test, and ECM test indicated that economic growth was positively and significantly impacted by total bank credit and money supply, while lending rate impacted negatively and significantly on economic growth in Nigeria. The study suggested among others that efforts be intensified to attract credit to the private sector, and that favourable policies that can help boost credit creation of deposit money banks be implemented.

Similarly, Mbanefo and Chirah (2024) using data from 2007 to 2022 evaluated the impact of Deposit Money Banks (DMBs) credit on Nigeria's economic growth. Credits to the Oil and Gas Sector, the Manufacturing Sector, the Information and Communication Sector, and the Agricultural Sector were employed as proxies for Deposit Money Banks' Credits while the Real Gross Domestic Product was used to measure economic growth. Secondary data extracted from the Annual Report of the Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Nigeria (CBN) Statistical Bulletin were used. The outcome of the Ordinary Least Squares regression revealed that economic growth was positively but insignificantly impacted on by Deposit Money Banks' credits to the oil and gas sector and manufacturing sector, whereas Deposit Money Banks' credits to the agricultural sector had a significant positive impact on economic growth in Nigeria. On the other hand, economic growth was negatively and insignificantly affected by Deposit Money Banks' credits to the information and communication sector. Given these findings, the study suggested among others that in order to address sector-specific risks, the Central Bank of Nigeria has to enforce robust risk management frameworks which includes the monitoring of global and local developments that can impact the advancement of credits to the various sectors.

In another study, Adeshola and Ewa (2020) examined the impact of deposit money banks' services on the growth of the Nigerian economy. Time series data were collected from the CBN statistical Bulletin from 1984 to 2017, and were analysed using descriptive statistics, the augmented Dickey-Fuller (ADF) unit root test, correlation matrix, and Autoregressive Distributed Lag (ARDL) Model. Outcome from the analyses showed that, aggregate banks credits, aggregate banks deposits, and interest rates spread had insignificant short and long run effects on the growth of the Nigerian economy. The study therefore, recommended among others that, in order to enhance the availability of loanable funds for on-lending, deposit money banks should intensify efforts on deposit mobilisation, as this has the capacity to increase economic growth through the promotion of the productivity of businesses.

In the same vein, Aliakhue and Chukwudi (2020) investigated the influence of Deposit Money Banks on the Nigerian Economy from 2009-2018. The study employed gross domestic product (GDP) as the dependent variable, while deposit money banks credit (DMBC), lending rate (LR) and financial deepening (FD) were employed as independent variables. Data for the variables were obtained from the Central Bank of Nigeria Statistical Bulletin and estimated with the aid of E-view 8.0. The findings indicated that the Nigerian economy was positively and significantly influenced by the credit of deposit money banks. The study advised among others that additional efforts be made to make available, short, medium and long-term loans to productive investments like the SMEs, agricultural and manufacturing sectors, as they comprise an important part of the growth and transformation process of the Nigerian economy, through the inducement of employment and income of various economic agents in the economy.

Also, Muhammad and Ngele (2023) empirically investigated the impact of credit to the private sector on economic growth in Nigeria using secondary data from 1981 to 2021. Data on gross domestic product, credit to the private sector, lending rate, and deposit money bank's asset were obtained from the World Bank Indicators 2021 and the Central Bank of Nigeria's Statistical bulletin 2021, and analysed using the Ordinary Least Squares (OLS) technique. Findings showed that the variables were integrated of order one (I(1)), and also cointegrated in the long run. It was also discovered that interest rate had a significant negative impact on economic growth in Nigeria. Based on the findings, the study suggested among others that banks should act as effective financial intermediaries so that financial resources are allocated to the most productive uses in order to boost economic growth in Nigeria.

3.0 METHODOLOGY

3.1 Research Design

This study adopts the ex post facto research design. The rationale for adopting this research design is that it allows a researcher to determine the causal relationship (cause and effect) between two or more variables, without altering or manipulating any of the variables. Hence, the data obtained for each of the variables are used as given.

3.2 Model Specification

For this study, economic development is the dependent variable, and is measured by gross domestic product per capita (GDPPC), while Deposit Money Banks' activities is the independent variable, and is measured by broad money supply (MS), credit to private sector (CPS), savings rate (SR), prime lending rate (PLR), and maximum lending rate (MLR). The functional and econometric model of the variables are specified in equation 1 and equation 2 respectively as follow:

$$GDPPC = f(MS, CPS, SR, PLR, MLR) \quad 1$$

$$GDPPC_t = \beta_0 + \beta_1 MS_t + \beta_2 CPS_t + \beta_3 SR_t + \beta_4 PLR_t + \beta_5 MLR_t + U_t \quad 2$$

Where,

GDPPC = Gross Domestic Product Per Capita
MS = Broad Money Supply
CPS = Credit to Private Sector
SR = Savings Rate
PLR = Prime Lending Rate
MLR = Maximum Lending Rate
β_0 = Intercept
β_1-β_5 = Coefficients of the respective independent variables
U = Error Term
T = Time Frame

3.3 Estimation and Evaluation Techniques

The augmented Dickey-Fuller unit root test was used to determine the stationarity properties of the variables. The Johansen cointegration test was employed in the determination of the long-run relationship between the variables.

The outcome of the regression result was evaluated using theoretical, statistical and econometric criteria. Theoretically, the results were evaluated in line with the expected signs, while statistically, the model was evaluated using the student t-statistic, F-statistic, coefficient of determination and the probability values. The econometric evaluation was done using the Durbin-Watson statistic and Bruesch-Godfrey LM test for serial correlation. Post diagnostic test such as normality test and stability test were also employed in the evaluation of the regression result.

3.4 Sources of Data

The data used in this study are secondary data, and are sourced from secondary sources such as the Central Bank of Nigeria Statistical Bulletin (CBN), 2023 edition, and the World Bank Development Indicators for Nigeria.

4.0 PRESENTATION AND DISCUSSION OF RESULTS

4.1 Unit Root Test

The stationarity of the variables was tested using the Augmented Dickey-Fuller unit root test. The decision rule states that, in absolutes terms, the ADF t-statistic must be greater than the critical value at the 5% level of significance. This implies that the probability value must be equal to or less than 0.05. The result of the stationarity test is as presented in table .4.1 below.

Table 4.1: Augmented Dickey-Fuller Unit Root Test

Variables	Z(t) statistics	CV 5%	Z(t) 1st diff	CV 5%	Order of Integration
GDPPC	-1.488243	-3.520787	-5.590641	-3.523623	I(1)
MS	-0.438450	-3.520787	-5.438450	-3.520787	I(1)
CPS	-0.939193	-3.520787	-4.620899	-3.523623	I(1)
SR	-2.031148	-3.520787	-4.977523	-3.523623	I(1)
PLR	-3.326146	-3.520787	-9.091922	-3.523623	I(1)
MLR	-3.164848	-3.520787	-6.658085	-3.526609	I(1)

Source: Author's Computation using E-views 10

From the information provided in Table 4.1, all the variables had unit root problem, and hence were not stationary at level. However, the variables became stationary after taking the first difference. In other words, the variables are integrated of order one I(1). This outcome requires the application of the Johansen Cointegration test in testing for a long run relationship among the variables. The result of the Johansen Cointegration test is presented in Table 4.2 below.

4.2 Cointegration Test

Table 4.2: Johansen Cointegration Test

Sample (adjusted): 1983 2023				
Included observations: 41 after adjustments				
Trend assumption: Linear deterministic trend				
Series: LOG(GDPPC) LOG(MS) LOG(CPS) LOG(SR) LOG(PLR) LOG(MLR)				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
None *	0.643457	106.0998	95.75366	0.0080
At most 1	0.468468	63.81640	69.81889	0.1372
At most 2	0.373749	37.90473	47.85613	0.3062
At most 3	0.292212	18.71656	29.79707	0.5134
At most 4	0.100089	4.546496	15.49471	0.8549
At most 5	0.005416	0.222658	3.841466	0.6370
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: Authors Computation using E-views 10

The result of the Johansen cointegration test in Table 4.2 above suggests that there is one cointegrating equation. This implies that the variables have a long run relationship. We therefore, reject the null hypothesis of "No long run relationship exists" and accept the alternate hypothesis of "There is long run relationship". Having confirmed that the variables are cointegrated in the long run, we proceed to estimate the long run impact of the dependent variables (broad money supply, credit to private sector, savings rate, prime lending rate, and maximum lending rate) on the dependent variable (gross domestic product per capita). The results are presented in Table 4.3 below.

4.3 Long Run Impact of Deposit Money Banks on Economic Development

Table 4.3: Parsimonious ECM

Dependent Variable: DLOG(GDPPC)				
Method: Least Squares				
Sample (adjusted): 1985 2023				
Included observations: 39 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.193615	0.122030	1.586610	0.1283
DLOG(GDPPC(-1))	0.359757	0.209389	1.718133	0.1020
DLOG(MS)	0.241908	0.582976	0.414954	0.6826
DLOG(MS(-1))	-0.447114	0.584050	-0.765541	0.4529
DLOG(MS(-2))	-0.652200	0.631952	-1.032040	0.3144
DLOG(CPS)	0.511754	0.521837	0.980678	0.3385
DLOG(CPS(-2))	0.388437	0.418932	0.927207	0.3649
DLOG(CPS(-3))	-0.402610	0.419349	-0.960083	0.3485
DLOG(SR)	-0.407544	0.236127	-1.725953	0.0998
DLOG(SR(-1))	0.191200	0.197780	0.966731	0.3452
DLOG(SR(-2))	-0.476393	0.229324	-2.077380	0.0509
DLOG(SR(-3))	-0.095005	0.195519	-0.485913	0.6323
DLOG(PLR)	1.244035	0.426188	2.918981	0.0085
DLOG(PLR(-1))	0.385641	0.315725	1.221446	0.2361
DLOG(PLR(-2))	0.365200	0.322410	1.132719	0.2707
DLOG(MLR)	0.111154	0.03361	3.30717	0.0057
DLOG(MLR(-3))	0.192883	0.318638	0.605334	0.5518
ECM(-1)	-0.401727	0.182738	-2.198379	0.0399
R-squared	0.630022	Mean dependent var		0.186973
Adjusted R-squared	0.597042	S.D. dependent var		0.281080

S.E. of regression	0.235665	Akaike info criterion	0.253719
Sum squared resid	1.110760	Schwarz criterion	1.064172
Log likelihood	14.05248	Hannan-Quinn criter.	0.544503
F-statistic	1.892069	Durbin-Watson stat	1.599579
Prob(F-statistic)	0.084710		

Source: Authors Computation using E-views 10

The regression result in Table 4.3 above indicates that broad money supply (MS) has an insignificant positive impact on economic development in Nigeria. This is confirmed by the positive coefficient value of broad money supply of 0.241908 and its corresponding probability value of 0.6826 which is greater than the 5 percent (0.05) level of significance. This implies that a unit increase in broad money supply will result to an insignificant improvement on economic development in Nigeria.

From Table 4.3, credit to private sector (CPS) is also seen to have an insignificant positive impact on economic growth in Nigeria. This is so as the coefficient of CPS has a positive value of 0.511754. However, its probability value of 0.3385, which is greater than the 5 percent (0.05) level of significance confirms that the CPS has an inconsequential impact on economic development in Nigeria. This implies that a unit increase in CPS will lead to an insignificant improvement on economic development in Nigeria by 0.511754 units.

As indicated in Table 4.3, savings rate (SR) impact on Nigeria's economic development is adverse but however, inconsequential. This is because, the estimate (coefficient) of savings rate has a negative value of -0.407544, and its corresponding probability value of 0.0998 is greater than the 5 percent (0.005) level of significance. By implication, as the country's savings rate increases by 1-unit, economic development declines by about -0.476393 units. Nevertheless, savings rate is observed to have impacted significantly on the nations level of economic development at the second lag. This means that in the previous two years, as Nigeria's savings rate increased by I unit, the economic development of the country deteriorated significantly by about -0.476393 units. The statistical significance of this impact is confirmed by the corresponding probability value of 0.0509 which is equal to the 5 percent (0.05) level of significance.

On the other hand, both prime lending rate (PLR) and maximum lending rate (MLR) are observed to have positive and significant impact on Nigeria's economic development. As evident in Table 4.3, both PLR and MLR have positive coefficient values of 1.244035 and 0.111154 respectively, with corresponding probability values of 0.0085 and 0.0057, respectively, which are all lesser than the 5 percent (0.005) level of significance. The implication of this outcome is that, for every unit increase in prime lending rate, Nigeria's economic development improves by about 1.24 units, while for every unit increase in maximum lending rate, Nigeria's economic development improves by about 0.11 unit.

The error correction sign which is negative is appropriate and suggests that for any shocks that would cause a drift away from equilibrium, the model has the inbuilt stabilizer to return or adjust back to equilibrium in the long run, at a speed of about 40.2 percent. The coefficient of determination which is captured by the R-Squared, has a value of 0.6300022. This implies that the variables fitted in the model explained about 63 percent of the variations in the dependent variable (economic development). The remaining 37 percent are explained by other variables not fitted in the model, but captured by the stochastic or error term. The F-statistic value of 1.892069 and its corresponding probability value of 0.084710 suggest that the overall model is statistically significant, and hence good for policy forecast. Furthermore, the Durbin-Watson Statistic value of 1.599 falls within the acceptable region and indicates that the model is free of serial correlation problem. This is further confirmed by the serial correlation test presented in Table 4.4 below.

4.4 Serial Correlation Test

Table 4.4: Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.211239	Prob. F (2,16)	0.8118
Obs*R-squared	1.003297	Prob. Chi-Square (2)	0.6055

Source: Author's Computation using E-views 10

From Table 4.4 the Breusch-Godfrey serial correlation LM test reveals an F-statistics of 0.211239 and a corresponding insignificant probability value of 0.8118 which is greater than the 5 percent level of significance. We therefore, accept the null hypothesis of "no serial correlation exists", and reject its alternate hypothesis. Hence, we conclude that the model is free of serial correlation problem.

4.5 Normality Test

The normality test as presented in Figure 1 below also confirms that the variables in the model are normally distributed. The is because the Jarque-Berra

value of 4.312934 has a corresponding insignificant probability value of 0.115733 which is greater than the 5 percent (0.05) level of significance.

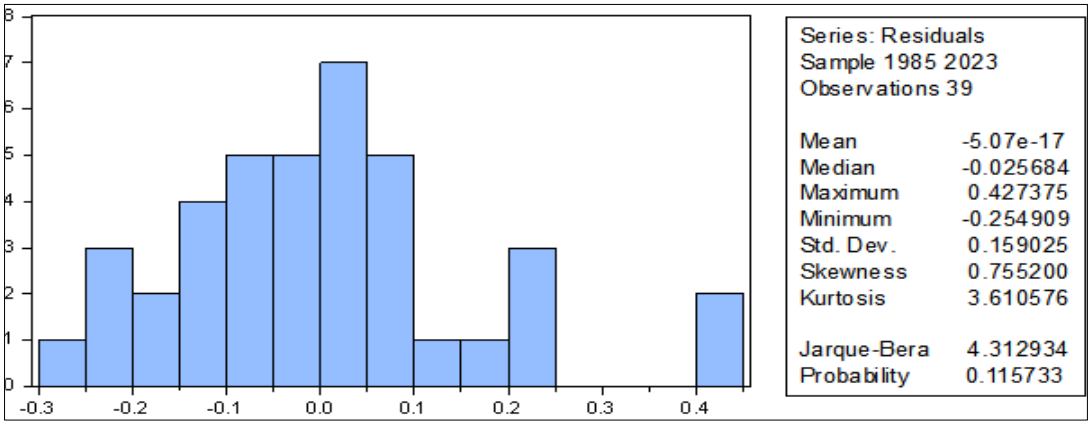

Figure 1: Normality Test for Deposit Money Banks and Economic Development
Source: Author's Computation using E-views 10

Finally, the stability test which is presented below using the Cusum test also suggests that the model is stable. This is because, as seen in the plot, the blue line lies perfectly between the upper- and lower-5% critical bounds denoted by the two red lines, therefore confirming that there are no outliers in the estimated model. This further supports the stability status of the model, making it appropriate for policy forecast and recommendations.

4.6 CUSUM test

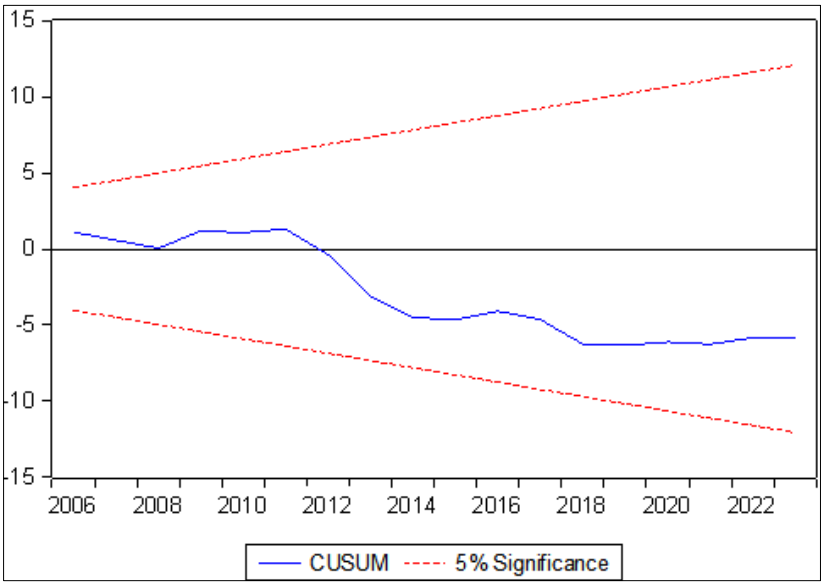

Figure 2: Stability Test of Break Points for Deposit Money Banks and Economic Development in Nigeria
Source: Author's Computation using E-views 10

4.7 DISCUSSION OF FINDINGS

Deposit Money Banks (DMBs) contribution to economic development in Nigeria has been examined by considering the impact of some DMBs monetary instruments- broad money supply (MS), credit to private sector (CPS), savings rate (SR), prime lending rate (PLR) and Maximum lending rate (MLR) -on gross domestic product per capita, which is employed as proxy for economic development. Findings from the study revealed that broad money supply has an insignificant positive impact on economic development in Nigeria. This could be attributed to the fact that, though money supply in the country over the past decades has been on the increase, a good volume of these money is in the hands of a few elites in the country. More so, consistent devaluation of the Nigeria currency over the years has reduced the purchasing power of the currency over time. This implies that even as money supply has been on the increase overtime, its value has also been on the decrease

during these periods, hence countering its desired expectation, and rendering its impact insignificant.

Credit to private sector was also reported to have impacted positively but insignificantly on the economic development of Nigeria. This could be attributed to the fact that in most cases, credit is not appropriately directed to the productive private sectors of the economy. Credits eventually end up in the hands of private individuals who use such for consumption purposes rather than for investment purposes. In addition, the conditionalities for accessing credit also constitute obstacles responsible for limiting the number of persons that should have access to such credits. This eventually results in insufficient supply of credit to the private sector, constraining its ability to significantly improve the nation's economic development.

Savings rate was observed to have an insignificant adverse impact on economic development in the country. This outcome could be as a result of poor savings culture in the country. Thus, Deposit Money Banks find it difficult to mobilise loans for investments from the supposed surplus units of the economy (savers), to the deficit units of the economy (investors). This lack of savings affects capital formation necessary for investment purposes, as well as the construction of infrastructures and provision of social amenities necessary for the nation's economic development.

Conversely, Prime lending rate and maximum lending rate both have substantial positive impact on the economic development of Nigeria. The reason for this could be due to the fact the Central Bank of Nigeria (CBN) over the years have made concerted effort in regulating the interest rates in the banking sector through the regulation of the monetary policy rate. Due to low savings rate from the general public, the CBN over the years, have been a source of support to DMBs in respect to loans. Thus, DMBs borrow from the CBN at low interest rate, and offer same as loans to the market at moderate interest rates. Hence, the steady supply of loans by the CBN to DMBs to an extent has bridged the demand gap in the economy, thereby making funds available for businesses and investments to thrive, which in turn impacts positively on the economic development of the country.

5.0 CONCLUSION AND RECOMMENDATIONS

Deposit Money Banks have been identified as a sect in the financial sector that is saddled partly with the responsibility of driving the economic development of countries via its ability to bridge the demand-supply gap in credit. More so, it has the mandate to offer technical advice that could be useful for championing the economic development of countries. This study therefore examined the contribution of Deposit Money Banks to the economic development of Nigeria. Of the five (5) independent variables (MS, CPS, SR, PLR, and MLR) that were used as proxy for Deposit Money Banks, two (2) variables (prime lending rate and maximum lending rate) have significant positive impacts on the economic development of Nigeria, while the other three were reported to have insignificant impacts. Based on this outcome, the study concludes that interest rates contribute to the improvement of economic development in Nigeria. It is on this premise that the following recommendations are put forward for possible implementation:

1. The Central Bank of Nigeria should continue to regulate and monitor the monetary policy rate to always ensure a stable and moderate prime lending rate and maximum lending rate that would attract the general public for investment purposes.
2. For broad money supply to have a significant impact on the economic development of Nigeria, the Nigerian government through the CBN must endeavour to avoid devaluation of the Nigerian currency and strife to improve the value of the currency. This can be done by cutting down on external loans that are often misappropriated or used for unproductive economic ventures.
3. Deposit Money Banks should come up with deposit rates that attractive to the general public as this would serve as an incentive for a large number of persons to deprive themselves of current consumption, and channel a good proportion of their income to savings. This would increase funds at the disposal of DMBs which can be offered to investors for productive activities that would maximise human welfare.

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