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   INTRODUCTION

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   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

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   HYPOTHESES

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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INTEREST RATE DEREGULATION AND DEMAND FOR MONEY IN NIGERIA (2000-2011)

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ABSTRACT

The study examined the interest rate deregulation and demand for money in Nigeria (2000-2011). The objective of the study is to enable the researcher to ascertain the functional relationship between demand for money and interest rate in Nigeria. Also, the significant impact of interest rate on the level of money stock in Nigeria. Relevant literatures were reviewed as well as some conceptual and empirical discourse on interest rate and money demand. The ex-post-facto research design was adopted and computerized regression analysis was employed as the statistical tools. The findings from the study showed that the functional relationship between demand for money and interest rate is not statically significant. Also, interest rate has no significant impact on the level of money stock in Nigeria. Based on the findings, the study recommend amongst others that government through the monetary authority should implement policies that would enhance interest rate and demand for money at least to the preferred sectors which will in turn boost the financial system of the Nigerian economy.

KEYWORDS
Deregulation, Interest rate, Money Demand, Money stock.

INTRODUCTION

The rate of interest is viewed as the reward for parting with liquidity for a specified period. According to Anyanwu (1993) it is the inverse proportion between a sum of money exchange for a debt for a stated period of time. The behavior of interest rates, to a large extent, determines the investment activities and hence economic growth of a country.

Prior to the deregulation of interest rates in Nigeria, the financial sector operated under financial regulations and interest rate were said to be repressed. According to Shaw (1973), financial repression arises mostly where a country imposes ceiling on deposit and lending nominal interest rates at a low level relative to inflation. The resulting low or negative interest rates discourage savings mobilization and channeling of mobilized savings through the financial system. This has negative impact on the quantity and quality of investment and hence economic growth in view of the empirical link between savings, investment and economic growth.

The basic function of interest rates in an economy are summarized here under three broad perspectives.

First, interest rate as a return on financial assets serve as an incentive to savers, making them defer present consumption to a future date. The relevant interest rates are deposit rates corrected for pure inflation. In this connection, interest rates affect the availability of savings and also influence the allocation of current savings among financial assets depending on the maturity period of the financial assets and the associated rate of interest.

Secondly, interest rate being a component of cost of capital affects the demand for and allocation of loanable funds. In this sense, "it helps allocate scarce resource. The applicable rate of interest here is the bank lending rates which affects the cost of capital and influence the investor's willingness to invest in real asset. In this way, the level of interest rate could influence growth in financial instruments, output, income and employment.

Thirdly, the domestic interest rates in conjunction with the rate of return on foreign financial assets, expected change in exchange rate and expected change in inflation rate determine the allocation for accumulated savings among domestic and foreign financial assets, and goods are hedge against inflation.

According to Jhingan (2003), if interest rate is high, investment is at low level and when interest rate fall investment will rise. There is therefore a need to promote an interest rate regime that will ensure increased investment and consequently enhanced economic growth at low financial cost. Jhingan (2005) defined interest rates as the rental payment for the use of credit by borrowers and return for parting with liquidity by lenders.

In line with the adoption of the market-based technique of monetary management, interest rates policy remained flexible and responsive to changes in market conditions. However, as an instrument of monetary policy the Central Bank of Nigeria (CBN) (2000) indirectly influenced the level and direction of change in interest rate movement through its intervention rate on various money market assets especially the Minimum Rediscount Rate (MRR) as well as the stop rate of weekly tender for treasury bills. The MRR as the nominal anchor of CBN's interest rate policy continued to be used proactively in line with prevailing economic conditions while the rate of treasury bills is made market related and competitive with comparable money market instruments CBN (2006).

According to investor's Glossary (2010) deregulation is an act by which the government regulation of a particular industry (banking sector) is reduced or eliminated in order to create and foster a more efficient market place. However, the main purpose of deregulation most at times is to weaken the government influence and forge greater competition. Technically speaking, deregulation aims at exploring the market forces in order to determine the lending and deposit rate respectively in an economy.

The relationship between interest rates deregulation and economic growth in Nigeria has been analyzed in many empirical studies. Obamuyi (2009) used a single equation model to investigated this relationship. This approach was also employed by Adofu et al (2010) and Aziakpono et al (2007) when they separately investigated the impact of interest rates deregulation on agricultural productivity in Nigeria.

Demand for money denotes the amount of money in coins, currency and deposits that wealth holders in the non-bank private sector of the economy would hold at any given time. People can demand food items such as garri, yam and bread for direct consumption but money is demanded to be held for specific purpose(s). Therefore, people demand money because of the things money can buy and for convenience. Scholars identify three major motives for holding money balances - transactions, precautionary and speculative purposes. However, an extension of credit is a source of demand for money.

The aim of this research work is to examine the effect of interest rate on demand for money in Nigeria and its contribution to the economy.

REVIEW OF LITERATURE

MEANING OF INTEREST RATE

Jhingan (2003) defined interest rates as the rental payment for the use of credit by borrowers and return for parting with liquidity by lenders. Like other prices, interest rates perform a rationing function by allocating limited supply of credit among the many competing demands. Interest rate may also be seen as the price of credit which might be subject to distortions due to inflation.

According to Wikipedia, (2005) an interest rate is the rate at which interest is paid by a borrower for the use of money that they borrow from a lender. It can also be seen as a rate which is charged or paid for the use of money and it is usually expressed as an annual undertaking. It could also be regarded as the "annual interest payment on a loan, expressed as a percentage of the loan". In sum, interest rate is the price which equates the desire to hold wealth in the form of cash with the available quantity of cash, i.e. the price of credit.

Interest rate could be real or nominal depending on the definition of money adopted. The nominal rate of interest is the market rate of interest while the real rate of interest, is the rate of interest that is actually paid. The real rate of interest, on the other hand is the nominal rate (market rate minus the expected rate of inflation). A constant real rate interest requires that the money rate increase by the same amount as any increase that occurs in the inflation rate.

STRUCTURE OF INTEREST RATE

There are various rates of interest in the financial system. These are generally classified into two categories, deposit and lending rates. Deposit rates are on savings and time deposit of different maturities. Examples of such rates include savings deposit and fixed deposit rates. Lending rates are interest rates charged on loans to customers and they vary according to perceived risks, the duration of loans, the cost of loanable funds, and lending margins, etc.

Other rates of interest in the financial system include the treasury bill rate, the inter-bank and minimum rediscount rate. The treasury bill rate is the discount offered by the government to savers who purchase treasury bills issued to cover its short-term borrowing needs. Similarly, the inter-bank market is where banks borrow from and lend to one another in order to adjust their liquidity position. The minimum rediscount rate refers to the amount that is charged by a central bank for lending to banks in the performance of its function as lender of last-resort. The concept, term structure of interest rates, refers to a situation where the term of maturity is assumed to be the major factor affecting the rate of interest in the instance, short-term securities attract lower rates interest than the long-term ones, a phenomenon, referred to as the inverse yield curve. This situation may arise when there is acute shortage of fund in the financial system or when the rate of inflation is rising.

MANAGEMENT OF INTEREST RATES SINCE 2000

Meaning of interest rate management: Interest rate management refers to the totality of steps and process designed and used by the monetary authorities (the CBN) to determine, sustain or support the level of interest rate in an economy in ways that engender the achievement of the stated macroeconomic goals of price and exchange rate stability, rapid and sustainable employment, and generating growth.

INTEREST RATE MANAGEMENT TECHNIQUES

(a) Administrative fiat:

- Government employed the use of administration fiat. Nigeria practiced this in pre-SAP era.
- The regulatory authorities relied exclusively on the use of direct controls to regulate the economy.
- The apex bank fixed interest and other banking charges.
- Monetary aggregates were fixed by a combination of both direct and indirect measures. The regulatory authorities set the maximum rate by which credit could be expanded. Allocation to the different sectors was also fixed by the monetary body, credit expansion was strictly controlled by the monetary authorities and allocation of credit was prescribed to favour the preferred economic sectors.

(b) Free Market Determination

This involves the deregulation of interest rate and abolition of sectoral allocation. Nigeria is currently practicing it. The regulators only set the rules and allow the operators to play according to their dictates within the rules. Another important element of this technique is the licensing of more banks so as to increase the depth and intensity of competition in the industry yet another important element of deregulation is that the pricing of deposit and credit is left for the banks and their customers. Borrowers will not pay an interest higher than the MPC-Marginal productivity of capital. Depositors demand an interest rate high enough to compensate them for postponing their consumption and cover risks of value associated with inflation.

The management of interest rates since 2000; In the year 2000, the bank maintained flexible interest rate policy stance during the year which was anchored on proactive adjustment of the minimum rediscount rate (MRR). Consequently, the MRR as the nominal anchor, or the bank's interest rate policy, was reviewed downward from 18 to 17 percent in April and further to 11 and 14 percent in August and November in 2006 respectively.

The current interest rate management techniques in Nigeria; Regular Open Market operation. Allowing the naira to depreciate, CBN saving certificates was introduced in the face of perceived liquidity overhang in the economy to mop up excess liquidity from the system. This Have tenors of 180 and 360 days. The minimum amount required to invest in the instrument is N250,000.00, which is lower than the requirement for some banking products that do not attract interest rate that compare favourably with the offering from the apex bank. Currently the rate on funds for 360 days stands as 21.5% up from 20%. The products come regularly to the market and have been attracting a sizeable portion of investors' funds.

INTEREST RATE POLICY IN NIGERIA (2000-20011)

Prior to this period, the level and structure of interest rate were administratively determined by the central bank of Nigeria. The bank based on policy decision fixed both deposit and lending rates. At this period, the major reason for administering interest rate were the desire to obtain the social optimum in resource allocation, orderly growth of the financial market, combat inflation and lessen the burden of internal debt servicing on the government.

During this period, Central Bank of Nigeria (CBN) on its part increased its lending rate from 11 to 15% in situations where they feel that naira is undervalued. Sequel to the above, the commercial banks increased its lending rate to between 17 to 22% as noted by Adofu et al (2010). Although this rates was later increased following the new policy of the CBN in March 2009 to between 22 to 24% at the maximum including other charges as opined by Williams (2009).

In line with the above, Williams (2009) further buttressed that, the mandatory interest rate policy will result to a near shut down in lending rate volume to any bank with major credit concerns, because the new policy ensures that only the highest quality borrower have access to new bank credits within the year.

The benchmark interest rate in Nigeria was last reported at 12.00 percent. Historically, from 2007 until 2012, Nigeria interest rate averaged 8.6 percent reaching an all time high interest rate of 12.0 percent in October of 2011 and a record low interest rate of 6.0 percent in July 2009. In Nigeria, interest rate decisions are taken by the Central Bank of Nigeria. The official interest rate is the Monetary Policy Rate (MPR).

Central Bank of Nigeria interest rate at 12 percent and monetary measures: Once again at the beginning of fourth quarter, the country's Federal Reserve Bank; the Central Bank of Nigeria (CBN) raises the monetary policy rate (interest rate) to a new high of 12 percent from previously 9.25 percent. The reason given by the Governor of Central Bank, Mr. Lamido Sanusi for the hike was to strengthen the relatively weak Nigeria's currency, naira. Although naira is weakened but it is not necessarily in a dire straight, neither is it totally collapsing to require such a drastic hiking of the interest rate to 12 percent.

DEMANDS FOR MONEY

The concept of "money demand" has over the years attracted the interest of great economists. Unlike the demand for money, it is not restricted to one market but also involves other markets (money market, capital market, commodity market and foreign market), hence it has a direct bearing on monetary policy and so relevant to the study of macro-economics. The focus on the demand for money is attributed to the fact that monetary policy will only be effective if the demand for money function is stable.

Money, generally refers to coins or paper notes and in a technical perspective includes, a person's wealth including their property. In economics, the liquidity approach to the definition of money sees money in two ways: firstly its narrow sense as the sum of deposit, and currency. Since the demand for money is the desire to hold cash, money demand is the sum of deposit demand (P^d) and currency demand (C^{urd}), $M^d = D^d + C^{urd}$, hence factors as affecting deposits demand, plus any factors affecting currency demand. Secondly, the liquidity of assets classified under M_3, is becoming almost impossible to include any components of M_3, hence moneyness, according to them, is a matter of degree.

Conceptually, money is an asset with particular set of characteristics, most notably its liquidity (Carpenter and Langer, 2007). Like other asset demand for money is part of a portfolio allocation decision, in which an agent's wealth is distributed among competing assets based on each asset's relative benefits (Tobin, 1969).

The demand for money is also known as liquidity preference, the demand for money deals with the desire to hold money rather than forms of wealth (i.e. financial assets).

Keynes, in his theory, distinguished three motives for holding money: the transaction motive (to meet day to day need); the speculative motive (in anticipation of a fall in the price of assets); and the precautionary motive (to meet unexpected future outlays). The total demand for money in the Keynesian model, is the sum of the transaction, speculative and precautionary motive for holding money, this is developed by the interest rate and the level of national income.

FACTORS WHICH INFLUENCE THE DEMAND FOR MONEY IN NIGERIA

The demand for money is not at all constant. It depends on the opportunity cost of holding money (which is the rate of interest) and the market, also other relative prices may also affect the money holdings. Inflation, for instance, increase in market interest rates, thus raise the opportunity cost of holding money.

Unlike in Nigeria, the real value of the money stock shrinks because people choose to hold less of their wealth in this form. If inflation is brought to a halt, however, the opportunity cost of holding money will drop, and real balance will rise.

Inflation has a particularly strong effect on the demand for money because currency pays no interest return. As the opposite of inflation, deflation raise the return on money that is held by giving each nominal unit greater command over goods and assets. Consumer spending will thus decrease as people hold onto their money in expectation of lower price in the future. Other phenomenal affecting the amount of money that people willingly hold include the level of savings (wealth), expected change in exchange rate, the level of consumers spending (during period of higher consumer spending, such as the month before Christmas) increase in the real value of these measures will be followed by increase in the amount of real balance.

NEED/IMPORTANCE OF THE STUDY

The study of interest rate deregulation and demand for money in Nigeria will be of significance to the Nigeria economy in the following ways

1. The findings of this study are expected to shed more light on the functional relationship between interest rate and demand for money in Nigeria.
2. Consequently, this study will be useful to government and monetary authority in their quest to improve financial system in the Nigeria economy.

STATEMENT OF THE PROBLEM

The interest rate deregulation and demand for money has a great impact on the Nigerian economy, though there are some problems associated with it, such as the prevailing of various interest rates in the economy. There are the interest rate on savings, prime lending rate, treasury bill rate, the inter-bank and minimum rediscount rate.. All these tend to create diversity in the exiting structure of interest rate in the economy.

The study will therefore investigate, given this apparent diversities exerting on the structure of interest rate in the economy, how the harmonizing influence of deregulation on the structure of interest rate impact on the demand for money in Nigeria.

OBJECTIVES

The following objectives have bee drawn up for the purpose of this study:

- To examine the pattern of interest rates in Nigeria and its deregulation.
- To gain an insight into the effectiveness of interest rate deregulation on the Nigerian economy.
- To ascertain the relationship between interest rate and demand for money in Nigeria.
- To determine the correlation, if any, between interest rate and the demand for money in Nigeria.
- To investigate if interest rate has any significant impact on the level of money stock in Nigeria.

HYPOTHESES

For the purpose of this study, the following hypotheses are given for our empirical validity.

H_{01}: The functional relationship between money demand and interest rate is not statistically significant.

H_{02}: Interest rate has no significant impact on the level of money stock in Nigeria.

RESEARCH METHODOLOGY

DATA SOURCE AND MEASUREMENT OF VARIABLES

Time series data were obtained from the statistical bulletin of the Central Bank of Nigeria and the World Bank. As published aggregate national and international data, they are normally widely used and more complete at less cost than being generated by the researcher with limited accesses to data. To actualize the purpose of the study, the study utilized the following variables – Money Stock (MS), interest rate (IR), Narrow Money (M_1) and Broad Money (M_2).

The Money Stock is measured as the total level of money available with the monetary authority and it represents the dependent variable in this study. It is the aggregate of currency in circulation plus demand deposit as it is used in this work. Narrow money (M_1), Broad Money (M_2) and Interest Rate (IR) are independent variable of our model. Narrow Money (M_1), is measured by the currency in the hands of the public and demand deposit at commercial bank. Broad Money (M_2), is one measure of the money supply that includes M_1, plus savings and small time deposits, overnight deposit at commercial banks, and non-institutional money market accounts. Interest rate is measured by the prevailing interest rate in the economy and it's reflective of the extent of regulation in Nigeria economy.

MODEL SPECIFICATION

This research work seeks to investigate the effect of interest rate on demand for money and level of money stock in Nigeria. Accordingly the variables included in this study are specified in the model below:

MS = F (M_1, M_2 and IR)………………………(1)

Where:

MS = Money Stock

M_1 = Narrow Money

M_2 = Broad Money

IR = Interest Rate

Equation (1) can be represented in functional notation as below;

MS = $\alpha_0 + \alpha_1 M_1 + \alpha_2 M_2 + \alpha_3 IR + U_i$ …………………..(2)

In our equation (2) MS, M_1, M_2 and IR are defined in equation (1) above.

α_0 = Intercept

α_1, α_2 and α_3 are coefficients of the independent variables to be estimated.

U_i = random variables

DATA PRESENTATION AND ANALYSIS

This study focus on interest rate deregulation and demand for money in Nigeria, for this, data on specified variables were collected from the Central Bank of Nigeria (CBN) statistical publication and the World Bank. The collected data are presented in table below: Table 1, 2 and 3.

TABLE 1: SUMMARY TABLE; MONEY STOCK

Years	Currency in Circulation	Demand Deposit	Total
2000	224742.0167	278405209.5	278427951.5
2001	284314.0306	470940.8667	755254.8973
2002	30061418.79	568055.2333	30629474.02
2003	448814.7917	68757404.63	69206219.42
2004	471491.7417	839246.0583	1310737.8
2005	906835.725	871487.8675	1778323.593
2006	56839.975	14348905.43	14405745.41
2007	1569425.261	1642573.5	3211998.761
2008	1618334.583	3485945.284	5104279.867
2009	970341.7	3753178.721	4723520.21
2010	1121076.813	7352000.464	8473077.277
2011	1288567.888	1140457.968	2429025.856

Source: Central Bank of Nigeria (CBN) Money and Credit Statistical Data (2000-2011).

Table 1: above showed the record of money stock from (2000-2011), it is a composite of currency in circulation and demand deposit. From the table, the stock of money for year 2000 is 278427951.5 and it decreased to 2429025.856 in year 2011 representing percentage decrease of 11326% within the specified period of analysis.

TABLE 2: SUMMARY TABLE; DEMAND FOR MONEY

Years	Narrow Money (M_1)	Broad Money (M_2)
2000	513029.2583	1616663.025
2001	1295206.342	1269321.608
2002	810486.8417	1485432.308
2003	1004380.7	1952921.192
2004	1230775.733	2022589.4
2005	1488883.118	2637912.733
2006	1890132.408	3522976.258
2007	241294.769	4713618.218
2008	4202244.346	8008223.293
2009	4558032.878	16503841.47
2010	5091631.738	11026352.44
2011	5771581.49	12172490.28

Source: Central Bank of Nigeria (CBN) Money and Credit Statistical Data (2000-2011).

Table 2: above showed the record of demand for money from (2000-2011), it is a composite of Narrow Money (M_1) and Broad Money (M_2). The table revealed that Narrow Money (M_1) for year 2000 is 513029.2583 and it increase to 5771581.49 in year 2011 representing a percentage increase of 91% within the specified period of analysis. On the other hand Broad Money (M_2) has increased astronomically from 1616663.025 to 12172490.28 representing a percentage increase of 87% within the specified period of analysis.

TABLE 3: INTEREST RATE OF NIGERIA (2000 - 2011)

Years	Interest Rate
2000	9.6
2001	8.2
2002	8.1
2003	6.5
2004	5.5
2005	7.4
2006	7.2
2007	6.7
2008	3.5
2009	5.1
2010	11.1
2011	12.00

Source: World Bank.

Table 3: above showed the record of interest rate in Nigerian economy from (2000-2011). The table revealed that interest rate for year 2000 is 9.6 and it increase to 12.00 in year 2011 representing a percentage increase of 20% within specified period of the analysis.

RESULTS & DISCUSSION

The data collected for this study relating to the hypothesized variables were subjected to correlation and regression analyses whose results are given in tables below:

TABLE 4: CORRELATION

	Money Stock	Interest Rate	Demand for Money	Broad Money
Money Stock pearson Correlation	1	.236	-.357	-.314
Sig.(2-tailed)		.460	.254	.321
N	12	12	12	12
Interest Rate pearson Correlation	.236	1	.236	.086
Sig.(2-tailed)	.460		.460	.790
N	12	12	12	12
Demand For money pearson Correlation	-.357	.236	1	.885
aSig.(2-tailed)	.254	.460		.000
N	12	12	12	12
Broad Money pearson Correlation	-.314	.086	.885	1
Sig.(2-tailed)	.321	.790	.000	
N	12	12	12	12

** correlation is significant at the 0.01 level (2-tailed)

Source: SPSS Version 17

Table 4: above contained the result of the correlation analysis and this showed the degree and extent of correlation among the variables for this study.
The result revealed that there is porous correlation between the dependent variable and independent variables.
Money Stock and Interest Rate correlation value is 0.236, for Money Stock and M1, the correlation value is -0.357 and for Money Stock and Broad Money the correlation value is -0.314. These relationship are not significant as evidenced by the indicator at the bottom of the table. However, the table revealed that only one relationship is significant at 99% confidence level, that of M_1 and M_2. The implication of this poor performance could only reflect in the state of the Nigeria economy the 2000s decade.

TABLE 5: MODEL SUMMARY

Model	R	R –square	Adjusted R- square	Std. Error of the Estimate	Durbin-Watson
1	.496[a]	.246	-.037	8.05598E7	1.681

Source: SPSS Version 17

- Predictors: (constant), Interest Rate, Broad Money, Demand for Money.
- Dependent variable: Money Stock.

Table 5. contains the output of the regression analysis and the result revealed that our model is not well fitted as evidence by the value of R- square of 0.25. This shows that only 25% of the variation in money stock could be jointly explain by the independent variables which invariably means that the majority of the variation in the level of money stock in the country is attributable to other factors order than M_1, M_2 and Interest Rate.

TABLE 6: COEFFICIENTS

Model	Unstandardized Coefficients B	Std.Error	Standardized Coefficient Beta	T	Sig.
1 (constant)	-1.399E7	8.246E7		-.170	.870
Demand for	-25.571	28.094	-.638	-.910	.389
money	3.381	10.554	.219	.320	.757
Broad Money	1.189E7	1.061E7	.368	1.121	.295
Interest Rate					

- Dependent variable: Money Stock.

Source: SPSS Version 17

The above table shows the parameter estimate of the independent variables of our study. The result revealed that narrow money is negatively related to money stock contrary to apriori expectation which posit a positive correlation, the coefficient estimate for Narrow Money (M_1) is – 0.638. For Broad Money (M_2), and Interest Rate (IR), their parameter estimate were consistent with the study apriori expectations, they were positively related to the independent variable with values 0.219 and 0.368 respectively. However, the result revealed that none of the independent variables was statistically significant as evidenced by their 't' value for M_1 is -0.910, M_2 is 0.320 and Interest rate is 1.121.

FINDINGS

In this study an attempt has been made to examine the interest rate deregulation and demand for money in Nigeria. In the analysis of the regression result, it was found that there was no significant relationship between interest rate and demand for money in Nigeria. It was also found that interest rate has no significant impact on the level of money stock in Nigeria. All the independent variables used for the empirical analysis i.e. (Narrow Money (M1), Broad Money (M2) and Interest Rate (IR) were very weak in the model. However, the result revealed that our model were not well fitted in the study as evidenced by the value of R -square 0.25.
Over and above, the overall model was very weak in explaining the functional relationship between interest rate and demand for money in Nigeria and the significant impact of interest rate deregulation on the level of money stock in Nigeria.

RECOMMENDATIONS/SUGGESTIONS

Following from the above findings, it is ideal for the government to encourage total deregulation of interest rate in order to avoid financial disintermediation which may lead to low investment and growth. The government have to be sensitive to the behavior of interest rates and demand for money in the country.
Over and above all, the government through the monetary authority should implement policies that would enhance interest rate and demand for money at least to the preferred sectors which will in turn boost the financial system of the Nigeria economy. The study also recommends the need for more comprehensive monetary policy to reduce the natural hazard factors militating against interest rate and demand for money in Nigeria. This will help reduce the risks and uncertainties associated with interest rate in a volatile economy such as ours in Nigeria.
Also, the followings measures must be taken to ensure a more stable money demand function for effective monetary policy.
i) First, there should be controlled increase in money supply in the economy to ensure a stable financial system. In doing this, deficit financing should be reduced especially if it is to be financed through the banking sector.
ii) Secondly, monetary authorities should influence interest rate in order to attain a stable demand for money in the Nigeria economy.
iii) Thirdly, a financial system like the Nigeria financial system that is relatively weak and under developed, can be made responsive by liberalizing the interest rate.
iv) Finally, government should abolish or abrogate all forms of control in the financial system and allow interest rate to be determined by the forces of demand and supply in order to make the financial sector more competitive to ensure financial deepening in Nigeria economy.

CONCLUSIONS

Conclusively, the goal of this study has been to examine the interest rate deregulation and demand for money in Nigeria, taking the advantage of time series data from (2000-2011). The data collected for this study relating to the hypothesized variables were subjected to correlation and regression analysis.
The available evidence provided by the study depicts that the functional relationship between interest rate and demand for money in Nigeria is not statically significant. Also, interest rate has no significant impact on the level of money stock in Nigeria. This means that interest rate is not effective in influencing demand for money in Nigeria, and as such interest rate deregulation had no clear direct impact on the level of money stock in Nigeria.

LIMITATIONS

In the course of this work, the limitation/constraints encountered are :
- Data limitations: There was constraint in terms of data availability up to the year 2012 which thus restraint our analysis to 2011
- Time constraint: The deadline for submission of manuscript was another major challenge which forestall our patience for release of projected current data from the appropriate authority.
- Statistical and logistical constraints. There was also the challenge of choice of an effective statistical tool of analysis that will help capture an in-depth effect of interest rate on money demand.

SCOPE FOR FURTHER RESEARCH

Given that the present study is limited in period scope of 2000 to 2011, there will the need for future research work to expand the period of study and analysis to beyound 2011 , if possibly to 2013 in order to capture recent developments in the economy.

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