AN ASSESSMENT OF NIGERIA INTEREST RATE FROM 1991 TO 2015

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ABSTRACT
The study looked into the assessment of Nigeria interest rate from 1991 to 2015. Two research questions and hypotheses were used in the study. The researcher adopted historic research design based on preexisting data on Nigeria interest rate from 1991 to 2015. The population of the data collected consists of lending interest rate from 1991 to 2015. The instrument for the study consists of data collected from secondary source through Index Mundi 2016 using CBN report. The data were validated by two lecturers in the department of banking and finance in Rivers State University of Science and Technology. The data were analyzed using mean and standard deviation for the research questions. T-test was used to analyze the hypotheses at 0.05 level of significance. The findings of the study showed that research question 1 revealed that the mean and standard deviation interest rate of Nigeria from 1991 to 2000 were 21.45 and 4.05 respectively. Also from 2001 to 2010, the mean and standard deviation interest rate were 19.13 and 2.99 respectively. Research question 2 revealed that the mean and standard deviation interest rate of Nigeria from 2005 to 2009 were 17.13 and 1.21 respectively. Also from 2010 to 2015, the mean and standard deviation interest rate were 16.74 and 0.51 respectively. Hypothesis 1 revealed that t-calculated value was 0.39 while t-tabulated value was 2.101. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010. Hypothesis 2 revealed that t-calculated was 0.72 while t-tabulated value was 2.262. Since t-tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. It was finally recommended that government should create a policy that will boost the economic activities in the country and also lower interest rate to encourage local borrowing in the country. Also, the interest rate should be moderate so as to encourage large and medium scale industry to take loan in banks.

KEYWORDS: *Interest Rate, Assessment, Local Borrowing.*

INTRODUCTION

Interest rate can be viewed as the amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets. Interest rates are typically noted on a yearly basis, known as annual interest percentage rate (LLC, 2016, pg.1). An interest rate can also be looked as the amount of interest due of per period of time, as a relation to the amount borrowed or deposited. Farflex dictionary (2012, pg.1) stated that interest is the percentage of the value of a balance or debt that one pays or is paid each time period. For instance, if one had a bond with a notable value of $1000 and a 3% interest rate payable each quarter, one receives $30 each quarter. Thoma (2012, pg 1) revealed that annual interest rates apply over different periods, such as a month or a day, but they are usually yearly.

Nakamichi, (2016, pg 2.) stated some factors that influence interest rate as follows:

1. The currency of the principal sum lent or borrowed.
2. The term to maturity of the investment.
3. The perceived default probability of the borrower.
4. Supply and demand in the market as well as other factors.

Interest rate achievements are major weapon used in monetary policy and are taken into account when dealing with variables like investment, inflation, and unemployment. Goodhart (2013, pg 1.) stated that the central banks of countries generally tend to reduce interest rate when they are to increase investment and consumption in the country's economy. The acceptable nominal interest rate at which they are willing and able to borrow or lend includes the real interest rate they require to get, or are willing and able to pay, in addition to the rate of inflation they expect (Parameswaran, 2013, pg. 1).

The economy of a country is affected with higher interest rate. Happy kite (2015, pg 2.) stated that some effects of higher interest rate are:

1. It increases the cost of lending.
2. It increases in mortgage interest payments.
3. Increased incentives to save rather than spend.
4. Higher interest rates increase the value of pound.
5. Raising interest rates affects both consumers and firms.
6. Government debt interest payments increase.
7. Reduced confidence.

Higher interest rate has some impact on economic activities and growth. Finintell (2016, pg.1) stated some of the negative influence of high interest rate as follows:

1. Aggregate demand channel has been negatively affected.
2. Impact on industries balance sheets.
3. Drop in GDP growth and reduced inflation rate.

Traditional economic theory states that a mixture of large deficit spending and historically low interest rates should produce a rip-roaring growth in which workers get generous raises, prices spikes and interest rates flow (CFA, 2015, pg.1). The theory also states that, even in the rare case of nominal interest rates turning negatively, the rates cannot stay there beyond this zero bound savers and investors will withdraw their money and keep it privately (CFA, 2015, pg. 2).

Some of the reasons of interest rate changes as stated by Sveriges (2013, pg. 1) are:

1. Political short-term gain.
2. Deferred consumption.
3. Inflationary expectations.
4. Alternative investment.
5. Risk of investment.
6. Liquidity preference.
7. Taxes.
8. Banks and
9. Economy

However, there is the need to assess Nigerian interest rate from 1991 to 2015 to see if there is a remarkable change.

PURPOSE OF THE STUDY

The study was based on the assessment of Nigeria interest rate from 1991 to 2015. The study specifically seeks to:

1. Determine the mean difference in interest rate of Nigeria from 1991 to 2000 and 2001 to 2010.
2. Find out the mean difference in interest rate of Nigeria from 2005 to 2009 and 2010 to 2015.

RESEARCH QUESTIONS

The following research questions guided the study:

1. What is the mean difference in interest rate of Nigeria from 1991 to 2000 and 2001 to 2010?
2. What is the mean difference in interest rate of Nigeria from 2005 to 2009 and 2010 to 2015

HYPOTHESES

The following null hypotheses guided the study:

Ho_1: There is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010.

Ho_2: There is no significant difference in the mean interest rate from 2005 to 2009 and 2010 to 2015.

SCOPE OF THE STUDY

The study is limited to the assessment of Nigeria interest rate from 1991 to 2015.

METHODS

The researcher used historical research design for the study. The population of the data collected consists of lending interest rate from 1991 to 2015. The instrument for the study consists of data collected from secondary source through Index Mundi 2016 using CBN report. The data were validated by two lecturers in the department of banking and finance in Rivers State University of Science and Technology. The expert checked if data received is in line with central bank report on Nigeria interest rate from 1991 to 2015. The data were analyzed using mean and standard deviation for the research questions while t-test was used to analyze the hypotheses at 0.05 level of significance.

RESULTS

RESEARCH QUESTION 1

What is the mean difference in interest rate of Nigeria from 1991 to 2000 and 2001 to 2010?

TABLE 1: Mean difference in interest rate of Nigeria from 1991 to 2000 and 2001 to 2010.

YEARS	MEAN	STANDARD DEVIATION	DIFFERENCE IN MEAN INTEREST RATE.
1991 TO 2000	**21.45**	**4.05**	**2.32**
2001 TO 2010	**19.13**	**2.99**	

Data from table 1 revealed that the mean and standard deviation interest rate of Nigeria from 1991 to 2000 were 21.45 and 4.05 respectively. Also from 2001 to 2010, the mean and standard deviation interest rate were 19.13 and 2.99 respectively. The difference in mean interest rate yielded 2.32.

RESEARCH QUESTION 2

What is the mean difference in interest rate of Nigeria from 2005 to 2009 and 2010 to 2015?

TABLE 2: Mean difference in interest rate of Nigeria from 2005 to 2009 and 2010 to 2015.

YEARS	MEAN	STANDARD DEVIATION	DIFFERENCE IN MEAN INTEREST RATE.
2005 TO 2009	17.13	1.21	0.39
2010 TO 2015	16.74	0.51	

Data from table 2 revealed that the mean and standard deviation interest rate of Nigeria from 2005 to 2009 were 17.13 and 1.21 respectively. Also from 2010 to 2015, the mean and standard deviation interest rate were 16.74 and 0.51 respectively. The difference in mean interest rate yielded 0.39.

HYPOTHESIS 1

There is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010.

TABLE 3: T- TEST ANALYSIS OF INTEREST RATE FROM 1991 TO 2000 AND 2001 TO 2010.

YEARS	MEAN	STANDARD DEVIATION	N	DEGREE OF FREEDOM	T-CAL.	T-TAB.
1991 TO 2000	21.45	4.05	10	18	0.38	2.101
2001 TO 2010	19.13	2.99	10			

The data from table 3 revealed that t-calculated was 0.39 while t-tabulated value was 2.101. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010.

HYPOTHESIS 2

There is no significant difference in the mean interest rate from 2005 to 2009 and 2010 to 2015.

TABLE 4: T- TEST ANALYSIS OF INTEREST RATE FROM 2005 TO 2009 AND 2010 TO 2015.

YEARS	MEAN	STANDARD DEVIATION	N	DEGREE OF FREEDOM	T-CAL.	T-TAB.
2005 TO 2009.	17.13	1.12	5	9	0.72	2.262
2010 TO 2015.	16.74	0.51	6			

The data from table 4 revealed that t-calculated was 0.72 while t-tabulated value was 2.262. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 2005 to 2009 and 2010 to 2015.

SUMMARY OF THE FINDINGS

The following are the summary of the findings:

1. Research question 1 revealed that the mean and standard deviation interest rate of Nigeria from 1991 to 2000 were 21.45 and 4.05 respectively. Also from 2001 to 2010, the mean and standard deviation interest rate were 19.13 and 2.99 respectively. The difference in mean interest rate yielded 2.32. This may be as a result of boost of economic activities.
2. Research question 2 revealed that the mean and standard deviation interest rate of Nigeria from 2005 to 2009 were 17.13 and 1.21 respectively. Also from 2010 to 2015, the mean and standard deviation interest rate were 16.74 and 0.51 respectively. The difference in mean interest rate yielded 0.39.
3. Hypothesis 1 revealed that t-calculated was 0.39 while t-tabulated value was 2.101. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010.
4. Hypothesis 2 revealed that t-calculated was 0.72 while t-tabulated value was 2.262. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 2005 to 2009 and 2010 to 2015.

CONCLUSION

The research work was based on the assessment of Nigeria interest rate from 1991 to 2015. Research question 1 revealed that the mean and standard deviation interest rate of Nigeria from 1991 to 2000 were 21.45 and 4.05 respectively. Also from 2001 to 2010, the mean and standard deviation interest rate were 19.13 and 2.99 respectively. Research question 2 revealed that the mean and standard deviation interest rate of Nigeria from 2005 to 2009 were 17.13 and 1.21 respectively. Also from 2010 to 2015, the mean and standard deviation interest rate were 16.74 and 0.51 respectively. Hypothesis 1 revealed that t-calculated was 0.39 while t-tabulated value was 2.101. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted. This indicates that there is no significant difference in the mean interest rate from 1991 to 2000 and 2001 to 2010. Hypothesis 2 revealed that t-calculated was 0.72 while t-tabulated value was 2.262. Since t- tabulated value is higher than t-calculated value, the null hypothesis was therefore accepted.

RECOMMENDATIONS

Based on the findings of the study, it was recommended that:

1. Government should create a policy that will boost the economic activities in the country and also lower interest rate to encourage local borrowing in the country.
2. The interest rate should be moderate so as to encourage large and medium scale industry to take loans from banks.

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