

**THE IMPACT OF INTEREST RATES ON SAVINGS AND
INVESTMENT IN NIGERIA**

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ABSTRACT

The analysis of savings and investment in any economy cannot be derived from an understanding of the nature, meaning and role of interest rate in economy. When the interest rate is fixed it means that the depositor knows in advance the amount of interest that will be allowed or charged on his/her deposits and the borrower also know how much to be charge on his/her loan in advance however when it is fluctuating, both depositors and borrowers relies on the forces of demand and supply. To critically assess the impact of interest rate on savings and investment the study had the following objectives; to determine the impact of interest rate on savings; to determine how interest rate impact on the investment rate and determine the impact of savings on Investment in Nigeria. The research design employed in this research is the *ex-post facto* research design and the scope was from 1970-2008 adopting the non-probability sampling method of convenience sampling method. The Simple Linear Regression model using the SPSS Statistical software package was used to test the hypotheses stated. The result revealed that Interest rates have a positive significant impact on Aggregate savings; a negative significant impact on Aggregate investment in and aggregate savings have a positive significant impact on Aggregate investment in Nigeria. Interest rate plays a major role on the growth of any nation, thus, an effective management will induce a lot of people to save; this is because there will be confidence in the economy.