

Deposit Determinants and Domestic Currency Deposits In Nigeria (2000-2018)

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**DEPOSIT DETERMINANTS AND DOMESTIC CURRENCY DEPOSITS IN NIGERIA
(2000-2018)**

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Abstract

The study was carried out to investigate the effects of macroeconomic and banking sector-specific variables on domestic currency deposits in Nigeria within a temporal scope 2000-2018. On the theoretical threshold of Ayodeji-Ajala bank-intermediation (economic value) theorem, the study proxied the dependent variable, domestic currency deposit, by total domestic currency deposit of banks, and the independent variable, deposit determinants, by three macroeconomic variables (interest rate, gross domestic product, inflation) and two banking sector-specific variables (private sector credit and bank size). Secondary data were sourced from the Central Bank of Nigeria statistical bulletin of various editions, and were estimated using Auto Regressive Distributed Lag (ARDL) approach. It was found that, while interest rates exhibited insignificant negative effects on domestic currency deposits in Nigeria, inflation rate exerted significant negative effect on it, and gross domestic product exerted significant positive effect on it. It was, also, found that, private sector credit exerted a significant positive effect on domestic currency deposit while bank size exhibited insignificant positive effect on it. It was, further, found that, a significant long-run relationship existed between deposit determinants and domestic currency deposits in Nigeria. It was, therefore, concluded that macroeconomic and banking sector-specific variables exert significant long-term influence on domestic currency deposits in Nigeria. It was, therefore, recommended that, government should effectively adopt the instruments of monetary and fiscal policies for enhancing the effects of interest rates and curbing the effects of inflation on the Nigerian economy. Also, banks are encouraged to invest more on their assets, as this would help attract more customers of various types while they should increase private sector credits, and channel the same to the productive sector of the economy so that economic growth can be enhanced.

Keywords: Domestic Currency Deposit, Macroeconomic Variables. Bank-Specific Variables

INTRODUCTION

Deposit is one of the components of bank liabilities, and it serves three purposes. First, deposit serves as an instrument of money creation. Second, deposit growth boosts the volume of savings in an economy. Third, deposit is used as one of the two variables in the calculation of the level of money supply in an economy. These roles are so important that, without deposit, the ability of banks to create money would not be sustained. Also, savings is necessary to boost the level of investment that is needed for the growth process. Furthermore, in an economy, demand deposits with banks function as one of the indicators of Narrow Money (M_1). Accordingly, Pradhan and Paneru (2014) stated that bank deposit represents the most significant component of the money supply used by the public, and a change in money growth is highly correlated with change in the price of goods and services in the economy.

As a result, changes in the inflow of deposits exert greater effects on the ability of banks to create money and, at the same time, investment. Increase or growth in the volume of deposit enhances the ability of banks to create credit by lending to prospective customers, who have been found creditworthy in character. Increase in lending is expected to boost the level of investment, that is, investment in financial assets, real assets, production activities and businesses generally, which would, in the long-run, engender economic growth. However, decline in the volume of deposit would have a reducing effect on the lending ability of banks and investment in an economy, thus significantly retarding economic growth.

In an unstable foreign exchange rate situation, with high exchange rate in favour of foreign currencies, the role of domestic currency deposit cannot be over-emphasized, as exchange rate affects the foreign currency deposit element of bank deposits. To correct this imbalance, the economy has to look inwards, and embark on the strategy of import substitution industrialization, thus reducing foreign currency transactions (Alawiye-Adams & Ayodeji, 2016). In Nigeria, since the advent of the Muhammadu Buhari-led regime, in 2015, the economy has been witnessing serious hike in foreign exchange rates; and as such, attention has to be drawn in favour of domestic currency deposit and the key factors that determine its inflow, as this would help the monetary authorities and bank management make informed decisions on monetary matters, which, in the long-run, would engender economic growth.

In literature, there are numerous factors that determine the inflow of deposits. Essentially, key deposit determinants vary from country to country: While Rachmawati and Syamsulhakim (2004) identified profit sharing rate and number of branches as key determinants of deposit in Indonesia, Finger and Hesse (2009) identified interest rate differential, prices at macro level and riskiness of individual banks, liquidity buffers, loan exposure, and interest margins at micro level as determinants of deposit in Lebanon. While Eriomo (2015) identified bank investment, bank branches, interest rate and general price level as key determinants of bank deposit in Nigeria, Boadi, Li and Lartey (2015) identified savings interest rate as the most imperative factor that determines deposit in Ghana. Essentially, Ayodeji and Ajala (2019) classified these determinants into two; these are macroeconomic determinants (e.g. interest rates, inflation rates, exchange

rates, and gross domestic product) and bank-specific determinants (e.g. credit to private sector, number of branches, bank size, credit rating and customer relations).

Unfortunately, in Nigeria, there is dearth of literature on the effects of deposit determinants on domestic currency deposits. For, available studies on the subject matter are those of Eriomo (2014), who investigated the macroeconomic determinants of commercial bank deposits in Nigeria; Olutoye (2015), who assessed deposit volume and SMEs financing in Nigeria; and Ayodeji and Ajala (2019), who considered the effects of deposit volume and its determinants on economic growth in Nigeria. This situation creates a notable lacuna in the area of domestic currency deposit and its macroeconomic and bank-specific determinants. Consequently, this study was initiated to investigate the effects of macroeconomic and bank-specific variables on domestic currency deposits in Nigeria, within a temporal scope 2000-2018, using auto regressive distributed lag model on the threshold of Ayodeji-Ajala bank-intermediation theorem. Thus, the study tested three hypotheses: First, macroeconomic determinants do not have significant effects on domestic currency deposit in Nigeria. Second, bank-specific determinants do not have significant effects on domestic currency deposits in Nigeria. Third, long-run relationship does not exist between deposit determinants and domestic currency deposits in Nigeria.

LITERATURE REVIEW

Domestic Currency Deposit

Domestic currency deposits are the amounts placed in bank accounts, which are basically denominated in the currencies of the domestic economy (for example, bank deposits denominated in Naira and Kobo in Nigeria), and are so placed for keep and/ or interest earning. Essentially, domestic currency deposit is the total bank deposit less foreign currency deposit. It comprises demand deposit, savings deposit and time deposit. It could be simply referred to as bank deposit (assuming foreign currency deposit is zero or non-existent); and as such, Olutoye (2015) simply stated that, bank deposits are made to deposit accounts at a banking institution, such as current accounts, savings accounts, and money market accounts (i.e. fixed deposit accounts). The account holder has the right to withdraw deposited funds as set forth in the terms and conditions of the account. Essentially, domestic currency deposits can be subdivided into three; these are savings deposit, current account deposit (demand deposit), and fixed deposit (Onipede & Ayodeji, 2005; Ayodeji & Ajala, 2019).

In the light of the foregoing, the first type of domestic currency deposit is demand deposit, which is a deposit made into a current account. This type of deposit does not earn interest, but it is used to generate revenue for the bank in the form of commission on turnover. However, holders of this type of account need not give the bank a notification before withdrawal, and there is no limit to the number of times withdrawals can be made. This accounts for why it is called demand deposit: for, the bank must meet the withdrawal request of the customer when made (i.e. on demand). However, it is the practice of some banks to give interest on current accounts, from which no withdrawal was made in a month, thus enjoying the benefits enjoyable under a savings account system.

The second type of domestic currency deposit is savings deposit, which is deposit made into savings accounts. Intrinsicly, savings account is majorly a retail account for varieties of

customers; and this type of account can be accessed at all times, and it has a floating interest attached to it (Bikker & Gerristen 2018). The floating interest here means that the savings accounts earn interest monthly, provided the intermediation process of the bank is not disrupted by the customer's number of withdrawals. For, when a customer withdraws more than three times in a month, the customer, usually, forfeits the accruable interest. This type of deposit is used by banks to carry out their short-term lending functions. Before, now, the account holder used a passbook when he or she operated the account. The passbook was meant to be presented at the counter before any lodgment or withdrawal could be effected. The account holder could only check his/ her balance, and withdraw money from the account by appearing personally in the banking hall (Onipede & Ayodeji, 2005). However, in today's banking system, the adoption of electronic banking has made it easier for customers to access their accounts by checking their balances, effect withdrawals and transfers without appearing physically in the banking hall.

The third type of domestic currency deposit is called time deposit, that is, fixed deposit. This type of deposit has a fixed maturity, which prevents the customers from early withdrawal (Bikker & Gerristen, 2018). It enhances the bank's ability to invest in medium to long term financial assets, which generate more income in the form of profit to the bank. Holders of fixed deposit accounts earn interest on their deposits, which are greater than those of savings accounts, and the interest rate is determined by market forces based on the threshold of treasury bills rate, being a money market account. In addition, withdrawal of this deposit requires notification for termination (Onipede & Ayodeji, 2005).

Worthy of note is the fact that deposit is essential to the continued existence and the performance of the intermediation function of banks. Just as human beings cannot do without oxygen, banks cannot perform their financial intermediation functions of savings mobilization and lending without deposit. More importantly, deposit serves as an indicator of management effectiveness when banks record high growth of deposit at the lowest cost. Therefore, the different types of domestic currency deposits play an important role in the financial sector performance, so that deposit is referred to as the oxygen of the financial sector.

DEPOSIT DETERMINANTS

The growth of deposit, of banks, is determined by many factors, which are internal and external. The internal factors are those within the purview of bank management, as they can be managed or controlled by the management of the bank. Examples include liquidity of the bank, profitability of the bank, security of the bank; number of the bank's branches, bank size, reserves and transaction cost (Tessema, 2019). Instructively, Ayodeji and Ajala (2019) referred to these internal factors as bank-specific determinants of deposits. On the other hand, the external factors are those that cannot be controlled by bank management; but, in one way or the other, may affect banks' ability to mobilize deposits. These include inflation, gross domestic product, exchange rate, and regulatory instruments. Essentially, Ayodeji and Ajala (2019) referred to these external factors as macroeconomic determinants of deposits.

THEORETICAL FRAMEWORK

This study was made to rest on the theoretical threshold of Ayodeji-Ajala bank-intermediation (economic value) theorem, which states, among other things, that, bank-intermediation creates economic value, which impacts on the rate of growth of the economy, thus leading to economic growth (Ayodeji & Ajala, 2019). It, further, states that deposit is influenced by two classes of

determinants. The first class of deposit determinants was referred to as macroeconomic determinants, which, when manipulated, are capable of achieving the macroeconomic objectives of the nation. These are interest rates, inflation rate, exchange rate, Gross Domestic Product (GDP) or GDP per head, and bank regulatory instruments (open market operation, bank rate, legal reserves requirement, special deposit, special directives or selective credit control, and moral suasion). The second class of deposit determinants was referred to as bank-specific variables, which, when manipulated, are capable of achieving the financial intermediation objectives of the bank. At macro level, these are credit to the private sector, credit spread, aggregate number of banks' branches, and aggregate bank size. However, at micro level, these are credit rating, number of branches, individual bank's size, marketing drives, and customer relations (Ayodeji & Ajala, 2019).

EMPIRICAL REVIEW

Rachmawati and Syamsulhakim (2004) investigated the factors affecting Mudaraba deposit in Indonesia within a time period 1993-2003. The study employed total deposit as the dependent variable. It, also, employed gross domestic product, number of Islamic bank branches, profit sharing rate, and interest rate as the components of the independent variable. With respect to these proxies, it sourced annual time-series data, and estimated them using co-integration technique and regression method. The study found that, in the long-run, while the number of Islamic bank branches and profit-sharing rate significantly affected the volume of mudaraba deposits in Indonesia, gross domestic product and interest rate did not significantly affect it.

Finger and Hesse (2009) evaluated the determinants of commercial banks deposits in a regional financial center in Lebanon covering a temporal scope 1993-2008. The study used total deposit of the commercial banks as the dependent variable; and it used interest differential, consumer price index, crude oil price, interest rate margin, liquidity buffer, size of the banks, loan to total assets, and risk as the components of the independent variable (i.e. deposit determinants). It sourced annual time-series data, and estimated them using panel regression method. The study found that, domestic factors such as economic activity, prices, and interest differential were significant in explaining deposit demand at macro level while bank-specific variables, such as the perceived riskiness of individual banks, their liquidity buffers, loan exposure, and interest margins, bear significant influence on the demand for deposit at micro level.

Pradhan and Paneru (2014) assessed the determinants of bank deposit in Nepalese economy within a time dimension 2008-2013. The study specified two models, using fixed deposit and savings deposit as dependent variables; however, GDP growth rate, inflation, number of branches and Return on Asset (ROA) were used as the components of the independent variable (i.e. deposit determinants). It sourced cross sectional data from 18 commercial banks listed on the Nepal Stock Exchange (NEPSE), and analyzed them using panel regression method. The study found that, GDP growth rate, inflation and number of branches were the key determinants of deposit in Nepalese banking sector.

Eriomo (2014) investigated the macroeconomic determinants of commercial bank deposits in Nigeria within a time scope 1980-2010. The study used total bank deposit as the proxy of the dependent variable (commercial banks deposits), and employed bank investment, interest rate, consumer price index and number of banks' branches as the proxies for the independent variable

(deposit determinants). It sourced time-series data, and analyzed them using a regression method. The study found a long-run relationship between the variables of interest. It also found that bank investment, bank branches, interest rate and consumer price level were the key determinants of bank deposits in Nigeria.

Boadi *et al* (2015) investigated the determinants of bank deposit in Ghana within a time frame 1991-2012. The study proxied the dependent variable, bank deposit, by long-term bank deposit, which comprised savings and time deposits, and the independent variable, deposit determinants, by real savings deposit rate, treasury bill rate, exchange rate and gross domestic product. It sourced quarterly time-series data from Bank of Ghana statistical bulletin, and estimated them using ordinary least squares method. The study found that interest rate liberalization matters, as it significantly and positively impacted banks' savings deposits in conjunction with gross domestic product. It also found a negative relationship between savings interest rate and the real treasury bills rate as a result of high inflation in Ghana.

Teshome (2017) examined the effects of deposit determinants on commercial banks deposit in Ethiopia within a temporal scope 1999-2015. The study employed total deposit as the dependent variable, while it proxied deposit determinants by number of branches, average deposit interest rate, ratio of loans to total deposits, average inflation rate, year population, number of banks, and gross domestic products. With respect to these, it sourced secondary data from eight (8) commercial banks, and analyzed them using panel regression. For robustness, it also sourced primary data through the instrumentality of interviews on bank staff and customers. On the whole, the study found that, number of branches, deposit interest rate, loan to deposit ratio, annual inflation rate, real gross domestic product and population had significant positive effects on commercial banks' deposits. It, also, found, from interview, that, social awareness, anti-money laundering, and counter financial terrorism had significant positive effects on commercial banks' deposit in Ethiopia.

Mushtaq (2017) assessed the effects of interest rate on bank deposits in Islamic and non-Islamic economies within a time frame 1999-2014. The study proxied the dependent variable, deposit, by total deposit, and the independent variable, interest rate, by savings interest rate. It sourced cross sectional data from 23 Islamic and non-Islamic economies each, and analyzed them using an auto regressive distributed lag model. The study found that, while in Islamic countries, interest rate did not have any impact on bank deposits both in the short-run and the long-run, in the non-Islamic countries, interest rate exerted a significant positive impact on it.

Bikker and Gerristen (2018) investigated the relationship between interest rate on time deposits and savings accounts, and its determinants in the Netherlands within a time frame 2003-2014. The study employed bank deposit as the dependent variable. It, also, employed six (6) macroeconomic variables (i.e. market rate, inflation, interest rate volatility, market concentration, economic growth, and stock market stress) and eight (8) bank-specific variables (i.e. bank size, credit spread, credit rating, capital ratio, liquidity mismatch, liquidity surplus, inefficiency and deposit funding) as the components of the independent variable. It sourced time-series data, and analyzed them using panel regression method. The study found that, interest rate was affected mostly by macroeconomic factors. It also found that, while market rate, market rate volatility, inflation rate, and level of market stress significantly positively influenced interest rates, economic growth and concentration index negatively influenced it. It, further, found that, the

Where: DCD = Domestic Currency Deposit; SIR = Savings Interest Rate; MPR = Monetary Policy Rate; GDP = Gross Domestic Product; INF = Inflation Rate, PSC = Private Sector Credit; BKZ = Bank Size; μ = Error Term

With respect to these variables, secondary data were sourced from the Central Bank of Nigeria (CBN) statistical bulletin of various editions, and were estimated using Auto Regressive Distributed Lag (ARDL) approach. As such, the study further specified the model in line with auto regressive distributed lag method, and this was stated as:

$$y = \beta_0 + \sum_{t=1}^n \beta_1 \Delta \ln Y_{t-1} + \sum_{t=1}^n \beta_2 \Delta \ln DD_{t-1} + \beta_3 \ln Y + \beta_4 \ln DD + U_t \quad \dots \quad \dots \quad \dots \quad \dots \quad v$$

The *a priori* expectation is that, while interest rates and gross domestic product would exert positive effects on domestic currency deposit, inflation rate would exert negative effects on it. Also, both private sector credit and bank size would exert positive effects on domestic currency deposit. Moreover, a long-run relationship would exist between the variables of interest

ANALYSIS AND FINDINGS

Stationarity Test i.e. Unit Roots Test

The study employed Augmented Dickey Fuller (ADF) unit roots test to examine the stationarity levels of the variables in the series, and their order of integration. The results of the ADF test are presented in Table 1. Essentially, the decision rule is that, at 5% level of significance, if the ADF statistic is greater than the critical value, the null hypothesis is to be rejected; otherwise, it should be retained. From these results, it was obtained that, except for inflation rate, which was stationary at level I(0), all the variables were stationary at first difference I(1). Therefore, the null hypothesis of the ADF test, which states that the variables in the series are non-stationary, was rejected, and the alternate hypothesis, which states that the variables in the series are stationary, was accepted.

Table 1: Summary of Augmented Dickey Fuller (ADF) Test Results

Variables	ADF Test	Critical Value	Integration
LDCD	-4.0016	-3.052	I(1)
LSIR	-3.087	-3.052	I(1)
LMPR	-4.4922	-3.052	I(1)
LGDP	-4.6039	-3.052	I(1)
INF	-3.6851	-3.040	I(0)
LPSC	-4.413	-3.052	I(1)
LBKZ	-5.3368	-3.052	I(1)

Source: Authors' Computation, 2019, using e-views 9

Auto Regressive Distributed Lag (ARDL) Estimates

The study employed auto regressive distributed lag estimation techniques. This was based on the fact that the variables in the series had different levels of integration. However, the estimation of

ARDL requires lag order selection. This was done based on Akaike Information Criterion (AIC), and Lag 1 was chosen as the lag order. The results of the ARDL estimates at Lag 1 are contained in Table 2. From this, it was found that, domestic currency deposit had significant negative effect on its own innovation with a coefficient of -1.878026 and p-value of 0.0027.

Also, while gross domestic product and private sector credit exerted significant positive effects on domestic currency deposits with their respective coefficients of 0.736277 and 0.526541, and p-values of 0.0335 and 0.0057, bank size exhibited insignificant positive effect on it with a coefficient of 0.0571654 and p-value of 0.1265. Furthermore, while savings interest rate and monetary policy rate exhibited insignificant negative effects on domestic currency deposits with their respective coefficients of -0.16942 and -0.141184, and p-values of 0.2900 and 0.2734, inflation rate exerted significant negative effect on it with a coefficient of -0.016253 and p-value of 0.0126.

The implications of these are: First, while the influence of gross domestic product on domestic currency deposits was 73.63% and that of private sector credit was 52.65% by a significant direct unit change, the influence of bank size on it was 57.16% by an insignificant direct unit change. Second, while the influence of savings interest rate on bank deposit was 16.94%, and that of monetary policy rate was 14.12% by an insignificant indirect unit change, the influence of inflation rate on it was 1.63% by a significant indirect unit change.

Coefficient of determination (R^2) of 0.8901, that is, 89.01% implies that, variations in the dependent variable, domestic currency deposits, was explained by or accounted for by joint effects of savings interest rate, monetary policy rate, gross domestic product, inflation rate, private sector credit, and bank size while the remaining 10.99% was accounted for by variables not captured in the model. This is confirmed by the adjusted R^2 of 73.87%, which explained the adjusted coefficient based on the number of independent variables in the model. The calculated F-statistic of 11.8076, which is greater than the F-tabulated value of 2.74 at 5% level of significance, implies that the overall model is significant. This is confirmed by the corresponding p-value of 0.0073, which is less than 0.05, that is, 5% level of significance. Moreover, the result of the Durbin Watson (DW) test of 2.096, which examines the existence of serial/ autocorrelation, indicates that the series is free from the problem of auto/ serial correlation. This is due to the fact that the DW test result of 2.096 is very close to the threshold of 2, and DW test results between 1.5 and 2.5 are generally regarded as normal and not indicating auto correlation.

Table 2: Summary of Auto Regressive Distributed Lag (ARDL) Estimates
Dependent Variable: DLDCD

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
DLDCD(-1)	-1.878026	0.283792	-6.617611	0.0027
DLSAI	-0.129181	0.113289	-1.140283	0.3178
DLSAI(-1)	-0.16942	0.139038	-1.218515	0.29
DLPSC	0.526541	0.097457	5.402829	0.0057
DLMPR	-1.232013	0.217774	-5.657309	0.0048
DLMPR(-1)	-0.141184	0.111302	-1.268476	0.2734
DLGDP	0.458832	0.195453	2.347533	0.0787
DLGDP(-1)	0.736277	0.231347	3.182566	0.0335

DLBKZ	-0.084479	0.026865	-3.144625	0.0347
DLBKZ(-1)	0.057164	0.029686	1.925614	0.1265
INF	-0.020498	0.006428	-3.188796	0.0333
INF(-1)	-0.016253	0.003777	-4.30322	0.0126
C	0.633945	0.167136	3.79298	0.0192
R2=0.9725	Adj-R2=0.890 1	F-stat=11.8076	Prob=0.0144	D.W=2.096

Source: Authors' Computation, 2019, using e-views 9

AUTO REGRESSIVE DISTRIBUTED LAG (ARDL) BOUNDS TESTING

ARDL bounds testing was carried out to examine the existence of a long-run relationship between macroeconomic and bank-specific deposit determinants and domestic currency deposit in Nigeria. The results of this test are presented in Table 3

Table 3: Summary of Auto Regressive Distributed Lag Bounds Test Results

Test Statistic	Value	K
F-statistic	8.024290	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.50%	2.96	4.18
1%	3.41	4.68

Source: Authors' Computation, 2019, using e-views 9

The decision rule for the ARDL bounds test is that, if the result of the calculated f-statistic is greater than the critical value bounds of lower and upper limits, the null hypothesis of no long-run relationship is rejected, otherwise, it is retained. Accordingly, results revealed an F-statistic of 8.0242, which is greater than both the lower bound of 2.62 and upper bound of 3.79 at 5% level of significance; hence, the null hypothesis, 'of no long-run relationship', was rejected, and the alternate hypothesis, 'of existence of long-run relationship', was accepted.

Discussion of Findings

Having empirically investigated the effects of macroeconomic and bank-specific deposit determinants on domestic currency deposits in Nigeria within the time scope 2000-2018 on the threshold of Ayodeji-Ajala bank-intermediation theorem, the study found as follows: First, on macroeconomic deposit determinants, interest rates (both savings interest rate and monetary policy rate) exhibited insignificant negative effects on domestic currency deposits in Nigeria. This is in sharp contrast to the attributable theoretical expectation of this study, which is that interest rates should maintain a positive relationship with domestic currency deposits. The reason adduced to this finding is that, deposit interest rate, in Nigeria, ranks lower than the rate of return on personal and capital market investments.

However, this finding is in support of that of Rachmawati and Syamsulhakim (2004), who found that interest rate did not positively influence Mudaraba deposit in Indonesia. It was, also, in tune

with that of Boadi *et al* (2015), who found that savings interest rate and treasury bills rate had a negative relationship with bank deposit in Ghana. However, it was at variance with the findings of Eriomo (2014), who found that, interest rate is a key determinant of bank deposit in Nigeria, and Mushtaq (2017), who found that, interest rate exerted significant positive impact on bank deposit in Islamic and non-Islamic economies.

This study, also, found that, inflation rate exerted significant negative effects on domestic currency deposits in Nigeria. This is in tune with the attributable theoretical expectation of the study, which is that, inflation rate would exert negative effects on domestic currency deposits. The reason adduced to this finding is that, inflation rate, in Nigeria, is rather unbearable. This finding is in line with that of Boadi *et al* (2015), who found a negative relationship between inflation rate and bank deposit in Ghana. But, it was at variance with that of Bikker and Gerristen (2018), who found that inflation rate positively influenced interest rate and deposits in the Netherlands' banking sector.

The study, further, found that, Gross Domestic Product (GDP) exerted a significant positive effect on domestic currency deposit in Nigeria. This is in line with the attributable theoretical expectation of the study, which is that, gross domestic product would have a positive relationship with domestic currency deposits. The reason adduced to this finding is that, the level of economic activities in the country is so high that it influenced deposit volume. However, this finding is contrary to that of Rachmawati and Syamsulhakim (2004), who found that gross domestic product did not significantly influence bank deposit in Indonesia. It is, also, at variance with that of Pradhan and Paneru (2014), who found that GDP growth rate is not a key determinant of deposit in Nepalese banking sector. As well, it is contrary to that of Bikker and Gerristen (2018), who found that economic growth negatively influenced deposit and interest rate in the Netherlands.

Second, on bank-specific deposit determinants, the study found that, private sector credit exerted significant positive effect on domestic currency deposit while bank size exhibited insignificant positive effect on it. This is in line with the attributable theoretical expectation of this study, which is that both private sector credit and bank size would maintain a positive relationship with domestic currency deposit. This finding is in tune with those of Rachmawati and Syamsulhakim (2004), who found that, number of Islamic bank branches significantly affected the volume of Mudaraba deposits in Indonesia. It is, also, in line with that of Finger and Hesse (2009), who found that bank-specific variables significantly influenced bank deposit in the regional financial centre in Lebanon. Not only that, it was in tune with those of Pradhan and Paneru (2014) and Eriomo (2014), who found that, number of branches is one of the key determinants of deposits in Nepalese banking sector.

Third, on the long-run relationship between deposit determinants and domestic currency deposits, the study found a long-run relationship between deposit determinants and domestic currency deposits in Nigeria. This finding conforms to the attributable theoretical expectation of the study, which is that a long-run relationship would exist between macroeconomic and bank-specific deposit determinants and domestic currency deposits. This finding is in support of the findings of Rachmawati and Syamsulhakim (2004), Eriomo (2014) and Mushtaq (2017), who

found a long-run relationship between deposit determinants and bank deposits in their various spatial or geographical scopes of study.

CONCLUSION AND RECOMMENDATIONS

The study investigated the effects of macroeconomic and banking sector-specific variables on domestic currency deposits in Nigeria within a temporal scope 2000-2018. It was based on the theoretical threshold of Ayodeji-Ajala bank-intermediation (economic value) theorem. With this, three research hypotheses were tested on secondary data, sourced from the Central Bank of Nigeria statistical bulletin of various editions, which were estimated using Auto Regressive Distributed Lag (ARDL) approach.

On the relationship between macroeconomic determinants and domestic currency deposit in Nigeria, the *a priori* expectation is that, while interest rates and gross domestic product would exert positive effects on domestic currency deposit, inflation rate would exert negative effect on it. Incidentally, the study found that, while interest rates exhibited insignificant negative effects on domestic currency deposits in Nigeria, inflation rate exerted significant negative effects on it. However, gross domestic product exerted a significant positive effect on domestic currency deposit in Nigeria. As such, it was concluded that macroeconomic variables exert heterogeneous effects on domestic currency deposits. Also, on the relationship between bank-specific determinants and domestic currency deposits in Nigeria, the *a priori* expectation is that, both private sector credit and bank size would exert positive effects on domestic currency deposits. Accordingly, the study found that, private sector credit exerted a significant positive effect on domestic currency deposit while bank size exhibited insignificant positive effect on it. As such, it was concluded that bank-specific variables exert positive effects on domestic currency deposits.

Furthermore, on the existence of long-run relationship between macroeconomic and bank-specific determinants and domestic currency deposits in Nigeria, the *a priori* expectation is that, a long-run relationship would exist between deposit determinants and domestic currency deposits. Conformably, the study found that a significant long-run relationship exists between deposit determinants and domestic currency deposits in Nigeria. It was, therefore, concluded that, there exists a significant long-run relationship between deposit determinants and domestic currency deposits. The overall conclusion of this study is that macroeconomic and bank-specific variables exert significant heterogeneous influence on domestic currency deposits in Nigeria.

Based on the findings and conclusions that emanated from this study, the following recommendations were made: First, the government should effectively adopt the instruments of monetary and fiscal policies to foster positive effects of interest rates and curb the significant negative effects of inflation on the Nigerian economy. Not only that, banks are encouraged to invest more on their assets (bank size), as these would help attract more customers of various types while they should increase private sector credits, and channel the same to the productive sector of the economy, which is the engine of growth so that economic growth can be enhanced.

DECLARATIONS

Ethics approval and consent to participate

Not applicable

Consent for publication

Not applicable

Availability of data and materials

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Authors' contributions

EA performed the review of articles, fashioned out the methodology and carried out the discussion of findings of this study. AT analysed and interpreted the results emanating from the study. OM did the content editing.

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