

Interest Rate Corridor and Stock Market Performance in Nigeria

¹Okoro, Chinsono Churchill, ¹Uche-Udo, Ngozi N. and ²Osuala, Alex E.

¹Department of Accounting, ²Department of Banking and Finance, Michael Okpara University of Agriculture, Umudike, Abia State

Corresponding author: churchillokoro@gmail.com

ABSTRACT:

The study focused on the interest rate corridor and stock market performance in Nigeria. The interest rate corridor was measured using the monetary policy rate, the treasury bill rate, and the savings rate. However, stock market performance was measured using market capitalization. To achieve the objectives of this study, an *ex-post facto* research design was adopted. Data was collected from the CBN statistical bulletin for the period 2000 to 2024. The collected data were analyzed using the autoregressive distributed lag (ARDL) model. The ARDL results revealed that the monetary policy rate and the treasury bill rate have a positive and significant effect on market capitalization. However, the savings rate has a positive but insignificant effect on market capitalization. Based on the findings, the study concludes that the interest rate corridor has a positive effect on stock market performance in Nigeria. Therefore, the study recommends that CBN should ensure consistency in its interest rate decisions to boost investor confidence and encourage greater participation in the stock market. Policymakers should adopt treasury bill rate policies that support liquidity and promote investment activities in the Nigerian capital market. Improving savings mobilization through competitive returns, financial literacy, and investment education may encourage savers to channel more funds into capital market investments, thereby strengthening stock market performance over time.

KEYWORDS: *Interest Rate Corridor, Monetary Policy Rate, Treasury Bill Rate, Savings Rate, Stock Market Performance, and Market Capitalization.*

MANUSCRIPT TYPE:

Research Paper

PUBLICATION DETAILS:

Received: XX April. 2026

Revised: XX May., XX Jun. 2026

Accepted: XX Jun. 2026

Publication of the College of Management Sciences, Michael Okpara University of Agriculture, Umudike Nigeria



All papers are published under the Creative Commons Attribution 4.0 International (CC BY 4.0).

For more details, visit

<https://creativecommons.org/licenses/by-nc/4.0/>.

INTRODUCTION

Interest rates influence investment, capital flows, and economic performance globally (Mishkin, 2019). Central banks use interest rates to manage inflation and stabilize economies (Bernanke & Blinder, 2020). In stock markets, interest rate changes affect the cost of capital and investor asset preferences; an increase typically lowers stock prices by raising borrowing costs, while a decrease typically boosts stock prices by reducing these costs and increasing profitability (Fama & French, 2022; Kiyotaki & Moore, 2021).

In Nigeria, the Central Bank manages liquidity and economic conditions using the interest rate corridor: the Standing Lending Facility (upper bound) and the Standing Deposit Facility (lower bound) around the Monetary Policy Rate (MPR). This corridor anchors inflation expectations and transmits monetary policy to sectors like the stock market.

A tighter corridor raises borrowing costs and encourages investors to favor fixed-income assets over equities, reducing stock valuations. In Nigeria, where bank lending dominates, these effects are significant, often resulting in reduced corporate investment and market capitalization.

Nigeria recently faced shocks such as the COVID-19 recession, oil price swings, and rising inflation. In response to the pandemic, CBN cut the MPR to 11.5% in September 2020 and widened the corridor to inject liquidity, encouraging a rebound in the NGX All-Share Index (ASI) as lower rates promoted risk-taking.

Fiscal pressures and supply disruptions later reversed these gains. Inflation hit multi-decade highs, leading to sharp tightening: the MPR increased to 18.75% (2023), 26.75% (July 2024), 27.25% (September 2024),

and peaked at 27.50% by early 2025, with an asymmetric corridor set at +500/-100 basis points (CBN, 2025). These moves pushed up interbank rates, limited credit growth, and cut profitability, especially in rate-sensitive sectors.

As a result, Nigeria's exchange experienced volatility, foreign outflows, and subdued returns amid high-risk premiums. ARDL analyses show that MPR hikes significantly dampen returns and increase volatility (Peter et al., 2024; Ogunro et al., 2025). Akanbi's (2025) study found that interest rates negatively affected ASI growth, though the effect was insignificant.

By mid-2025, headline inflation fell to about 20% by August. The CBN cut the MPR by 50 basis points to 27% in September 2025, the first reduction since 2020, and narrowed the corridor to +250/-250 basis points, later adjusting to +50/-450 to spur lending (Finance in Africa, 2025). This aimed to balance price stability and growth, potentially supporting equities as fixed-income yields declined.

Despite these changes, the stock market's response was mixed, highlighting transmission issues in Nigeria's shallow capital market (capitalization ~10-15% of GDP). Recent analyses suggest symmetric corridors and stronger forward guidance to reduce spillovers (Ogunro et al., 2025). Understanding the corridor's impact is crucial to aligning inflation control with market development. This study therefore examines the effect of the interest rate corridor on stock market performance in Nigeria.

Specifically, the study aimed to

- Examine the effect of monetary policy rate on stock market performance in Nigeria.
- Determine the effect of treasury bill rate on stock market performance in Nigeria.
- Assess the effect of savings rate on stock market performance in Nigeria.

This study provides empirical evidence on how the Central Bank of Nigeria's asymmetric interest rate corridor, structured around the Monetary Policy Rate, influences stock market indicators, including the NGX All-Share Index, market capitalization, and volatility. It clarifies the effectiveness of this system in transmitting policy signals to equity markets and bridges the gap between short-term rates and long-term investment decisions in Nigeria's context. By addressing challenges such as high inflation, naira volatility, and corridor adjustments, the research highlights how corridor shifts affect liquidity preferences, the cost of capital, and investor confidence. The focus on isolating the corridor's effects amid broader monetary tools addresses a research gap, offering insights relevant for policymakers, investors, and researchers in Nigeria and similar African markets.

LITERATURE REVIEW

Interest Rate Corridor

The interest rate corridor (IRC) is a central bank tool to steer short-term market rates toward a policy target. It creates a band between a floor (deposit rate) and ceiling (lending rate), within which overnight interbank rates usually move. The policy rate is the midpoint, guiding market rates by incentivizing bank-to-bank transactions rather than those with the central bank (Stepehn et al., 2025).

In a classic corridor system, the central bank supplies reserves to intersect the downward-sloping portion of the reserve demand curve, creating a structural liquidity shortage. Banks with surplus reserves deposit at the lower rate (floor), while those short borrow at the higher rate (ceiling). This setup encourages interbank trading near the target rate, minimizing volatility and enhancing monetary policy transmission. The corridor width, often symmetric at ± 25 to ± 100 basis points, balances stability with incentives for market activity (Ohurogu & Anyanwu, 2024).

Before 2008, many advanced-economy central banks, including the ECB, operated corridor systems. The ECB maintained a ± 100 basis points corridor around its main refinancing operations rate until the Global Financial Crisis shifted many to "floor" systems with abundant reserves, where the deposit rate anchors market rates from below. Post-crisis ample reserves frameworks (e.g., the US Fed's floor system) prioritized liquidity but raised concerns about efficiency, balance sheet size, and implicit subsidies. By the mid-2020s, discussions emerged about returning to corridor-like systems for tighter control and smaller balance sheets (Akpokereke et al., 2024).

Emerging markets have actively adopted or refined IRCs. Nepal Rastra Bank implemented a fixed IRC in 2017/18 for better policy signaling. Turkey's Central Bank used the corridor to enhance monetary policy flexibility and effectiveness, as shown in VEC Granger causality analysis linking corridor adjustments to improved transmission and market responses. Central banks like the Bank of Canada maintain explicit corridors (e.g., ± 25 bps around the policy rate), while others are exploring narrowing them for greater precision.

Advantages of the IRC include better interest rate predictability, reduced volatility, and efficient liquidity management without excessive reserve holdings. It supports financial stability by providing clear bounds and encourages active money markets. However, challenges arise during stress: wide corridors may allow volatility, while narrowing them risks limiting bank incentives. In high-uncertainty periods (e.g., post-

COVID or 2025 episodes), central banks may temporarily widen corridors or combine them with other tools (Stepehn et al., 2025).

Therefore, interest rate corridors remain a cornerstone of modern monetary operations, adaptable across regimes. It exemplifies central banks' ongoing evolution toward frameworks that deliver price stability amid changing financial landscapes.

Stock market performance

Stock market performance in Nigeria refers to the overall behavior and efficiency of the Nigerian Exchange Group (NGX), formerly the Nigerian Stock Exchange (NSE), as measured by key indicators such as the All-Share Index (ASI), market capitalization, trading volume, returns, and volatility. It reflects investor sentiment, liquidity, and the market's role in capital allocation and economic growth (CBN, 2025).

Performance is typically benchmarked against the ASI, which tracks price movements of listed equities. Strong performance is characterized by rising indices, increased market capitalization, and positive returns, while challenges include high volatility, low foreign portfolio inflows, and macroeconomic headwinds. Nigeria's market, one of Africa's largest by capitalization, has shown resilience amid global shocks.

From 2020–2022, the market faced COVID-19-induced volatility, with the ASI experiencing sharp declines followed by partial recovery. Studies using GARCH models highlighted volatility clustering and asymmetric responses to negative shocks during the pandemic, though the crisis did not fundamentally alter long-term efficiency. Post-2022, naira devaluation, high inflation, and policy reforms under the Tinubu administration influenced dynamics. The market rebounded strongly in 2024–2025, delivering a historic 51.19% ASI return in 2025, one of its best performances in nearly two decades, with market capitalization expanding significantly (CBN, 2025).

In 2026, momentum continued. By mid-year, the ASI ranged between 217,000 and 251,000 points, with year-to-date gains reported between 31% (in dollar terms) and over 60% (in naira terms) across various periods, ranking Nigeria among the top global performers. Banking, oil & gas, and consumer sectors drove rallies, boosted by improved liquidity and reforms. Therefore, Nigeria's stock market performance embodies both promise and vulnerability. Recent bullish trends signal renewed confidence, but sustained growth requires enhanced regulation, liquidity, and macroeconomic stability to deepen its contribution to national development (Aroghene, 2025).

Nexus between interest rate corridor and stock market performance in Nigeria

The interest rate corridor mechanism, employed by the Central Bank of Nigeria (CBN), establishes an asymmetric or symmetric band around the Monetary Policy Rate (MPR) via standing lending and deposit facilities to anchor interbank rates and manage liquidity. This framework significantly shapes Nigerian Exchange Group (NGX) performance by influencing borrowing costs, corporate profitability, and investor preferences between equities and fixed-income assets. Amid COVID-19 recovery, persistent inflation, and naira pressures, corridor adjustments, often widening during tightening cycles, generally exhibited an inverse relationship with stock market returns, though empirical evidence reveals nuanced, sometimes insignificant or asymmetric effects (Ehiedu et al., 2022).

Tightening through corridor widening elevates lending rates, compressing corporate margins and deterring equity investment as yields on treasury instruments rise. Imene (2023) found that monetary policy instruments, including corridor-tied reserve requirements and discount rates, significantly heighten stock market volatility in Nigeria over 1993–2022, with higher rates reducing liquidity and amplifying fluctuations in the All-Share Index (ASI). This manifested in the 2022–2024 cycle: as inflation surged, the CBN hiked MPR cumulatively by over 15 percentage points to 27.5%, asymmetrically adjusting the corridor (e.g., +500/-100 basis points in early 2025), prompting capital shifts to fixed income and contributing to periodic ASI dips despite overall gains in select years. Kabir and Rahman (2021) found that an increase in the MRR negatively impacts stock market returns in Nigeria, suggesting that higher borrowing costs deter investment. Manda and Kaleb (2021) demonstrated a significant inverse relationship between the MRR and stock market capitalization, indicating that higher rediscount rates reduce market liquidity. Alimi (2020) argued that fluctuations in the MRR influence investor confidence, affecting stock market performance in emerging economies. Musa et al. (2020) observed that lower MRR promotes economic growth and enhances stock market capitalization, particularly in developing markets. Peter *et al.* (2023) analyzed the relationship between monetary policy rates and stock market performance, finding that higher MRR is associated with lower equity investment.

Okorie and Adeniyi (2023) found that increases in TBR divert funds from the stock market to treasury bills, negatively affecting capitalization. Nguema and Okonkwo (2018) demonstrated that a high TBR can crowd out investment in equities, thereby lowering stock market returns. Pillay and Naidoo (2019) confirmed that a significant relationship exists between TBR and stock market capitalization, with higher TBR rates leading to declines in equity investment. Olufemi (2020) reported that fluctuations in TBR affect investor behavior, thereby altering stock market dynamics. Shalett (2023) found that lower TBR positively impacts stock market liquidity, fostering higher capitalization. Uwubanmwun and Eghosa (2025) examined the impact of

TBR on stock performance and concluded that investors are sensitive to shifts in rates. Okafor (2023) indicated that TBR serves as a benchmark for evaluating the attractiveness of stock investments. Nwankwo (2021) found a negative correlation between savings rates and stock market participation, suggesting that higher savings rates are associated with lower investment in equities. Ologunde et al. (2026) indicated that increases in savings rates result in decreased stock market liquidity. Odita and Ehiedu (2025) explored the relationship between savings rates and stock market performance, concluding that lower savings rates encourage equity investments. Ehiedu (2022) argued that high savings rates can hinder economic growth by limiting investment opportunities in the stock market. Iwegbu and Onuorah (2019) found that higher deposit rates lead to a reduction in stock market investment as savers opt for safer returns. Jeroh and Okoro (2025) demonstrated a significant inverse relationship between deposit rates and stock market capitalization.

Theoretical Foundation: Keynesian Theory of Interest Rates

John Maynard Keynes, in his seminal work published in 1936, proposed that interest rates are fundamentally determined by the interaction of money supply and money demand within an economy. According to Keynes, the interest rate is essentially the "price" of money, balancing the demand to hold cash versus the supply of money available. When interest rates increase, borrowing becomes more expensive for both businesses and consumers. Higher borrowing costs can discourage corporate investment in new projects or expansion. Likewise, consumers may reduce spending, especially on credit-dependent purchases, which can slow down economic activity.

This reduction in spending and investment has a direct impact on financial markets, particularly stock prices. When companies invest less and consumers cut back on expenditures, corporate earnings growth tends to slow, leading investors to reassess the value of stocks. Consequently, stock prices may decline in response to rising interest rates. In Nigeria, the Central Bank plays a crucial role through its monetary policy rate, which serves as a benchmark for lending rates across the economy. Changes in the Central Bank's policy rate ripple through the financial system, affecting borrowing costs and shaping investor confidence in the stock market.

Therefore, Keynesian theory explains why interest rates matter (monetary determination via liquidity preference) and how they affect investment and asset prices. The interest rate corridor is a practical central bank mechanism for operationalizing this by effectively controlling short-term rates. A study on the impact of interest rate corridors on stock market performance essentially tests the efficacy of this Keynesian transmission channel in a modern policy setting, measuring how corridor shifts influence equity returns, volatility, and market efficiency through lower/higher capital costs and liquidity conditions. The theory remains highly relevant for emerging markets where central banks use corridors to manage liquidity and support financial market stability.

METHODOLOGY

The ex post facto research design was used. Ex post facto research design helps provide answers to the questions of who, what, when, where, and how associated with a particular research problem. The Nigerian stock market serves as the population of the study. The published annual reports and accounts of the CBN Statistical Bulletin for the 25-year period from 2000 through 2024 were used to measure dependent and independent variables. Similarly, the library and reviews of articles, papers, and relevant previous studies were consulted. The data used for this study already existed; hence, it was not collected by the researchers for the first time. The data collection method used for this study is the electronic (secondary) method. The data were obtained from the internet in soft copy. The quantitative data analysis method used econometric views (E-views) version 10.0. It is one of the statistical packages used in quantitative research in the social sciences. The different estimations used in the study are descriptive statistics, correlation analysis, multicollinearity tests, and heteroskedasticity tests. Ordinary least squares was used to test the study's hypotheses. The model of fof

Aroghene and Obiekea(2025) were adopted for the purpose of the study. The adopted model was modified and stated in its functional form as:

$$MCAP= f(MINRA, TBIRA, SRATE) \dots\dots\dots (1)$$

The model is further specified in its econometric form as:

$$MCAP = \beta_0+ \beta_1 MPR + \beta_2 TBR + \beta_3 SRATE + \epsilon \dots\dots\dots (2)$$

Where:

MCAP = Mark capitalization

MPR = Monetary policy rate

TBR = Treasury bills rate

SRATE = Savings rate

ϵ = Error Term

β_1 – β_3 = Coefficient of the independent variables.

The a priori expectation is that β_1 , β_2 , and β_3 would be less than or greater than the 0.05 level of significance.

RESULT AND DISCUSSIONS

The study's data included the Monetary Policy Rate (MPR), Treasury Bill Rate (TBR), Savings Rate (SRATE), and Market Capitalization (MCAP).

Data Analysis

This section analyses the data presented with the aid of E-View 10 (Econometric View). The analysis of data is presented in the subsequent sections:

Descriptive statistics

The descriptive statistics for both the dependent and independent variables are presented in Table 1 below:

Table 1: Descriptive Statistics

	MPR	TBR	SRATE	MCAP
Mean	0.952396	0.447984	0.719365	0.425405
Median	0.903090	0.444444	0.666667	0.444444
Maximum	1.255273	0.666667	1.000000	0.666667
Minimum	0.778151	0.200000	0.400000	0.125000
Std. Dev.	0.123192	0.123711	0.137217	0.125012
Skewness	0.867173	-0.054964	-0.116097	-0.296212
Kurtosis	3.112398	2.158109	2.915365	2.978114
Jarque-Bera	11.32720	2.703244	0.229039	1.317922
Probability	0.003470	0.258820	0.891794	0.517389
Sum	85.71561	40.31853	64.74286	38.28648
Sum Sq. Dev.	1.350696	1.362096	1.675728	1.390896
Observations	25	25	25	25

Source: Authors' computation with E-views extracted from Appendix 2A

Table 1 presents the descriptive statistics for various variables (MPR, TBR, SRATE, and MCAP). The summary statistics were used to compare the measures of central tendency, dispersion, and normality of the data set. The measures of central tendency compared the mean and median values of the data set. While the mean is the average of the variables, the median is the middle value of the data set. The study showed that the mean values of the variables are: 0.952396, 0.447984, 0.719365, and 0.425405, respectively, for MPR, TBR, SRATE, and MCAP. The measures of dispersion considered in this study were the minimum and maximum values and the standard deviation. From the E-view output, the datasets for minimum MPR, TBR, SRATE, and MCAP ranged from 0.778151, 0.200000, 0.400000, and 0.125000, respectively. However, the maximum values are 1.255273, 0.666667, 1.000000, and 0.666667 for MPR, TBR, SRATE, and MCAP, respectively. The standard deviation measures how far the observations are from their sample averages. From the summary output of the data set, the standard deviations are 0.123192, 0.123711, 0.137217, and 0.125012, respectively, for MPR, TBR, SRATE, and MCAP.

Correlation analysis

This section presents the correlation analysis results for the independent variables to assess multicollinearity in the model.

Table 2 presents the correlation matrix of the independent variables employed in this study. Correlation considers two variables at a time to determine how they relate to each other. These checks are necessary because high correlation can distort the relative contributions of each predictor to the model's success (Gujarati & Sangeeta, 2007). The correlation matrix above shows that there is no multicollinearity among the explanatory variables. All the variables show low correlation, with the highest at 0.496145. This is less than 0.75. According to Gujarati (2004), a correlation matrix value of 0.75 is considered harmful.

Table 2: Correlation analysis

	MPR	TBR	SRATE
MPR	1.000000	-0.766506	0.039983
TBR	-0.766506	1.000000	0.496145
SRATE	0.039983	0.496145	1.000000

Source: E-View Output extracted from appendix 2B

Stationarity / unit root tests

To avoid spurious regression, a unit root test is conducted to ensure that the variables used in this study mean reverting (i.e., stationary). For this purpose, the Levin, Lin & Chu test is used to assess data stationarity. The test results are presented in the table below.

Table 3: Unit Root Test Table

Variable	P-value	Difference	Order
MPR	0.0000	1st difference	1(1)
TBR	0.0211	Level	1(0)
SRATE	0.0199	Level	1(0)
MCAP	0.0390	Level	1(0)

Null: The data exhibit a unit root.

Source: Authors' computation with E-views extracted from Appendix 2C

The table above shows the result of the first test required to know the common and individual stationarity of the variables. For the common stationarity test, the Levin-Lin-Chu (LLC) test was used, which accounts for lagged data. A variable is stationary if the p-value is less than or equal to the 0.05 level of significance. The table shows that TBR, SRATE, and MCAP are stationary at their respective levels. However, MPR is stationary at first difference. Since the integration orders are mixed (I (0) and I (1)), the ARDL is the most suitable analytical tool for the study.

Long Run Cointegration (Bound Test)

Table 4: Bound test.

Test Statistic	Value	K
F-statistic	5.379229	7
Critical Value Bounds		
Significance	I(0) Bound	I(1) Bound
10%	2.20	3.09
5%	2.56	3.49
2.5%	2.88	3.87
1%	3.29	4.37

Source: Authors' computation with E-views extracted from Appendix 3C

The ARDL bond test is a cointegration test used to assess a long-run relationship between variables. The test treats all variables as a single group, without specifying their individual relationships. Therefore, the test is interested in how the independent variables (together) relate to the dependent variable in the long run. The long-term cointegration of the study's variables was assessed using the ARDL Bound test (Table 4). Since the F-statistic of 5.379229 exceeded the 3.49 upper bound at the 5% level, the variables exhibited long-term cointegration.

*Short Run Relationship***Table 5: Short Run Model Result**

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
MCAP (-1)	-0.039999	0.110839	-0.360875	0.7193
MCAP (-2)	0.186898	0.102261	1.827667	0.0718
MPR	1.799915	2.065348	0.871483	0.3864
MPR (-1)	0.177755	2.169855	0.081920	0.9349
MPR (-2)	5.621296	2.058001	2.731435	0.0079
TBR	13.69123	4.639626	2.950933	0.0043
TBR (-1)	6.769804	5.118977	1.322491	0.1902
SRATE	0.117146	0.238681	0.490805	0.6251
C	-18.50670	6.561723	-2.820402	0.0062
R2	0.364136		M.D. var	-0.250390
Adjusted R2	0.238754		S.D	2.007191
F-statistic	2.904219		D.W. stat	2.122746
Prob(F-statistic)	0.001620			

Source: Authors' computation with E-views extracted from Appendix 3A

Table 5 presents the regression results on the effect of the interest rate corridor (MPR, TBR, and SRATE) on market capitalization (MCAP) in Nigeria. From the model summary table above, the following information can be distilled.

The adjusted R2, which measures the proportion of variation in the dependent variable explained by the independent variables, was 0.238754. The adjusted R2, otherwise known as the coefficient of determination, shows the percentage of the total variation of the dependent variable (MCAP) that can be explained by the independent or explanatory variables (MPR, TBR, and SRATE). Thus, the adjusted R2 value of approximately 0.239 indicates that 23.9% of the variation in the MCAP of Nigeria can be explained by a variation in the interest rate corridor, while the remaining 76.1% (i.e., 100-R2) could be accounted for by other factors not included in this model.

According to the analysis's findings, the stock market's performance (market capitalization) was affected by the monetary policy rate (MPR) during the current year, especially with a lag of (-2). MPR also had a positive effect on MCAP. Additionally, a percentage rise in the MPR this year led to a 1.799915% increase in MCAP the following year. This implies that an increase in MPR will raise MCAP in Nigeria. The result is in line with Imene's (2023) findings, which show that monetary policy instruments, including corridor-tied reserve requirements and discount rates, significantly heighten stock market volatility in Nigeria over 1993–2022, with higher rates reducing liquidity and amplifying fluctuations in the All-Share Index (ASI). This manifested in the 2022–2024 cycle: as inflation surged, the CBN hiked MPR cumulatively by over 15 percentage points to 27.5%, asymmetrically adjusting the corridor (e.g., +500/-100 basis points in early 2025), prompting capital shifts to fixed income and contributing to periodic ASI dips despite overall gains in select years. On the contrary, Kabir and Rahman (2021) found that an increase in the MRR negatively impacts stock market returns in Nigeria, suggesting that higher borrowing costs deter investment.

Also, the stock market performance was affected by the Treasury bill rate (TBR) during the current year. TBR also had a positive effect on MCAP. Additionally, a percentage rise in the TBR this year led to a 13.69123% increase in MCAP the following year. This implies that an increase in TBR will raise MCAP in Nigeria. The result is consistent with Okorie and Adeniyi (2023), who found that increases in TBR divert funds from the stock market to treasury bills, negatively impacting capitalization. Nguema and Okonkwo (2018) demonstrated that a high TBR can crowd out investment in equities, thereby lowering stock market returns. Pillay and Naidoo (2019) confirmed that a significant relationship exists between TBR and stock market capitalization, with higher TBR rates leading to declines in equity investment. Olufemi (2020)

reported that fluctuations in TBR affect investor behavior, thereby altering stock market dynamics. Shalett (2023) found that lower TBR positively impacts stock market liquidity, fostering higher capitalization. Consequently, the results showed that the savings rate (SRATE) is positive but not significant at the 5% level. Additionally, a percentage rise in the SRATE this year led to a 0.117146% increase in MCAP the following year. This implies that an increase in SRATE will raise MCAP in Nigeria. The result is consistent with Nwankwo (2021), who found a negative correlation between savings rates and stock market participation, suggesting that higher savings rates are associated with lower investment in equities. Ologunde et al. (2026) indicated that increases in savings rates result in decreased stock market liquidity. Oditia and Ehiedu (2025) explored the relationship between savings rates and stock market performance, concluding that lower savings rates encourage equity investments. Ehiedu (2022) argued that high savings rates can hinder economic growth by limiting investment opportunities in the stock market.

CONCLUSION

Finally, the result shows that the Fisher statistic (2.904219) is significant at the 0.001620 level, indicating that the model as a whole is statistically significant at an autocorrelation level of 2.122746 (Durbin-Watson), which is less than 2.5. This implies there is no autocorrelation.

This study investigated the relationship between the interest rate corridor and stock market performance in Nigeria. The interest rate corridor was measured using the monetary policy rate, the treasury bill rate, and the savings rate. However, stock market performance was measured using market capitalization. The study used a 25-year period from 2000 to 2024. The collected data were analyzed using the Auto Regression Distribution Lag (ARDL) model. The findings revealed that the monetary policy rate and the treasury bill rate have a positive and significant effect on market capitalization. However, the savings rate has a positive but insignificant effect on market capitalization. Therefore, the study concludes that the interest rate corridor has a positive effect on stock market performance in Nigeria. Therefore, the study recommends that CBN should ensure consistency in its interest rate decisions to boost investor confidence and encourage greater participation in the stock market. Policymakers should adopt treasury bill rate policies that support liquidity and promote investment activities in the Nigerian capital market. Improving savings mobilization through competitive returns, financial literacy, and investment education may encourage savers to channel more funds into capital market investments, thereby strengthening stock market performance over time.

REFERENCES

- Akanbi, A. (2025). Macroeconomic factors and stock market performance based on new evidence: A case study from Nigeria. *Asian Journal of Economics, Business and Accounting*, 25(2), 275–289. <https://doi.org/10.9734/ajeba/2025/v25i21680>
- Akpokerere, E. O., Onojaife, A. C., & Osewwe-Okoroyibo, E. E. (2024). Monetary policy instruments and stock market returns volatility in Nigeria. *International Journal of Economics and Financial Issues*.
- Aroghene, K. G. (2022). Effect of capital adequacy, bank size and liquidity on the stability of FUGAZ Bank in Nigeria. *International Journal of Academic Management Science Research (IJAMSR)*, 6(12), 1-7.
- Aroghene, K. G. (2023). Fraud and its effect on the stability of financial institutions in Nigeria. *International Journal of Academic Multidisciplinary Research (IJAMR)*, 7(2), 150-155.
- Aroghene, K.G. & Akpoyibo, G. A. (2023). Naira swap objectives and impact on the performance of small and medium scale enterprise. *International Journal of Management & Entrepreneurship Research*, 5(4), 233-243.
- Bernanke, B. S., & Blinder, A. S. (2020). The federal funds rate and the channels of monetary transmission. *American Economic Review*, 82(4), 901-921.
- Central Bank of Nigeria (CBN). (2025). Monetary policy decisions. <https://www.cbn.gov.ng/MonetaryPolicy/decisions.html>
- Ehiedu, V.C. (2022). Analysis of micro prudential determinants of capital adequacy in deposit money banks. *International Journal of Management & Entrepreneurship Research* 4 (11), 398-415
- Ehiedu, V.C., Onuorah, A.C. & Owonye, B. (2022). Effect of revenue leakages on economic development in Nigeria. *Journal of Economics and Finance* 13 (3), 39-48.
- Fama, E. F. (2021). The behavior of stock-market prices. *The Journal of Business*, 38(1), 34–105.
- Finance in Africa. (2025). Nigeria's MPR rate trend (2000–2025): 25-Year analysis & economic impact. <https://financein africa.com/guide/nigeria-mpr-rate-trend/>
- Imene, A. (2023). Impact of performance evaluation system on employee performance in Nigeria Local Government Administration: A Study of Ukwuani Local Government Administration of Delta State Nigeria. *Journal of Social Sciences and Management Studies*, 2(2), 54-65.
- Iwegbu, F. E., & Onuorah, C. O. (2019). Inflationary expectations and stock market returns: Evidence from Nigeria's post-financial crisis era. *African Journal of Economic Policy*, 26(3), 78-94.
- Jeroh, E., & Okoro, C. A. (2025). Macroeconomic indicators and stock prices in Nigeria: An empirical analysis. *Nigerian Journal of Economic Research*, 20(1), 50-67.

- Kabir, A., & Rahman, M. (2021). Impact of monetary policy tools on stock market performance: Evidence from Bangladesh. *South Asian Journal of Economic Policy*, 8(2), 100-115.
- Kiyotaki, N., & Moore, J. (2021). Credit cycles. *Journal of Political Economy*, 105(2), 211-248.
- Manda, K., & Kaleb, M. (2021). Macroeconomic variables and stock market returns: The case of Kenya. *East African Journal of Economics*, 12(1), 45-60.
- Mishkin, F. S. (2019). *The economics of money, banking, and financial markets*. Pearson Education.
- Mishkin, F. S., & Eakins, S. G. (2018). *Financial markets and institutions* (9th ed.). Pearson Education.
- Musa, Y. A., Adamu, M. A., & Idris, S. S. (2020). The effect of interest rates on stock market capitalization in Nigeria. *International Journal of Finance and Banking Studies*, 9(4), 34-49.
- Nguema, M., & Okonkwo, J. (2018). Prime lending rates and stock market performance: Evidence from Cameroon. *Central African Journal of Finance and Development*, 5(2), 145-160.
- Odita, AO & Ehiedu, V.C. (2025) Operationalization of NGOs Activities: Proposing an e-social network model for NGOS activities in Edo State, Nigeria. *Advances in Social Sciences Research Journal 2* (4), 96-10
- Ogunro, T. T., Salami, S. A., & Adeleke, O. (2025). Globalization, monetary policy, and stock market performance in Nigeria. *International Journal of Research and Innovation in Social Science*, 9(04).
- Ohurogu, D. U., & Anyanwu, C. C. (2024). Stock market liquidity in Nigeria: The effects of interest rate and money supply. *Nigerian Journal of Management Sciences*, 25(1), 114–126.
- Okorie, E., & Adeniyi, O. (2023). The impact of monetary policy on stock market performance: Evidence from Nigeria. *Journal of Financial Studies*, 15(2), 123-138.
- Ologunde, A. O., Elumilade, D. O., & Asaolu, T. O. (2026). Stock market capitalization and interest rate in Nigeria: A time series analysis. *International Research Journal of Finance and Economics*, 4, 154-167.
- Peter, A., Olutope, O., Muhammad, R., Ogbuehi, F., & Amechi, I. (2024). Impact of interest rate, exchange rate and inflation on stock market dynamics in Nigeria. *International Journal of Economics, Finance and Management Sciences*, 12(6), 352-362. <https://doi.org/10.11648/j.ijefm.20241206.11>
- Peter, O., Ojeaga, P., & Akinyemi, G. (2023). Impact of interest rate, exchange rate, and inflation on stock market dynamics in Nigeria. *International Journal of Financial Studies*, 11(2), 45-60.
- Pillay, N., & Naidoo, K. (2019). Macroeconomic factors and their effect on stock market performance in South Africa. *South African Economic Review*, 27(4), 110-125.
- Shalett, L. (2023). Have markets finally adapted to higher rates?. Morgan Stanley. Retrieved from <https://www.morganstanley.com/ideas/higher-for-longer-fed-rates-market-impact-2023>
- Stephen, M., Akobi, C., Idi, D., & Yusuf, S. (2025). Effect of money supply on stock market development in Nigeria (1985–2023). *Mikailalsys Journal of Mathematics and Statistics*.
- Uwubanmwun, A. E., & Eghosa, E. A. (2025). The impact of inflation on stock market returns in Nigeria. *International Journal of Business and Social Science*, 6(11), 190-200.