ISSN: 2415-0304 (Print)
ISSN: 2522-2465 (Online)

Indexing/Abstracting

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Published by
Department of Economics

School *of* Business *and* Economics

University of Management and Technology
Lahore, Pakistan

Submission: April 15, 2019 **Acceptance:** November 02, 2019

Article Information:
To cite this document
Sakanko, M. A., Ijoko, A., & Mohammed, I.Y. (2019). The Dynamic Impacts of Idle Cash on Economic Growth in Nigeria (1985 –2018). *Empirical Economic Review*, *2*(2), 33 -52.

The online version of this manuscript is available at
https://ojs.umt.edu.pk/index.php/eer/article/view/246

DOI:10.29145/eer/22/020103
Additional Information
For Subscriptions Email: editorasst.eer@umt.edu.pk
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http://ojs/index.php/eer/home

Empirical Economic Review
Vol. 2, No. 2 (Winter, 2019), pp. 33 - 52

The Dynamic Impacts of Idle Cash on Economic Growth in Nigeria (1985 – 2018)

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Abstract

The study investigated the dynamic effect of idle cash on economic growth in Nigeria from 1985 to 2018 employing a mixed methodology. The qualitative result revealed that political affluence, social status, treasury single account, asset declaration, biometric verification number, whistle-blower programme, and the empowering operation of economic and financial crime commission for anti-corruption crusade determine idle cash in Nigeria. On the other hand, the quantitative result revealed that idle cash has an inverse effect on economic growth in the short run. However, the long run result revealed a positive, and statistically significant effect on the economic growth, and it was found that idle cash Granger causes economic growth. We recommend that the government should provide a policy regulation framework that will regulate, track and checkmate the superfluousnes of idle cash.

Keywords: ARDL model, descriptive, economic growth, idle cash
***JEL Classifications*:** C32, C25, O47, G29

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1. Introduction

The emergence of paper money was a product of inquisitive actions of man towards a modern money economy, as a result of a break-off of the barter economy thus, leveraging the desires of humans toward optimal economic satisfaction. The perils of money economy are to be enormous such that the value of a domestic currency is subject to volatility amid economic maladies hence, the need to implore mechanisms to protect the value of money. Consequently, the money economy has been liberated by the activities of financial institutions and Fund management principles to tame the shock of market uncertainties. Nonetheless, a distinct menace in the money economy of Less Developed Countries (LDC) is “idle cash Effect” where people keep their earnings or profit idle that is, out of circulation. This form of holding money has a great and significant effect on the economic performance particularly the planned investment economy or anticipated growth.

Similarly, idle cash form of holding money is a product of poor saving and investment habit as well as crude financial system operations. This has significantly jeopardized the size of growth prospects in LDC owing to some numerous reasons including ignorance and inadequate knowledge, religious belief, quick liquidity of money than assets, timid operation of the financial system, ease to access cash for the immediate transaction and political affluence. Majorly, in LDC, idle cash is believed as a haven for smooth domestic financial dealings as well as to reduce the risk of loss amid economic upheavals.

The objective of this study is to analyze the dynamic effect of idle cash on economic growth in Nigeria with the aim of providing an acceptable explanation to questions including; does idle cash have an effect on economic growth? Why do people hold idle cash? How does idle cash affect commercial banks’ lending rate, exchange rate, and the economy’s inflation rate?

The prominent characteristics of developing countries like Nigeria are the use of cash relative to demand deposits. This subject has become an elective field of investigation by finance, and management scholars due to an increasing demand of liquid assets within organizations. Today a significant percentage of the fund is held in the form of cash, a sizable portion of this cash is kept idle which denies the banking system from creating deposit money, thus affecting their volume of loans which magnified to sluggish growth of investment and declining national income. Dittmar, Mahrt-Smith, and Servaes (2003) opined that when the investors' protection in a country is low, they tend to hold more cash or otherwise. Gao and Grinstein (2014), asserted that the major component for cash holding is the exposure to macroeconomic uncertainties, and these lead to a change in interest rates, inflation, and exchange rate. The trade-off theory explains that the optimal cash holding is determined by a trade-off between marginal cost and benefits. Cost of cash holding is associated with capital invested in liquid assets while the benefits are related to the transaction through improved information asymmetry.

Any money that does not produce income is tagged as idle money or cash held idle. Every economy needs substantial money exchanging hands to keep investment activities growing and if the fund is tied down, nothing much will be available for the bank to create deposits and investors to borrow, which will slow down the economic growth through low productivity. The conventional tracing factor for keeping idle money could not be far from transactions, precautionary, and speculation reasons as propounded by Keynes but, in recent democratic settings, political office seekers and/or holders are found to keep cash in their homes. Attempts to address this by the government has often lead to increase in stocks of idle cash. This is exactly what is currently happening in Nigeria.

According to the Central Bank of Nigeria (2016), few individuals' domiciliary accounts are holding $20 billion dollars in idle that is about 3.93 trillion Naira which is enough to take off the huge industry in Nigeria. This has a serious effect on financial institutions by limiting the banking system to create deposit money to satisfy the teeming viable investors seeking for loans and weakens their profitability. This might lead to an increase in the interest rate and prices of goods and services which will in-turn, reduce demand and trickle down to rising unemployment and falling National income.

Money is the prime lifter or mover of economic growth and development, therefore, its relationship with economic activities is paramount. Fluctuation in its volume upward or downward has a remarkable effect on the interest rate. This effect traps investment, employment, National income and expansion of industries. Furthermore, the availability of money plays a vital role in assessing the workability, survival, and ability of the National economy to meet its investment expenses as and at when due. However, huge idle cash in an economy serves as leakages in disrupting the operation of the monetary authority, reduction in a currency that exchanges hand, dispute the economic growth prospect, and thereby impeding the living standard which, may result to rampage social crimes and home invasion.

Since the return to democracy in Nigeria, issues of corruption have fueled the incidences of idle cash. This has necessitated policy concerns to stem the tide. Therefore, the Federal Government introduced the whistle blowing programme through Ministry of Finance in collaboration with the Economic Financial Crime Commission (EFCC). The programme theme is to report any information regarding excess imposition of cash at home by individuals, and the person who leads to the information will be rewarded with 5% of whatsoever discovered. In 2016, $1million was discovered in the soak away pit in Lagos by Economic and financial crime commission (EFCC), few months later, 13 billion Naira discovered in Ikoyi Lagos state in a rented apartment in April 2017. In February 2017, over $9 million was discovered in a house in Kaduna state and 49 million Naira was also found in a Ghana-must-go bag, abandoned in Kaduna airport by EFCC.

Similarly, in November 2018, EFCC operatives nabbed the Lebanese with the sum of $2 million with other currencies in different boxes at Abuja airport. According to Central Bank of Nigeria (2018), the trend of idle cash raised from 2.4 billion Naira in 2000 to 19.6 billion in 2018. The report further states that between 2000 and 2018, over 189.4 billion Naira currency was outside the bank.

The economic growth of Nigeria has been on rising trend from 5.4 percent in 2000 to a mid-2015 which declined to 2.7 percent, the Nation plunged into recession in early 2016 with -1.5 percent which resulted in rising unemployment from 12% in 2015 to 18. 8% percent in 2017 and inflation deepened to 17 percent. These lead to wide spread of poverty and crises in Nigeria. Hence, Nigeria's economic growth stood at 1.9 percent, unemployment 23.1 percent, inflation 11.25 percent and the largest nominal GDP of $397,472 in Africa and 27th in the world (Central Bank of Nigeria, 2018).

Unequivocally, the central bank of Nigeria cash management policies and procedures are still in the growing stage in the Nigerian economy. Despite, the policy interventions and other initiatives by the government to reduce the huge currency outside the banks or idle cash, the menace has continued. Studies carried out in this area have focused on the effects of idle cash on the performance of firms (Brigham, Gapenski, & Daves, 2003; Dittmar, Mahrt-Smith, & Servaes, 2003; Gao & Grinstein, 2014). The increasing trend in idle cash has become relatively high in the most nascent democracies like Nigeria. According to Keynes (1936), there are two major benefits of holding cash idle, one is to turn down or reduce the high cost of the transaction and the other benefit is to safeguard against any unforeseen expenses. Similarly, Brigham, Gapenski and Daves (2003) asserted that the core motive of idle cash holders is to minimize the proportion of liquid assets held for the purpose to achieve their continuing activities along to accomplish an adequate volume of cash holdings to enable obtain trade rebates to accomplish acceptable credit rating and to fulfill uncertain cash necessities. However, it also increases the cash at hand for day to day transaction, it promotes greater efficiency, fast and easy access to money without stress, and more accountable for the acquisition of cash. Finally, based on the researcher's knowledge, no similar study has been done for Nigeria, this makes the study findings unique and significant for policymakers, banks, financial firms, government, individual, and investors.

2. Literature Review

Idle cash is the money that is not invested and, therefore, earning no interest. They are funds not deposited in an interest-bearing or investment tracking account that is, not used in any economic activity (Corporate Finance Resources, 2019). According to the Cambridge Business English Dictionary (2008), idle cash is money that is saved and only available to use, rather than invested to earn interest. Similarly, Financial Dictionary (2015) defines idle cash as money that is not being invested. It does not make a return and is usually used for spending.

Based on the above definitions, idle cash is characterized as money that is not deposited in a bank, bears no interest rates, no investment returns, and not used in transactions. Therefore, idle cash or funds are wasted money because it earns no interest and may lose value when inflation rises. Money is like a human being that must work in order to earn money. For instance, an idle sum of 200 Naira would forgo the interest that it would have accrued it if it was deposited in a savings account.

Assuming a 5% interest rate per annum, in a year's time, that deposit would have earned an extra of 10 Naira. From an absolute perspective, the owner has generated zero value (Corporate Finance Resources, 2019). From an opportunity cost perspective, the owner has actually lost 10 Naira in value. The negative value of idle cash is further exacerbated by inflation. Assume that the owner of this 200 Naira could buy 100 sweets a year ago. This year, the same number of sweets will cost him 300 Naira or more because of the rising price of raw materials. So, not only has the money lost the interest that would have been gotten from depositing it in a savings account, but also the 100 Naira in purchasing power. This is the downside of having idle cash (Corporate Finance Resources, 2019).

Furthermore, it is the cash held by individuals in their homes or private apartments that do not earn any economic entitlement over a period in which the reason for keeping it is only known to the hoarder or is the accumulation of currency in excess of normal needs usually motivated by fear of future scarcity or macroeconomic uncertainty. This kind of sharp practice limits commercial banks' loanable ability irrespective of the numerous number of commercial banks that could create funds for development.

Moreover, most of the idle cash is in large quantities which could be difficult and huge to carry, therefore, they are mostly kept in foreign currencies such as, the United States' dollars, pounds, and euros to make the quantity concise and easy to carry and keep. Foreign currency deposits of Nigerians domiciliary accounts increased from 1,506.3 billion Naira in 2010 to 4,845.51 billion Naira in 2015 (Central Bank of Nigeria, 2015). This kind of action leads to a rise in foreign exchange which, affects the balance of payments through an increase in demand for foreign currency which depreciates the local currency, reduces commercial banks deposits, increases the interest rate, and reduces investment and aggregate demand hence, having a diminishing effect on economic growth and development.

Monetary theory postulates that the general price level of goods and services has a proportional effect on the available amount of money in an economy (Abdullah, 2014). This theory can be expatiated and is very important in this discussion because one of the determinants of investment is aggregate demand. The activity of cash idler leads to a rise in interest rates which also increases the aggregate demand as a result of low borrowing descending effect on low investment's production. Once economic indicators are affected as mentioned above, the economy is inflated. Therefore, idle cash destroys economic growth by undermining the amount of money in circulation and the available funds to be loaned to potential investors to expand production, thus new employment opportunities could be created.

The trade-off theory relates this issue to macroeconomic uncertainty. The theory suggests that individuals who keep idle cash in their homes without earning income in form of interest do that not to hurt the economy directly but because of macroeconomic uncertainty (Myers, 1977). According to the theory, people hold cash because of the trade-off between marginal cost and benefits. The proactive measure of idlers during both periods of certainty and uncertainty is to maintain a balance between the two in order not to run into the crisis of financial outage.

Iftikhar (2017) enumerates two types of cost associated with cash holding which depends on a manager's objective of maximizing shareholders wealth or not. If the objective is to maximize shareholder interest, the cost of cash holding is lower but if otherwise, will increase cash holdings in order to increase the amount of asset. This implies that if individuals keep cash idle for the purpose of conventional demand such as speculative motive, the cost is lesser because it leads to product expansion but if cash is held idle for primitive motives such as political affluence, avoidance of regulation, building social status and asset acquiring, and avoidance of anti-corruption operation then, the cost of idle cash will be higher leading to an increase in individual status discretion, thus resulting in economic waste and backwardness. This could be one of the reasons why sometimes an individual in a state is bigger and richer than the state, hijacking every benefit supposed to be accrued to poor people.

The free cash flow theory also postulates that individuals or managers become desirous to hoard money so they can utilize it for self-benefits and excise highly to investments verdict (Jensen, 1986). Based on the arguments given we can claim that Nigerians hoard cash for self-benefits which could not be out of those reasons stated earlier but do not excise highly to invest in Nigeria but invest in other countries thus creating dangerous sign and deficit on economic growth and development.

The Keynesian general theory of employment, interest, and money highlights three leading factors that have been moving individuals' decision on keeping idle cash such as transaction, precautionary, and speculative motives (Keynes, 1936). First, money is kept for transactions motive to perform day to day transactions as they occur in single or multiple facets such as payment of interest, expenses, capital expenditures, and some emergency situations.

In other words, holding cash helps individuals to become secure when they have to face unexpected expenditure. Secondly, people or firms prefer keeping more cash in their homes because of unexpected problems to reduce borrowing, embarrassment and to maintain social status for external money. This may imply that the individuals and firms keep cash to manage and overcome dangerous situations, avoiding cash shortage for unplanned investment opportunities, because accessing external sources may be expensive and time-consuming. Lastly, the speculative motivate is related to income and fluctuation in interest rate. Individuals and firms hold idle cash only when the interest rate of the security is low.

3. Methodology

The data for this study was obtained from both primary and secondary sources. The primary data were collected through structured questionnaires, interviews, and observations. On the other hand, the secondary data was acquired from the Central Bank of Nigeria Statistical Bulletin, World Bank indicators report on Nigeria and the National Bureau of Statistics. The study utilized the Investigative Survey Research Approach (ISRA) in collecting relevant data. Employed ISRA for obtaining data entails the schedule of a series of visits to relevant and concerned interest organizations such as financial institutions, Central bank of Nigeria Minna branch, EFCC, Ministry of Finance and some concern individuals such as journalists, academicians, politicians, and electorates. The tasks accomplished during such visits include the following: interviewing to ascertain individuals opinions, views, and understandings of the subject and obtaining relevant information from the available records.

The act of collecting and analyzing both qualitative and quantitative data is referred to as mixed methodology (Johnson, Onwuegbuzie, & Turner, 2007). The essence for the choice of mixed method of analyses stems from its advantages. The mixed data gives more factual information about individual characteristics and determinants which could lead to the obtaining of robust result. For instance, it is difficult to get macro data that can capture why people keep cash idle, but the primary study gives the information and this study is important for Nigeria today because the economy is tactically suffering from active idle cash.

Thus, relevant information is required for the analysis. The mixed method also gives a wider and broader overall view and information about the study findings and reduces the researcher’s personal biases. Moreover, the mixed method eliminates the weakness of both quantitative and qualitative data regarding to the context in which the data is to be collected and based to generalize the statistical analysis by exploring and analyzing the same study jointly. In addition, the outcome of both provides extra support, observations and statistical analysis for validation and reliability of findings. Finally, inductive and deductive reasoning and thinking are both used in a mixed method which gives room for logical findings and conclusion.

To analyze the dynamic impact of idle cash on economic growth in Nigeria, the study utilized the multiple regression model to obtain the effect of idle cash on economic growth and the Granger Causality test to ascertain its dynamics on economic growth, inflation, commercial banks' lending rate, and exchange rate. The model is specified as follows:

$$GDP = f(COB, INF, CBL, EXC) \quad \mathbf{(1)}$$

Where;

GDP = Economic Growth
COB = Currency Outside Bank
INF = Inflation
CBL = Commercial Banks' Lending rate
EXC = Exchange Rate

4. Results and Discussion

Table 1 presents the descriptive statistics of the characteristics of the respondents regarding their sex, religion and educational qualifications.

Table 1 shows that out of 200 randomly selected respondents, 115 individuals representing 58% were males while 42% were female. This is a fair representation of gender because the institutions visited are male dominated. The highest respondents in terms of qualifications in the visited organization are MSc holders with 86 representing 43%, followed by those with HND/BSc (55 representing 28%), PhD (32 representing 16%), and Professors (27 representing 13%).

Table 2 shows the reasons behind the idle cash and structured with options; strongly agree (SA), Agree (A), strongly disagree (SDA), and disagree (DA).

Table 1: Descriptive Statistics

Variables	Observation = 200
Sex	
Male	115
Female	85
Religion	
Islam	99
Christianity	101
Educational Qualifications	
HND/BSc	55
MSc	86
PhD	32
Prof.	27

Table 2: Reasons behind the Idle Cash

Variables	SA	A	SDA	DA
Political affluence	63	89	21	27
Social Status	30	93	46	31
Asset declaration	135	53	1	11
BVN	70	65	25	40
Whistler-blower	97	82	11	10
Withdrawal limit	22	17	105	56
EFCC	99	81	9	11
Economic uncertainty	41	39	112	8
TSA	78	69	27	26
Demand for money	20	24	97	69

The result revealed that political affluence, social status, asset declaration, BVN, Whistler blower, EFCC, and TSA are the determinants of idle cash in Nigeria because the majority of the respondents choose “strongly agree” and “agree”. Also, others strongly disagree and disagree with withdrawal limit, economic uncertainty and demand for money as the determinants of idle cash in Nigeria. Table 3 presents the results for the effect of regulatory policies on idle cash.

Table 3: Rating Regulation Policies to Raise Idle Cash Holding

Variables	SA	A	SDA	DA
EFCC	64	47	43	46
TSA	73	66	33	28
BVN	88	71	21	20
Asset Declaration	115	56	28	1

The respondents strongly agreed and agreed that the operation of the anti-graft agency (EFCC), implementation of Treasury single account (TSA), bio-data verification number, and asset declaration are responsible for the increasing activities of idle cash in Nigeria. It is no longer safe to keep huge amount of money in an individual deposit account because most of this money might have been acquired through illegal means which need to be kept out of the reach of government. Table 4 shows the factors behind the recent low economic growth.

Table 4: Reasons behind Low Economic Growth in Nigeria

Variables	SA	A	SDA	DA
Idle cash	20	10	111	59
High lending rate	66	61	43	30
Corruption	119	72	7	2
Leadership	99	87	14	0
Poor financial system	11	21	113	55

The result indicates that high-interest rates, corruption, and leadership are responsible for the recent low economic growth in the country. This is so because the main driver of every economy is investment; both domestic, foreign, and direct investment which is also a function of interest rate. The higher the interest rate charged by commercial banks the lower the rate of investment returns in developing countries because the majority of the population are low-income earners. Furthermore, one of the growing concerns in developing countries like Nigeria is the primitive accumulation of wealth and poor leadership which results in economic backwardness.

In implementing the empirical estimation in the study, the variables were first checked for stationarity. Table 5 shows the unit root test results.

Table 5: Test of Unit Root

Variable	Significant	T-statistics	Prob.	Integration
GDP	5%	3.858590	0.0141	I(1)
COB	5%	6.904060	0.0000	I(1)
CBL	5%	4.873745	0.0004	I(1)
EXC	5%	4.505209	0.0011	I(0)
INF	5%	3.285916	0.0271	I(1)

Given the results in Table 5, the variables were stationary at different orders. Economic growth, currency outside banks, commercial banks' lending rate, and inflation were stationary at first different but exchange rate stationary at level. Thus, we reject the null hypothesis and accept alternative and conclude that the variables have no unit root at 5% level of significance.

Next, it was examined whether a long run relationship exists among the variables. Table 6 is the bounds test for co-integration among the variables.

Table 6: F-Bounds Test

Test Statistic	Value	Significant	I(0)	I(1)
F-statistic	16.51176	10%	2.68	3.53
Parameters (K)	4	5%	3.05	3.97

The f-statistics value is greater than the upper boundary I (1) at 10% and 5% levels of significance. Therefore, a long-run relationship exists between economic growth and the explanatory variables in the model. Hence, we employed the Autoregressive Distributive Lag model to capture both short run and long run impact of idle cash the economic growth of Nigeria. The short-run estimates are presented in Table 7.

Table 7: Short Run ARDL ECM

Variable	Coefficient	T-statistic	Prob.
C	13.800	10.908	0.000
D(CBL)	-0.575	-4.568	0.002
D(COB)	-1.621	-6.564	0.000
D(EXC)	-0.048	-2.730	0.026
D(INF)	-0.289	-7.267	0.000
ECM(-1)	-0.527	-6.756	0.000
R^2	97%	Adjusted R^2	93%
F-statistic	28 (0.000)	Durbin Watson	2.00

Table 7 is the short run ARDL Error correction model and the signs are in accordance with theoretical expectations. The result shows that CBL, COB, EXC, and INF have a statistically significant declining effect on the economic growth of Nigeria within the period of the study. A 1 percent increase in commercial banks' lending rate, currency outside the banks, exchange rate, and inflation will lead to 0.58, 1.62, 0.05, and 0.29 percentage decreases in economic growth respectively. This implies that idle cash has an inverse effect on economic growth. For every 1 Naira that is kept out of bank earning no economic benefit declines the economic growth by 162 in nominal value.

The coefficients of the error correction term has the correct negative sign and is less than one and statistically significant. This particular finding has three important implications. First, it confirms the presence of a stable or strong long run relationship between economic growth and the determinants, as previously established by bound test result in Table 2. Secondly, the value (-0.53) implies that about 53% of short run's disequilibrium arising from last year shocks will be corrected within the current year. Lastly, the negative sign suggests the presence of a unidirectional causality in the long run from the explanatory variables to economic growth.

The coefficient of determination (R^2) shows that model has 97% variation of economic growth. The total variation in which explanatory variables explain dependent variable and the model is good fit. Explanatory variables is 28% simultaneously significant and DW statistics shows absence of autocorrelation in the model. The long run estimates of the ARDL model are shown in Table 8.

Table 8: Long Run ARDL

Variable	Coefficient	T-statistic	Prob
C	17.258	1.933	0.089
CBL	0.974	2.841	0.022
COB	10.029	8.639	0.000
EXC	0.050	1.792	0.111
INF	-0.006	-0.030	0.977

The results show that commercial banks' lending rate, currency outside banks, exchange rates have positive and statistically significant effect on economic growth in the long run. A percentage increase in CBL, COB, and EXC will lead to 0.97, 10.03, and 0.05 percentage change in economic growth in Nigeria. This suggests that even at a high lending rate the investors would borrow because they are still making profit.

In the long run, the idler spent the cash held idle in buying property, they do so because money kept idle loses value as a result of economic uncertainty. However, inflation has a negative effect on economic growth, but statistically insignificant in the long run. A one percent increase in INF will lead to 0.01 percentage decrease in economic growth. Table 9 is the Granger causality test results relating to the third research question.

Table 9: Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
COB does not Granger Cause GDP	32	4.11168	0.0042
GDP does not Granger Cause COB		0.11064	0.8957
COB does not Granger Cause CBL	32	8.45761	0.0002
CBL does not Granger Cause COB		1.23761	0.3060
EXC does not Granger Cause COB	32	2.27410	0.1223
COB does not Granger Cause EXC		0.07845	0.9248
INF does not Granger Cause COB	32	1.20063	0.3166
COB does not Granger Cause INF		3.03941	0.0645

The currency outside the banks Granger cause economic growth, commercial banks' lending rate and inflation but not otherwise. The result shows unidirectional relationship running from idle cash to economic growth, commercial banks lending rate, and inflation. Therefore, we reject null hypothesis and conclude that idle cash cause changes in economic growth, commercial banks' lending rate, and inflation within the period of study in Nigeria. The result of the test for stability of the model is presented in Table 10.

Table 10: Test for Stability of the Model

Test	Stability
CUSUM	Stable
CUSUM of Squares	Stable
Ramsey RESET test	Correct specification (0.5153)

This test is very important as the results of the estimated model have implications for policy. On the stability of the parameters of the model over the sample period, Cumulative Sum of Recursive Residuals (CUSUM) and Cumulative Sum of Recursive Residual squares (CUSUMQ) tests were conducted. It revealed that the estimated parameters of the models are stable over the study or sample period as both the recursive residuals and its squares are contained within the 5% critical bounds. We accept the null hypothesis and conclude that the required level of significance is not smaller than 5% (0.5153). Overall the model is well fitted, stable and good for policy recommendation. This is reinforced by the results of the diagnostic tests showed in Table 11.

Table 11: Test for Classical Assumptions of the model

Assumptions	Test	Prob.
Normality	Jarque-Bera	0.860
Heteroscedasticity	Breusch-pagan	0.490
Serial correlation	Breusch-pagan	0.128

Table 11 shows diagnostic tests results for the classical assumption of Autocorrelation, Normality, Heteroscedasticity. The model passed the diagnostic test. This means that the residual of the model is serially independent, Homoscedastic and normally distributed. By satisfying these underlines classical assumptions of regression analysis, it is concluded that the estimated parameters are best, linear and unbiased as well as efficient. This means implications can be drawn from the results of this study.

5. Conclusion and Policy Implications

Over the years, Nigeria has struggled with inflation, unemployment, militancy, crime, crises, and slow economic growth coupled with high corruption. This prompted the government to come up with new anti-graft laws while strengthening existing laws in order to reduce corruption. Keeping cash idle is an act of corruption because it negates economic opportunities such as jobs and investment opportunities.

It is imperative to have money exchanging hands in every nation in order to keep the economy growing but, when the money in circulation is tied down in the hands of few individuals without earning any economic benefit the implications will affect the generality through sluggish economic growth. Theories have shown the paramount of demand for money. The monetary theory asserted that people demand money for a financial asset, which can easily be converted to money - Keynesian's theory for speculative, precautionary and transactions purpose; the trade-off theory for marginal cost and benefit, and lastly cash flow theory for self-interest.

Base on the reviewed literature and findings idle cash despite its economic uncertainty benefits does bad than good to the economy because most people keep cash idle not for the benefit of generality but for personal interest. The empirical result indicated that idle cash has a diminishing effect on the economy in the short run, short run matters much more to people than long run which showed appreciating effect on economic growth.

According to Keynes (1936) “we are all death in the long run”. This provided the empirical background to the research questions in the early section. Does idle cash have an effect on economic growth? The findings obtained are in the affirmative; idle cash has an inverse effect on economic growth. As to how idle cash contribute to rising commercial banks’ lending rate, exchange rate, and inflation rate, the Granger causality test revealed a unilateral causality running from idle cash to the variables. This means idle cash could cause a rise in lending rate and inflation through undermining the availability of currency in circulation.

For the reasons why people hold idle cash, the descriptive statistics revealed that people hold cash idle in Nigeria because of political affluence, social status, Treasury single account (TSA), asset declaration, biometric verification number (BVN), whistle-blower programme, and the empowering operation of economic and financial crime commission (EFCC) for anti-corruption zealot.

Furthermore, the findings also revealed that the operation of the above policies contributed to the excessive public domain of raising idle cash in Nigeria because most money exchanging hands in the public domain are owned by politicians who see the policies as a targeted hunt. Therefore, in order to improve economic growth, it is necessary to put all the paramount mechanism that will track down the activities of idlers to allow the available money supply to be able to get to commercial banks to create a deposits, hence, making available funds for investors. This will help to create more jobs, improve welfare and economic growth.

The policy implications of the study include; first, the need for the government to provide a policy regulatory framework that will regulate, track and checkmate the excessiveness or exorbitant of idle cash by the apex bank. Second, the government should intensify the implementation of asset declaration, BVN, and whistle blow programme in all arms of government, and anyone found wanted should be brought to book without fear or favor irrespective of his/her affiliation.

Third, standard regulation and limit should be set for the stipulated amount allowed to be spent for any political office. Since one of the results indicated that people hold cash idle because of political affluence and social status. Last, the government should enlighten the people on the effects of idle cash on the economy and risk involved concerning losing the value of the money, because many still hold to the traditional belief that every process of cash deposits and withdraw wastes time, as such prefer to keep money in homes idle.

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To cite this article:
Sakanko, M. A., Ijoko, A., & Mohammed, I.Y. (2019). The Dynamic Impacts of Idle Cash on Economic Growth in Nigeria (1985 – 2018). *Empirical Economic Review*, *2*(2), 33 - 52. doi: 10.29145/eer/22/020103

Received: April 15, 2019
Last Revised: August 17, 2019
Accepted: November 27, 2019