

**THE DETERMINANT OF SAVINGS IN NIGERIA
(1985-2011)**

BY

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EC/2009/681

**BEING A RESEARCH PROJECT SUBMITTED TO THE
DEPARTMENT OF ECONOMICS
CARITAS UNIVERSITY AMORJI ENUGU STATE**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF BACHELOR OF
SCIENCE (B.SC) DEGREE IN ECONOMICS**

AUGUST, 2013

APPROVAL PAGE

This project has been approved as satisfying the requirements of the department/faculty of management and social science, Caritas University Enugu State for the award of Bachelor of Science (B.Sc.) Degree in economics.

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DEDICATION

This noble research work is faithfully dedicated to the Almighty God, through the help of our mother Mary, and to my parents.

ACKNOWLEDGMENT

I am delighted to God Almighty for his blessing in my life. My profound gratitude goes to my parent Mr. and Mrs. A.C. Onuoha, my brothers and sister for their care and financial support.

My sincere appreciation goes to my project supervisor Mr. J.C. Odionye who gave out his time to ensure the success of this research work.

To my humble Lectures Dr. C.C. Umeadi, Prof. Udabah, Prof.ONnah, Mr. Uche, E.O, Mr. Odike, Mr. Ojike,Mr. Odo and Mr. Osoduru for all their support and teachings.

My profound gratitude goes to my love ones, Modester Augustine, Prisca, Faith, Wisdom and friends, Tochukwu, Oluchi, and Vivian and all my room mates. And all who in one way or the other supported me in my academic life.

Thank you all.

ABSTRACT

The term savings refers to the part of income immediately spent or consumed but reserved for future consumption, investment or unforeseen contingencies. This study examines the determinants of savings in Nigeria between 1985-2011, which will enable us to proffer solution for the improvement of savings in the economy, since it is an important component of the economic development of any country. The method of analysis used in testing the hypothesis are coefficient of multiple determination $\{R^2\}$, T –test, F -statistics. Data for the study was obtained from the central bank of Nigeria statistical bulletin, the major findings was that per capita disposable income $\{pdy\}$ has a positive and significant impact on aggregate savings in Nigeria. Based on the findings, some recommendations of policy and suggestions have been made.

CHAPTER ONE

1:1 BACKGROUND OF THE STUDY

Capital formation is an important factor of an economy growth. For a country like Nigeria to attain economic growth, serious effort should be geared towards capital formation by encouraging savings.

The financial institution markets, regulators and instrument interact within an economy to provide financial services such as foreign exchange transaction, financial intermediation and resources mobilization and allocation.

The financial system in Nigeria can be categorized into two, the formal (organized) and informal (unorganized) financial system. The formal financial system is categorized into capital and money market institutions and these comprises of the banks and non banks financial institution, while the informal sector is made up of the local money lenders (Esusu), the thrifts and savings associations, merchants, shopkeeper or traders, friends and relatives etc. here the system is poorly developed, limited economic information, defective system of accounting and not integrated into the formal financial system. But it is very important and plays a major role in the Nigerian financial system.

Miracle and Cohen (1980) noted that a great bulk of the African population makes little or no use of formal saving and lending institutions, because they offer relatively low returns, savers are reluctant to use formal institutions.

The crucial role played by the financial system in the economic development of an economy was recognized by Gold Smith (1955), Cameron (1967), McKinnon (1973), and Shaw (1973), they demonstrated that the financial sector could be a catalyst of economic growth if it is well developed and healthy. Over the past decades, the declining trends in saving rates in Nigeria have been of great concern to the policy makers and researchers. This is due to the critical importance of savings for the maintenance of strong and sustainable growth in the world economy especially in Nigeria. A sound, developed, healthy and reliable financial system relate to saving mobilization efficient financial intermediaries roles, is first to reduce hoarding and help spread the risk between household and firms.

Secondly, they create liquidity in the economy by borrowing short term and lending long term loan. Thirdly disseminate information between ultimate lenders and ultimate borrowers there by mobilizing savings from surplus units and channeling them to deficit units through the help of financial techniques, instruments, and institution. Fourth, lower interest rate by bringing about stability in capital market. Fifth, the intermediaries promote development in the financial transaction. Gibson and Isiaka Lobos (1994). The Nigeria financial system

comprises the regulatory/supervisory authorities, bank and non bank financial institution.

As at the end of 2007, the system comprised of the regulatory/supervisory authority. The Central bank of Nigeria (CBN), the National Insurance Commission (NAICOM), the Nigeria Deposit Insurance Corporation (NDIC). The Securities and Exchange Commission (SEC) and finally the Federal Mortgage Bank of Nigeria (FMBN). The CBN is the principal regulator and supervisor in the money market followed by deposit money banks (DMBS), Discount Houses, the people bank of Nigeria and Community Banks. The CBN exclusively regulates the activities of the finance companies and promotes the establishment or specialized or development financial institution.

The security and exchange commission (SEC) is the apex regulatory authority in the capital market. The Nigeria stock exchange (NSE) is a self regulatory or user regulatory institution. The issuing house, registrars and stock brokers, who also interact with the money market, complete the chain the capital the NAICOM is the regulatory authority in the insurance industry while FMBN regulates mortgage finance activities in Nigeria.

Saving refers to the part of income not immediately spent or consumed but reserved for future consumption, investment or unforeseen contingencies, it is considered as an indispensable weapon for economic growth and development. Its

role is reflected in capital formation through increase in capital stock and the impact it makes on the capacity to generate more and higher income.

Savings can also be known as a sacrifice of current consumption that provides for the accumulation of capital, which in turn, provides additional output that can potentially be used for consumption in the future (GERSOVIZ 1988). In other words, savings is the difference between current earnings and consumption. We can also define savings as the deposit and saving ability acquired by the organized financial institution including bank and non-banking financial intermediaries or it is described as a financial asset accumulated by the public, both government and private agents in the organized financial channels. These financial assets include savings and time deposit in the banking institution, provident funds, insurance premium, stocks and bonds etc. The intermediation process involves moving funds from surplus sectors of the economy to deficit sector units (Nnann and Englama 2004). To expand financial savings involves shifting of funds from the personal and household sector to the business or corporate sector which in turn leads to greater investment, income growth, employment and capital formation, which cannot be achieved without increasing the rate of savings.

Nigerians' savings still falls below the requirement of its financial system due to low per capita income, under investment in productive instruments, and investment in unproductive channels e.g. Gold, jewelry, income inequalities and

demonstration effects, etc. to remedy this problem depend on the level of development of the financial sector mentioned above as well as the saving habit of the citizens. The availability of investible funds can be a starting point for all investment. In the economy which will eventually translate to economic growth and development (Uremadu 2006).

The relationship among savings, investment and growth has historically been very close, hence the unsatisfactory growth performance of several developing countries, example Nigeria, has been attributed to poor savings and investment. This poor growth performance has generally led to a dramatic decline in investment. Domestic savings rates have not better, thus worsening the already uncertain balance of payment position, the role of savings in the economic growth of any country cannot be overemphasized (Cheta 1999). Conceptually, savings represent that part of income not spent on current consumption.

Institutions in financial sector like deposit money banks (DMBS) commercial Banks mobilize savings in an economy, the deposit rate must be relatively high and inflation rate stabilized to ensure a high positive real interest rate which motivates investors to save from their disposable income.

In Nigeria Odoko and Englama (2004) are of the view that the level of funds mobilization by financial institution is quite low due to a number of reason, ranging from low savings deposits rates of the poor banking habit or culture of

people. According to them another impediment to funds mobilization is the attitudes of banks to small savers.

Another limitation of saving mobilization is the fact that the concentrations of banks and their offices are based in favour of urban areas. Among the reasons for this, is the fact that the established banks under rate the volume of savings seeking to be mobilized and channeled into productive investment in the rural areas. It is often argued that since the rural economy operates at a near subsistence level, there is very little that can be squeezed out of income and consumption. Because of this, it has not been realized that the large volume of idle funds, through its small units per individuals exist in the rural areas.

In Nigeria there is basically lack of incentives to savings which has adversely affected savings. Some of these factors include poor banking habits, attitude of banks to small savers, poor orientation, unemployment, instability in the political system etc, corrupt taxation system, instability in banking system etc. one of the problems of mobilizing savings and deposits has always been a major problem for economic growth and development in Nigeria.

According to Friedman (1952) the impact of inflation on saving has been long recognized in theory, but its effect on the aggregate savings have been considered to be over shadowed by another factor, inflation causes price of tangible assets to rise sharply and changes in net worth based on rising market value giving the

illusion of well being the magnitude of the impact of wealth on saving rate may have the reassured experiences of economic crisis have highlighted the fact low and declining saving rate have contributed to generate unsustainable current account deficits in many countries.

The above arguments underscores the fact that there exist a link between savings and the growth performance of the economy, both in Nigeria and in the world over. This necessitates the need to carry out a detailed study of what actually determines the rate of savings in the contexts of Nigeria economy.

1.2 STATEMENT OF THE PROBLEM

Saving is a macro-economic variable used to attain economic growth and development (Wikipedia encyclopedia, 2009). In Nigeria, there is lasting need to further step-up efforts in mobilizing small savings in both urban and rural areas, given the poor savings culture of the Nigerian people and the theoretical link between saving and investment which underscore the importance of savings on the growth of every economy. When savings are low, interest rate increases and investments becomes low there will be low income and decrease in the Gross National Product (GNP) and Gross Domestic Product (GDP) of the nation which leads to the poor living standard of the people and hinders the depositors from savings.

This research work would attempt to examine the magnitude and nature of such variable as interest rate, inflation, income, urbanization on savings in Nigeria.

1.3 RESEARCH QUESTION

Important research question that arise include what are then the determinant of saving in Nigeria economy? Could it be that there are few dominant determinants of saving due to our poor economy? Could these dominants be consumption rather and interest or many more? Why is the rate of savings in Nigeria very low? Is it as a result of saving in Nigeria very low? Is it as a result of policies requiring further review to make if effective the study intends to answer these questions?

1.4 OBJECTIVES OF THE STUDY

The broad objectives of the study are to examine the determinant of savings in Nigeria economy. However, the specific objectives are as follows.

1. To determine the impact of savings on the economic growth
2. To determine whether consumption expenditure is a major determinant of savings in Nigeria economy.
3. To determine the magnitude and nature of the elasticity's of the savings functions in Nigeria.

1.5 SIGNIFICANCE OF THE STUDY

The findings and subsequent proposal would be useful to policy makers in policy formations. This study as believed by the researchers would go a long way in contributing to the academic development of the theories of determinant of savings in Nigeria, student of economics and other related fields, would find the study very useful and would serve as a reference point to future researches who might want to research further on the topic.

1.6 STATEMENT OF THE HYPOTHESES

H₁: the determinant of savings in Nigeria cannot be ascertained

H₂: the magnitude and nature of the elasticities of the savings functions in Nigeria cannot be determined.

H₁: the factor that influence savings have no significant determinant in Nigeria.

H₂: saving has no significant impact on economic growth.

1.7 SCOPE AND LIMITATION OF THE STUDY

The scope of this study is to estimate and evaluate the determinants of savings in Nigeria (1980-2008). The research has been contained by lack of fund,

human error and limited time frame which imposed difficulties when serious attempt to effect a general in depth towards the study of the determinants of saving in Nigeria.

CHAPTER 2

This chapter deals with the literature review which entails, the theoretical frame work, of savings in Nigeria including the empirical evidence of savings in Nigeria.

THEORETICAL LITERATURE

There are a number of determinants of savings; these are the major forces that shape the economic scenario of the country. All the sometime, determinants of savings are also responsible for the development or down fall of the investment sector of a country. There are a number of factors that are termed as the determinants of savings. Some of the factors are the demographics of a particular region or county.

A life – cycle hypothesis was formulated by modighani (1970) and is the principle theoretical under pinning that has guided the study of savings behavior over the years. A critical analysis of this theory however shows that it seems to indicate what happens in developing countries like Nigeria.

There are number of reasons that make it imperative for savings behavior in developing countries to be modeled.

Separately from that in developed countries. First, at the microeconomics level, developing country households tend to be large and poor. They have different demographics, structure, most of them are likely to be engaged in agriculture and their income prospects are much more uncertain. Second, at the macroeconomics level both developing and developed countries are concerned with savings and growth, with the possible distribution of aggregate savings and with savings as a measure of economic performance. Third, much of the literature in the past five decades expresses the belief that the saving is too low and that development and growth are impeded by the shortfall. Sometimes the problem is blamed on the lack of government policy. Lastly saving is more difficult to measure in developing economics than in advanced economics.

2.1 CONCEPTS OF SAVINGS

Saving is the process of withholding current income for future use and results in the accumulation of tangible and financial assets. The amount accumulated over past period is referred to as savings. According to Green Wald 1982 he states that the reverse of saving is when current expenditure exceeds current income is termed dissaving and dissaving occur within all major groups of the country individuals business and government, two concepts of savings are used in national income accounting net and gross savings.

On net basic individuals save when personal income after taxes exceed personal out lays, business save through rational profit and governments save when current receipts exceeds current expenditures.

According to Feldstein (1976:77) gross national savings is the source for additions to stock of tangible assets, including investment in homes as well as in business inventories and plant and equipment, He further states that for the economy as a whole gross saving equals gross investment.

Duisenberg (1949:840) complement by stating that by far the major portion of gross saving consists of capital consumption allowance, which accrue chiefly to the business sector.

Friedman (1975:840) defines personal savings in the national income accounts represents the residual obtain subtracting personal outlays from disposable person income consists of the after tax income of individual from wage and salaries (including fringe benefits or other labour income). Further defined personal saving to represent the changes in net worth of individuals place the amount saved from currents income into tangible and financial assets and debt in the process of acquiring assets the change in net worth should equal to the amount of personal saving out of income.

2.1.2 THE DETERMINANTS OF SAVING

Many theories have been advanced and especially studied to explain the saving behavior of individual both as separate entities or groups and in the aggregate. Basically, individual forgo spending all of their income, and thus save in order to have assets in the future to meet unexpected emergencies, to purchase goods and services in the future to provide retirement income, or leave to beneficiaries. However, in practice, preferred for future over current consumption vary wide with some consumption being dissaveers and other average or high savers.

Green wale (1982:839) lay emphasizes that empirical studies have shown that the percentage of income saved rises. The order the age group up to time of retirement. Green wale further emphasized that it has been demonstrated that not only the amount but also the percentage saved tends to be higher saving rate. Fried man (1957) argues that classical economic theory revolves around the consumption, Fried man goes on by stating that under Keynesian theory, it is assumed that consumption is a stable and dependable function of real income and that as the aggregate real income of the economy increases, consumption will not rise proportionally causing the saving rate of rise.

2.1.3 MOBILIZATION OF PRIVATE SAVINGS OTHER GOVERNMENT ACTIONS

Adams (1978:559) reasons that since one important share of private saving generally is contributed by business government and can attempt to increase business savings by policy actions favourable to private firms, tax incentives e.g accurate depreciation allowance, tax credit.

The purchase of capital goods or tariff for reduction are frequently used for this purpose while subsidy can be Justified on the grounds that it off sets the disincentives effects of imperfect capital market which make the cost of borrowing high indiscriminate use of tax incentive tend to be provided for the purchase of machinery and equipment but not for the hiring of labour. Thirdly, Adam (1975:559) further states that problems are created for the government budgets which would be faced with a decline in tax incentives can be an important tole for mobilizing savings.

Zuvekas is of the view that government can also encourage the development of co – operatives, and loan association and other private institute to mobilize the saving of lender and middle income groups. A secondary effect has been the creation of a considerable number of Jobs in constitution thus benefiting lower.

Zuvekas concludes saying that government sometime play a more direct role in the Mobilization of small savings, postal savings scheme, for example, have made significant contribution to domestic savings in Japan and Taiwan, and they have also been successful in other African countries.

Government has experimented with variety of other measures to encourage greater private saving to some extent the measures described above can mobilize private savings indecently or financial liberalization.

2.1.4 **STYLIZED EVOLUTION OF SAVINGS IN NIGERIA**

The Nigerian economy comprises of the public and private sector with both engaging in investment expenditure. Both sectors borrow in order to meet their investment requirements.

The immediate source of funds is personal or own saving and others are the government which represents the public sector collects revenue from both tax and non tax sources. After meeting USA expenditure requirement on purchases of goods and services the government uses whatever surphes they gave to increase its stock of capital for investment purposes. When investment expenditure exceeds the level of savings the private and the public sectors mainly borrow from the financial institutions. The financial institutions in providing funds or credit for investment in Nigeria include deposit money banks (OMBS) mortgage institutions and development finance institutions. Other sources include non – bank financial

institution like the insurance companies, the capital and equipment leasing companies (mural trust fund, pension fund). They provide the largest portion of the domestic funds for investment.

In the late 1970's and early 1980's Nigeria witnessed tremendous economic growth as a result of the oil boom, which gave rise to investment boom especially in the public sector. However when the oil markets collapsed in the 1980's investment equally fell thereby resulting to a fall in economic growth.

Although the rise in price of oil during the 1990 – 1991 periods was supposed to spark off an investment boom but that was not the case.

The evolution of financial system Nigeria can be characterized on the basis of the following features.

First the Nigerian financial system is mainly dominated by bank institution which handles more than 90% of the total financial assets.

In Nigeria, unlike the government in the developed countries where bonds are used in financing projects and acquiring assets. The government stocks contribution to the capital market had declined tremendously from 94% in 1961 to roughly 3% by 1994 and further fell in 1995.

Second, the financial system has a weak regulatory structure which stems from the fact that it originates in the preponderance of state owned banking and non – banking institution by the government. (World Bank 1994). The government uses

their control of the banking system particularly to direct credit so some sectors mainly industry. Agriculturally and construction etc. the regulatory authority for the financial system in Nigeria only began to be recognized by the 1980's in the wake of structural adjustment programmed. (SAP) up to recent years.

Thirdly, there is a significant presence of an informal financial market characterized by small – scale transactions and often based on pre – existing financial social and economic relationship.

Fourthly, there is a negative saving by the public sector. This to do with the fact that the private sector, households and firms constitute the sole sources of services in which the bulk of the capital funds of the public sector came from internal and external borrowing.

Fifth, the state borrowing through “debt instrument” does seem to present on generation of saving from private, particularly household savings, that otherwise would have been consumed through it is doubtful. This has been an explicit objective of economic policy.

Finally, financial repression, by the late 1980 financial liberalization had begun a component of the SAP Key element of this Financial Liberalization include Relaxation of direct credit allocations, removal of interest controls by the CBN etc.

2.2 EMPIRICAL REVIEW

There is an abundance of empirical studies that deal with the impact of the different variables of interest on savings Mobilizations. Some authors have found a strong positive relationship between real per capital growth and saving rate (for example, see Modigliani 1970, Bosworth, 1993, and Carroll and Weil 1994).

However, its structural interpretation is controversial since it is viewed both as evidences that growth drives saving (Modigliani, 1970, Carroll and Weil, 1994) and that saving drives growth through the saving investment link (Levine and Decent, 1992, and Mankiw, Romer and wail, 1992).

Given the importance of controlling for the joint endogen city of saving and income growth using panel instrumental variable approach to estimate the effect of income growth on saving was carried out by Loayza, Schmidt – Hebbel, and seven (2000). They found that a one percentage point rise in growth rate increase the private savings rate by a similar amount although this effect may b transitory in their study, they utilized the World saving data base whose broad coverage makes it the largest and most systematic collection of annual time series on country saving rates and saving related variables, spanning 35years (1960-1994) and 134 countries (112) developing both graphical analysis as well as granger causality tests to determine the impact of growth on saving. Their results revealed

that growth of income does not granger cause saving. Suggesting that saving is not income induced in Nigeria. Evidence on the reverse causation argument also shows that saving does not granger cause growth. The findings therefore do not show any direct relationship between saving and income growth.

The Seminal Work in the early seventies of McKinnon (1973) and show (1973) place at the heart of the development debate the issue of financial and monetary policy. At the centre of the debate was interest rate policy which often resulted in the imposition of below market rates thereby creating a disincentive to save and retarding the process of financial deepening. The result where a shortage of investible resources and growth retardation. Several studies have done of the McKinnon – show model. The empirical results have not provided a consensus on the validity of the model. Rey (1980) and Watson (1992) have found some empirical support for the McKinnon – Shaw model.

One of the more innovative and interesting approaches to testing the McKinnon show model or hypothesis has that of Routine and Salami Martin (1992) who expanding on the growth model of Varro (1994) Showed – that financial repression, peroxide by dummy variables capturing three ranges of the real interest rate, has been a factor in the retarding growth in Latin American during 19960 to 1985. On the other hand, Giro banni (1985), and Watson (1992), have not found empirical support for McKinnon – Shaw hypotheses. Asakaie and

odusola (1995), utilized quatably data for Nigeria from 180 to 1993 to investigate the impact of the real interest rate on saving rate. Their result showed that the coefficient of real deposit rate was statistically insignificant even at 70% and was wrongly signed for one of the two interest rate regimes. Analytically, the effect of financial liberalization on private saving rate works previously credit constrained private agents. This allows household and small firms to use collateral more widely, and reduces down payments on loan for consumer durable and housing. Quantitative evidence strongly supports the theoretical prediction that the expansion of credit should reduce private saving as individuals are able to finance higher consumption at their current income level.

Loayza, Schmidt, Hebbel, and Seven (2000), find that a percentage point increases in the ratio of private credit follows to income reduces the long – term private saving rate by 0.75% percentage point. Bandiers and others (2000), on carrying out a deeper analysis of eight episodes of financial liberalization, failed to find a systematic direct effect on saving rate, its positive income cases (Ghana and Turkey), clearly negative in others (Mexico and Korea), and negligible in the rest.

Keynes (1936), defined savings as the excess of income over expenditure on consumption. Meaning that savings is the part of the disposable income which is not consumed in a particular period (umoh, 2003 and uremadu, 2005). Given that

income is equal to the value of current output; and the current investment (ie. Gross capital formation) is equal to the value of that part which is equal to the excess of income over consumption.

Keynes maintains that on the aggregate, the excess of income over consumption (otherwise called saving) cannot differ from the addition to capital equipment (i.e. Gross fixed capital formation or gross domestic investment). Savings is therefore a mere residual and the decision to consume or invest determines the volume of national income accumulated in a period. In Keynesian view, therefore, secularly rising income would result in higher saving rate. As a matter of fact, savings is regarded as being complementary to the consumption function in its simplest form, the saving function is derived from the linear consumption function when the autonomous consumption expenditure is separated off (Umoh, 2003).

Keynes (1936), however, brought in the opportunity cost variable the rate of interest, which the classical economist regards the rate of interest as the factor that brings the demand for investment and the willingness to save into equilibrium with one another (Umoh, 2003). The classical view accepts the fact that savings and investment are necessarily equal (although this view is still a debatable point). They, however, held that every act of increased saving by an individual necessarily bring into existence a corresponding act of increased investments.

There is the permanent income Hypothesis (PIH). This is one of the two dominant paradigms which provided the point of departure for most modern research on consumption and savings. The PIH focuses on a representative lived consumer while the other paradigm is the life Cycle hypothesis (LCH), which is derived from the aggregation of finitely lived overlapping generations. This theory views individual as choosing a life time stream of consumptions and savings in a way what present value of their consumption equal the present value of their lifetime earnings and inheritance (Deaton, 1990). There abound numerous theoretical evidences concerning the functional relationship between savings and wide range of causal variable for instance, Jester and Taylor (1975) report that savings is an increasing function income. Moreover, Modigliani (1970), Madison (1992), Bosworth (1993), Carroll and Weil (1993) Schmidt – Hebbel, seven and salesman (1994), Modigliani (1995), Collins (1995), Edwards (1995), and Uremadu (2000), maintain that there exists a positive relationship between savings and income growth rates.

In addition, studies dealing with savings and interest rates are categorized into two those who argue that high interest rates include savings include McKinnon (1993), Shaw (1993), Molto (1980), Balassa (1980), Buskin (1978), Howard (1978), and Uremadu (2006) found negative correlation between real interest rates and national savings. Inflation has been found to exert dual

influences on savings. First it encourages the hiding of real assets rather than an asset fixed in normal values, and thus reduces savings (Howard, 1978). Secondly, inflation creates a feeling of uncertainty and pessimism about the future and thereby encourages savings Deaton, 1997 and Cyfason, (1981).

2.2.1 **FACTORS INFLUENCING SAVING IN NIGERIA**

As earlier stated that there is abundant theoretical and empirical literature on the factors that determine saving in Nigeria. Analysts however identified two broad levels of determinant.

First, there are analyses stressing micro – level determinants. These relate to the attribute of the household or individual such factors as the age composition of the household (demographic processes), customs and religious norms which influence ability to save, people's perception of wealth and hence willingness or motivation, to save.

Secondly, there are analyses stressing macro – economic or structure relation. Here the level of financial markets development nature and level of economic growth, price stability, interest rate, fiscal relations condition in the external sector which links the economy to the World market, etc are cited. The following are some of the determinants of savings in Nigeria.

GROWTH

The life cycle model of hypothesis predicts that an increase in the rate of growth of income per capital will lead to an increase in the aggregate saving rate. This is because it increases the lifetime resources and saving of the younger population relative to that of the older one (Modighani 1970, Maisian 1992, Carroil and Weil 1994). However, controversy is still raging as to its structural interpretation, since some see it as evidence that saving drives growth through the savings. Investment links and others as evidence that it is growth that drives savings.

A panel instrumental variable method was explored by Loayza, Schmidt – Hebbel and Seven (2000) to estimate the impact of income growth on savings. Besides they observed that increase in saving rate do not always come before increases in growth. Lastly, they found that when additional controls were put in place, current income growth has a negative impact on lagged saving rates.

INCOME

The principle assumption of the life cycle hypothesis is that an individual who seeks to maximize the present value of life time utility subject to the budget constraint must first prepare his scale of preference then maximize his utility based on his ranking. The budget constraint is equal to the current net worth plus the present value of expected income from work over the remaining working life

of the individual. The theory predicts that consumption in each period depends on expectations about lifetime income. Given that income fluctuates over the course of an agent's life, one stage in the life cycle is an important determinant of saving behavior.

Empirical evidence shows that the level of real per capital income has a positive impact on saving rates and that this is usually greater in low income countries as against richer ones. Loayza (2000) found that in developing countries a doubling of income per capital is estimated to rise long – run private saving by 10% points of disposable income. Lewis (1954) and Bassinette (1962) have argued that income inequality is an important determinant of saving.

INTEREST RATE

A high interest rate increases the current prices of consumption viz – visa the future price. Thus leading to an increase in saving. This is the substitution effect if on the other hand the household is a net lender, an increase in interest rate will increase lifetime. This is the income effect. Thus, saving will have a positive relationship with interest rate only when the substitution effect surpasses the income effect.

Some authors show (1973) and Seri (2004) argued that the relationship between real interest rate and saving is positive for a developing economy such as

Nigeria. In an environment where self financing and bank loans make up. The bulk of investment fund, accumulation of financial saving is determined merely by the desire to invest than the desire to live on interest income.

INFLATION

Inflation means increase in the average price of goods and services (Mankiw, 1999). The percentage change in the overall level of price which varies overtime and across countries is what is meant by the rate of inflation. Inflation rate measures the percentage change in the average level of price when the inflation rate is above zero, prices are rising. When it is below zero, prices are falling (Osuala, 2002).

Wai (1992:334) asserts that there is a good deal of controversy growth and development.

Some economic focusing on the demand for long – term loan able funds have argued that investment is stimulated when inflation is accelerating because the real costs of interest and principal payment are lowered, it's nominal interest rates are controlled real interest might even become negative. Inflation it is said causes domestic financial assets (demand as well as time deposits) to be converted to consumption goods, relatively unproductive investment goods such as housing and foreign financial assets. If fixed as is common under what Shaw calls “shallow finance,” the domestic currency will become overvalued if the domestic

inflation rate exceeds the rise in international price. This makes export less complete and imports more attractive and led the country towards a balance of payment crisis.

FINANCIAL DEVELOPMENT

Until recently, financial development was assumed to enhance the saving rate. It consists of elimination of credits ceilings, interest rate liberalization, easing of entry for foreign financial institutions, enhanced prudential guidelines and supervision and the development of capital market. Loayza and Shaw (2000) found that financial development has led the private sector to increase the durable goods component to their assets. The effect of financial development on savings rate can be separated into a direct short run impact, which is generally positive. However, whether increased financial development itself significantly increase overall propensity to save depending on the extent of substitution between saving and other item in the household asset portfolio.

Consequently the expected signs of this relationship in the private saving function are ambiguous (Alhukarala and Seri 2004).

URBANIZATION

Urbanization is a requisite for any financial development of a country. It create the opportunities for the populace to develop the habit of saving, some degree of their need for future purposes and mainly for those that are suited or can find themselves in large cities such as Lagos, Port - Harcourt, Abuja, Kano Onitsha etc and is due to the closeness of these financial institution to individuals thereby minimizing the consumption stream of people in order to inculcate the sence of domestic saving habit.

CONCLUSION.

From the foregoing, one could say that the rising urbanization, and financial development are the most positive significant influence on saving while rapid population growth exit the most adverse influence relating the finding to what existing literatures says on financial saying sin Nigeria. The influence of interest rate will not be neglected in this because it emerges or plays no significant role in financial savings in Nigeria.

Therefore policy strategies to mobilize savings which improves people's ability to save through raising per capital income and reducing real income or reducing rapid population growth that increase the dependency ratio among

household, as well as increase savings opportunity and at the same time, incorporating those that improve incentives (through keeping real interest rate on saving positive) should be pursued and at the same time encouraged.

2.3 LIMITATIONS OF PREVIOUS STUDIES.

A few empirical works exist in the literature that focused on the determinants of saving in the context of the Nigeria economy and a number of variable have been examined. However, the extensive review of literature undertaken in this study revealed the absence of investigation in the possible effect of two key variables on aggregate saving in Nigeria, the effect of broad money supply and budget deficit. This forms the existing literature gap which the study.

CHAPTER 3

3.1 MODEL SPECIFICATIONS:

Model specification is expressing or showing the mathematical and econometric relationship (S) that exist between the dependent and the independent variables which will be included in the model, as well as the apriority expected of the size and Sign of the parameters of the function.

As evidence by literature, there are some other macro economics variables which serve as influence to financial saving other than interest rate, such as; Financial development (FD), Real per capital GDP (Y), Export capital (EXP) or Trade openness (TDP) Net capital Inflow (NCI) and others. The model is recognition of the fact that it will be intellectually, statistically, and economically unreasonable to assume that financial saving is explained single by interest rate in a multiple regression model and it state thus.

MODEL I

$$S = F(Y, TDO, RINT, NCI)$$

It can be stated thus:

$$S = B_0 + B_1PDY + B_2TDO + B_3RINT + B_4NCI + ET$$

Where

S= Aggregate Financial Savings.

B₀= Intercept of the Function (Constant term).

B₁ – B₄ = Regression co – efficient.

GDP = Gross Domestic Product

PDI = Per capital Disposable Income

TDO = Trade openness.

RINT = Real Interest rate (returns on financial investment.

NCI = Net capital inflow which is the balance between the Inflow and Outflow of Foreign Investment.

ET = Error terms

MODEL 2

$GDP = F(S, RINT, FPI, INFT, EXR, INR)$

This can also be stated thus:

$GDP = B_0 + B_2RINT + B_3INFT + B_4EXR + B_6INR + ET$

Where

GDP = Gross Domestic Product.

B_0 = Intercept of the Function (Constant term)

$B_1 - B_5$ = Regression Co – efficient

A_s = Aggregate Savings

RINT = Real Interest Rate

FPI = Foreign Private Investment

INFT = Inflation Rate

EXR = Exchange Rate

INR = Investment Rate

ET = Error Terms

3.2 METHODE OF EVALUATION

The aim at the evaluation of the statistical reliability of the estimated parameters. In this case, co – efficient of multiple determination (R^2), T – statistics and F – statistics.

3.2.1 CO – EFFICIENT OF MULTIPLE DETERMINANTS

The R^2 is used to test for the goodness of fit of the model in the economy. That is to show the percentage of total variation independent variable explained by

the regression plane. The value between O and I. the R^2 is expressed mathematically as:

$$R^2 = \frac{B_1 E_{1y} + B_2 E_{2y} + B_3 E_{3y} + \dots + b_n E_{xny}}{E_y^2}$$

The higher the value of R^2 , the higher percentage of variation of the dependent variable that is explained by the regression plane. The goodness of fit of the regression plane to the sample observation, while the closer to zero, the worse the goodness to fit.

3.2.2 T – STATISTICS

That T test is used to test the statistical significant or reliability of the estimates of the regression co – efficient.

If the probability at which T cal is significant in our regression result for any independent variable is less or equal to our chosen level of significant (0.05) we reject the min hypothesis (H_0) which says that the independent variable is no significant. The invariably means accepting the alternative hypothesis (H_1) which states that the independent variable in question is statistical. Significant in our Model.

3.23 F – STATISTICS

The F – Statistics is used to test for the overall significance of the regression result that is, the test aims at finding out whether the explanatory variables (x_1 ----- x_n) do actually have any significant influence on the dependent variable.

If the probability at which the cal is significant in the regression result is less than our chosen level of significant (0.05) we reject the non hypothesis (H_0) which states that the regression is significant. But if the probability at which the F cal is significant in the regression result is greater than our chosen level of significance (0.05) it then implies that the overall regression is insignificant.

3.3 ECONOMIC APPIORI CRITERIA

This shows whether each independent variable in the equations is comparable with the postulation of economic theory (i.e. If the signs follow with the postulate of economic theory).

Using the OLS technique to estimate our model, we expect the co – efficient to appear as follows:

Coefficient	Expected signs
B_1	+
B_2	-
B_3	+
B_4	-

3.4 DATA SOURCES:

The data we shall use in the study is secondary data obtained from Central Bank of Nigeria (CBN). The federal office of statistics (FOS) and journals of Economic Studies.

CHAPTER FOUR

4.1 PRESENTATION AND ANALYSIS OF RESULT.

4.1.1 Interpretation of Result:

Dependent variable: AS.				
Method: Ordinary Least Square.				
Period of study: 1985 – 2011				
Included Observations: 27				
Variable	Coefficient	Standard error	t-statistics	t-prob.
Constant	-147246.2	9696037.1	-0.211549	0.8344
PDY	34028.03	3824.975	8.896275	0.0000
TDO	-482641.4	1256982	-0.383968	0.7047
RINT	-5240.734	10925.33	-0.479687	0.6362
NCI	-6.777130	3.935546	-1.722030	0.0991
R-squared	0.850610		Mean dependent var.	1199686
Adjusted R-squared	0.823449	S. D. Dependent var.		2046293
S. E. Of regression	859812.0	Akaike info criterion		30.33239

Sum squared resid.	1.63E + 13	Schwarz criterion	30.57236
Log likelihood	-404.4873	F-statistics	31.31646
Durbin Watson	0.869584	Prob (F-statistic)	0.000000

From the above, the interpretation of the result as regard the coefficient of various regressors is stated as follows:

The value of the intercept which is -147246.2 shows that the Nigerian economy will experience a -147246.2 decrease when all other variables are held constant.

The estimate coefficients units are 34028.03 for {PDY} shows that a unit increase will cause a 34028.03 increase in AS, -482641.4 for {TDO} shows that a unit increase will cause a -482641.4 unit decrease in AS, -5240.734 for {RINT} shows that a unit increase will cause a -483641 decrease in AS, -6.777130 for {NCI} shows that a unit increase will cause a -6.777130 decrease in AS.

4.2 EVALUATION OF RESULT

4.2 1. Economic Apriority Criteria

The test is aimed at determining whether the signs and sizes of the results are in line with what economic theory postulates. Thus, economic theory tells us that the coefficients are positively related to the dependent variable, if an increase in any of the explanatory variables leads to a decrease in the dependent variable.

Therefore, the variable under consideration and their parameter exhibition of a priori signs have been summarized in the table below.

Variables	Expected signs	Estimated	Remark
PDY	+	$\beta > 0$	Conform
TDO	-	$\beta < 0$	Conform
RINT	+	$\beta < 0$	Not Conform
NCI	-	$\beta < 0$	Conform

From the above table, it is observed that PDY, TDO and NCI conform while RINT does not conform to the economic theories.

A positive relationship which exists between PDY, TDO and NCI indicates that an increase in PDY, TDO and NCI will result in a positive change in the Growth Rate. This conforms to the apriority expectation because an increased or high PDY, TDO and NCI over the years will increase Inflation in the economy.

4.2.2. Statistical Criteria {First order test}

4.2. 2.1. Coefficient of Multiple Determination {R²}:

The R² {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as 0.850610 = 85.0610% approximately 85%. This indicates that the independent variables accounts for about 85% of the variation in the dependent variable. This means that the variable included in the model are the major determinants of savings as it accounts for the variation in savings.

4.2.2.2. The Student's t-Test:

The test is carried out, to check for the individual significance of the variables. Statistically, the t-statistics of the variables under consideration is interpreted based on the following statement of hypothesis.

H_0 : The individual parameters are not significant.

H_1 : The individual parameters are significant.

Decision Rule:

If $t\text{-calculated} > t\text{-tabulated}$, we reject the null hypothesis $\{H_0\}$ and accept the alternative hypothesis $\{H_1\}$, and if otherwise, we select the null hypothesis $\{H_0\}$ and reject the alternative hypothesis $\{H_1\}$.

Level of significance = α at 5% =

$$= 0.025$$

Degree of freedom: $n-k$

Where n : sample size.

K : Number of parameter.

The t-test is summarized in the table below:

Variables	t-value	t-tab	Remark
PDY	8.896275	± 2.069	Significant
TDO	-0.383968	± 2.069	Insignificant
RINT	0.479687	± 2.069	Insignificant
NCI	-1.722030	± 2.069	Insignificant

The t-statistics is used to test for individual significance of the estimated parameters $\{\beta_1, \beta_2, \beta_3, \text{ and } \beta_4\}$.

From the table above, we can deduce that PDY $\{8.896275\}$ is greater than 2.069 which represent the t-tabulated implying that only PDY is statistically significant.

On the other hand, the intercept $\{-0.211549\}$, TDO $\{-0.383968\}$,

RINT $\{-0.479687\}$ and NCI $\{0-1.722030\}$ are less than the t-tabulated $\{\pm 2.069\}$ signifying that the intercept, TDO, RINT, and NCI are statistically insignificant.

4.2.3. F-Statistics:

The F-statistics is used to test for simultaneous significance of all the estimated parameters.

The hypothesis is stated;

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4$$

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4$$

Level of significance: α at 5%

Degree of freedom: $V_1 = k-1$ $V_2 = N-K$ d/f

Decision Rule:

If the f-calculated is greater than the f-tabulated {f-cal > f-tab} reject the null hypothesis $\{H_0\}$ that the overall estimate is not significant and conclude that the overall estimate is statistically significant.

From the result, f-calculated {31.31646} is greater than the f-tabulated {2.69}, that is, $f\text{-cal} > f\text{-tab}$. Hence, we reject the null hypothesis $\{H_0\}$ that the overall estimate has a good fit which implies that our independent variables are simultaneously significant.

4.3 Econometrics Criteria.

4.3.1. Test for Autocorrelation:

One of the underlying assumptions of the ordinary least regression is that the successive values of the random variables are temporarily independent. In the context of the series analysis, this means that an error $\{U_t\}$ is not correlated with one or more of previous errors $\{U_{t-1}\}$. The problem is usually dictated with Durbin-Watson $\{DW\}$ statistics.

The Durbin-Watson's test compares the empirical d^* and d_U in d_U tables to their transforms $\{4-d_L\}$ and $\{4-d_U\}$.

Decision Rule:

- If $d^* < D_L$, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.

- If $d^* > \{4-d_L\}$, we reject the null hypothesis and accept that there is negative autocorrelation of the first order.
- If $d_U < d^* < \{4-d_U\}$, we accept the null hypothesis of no autocorrelation.
- If $d_L < d^* < d_U$ or if $\{4-d_U\} < \{4-d_L\}$, that test is inconclusive.

Where: $d_L =$ Lower limit

$D_U =$ Upper limit

$D^* =$ Durbin Watson.

From our regression result, we have;

$$D^* = 0.869584$$

$$D_L = 1.084$$

$$D_U = 1.753$$

$$4-d_L = 2.916$$

$$4-d_U = 2.247$$

Conclusion:

Since $d^* \{0.869584\} < D_L \{1.084\}$, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.

4.4 POLICY IMPLICATION

1. **Government should encourage the culture of saving**
2. Government should compel the banks to revert to paying some dividend in all savings accounts in the country as these aids in future investment and development of our economy.

4.5 Interpretation of Result:

Dependent variable: GDP.				
Method: Ordinary Least Square.				
Period of study: 1985 – 2011				
Included Observations: 27				
Variable	Coefficient	Standard error	t-statistics	t-prob.
Constant	-2037788	2779590	-0.733125	0.4720
AS	1.389435	1.122621	1.237670	0.2302
RINT	110827.4	145340.1	0.762538	0.4546

FDI	38.81513	16.96562	2.287869	0.0332
INF	94857.86	133526.4	0.710405	0.4857
EXR	-167.1723	24478.98	-0.006829	0.9946
INR	-14.81159	11.83137	-1.251892	0.2251
R-squared	0.930930		Mean dependent var.	7437534
Adjusted R-squared	0.910209	S. D. Dependent var.		10012498
S. E. Of regression	3000264	Akaike info criterion		32.88471
Sum squared resid.	1.80E+14	Schwarz criterion		33..22067
Log likelihood	-436.9436	F-statistics		44.92677
Durbin Watson	2.673227	Prob (F-statistic)		0.000000

From the above, the interpretation of the result as regard the coefficient of various regressors is stated as follows:

The value of the intercept which is -2037788 shows that the Nigerian economy will experience a -203778 decrease when all other variables are held constant.

The estimate coefficients which are 1.389435 {AS} shows that a unit increase will cause a 1.389435 increase in GDP, 110827.4 {RINT} shows

that a unit increase will cause a 110827.4 increase in GDP, 38.81513 {FDI} shows that a unit increase will cause a 38.81513 increase in GDP, 94857.86 {INF} shows that a unit increase will cause a 94857.86 increase in GDP, -167.1723 {EXR} shows that a unit increase will cause a -167.1723 decrease in GDP, -14.81159 {INR} shows that a unit increase will cause a -14.81159 decrease in GDP.

4.6 EVALUATION OF RESULT:

4.6.1 Economic Apriori Criteria:

The test is aimed at determining whether the signs and sizes of the results are in line with what economic theory postulates. Thus, economic theory tells us that the coefficients are positively related to the dependent variable, if an increase in any of the explanatory variables leads to a decrease in the dependent variable.

Therefore, the variable under consideration and their parameter exhibition of a priori signs have been summarized in the table below.

Variables	Expected signs	Estimated sign	Remark
AS	+	$\beta > 0$	Conform
RINT	-	$\beta > 0$	Not Conform
FDI	+	$\beta > 0$	Conform
INF	-	$\beta > 0$	Not Conform
EXR	-	$\beta < 0$	Conform
INR	+	$B < 0$	Not conform

From the above table, it is observed that AS, FDI and EXR conforms while, RINT, INF and INR do not conform to the economic theories.

A positive relationship which exists between AS, FDI, EXR and Gross Domestic Product indicates that an increase in AS, FDI and EXR will result in a positive change in the Gross Domestic Product. This conforms to the apriori criteria because an increased or high AS, FDI and EXR over the years will increase Inflation in the economy.

4.6.2 Statistical Criteria {First order test}

4.6.2.1. Coefficient of Multiple Determinants $\{R^2\}$:

The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as $0.930930 = 93.0930\%$ approximately 93%. This indicates that the independent variables accounts for about 93% of the variation in the dependent variable. This means that the variables included in the model are the major determinant of GDP as it account for the variation in GDP.

4.6.2.2 The Student's t-Test:

The test is carried out, to check for the individual significance of the variables. Statistically, the t-statistics of the variables under consideration is interpreted based on the following statement of hypothesis.

H_0 : The individual parameters are not significant.

H_1 : The individual parameters are significant.

Decision Rule:

If $t\text{-calculated} > t\text{-tabulated}$, we reject the null hypothesis $\{H_0\}$ and accept the alternative hypothesis $\{H_1\}$, and if otherwise, we select the null hypothesis $\{H_0\}$ and reject the alternative hypothesis $\{H_1\}$.

Level of significance = α at 5% =

$$= 0.025$$

Degree of freedom: $n-k$

Where n : sample size.

K : Number of parameter.

The t-test is summarized in the table below:

Variables	t-value	t-tab	Remark
AS	1.237670	± 2.080	Insignificant
RINT	0.762538	± 2.080	Insignificant
FDI	2.287869	± 2.080	Significant
INF	0.710405	± 2.080	Insignificant
EXR	0.006829	± 2.080	Insignificant
INF	-1.251892	± 2.080	Insignificant

The t-statistics is used to test for individual significance of the estimated parameters $\{\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \text{ and } \beta_6\}$.

From the table above, we can deduce that FDI $\{2.287869\}$ is greater than 2.080 which represent the t-tabulated implying that only FDI is statistically significant.

On the other hand, the intercept $\{-0.733125\}$, AS $\{1.237670\}$, RINT $\{0.762538\}$, INF $\{0.710405\}$, EXR $\{-0.006829\}$ and INR $\{-1.251892\}$ are less than the t-tabulated $\{\pm 2.080\}$ signifying that the intercept, AS, RINT, INF, EXR and INR are statistically insignificant.

4.6.3. F-Statistics:

The F-statistics is used to test for simultaneous significance of all the estimated parameters.

The hypothesis is stated;

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6$$

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq \beta_6$$

Level of significance: α at 5%

Degree of freedom: $V_1 = k-1$ $V_2 = N-K$ d/f

Decision Rule:

If the f-calculated is greater than the f-tabulated {f-cal > f-tab} reject the null hypothesis {H₀} that the overall estimate is not significant and conclude that the overall estimate is statistically significant.

From the result, f-calculated {44.92677} is greater than the f-tabulated {2.42}, that is, f-cal > f-tab. Hence, we reject the null hypothesis {H₀} that the overall estimate has a good fit which implies that our independent variables are simultaneously significant.

4.7 Econometrics Criteria.

4.7.1. Test for Autocorrelation:

One of the underlying assumptions of the ordinary least regression is that the succession values of the random variables are temporarily independent. In the context of the series analysis, this means that an error $\{U_t\}$ is not correlated with one or more of previous errors $\{U_{t-1}\}$. The problem is usually dictated with Durbin-Watson $\{DW\}$ statistics.

The durbin-watson's test compares the empirical d^* and d_U in d_U tables to their transforms $\{4-d_L\}$ and $\{4-d_U\}$.

Decision Rule:

- If $d^* < D_L$, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.
- If $d^* > \{4-d_L\}$, we reject the null hypothesis and accept that there is negative autocorrelation of the first order.
- If $d_U < d^* < \{4-d_U\}$, we accept the null hypothesis of no autocorrelation.
- If $d_L < d^* < d_U$ or if $\{4-d_U\} < \{4-d_L\}$, that test is inconclusive.

Where: $d_L =$ Lower limit

$D_U =$ Upper limit

$D^* = \text{Durbin Watson.}$

From our regression result, we have;

$$D^* = 2.673227$$

$$D_L = 0.925$$

$$D_U = 1.974$$

$$4 - d_L = 3.075$$

$$4 - d_U = 2.026$$

Conclusion:

Since If $d_L \{3.075\} < d^*\{2.673227\} < \{1.974\} d_U$ or if $\{4 - d_U\} \{2.026\} < \{3.075\} \{4 - d_L\}$, that test is inconclusive

CHAPTER 5

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION.

5.1 SUMMARY OF FINDINGS

This paper has attempted to address some of the conceptual and theoretical issues of determinant of savings in Nigeria.

Consequently, some of the broad conclusion from the research can be summarized as follows:

- 1 Per Capital disposable income has a positive and Significant impact on Aggregate Savings.
- 2 Trade openness has a negative and insignificant impact on Aggregate Savings.
- 3 There is a negative and insignificant impact of the Real Interest rate on the Aggregate Savings.
- 4 The net capital inflow according to the empirical findings have a negative and insignificant impact on Aggregate Savings.

5.2 POLICY RECOMMENDATIONS.

Emanating from the result of this study the following policy options are recommended.

- 1 from the result of our findings per capital disposable income has a positive impact on Aggregate Savings, thus policies that would improve per capital disposable income of Nigeria should be pursued as this will stabilize and accelerate the rate of Aggregate savings in Nigeria.
- 2 The research findings showed that trade openness has a negative and insignificant impact government should embark on policies that will help to improve trade openness to enhance Aggregate Savings.
- 3 Wise decision should be taken by policy makers based on the net capital inflow in the economy so as to bring about increase in the Aggregate Savings in Nigeria.
- 4 From the empirical findings we also recommend good policies should be made on the real interest rate and increases savings.
- 5 Real interest rate should be raises by simultaneously increasing nominal interest rate and reducing inflations rate as the most effective way of mobilizing a high level of savings in Nigeria.

5.3 CONCLUSION.

This study so far, econometrically analyzed the determinant of savings behavior in Nigeria over the period of 1985 – 2011; the empirical findings have some serious policy implications relevant to the growth and development of the nation. For the Nigerian economy to break away from its current level of savings policy makers must recognize the importance of these variable real interest rate, per capital disposable income, trade openness and net capital inflow. Per capital disposable income has a significant factor that contribute to the determining the level of saving.

Thus the effective manipulations of this variable through consistent and effective target policies for facilitating adequate mobilization of savings are necessary for productive investment.

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Dependent Variable: AS

Method: least Squares

Date: 07/22/13 Time: 11:15

Sample: 1985 2011

Included observations: 27

Variable	Coefficient	Std. Error	t – Statistic	Prob.
C	-177246.2	696037.1	-0.211549	0.8344
PDY	34028.03	3824.975	8.896275	0.0000
TDO	-482641.4	1256982.	-0.383968	0.7047
RINT	-5240.734	10925.33	-0.479687	0.6362
NCI	-6.777130	3.935546	-1.722030	0.0991
R-squared	0.850610	Mean Dependent Var		1199688.
Adjusted R- squared	0.823449	S.D dependent Var		2046293.
S. E. of Regression	859812.0	Alkaline info criterion		30.33239
Sum squared reside	1.36e+13	Schwarz criterion		30.57236
Log likelihood	-404.4873	F- statistic		31.31646
Durbin – Watson stat	0.869584	Prob (F – statistic)		0.000000

Dependent Variable: GDP

Method: least squares

Date: 07/22/13 Time: 11:18

Included Observations: 27

Variable	Coefficient	Std. Error	t – Statistic	Prob
C	-2037788.	2779590.	-0.733125	0.4720
AS	1.389435	1.22621	1.237670	0.2302
RINT	110827.4	145340.1	0.710405	0.4546
FDI	38.81513	16.96562	2.287869	0.0332
INF	94857.86	133526.4	0.710405	0.4857
EXR	-167.1723	24478.98	-0.006829	0.9946
INR	-14.81159	11.83137	-1.251892	0.2251
R – squared	0.930930	Mean Dependent Var	7437534.	
Adjusted r – squared	0.910209	S. D Dependent Var	10012498	
S. E. of Regression	3000264.	Akaike info criterion	32.88471	
Sum squared resid	1.80e+14	Schwarz criterion	33.22067	
Log likelihood	-436.9436	F – statistic	44.92677	
Durbin – Watson stat	2.673227	Prob (F – statistic)	0.000000	

YEA

R	AS	INF	GDP	FDI	INR	EXR	RINT	NCI	PDY	TDO
						0.88				0.27
1985	12522	5.5	67908.55	6804	6804	4	3.75	329.7	0.81	7
						2.02				0.21
1986	13934	5.4	69146.99	9313.6	5313.6	1	5.1	2499.6	0.80	6
						4.01				0.45
1987	18676	10.2	105222.8	9993.6	9993.6	8	7.3	680	1.17	8
						4.53				0.37
1988	23249	38.3	139085.3	11339.2	11339.2	7	-21.8	1345.6	1.51	8
						7.39				0.58
1989	23801	40.9	216797.9	10899.6	10900	2	-14.1	-439.4	2.25	0.41
						8.03				0.58
1990	29651	7.5	267550	10436.1	10436	8	18	-464.3	2.62	2
										0.67
1991	37738	13	312139.7	12243.5	12244	9.91	7.01	1808	3.11	6
										0.65
1992	55117	44.5	532613.8	20512.7	20513	17.3	-14.7	8269.2	5.16	5
							-			
						22.0	38.8			0.56
1993	85028	57.2	683869.8	66781	66787	5	8	32994.4	6.52	2
		57.0				21.8				
1994	108461	3	899863.2	70714.6	70715	9	-36	3907.2	8.41	0.14
							-			
		72.8		119391.	11939	21.8	52.6			0.88
1995	108490	1	1933212	6	2	9	2	18677	17.02	2
		29.2		122600.	12260	21.8				0.69
1996	134503	9	2702719	9	1	9	-9.56	2731	23.83	3
				128331.	12833	21.8				0.74
1997	177649	8.5	2801973	8	2	9	5.04	5730.9	23.78	5
				152409.	12833	21.8				0.58
1998	200065	10	2708431	6	6	9	8.29	24078	22.69	7
				154188.	15418	92.6	14.7			0.64
1999	277668	6.62	3194015	6	9	1	2	1779.1	25.56	5
				157535.	15753	102.	11.0			
2000	385191	6.94	4582127	4	5 ⁶⁸	1	8	3347	35.60	0.64
		18.8		162342.	16234	111.				0.68
2001	488045	7	4725086	4	3	9	-0.61	3377	31.62	3
		12.8		166631.	16603		11.9			0.47
2002	592094	9	6912381	6	2	121	5	8205.5	51.04	1

		14.0				129.				0.60
2003	655746	3	8487032	178474	17450	4	6.71	13056.5	61.94	9
		15.0	1141106	249220.		133.				0.57
2004	797517	1	7	6	23654	5	4.18	19909.1	81.44	7
	131695	17.8	1457223	269844.		132.		255881.		0.68
2005	7	5	9	7	26847	1	0.05	8	99.77	9
	173963			302843.		128.			125.8	0.57
2006	6	8.24	1856494	3	32547	7	8.69	41470.8	0	8
	269355		2065731	364008.		125.	11.5		135.3	0.60
2007	4	5.38	8	5	36854	8	4	54041.9	3	8
	325481		2429632	415247.		117.	15.4		154.8	065
2008	1	11.6	9	8	38676	8	4	49456.2	4	8
	576351		2479423	460931.		147.	18.3		152.5	0.56
2009	1	12.4	9	2	42877	3	6	41429.4	9	1
	643216		2920578	506614.		150.	17.9		174.1	
2010	7	13.2	3	5	43877	3	2	25696.7	6	0.65
	696573		3267876	586532.		149.			182.1	0.73
2011	2	5.8	7	1	45676	7	19.8	43215.8	3	2