

## 1.0 INTRODUCTION

Capital accumulation has been emphasized as the major factor governing the rate of development. This accumulation of real physical capital stock has been viewed as permitting more roundabout methods of production and greater productivity, thereby providing an additional future stream of income to society. Whether it is financed from internal or external sources, the accumulation of capital in any developing economy requires the mobilization of economic surplus (Meir, 1989). That is, for an economy that wants to increase its real capital formation, the objective must be to provide a climate receptive to importation of resources from outside and the encouragement of domestic savings.

In developing countries (such as Nigeria) experiences have shown that foreign capital alone cannot create any permanent basis for higher standard of living in future and that greater dependence on domestic sources of finance facilitates more the successful implementation of any planned economic development. (Agu. 1984). More so, the current trends in the flow of assistance to developing countries is actually declining and are not keeping pace with actual needs. At a time when all countries have a need for an ever-increasing volume of resources to promote their economic development, it has become difficult to secure foreign funds; and recourse to such funds entails serious disadvantages because it creates serious economic dependency upon the creditor countries and increases the burden of debt.

The economic realities in Nigeria have therefore considerably reinforced these arguments in favor of greater emphasis on domestic resources mobilization. Infact, the Nigerian data reveals a small volume of savings and a low voluntary saving rate (as low as 8%). In the past two decades, the country also witnessed an atmosphere of crisis and disappointment. The nations situation was in many ways dramatic; which resulted in enormous and fast growing deficits. This is in addition to the country's heavy debt burden. The aid has also stagnated and the conditions of international credits are becoming more and more tough and the possibilities to increase Nigeria's exports are diminishing as recession deepens.

It is therefore increasingly evident on the greater need and effort to mobilize domestic savings in Nigeria, if a desired economic development is to be achieved. This dependence on domestic sources of capital, therefore, requires a wide range of independent well-organized and adapted financial institution, which has to mobilize internal resources for the purpose of capital formation and allow the capital to be invested conveniently and freely into desired development ventures.

Commercial banks, the basic component of financial institutions, should be thus the major relevant important institutions, which encourage and mobilize savings and channel savings into productive investment because of their network of offices. It is against this background that this study aims at exploring in the light

of past trends, the role and scope of commercial banks as financial intermediaries in mobilizing domestic savings for development and the constraints in the efficient performance of this role.

Generally, the objective of this study is to provide an in-depth analysis of the Nigeria commercial banks, with a focus on its savings mobilization aspects and effects of policies on their operation. We shall also examine the performance of other savings institution, which constitute an important financial group in the Nigeria financial market. Similarly, other non-financial savings institutions shall also be examined. Based on our evaluation, policy recommendation on how the resource mobilization role of these institutions can be enhanced will be made.

This study is analytical and econometrical focusing on a developing country's case. The choice of Nigeria is made out of the researcher's interest given the nation's present economic problems and circumstances. The historical period covered by the study is thirty-one years period (1960-1990) and the econometric time series period is twenty years (1970-1989). This coverage is partly constrained by the stringent limitations of data availability and time period.

The rest of this paper is organized as follows: Section two reviews the literature and describes the various savings institutions. Section three presents savings performance evaluation while also identifying the general constraints to savings mobilization in Nigeria. Finally, section four presents policy reform proposals and concludes the paper.

## 2.0 LITERATURE REVIEW

Saving is 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 (Gersovitz, 1988). In other words, savings is the difference between current earnings and consumption. It has also been defined as “deferred consumption” or part of income, which is not spent. Savings in an economy can assume one of several forms. These include personal savings, corporate or business savings and Government savings. Of these, the household savings or personal savings has been agreed to contribute the substantial part of aggregate savings in both industrialized and developing countries (Klaus, Webb and Coresetti, 1991).

### 2.1 KEYNESIAN AND NON-KEYNESIAN SAVING FUNCTIONS

Based on underemployment equilibrium, the Keynesian revolution made saving a function of income and income a function of investment as opposed to the neoclassical view of saving as a determinant of investment. The Keynesian savings (consumption) function, in its most commonly used form is linear with a constant marginal propensity to save (Keynes, 1936). That is

$$S = a_0 + a_1 Y_g, a_0 < 0, 0 < a_1 < 1 \quad (1)$$

Where  $S$  is gross domestic saving,  $Y_g$  is gross national product, and  $a_1$  is the constant MPS.

Though equation (1) is the most popular specification of the absolute income hypothesis, several alternatives has been employed to achieve a better idea of the movement of the average saving effort overtime. For example.

$$S = B_0 + b_1 \ln Y_g \quad (2)$$

$$\text{And } \ln S = C_0 + C_1 \ln Y_g \quad (3)$$

Equation (2) implies that the total level of saving, for  $b_1 > 0$ , will increase with income, but at an ever decreasing rate.

In Equation (3) the term  $C_1$  represents the constant income elasticity of national saving. Different values of  $C_1$  imply alternative sets of relationships between the average and marginal propensities to save: if  $C_1 = 1$ , then  $APS = MPS$ ; if  $C_1 > 1$ , then  $MPS > APS$ ; and if  $C_1 < 1$ , then  $MPS < APS$ . Another example is given as follows:

$$S/\text{Pop} = a_0 + a_1 (Y_g/\text{Pop}) \quad (4)$$

Equation (4) shows the relationship between per capita gross domestic saving and per capita income. Pop represents population.

Studies of saving behavior in developed countries have utilized three alternatives to the Keynesian saving-income relationship, namely Duesenberry “Relative Income” hypothesis; the Friedman “Permanent Income” hypothesis; and the modigliani-Brumberg-Ando (MBA) “Life cycle” hypothesis (Mikesell and Zinser, 1973).

Friedman’s (1957) “permanent income” hypothesis is the starting point for a variety of specifications of the saving-income relationship. In its most simple form the linear equation is

$$S_t = a_0 + a_1 Y_{pt} + a_2 Y_{Tt} \quad (5)$$

Where  $Y_{pt}$  is permanent income and  $Y_{Tt}$  is transitory income in year  $t$ . Permanent income is defined in terms of a Long-run expectation over a planning period, and transitory income is the difference between actual income  $Y_t$  in any period,  $t$  and permanent income. Friedman’s hypothesis is that individuals consume virtually no transitory income ( $MPST = 1$ ). This implies a heavy reliance on past behavior as a determinant of consumption spending; but changes in transitory income will immediately lead to changes in the level of saving. Two alternative specifications of the permanent income hypothesis are found in studies of saving behavior: the asset adjustment model and the growth rate of income model.

The Modillion and Ando (1963) lifetime income hypothesis postulates that individuals adopt a planning horizon for their lifetime consumption. It is assumed that individuals plan no net-life time saving but attempt to spread their lifetime consumption evenly over their lives by accumulating enough savings during their earning years to maintain the consumption standard during retirement. The MBA model implies that in a society with stationary population and income there would be no aggregated net personal saving since the dis-saving of the retired would exactly offset the saving of the employed. And that an increase in income in a particular year will affect that year’s consumption but will also increase saving since the individual seeks to equalize consumption over his remaining life span.

In the simplest model of saving, a single individual that lives for  $T$  periods ( $I=0, \dots, T-I$ ), receives income of  $Y_i$  and consumes  $C_i$  in the  $i$ th period. If an individual does not desire that  $Y_i = C_i$ , he can and does borrow or lend at an interest rate  $r$  in the  $i$ th period. The only constraint on the individual’s choices is that the present value of Lifetime Consumption,  $C$ , cannot exceed the present value of life-time income,  $Y_{T-1}$

T-1

T-1

$$C \equiv \sum_{i=0}^{\infty} \frac{[C_i]}{(1+r)^i} \leq \sum_{i=0}^{\infty} \frac{[Y_i]}{(1+r)^i} \equiv Y \quad (6)$$

So much for the opportunities faced by the decision maker. His goal is to maximize the sum of the discounted utility of consumption in each period. The decision-maker's problem (For  $T=2$ ) along with condition (6) holding as an equality, yields optimal values of consumption,  $C_0^*$  and  $C_1^*$ . Current savings are then a residual,  $Y_0 - C_0$ , dependent eqs (1) and the particular time profile of income (Gersovitz, 1988).

James Duesenberry (1949) developed a model of relative income hypothesis in which he argued that consumption behavior of individuals can be better understood by considering their relative rather than absolute incomes. His analysis is based on two relative income hypotheses. First, he argued that consumers are not so much concerned with their absolute level of consumption as they are with their consumption relative to the rest of the population and secondly that an individual also considers the levels of consumption attained in the previous periods along with his relative income in making his consumption decisions. Thus, the aggregate ratio of savings to income depends on the level of present income relative to previous peak income,  $Y^*$ .

Recent theories have examined the motivation for saving among individuals. Virmani (1986) identified three basic reasons for savings: to undertake future personal consumption, to make provisions for expenditure on children and to leave bequest to their heirs (and others). Strumpel (1976) saw the motivation to save as dependent on the strength of the goals that are to be served through saving, the instrumentality of saving and the strength of the motivation to spend. These theories explain the determinants of saving using both macro and micro-economic factors. Hence they were able to answer certain questions that are very crucial to household or private saving behaviors.

## 2.2 MACRO VARIABLES AND SAVING RELATIONS

Rahman (1968) suggests a "psychological" hypothesis to explain the relationship between capital imports and saving: an increase in foreign funds causes a relaxation of government saving rate. He suggested the following theoretical function:

$$S/Y_g = a_0 + a_1 (f/Y_g) \quad (7)$$

However, Landau (1969) suggested that a relaxation of saving effort can only be made manifest by a decrease in taxation or by a relative increase in government spending (an increase in government consumption or a decrease in government investment). His empirical function was a regression of saving on net capital inflow and gross national product:

$$S = b_0 + b_1 Y_g + b_2 f \quad (8)$$

Singh (1971) concludes that foreign capital is a substitute for domestic savings and that the degree of substitution varies inversely with the level of average saving behavior. He suggests that “self-help” in mobilizing domestic saving is not only a condition for maximizing the benefits of foreign aid; it is a sine qua non for realizing any benefits of foreign aid. However, Areskou (1969) reaches the pessimistic conclusion that “it is highly questionable whether the steady flow of long-term, but repayable, capital to underdeveloped countries in the end contributes to their domestic capital formation and growth potential”.

Development economists have usually regarded the level and structure of taxation as an extremely important variable in the determination of domestic saving, and fiscal policy has been regarded as a means of mobilizing savings to promote growth (Heller, 1967). Most theoretical function of the effects of taxation on saving shows the relationship between government saving and increased revenue. Landau (1969) employed the following equations:

$$S/Y_g = a_0 + a_1 (T/Y_g) \quad (9)$$

$$S_g/Y_g = b_0 + b_1 (T/Y_g) \quad (10)$$

$$S_g/Y_g = C_0 + C_1(T/Y_g) + C_2 (Y_g/Pop) \quad (11)$$

The diversion of private saving from Land or inventory speculation or from investment in foreign securities to the public treasury is not an undesirable development. On the other hand, taxation that reduces the incentive and ability of private firms to reinvest their earnings in productive undertakings might be regarded as an undesirable means of raising governmental revenue regardless of what the government does with its revenue (Mikesell and Zinzer, 1973).

The relationship between interest rates and aggregate saving involves a number of complex theoretical and econometric problems; the most important are separating out income and substitution effects of interest changes, quantifying the role of expectations and planning horizons in saving decisions, and solving a difficult econometric identification problem (Wright, 1967) and (Weber, 1970). Further, it seems likely that interest rates are more significant in determining the channels into which savings will flow in the developed and developing countries than in altering saving propensities (Suits, 1970). Moreover, it is quite conceivable that a period of negative real interest rates will disrupt the established savings pattern for most income classes. Some income receivers may tend to save more out of concern for future security, especially if they can acquire relatively secure assets.

Some theoretical functions have been used to show a positive relationship between exports and saving (Lee, 1971); many of these have also suggested a

positive relationship between the rate of growth of exports and the rate of growth of national product. But collinearity between the independent variables employed in the saving function renders difficult the determination of the significance of exports as an independent determinant of saving. Most scholars believe that variability of export is closely associated with savings. However, it is difficult to accept the fact that the export sector has a higher propensity to save than other sectors. Only an analysis of income and saving by sector, together with credible hypothesis, would support this conclusion as against any of several other explanations for the association between exports and saving. (Milkesell and Zinser, 1973).

Summarily, aggregate saving is a function of a number of interdependent variables, which together with saving propensities determine the course of economic development. Nevertheless, greater knowledge of saving propensities of different categories of Tran sectors, e.g., households, private corporations, farmers, and unincorporated urban firms, is highly desirable for policy guidance in the areas of taxation, interest rate policy and financial policies generally. However, some writers including King (1971), Landau (1969) and Hooley (1967) have pointed to the inadequacies and lack of comparability of data on savings in the developing countries. An obvious implication is that aggregate savings estimates are subject to a rather wide margin of error and ex post saving does not provide a true measure of savings effort.

### **2.3 SAVINGS MOBILIZATION**

The question of mobilizing domestic savings for development has attracted an increasingly greater attention of researchers. United Nations (1951) states that the major source of increased domestic capital formation must be increased savings and that developing countries should prepare programmes to stimulate domestic savings involving the extension of savings institutions and measures involving taxation and in order to ensure that capital moves into the most productive uses. Authur Lewis (1955) stressed that it is particularly important to stimulate savings among the peasants because of the role which agriculture has to play in economic development. Rostow (1958) in his stages of Economic growth noted that during the take off, the rate of effective savings and investment must rise from 5% of the national income to 10%.

Awareness has grown in this field as a result of international activities. The United Nations Secretariat, International Savings Banks Association (SSBA) has been co-operating closely in the programme of action aimed at assisting developing countries. To this regard, they have jointly organized series of technical workshops on policies and techniques aimed at mobilizing domestic savings in developing countries. Although the workshop have influenced aspects of Social Mobilization process, they appear to have had the most significant effect on two major aspects of the process, namely, the institutional framework and incentive techniques and have been generally instrumental in creating a catalytic

effect in regard to saving consciousness at the policy making level in developing countries (Wirmark, 1983).

2.3A **FORMAL SAVINGS INSTITUTIONS**

The need to develop domestic financial market institutions and patterns of behavior necessary to generate and mobilize scarce resources as a key condition originated in the classic work of Schumpeter (1934). Although the relative magnitude of the impact attributed to banks and other financial institutions in developing countries differ, there is an acceptable consensus that financial resources are a very important factor in economic development (Shirma, 1978). Since financial resource mobilization problem is very closely tied up with savings problem, the latter approach requires an institutional arrangement which encourages and mobilizes savings on one hand, and which channels savings to mobilized into productive investment on the other.

In other words, greater dependence on domestic sources of capital requires a wide range of independent well-organized and adapted financial institutions, which have to mobilize internal resources for the purpose of capital formation (Agu, 1984). Commercial Banks, the basic component of financial institutions, should be thus the major relevant important institutions which encourage and mobilize savings because of their network of offices; through their normal credit operations often activate savings lying idle elsewhere; and the bank's liabilities which are part of money supply are highly liquid and thus attract savers (Khathate and Riechel, 1980).

Commercial Banks through their intermediation role between savers and investors have affected the volume as well as mobilization of savings, by providing the market with the diversification of instruments that will meet the precise liquidity needs of savers and at the same time making financial resources available to the investors over a relatively long-period in accord with their needs. Unfortunately, there has been a limited appreciation of the influence of financial technology embodied in the quality and variety of financial instruments developed by financial institutions, on savings and capital formation in developing countries due to the dominant influence of Keynesian macroeconomic development (Bhatia, 1978).

According to the standard Keynesian macroeconomic theory:

$$S = f(1, I, W) \quad (12)$$

Where S = rate of savings, 1 = income, I = rate of interest and w = wealth.

Financial technology is not among the explicit arguments of the above equation. But because synchronization of the receipt and disbursement of income is an important objective of saving entities, the kind of financial instruments made available by financial intermediaries will affect the magnitude of savings.

Savings, therefore, cannot be regarded as a given datum available for portfolio choice. The volume of savings is influenced by financial technology and therefore equation (I) may be re-specified as:

$$S = f(1, I, w, t)$$

Where  $t = \sum_{j \times n} A_{jn}$  and

$A_{jn}$  = the monetary value of the nth asset of the jth institution of the financial market. The technology (t) however, depends on a number of factors such as the extent to which the business units depend on external sources for their finance, and how much on internal financing.

The Stock Exchange as a component of the capital market plays an invaluable role in mobilizing long-term savings to finance long-term investment. It is the pivot around which every activity of the capital market revolves and hence central to the entire capital mobilization process. The capital markets have definite roles, in terms of providing risk capital of long-term structures, which plays unique roles in ensuring the liquidity and the stability of the financial system. The securities and the non-securities markets are within the broad classification of capital market. The non-securities markets comprise banks and bank-related institutions and are mainly intermediate in debt and debt-related instruments. In most developing and developed countries, this class of financial institutions performs most of the functions of financial intermediation while the securities markets mobilizes long-term savings to finance investments of long-term nature and to provide equity risk capital to entrepreneurs (Sethness, 1988 and Popiel, 1990).

In addition to these institutions, there are others that specialize in mobilizing savings either from specialized groups or from the public at large. This category includes the insurance companies, the federal saving bank, the federal mortgage bank, the merchant bank, post office saving bank, and provident and pension funds. They all have in common their purpose of mobilizing the savings of the saver and having at their disposal large funds that are, by definition, long-term funds. They all have in common their purpose of mobilizing the savings of the saver and having at their disposal large funds that are, by definition, long-term funds.

### 2.3B INFORMAL SAVINGS INSTITUTIONS

The great bulk of the African population makes little or no use of formal savings and lending institutions. Because they offer relatively low returns, savers are reluctant to use formal institutions (Miracle, Miracle and Cohen, 1980). According to Wai (1972), non-institutional source of credit are still much more important than institutional source in Africa, Asia and middle east. Informal

savings and loan associations have been reported in a little less than half of the countries of Africa (See Appendix A) and as a rule a large proportion of the local population makes use of them. The unorganized financial sector consists of individuals and intermediaries such as moneylenders, traders, friends, landlords, pawnbrokers, fixed fund associations, mobile bankers, rotating savings and credit organizations, and co-operative thrift and credit societies.

The fixed-fund associations are the ones in which each participant gives savings at regular intervals to a treasurer who, in turn, holds them for safe keeping and then returns the lump sum at the end of the year, or whatever period the group has decided on. In the simplest case, there is no borrowing and organizations have a savings function only. Under more complicated arrangements the aggregate deposit of a group, or some portion of it may be earmarked to buy something, or finance a project of benefit to the entire group. Participants in these informal banking arrangements seem to believe that they save more than they would because of the discipline of having to regularly meet with the rest of the group and make a deposit. The association can provide members a variety of other economic benefits such as a means for organizing beneficial joint action, exchange of economic intelligence, and assistance in technical and managerial aspects of their business.

The savings and loans associations, which have received by far the greatest attention in the literature, are those in which each participant contributes to a fund that is then given to one member each time the group meets. The right to the fund rotates until every one has received the fund. This group has frequently been called "rotating savings and credit associations," (ROSCA). The rules by which the groups operate vary greatly. However, all savings and loan association with rotating funds have savings as one feature. The order in which individuals get the collective deposits seems to commonly change each cycle hence many participants expect overtime to have an average position better than last but less good than first.

As borrowers, participants in associations with a rotating fund may get loans at a zero rate of interest for a duration that can be predicted only after the cycle starts and the sequence of rotation has been determined. As lenders, members are able to earn on their money only their share of such payments plus whatever they can make as money lenders by re-lending outside the group, or investing the portion of the collective deposit. Rosca are mainly found among people sharing a common occupation (Farmers, Market women, etc). They operate a completely voluntary self-regulated environment permitting great flexibility. There is a high degree of competition in these organizations and the market in which they operate presents a paradoxical combination of high competition and Oligopolistic elements. Social pressure on potentials defaults keeps the number of defaults low and administrative cost is also low (Miracle, Miracle and Cohen, 1980).

Qualitative data from some parts of African countries suggest that savings accumulated and loans acquired through fixed and rotating-fund associations are used for a large variety of purposes. The diversity of the uses can be found in Appendix B. A smattering of specific examples of uses of the funds throughout Africa illustrates the multitudinous reasons for participating in these associations. Widely reported is use of funds for personal needs, oftentimes consisting of normal, daily expenditures.

In some places it is not uncommon for traders to make deposits with a mobile banker who visits them regularly. In some cases the banker commonly keeps one deposit per time period as his fee and returns the rest in one lump sum at the end of the period. He may extend credit to depositors. Frequently, these economically powerful individuals are members of cartels and traders feel under pressure to make deposits regularly.

There are arrangements – other than paying wages by which African farmers and other occupational groups procure labor. Rotating workgroups may hire themselves to farmers as a group, sharing the proceeds or using them to establish a fund used for loans to members or to finance group or community projects. Fishing provides still other types of informal resource mobilization. Fishermen, or the traders who market their product, not uncommonly are involved in informal arrangements through which loans to acquire nets boats or other needed equipment are repaid in labor or kind.

Greater attention to institutions of this sort, and other similar institutions will contribute not only to a better understanding of the magnitude of savings but perhaps, equally importantly, to how savers and investors now interact; a set of information that is clearly relevant to national institution – building efforts (Bouman, 1977).

### 2.3C THE GOVERNMENT SECTOR

The sum of savings of all individuals and households is the national level of personal savings. If all individuals were identical as regards their saving behavior, then aggregate saving would simply be the product of a single (representative) individual's saving and the size of the population. To the extent, however, that individuals do differ in characteristics that impact on their saving behavior, the distribution of these characteristics in the population is a determinant of national savings. The difference between private savings and personal savings is retained earnings. The saving of the corporate sector.

Government affects the level of national savings in two ways. First it chooses the level of one of the three components of national savings, government savings by raising income for itself through taxation. Second, government indirectly affects the other two components through its influence on the incentives to save faced by

households and corporations. While the government can choose the level of its own savings directly, a change in this variable need not imply a one-for-one change in national savings. The other sectors may respond in such a way as to offset the government's actions at least to some extent. Government also affects private savings without necessarily altering the volume of government savings. Administrative regulation of credit markets affects the rate of return that savers earn in developing countries. Choices between the taxation of income and taxation of consumption also have implications for the after-tax rate of return that savers earn (Gersovitz, 1988).

### **3.0 SAVINGS PERFORMANCE EVALUATION**

#### **3.1 NIGERIA FINANCIAL MARKET**

Developing countries in general have always attributed the intrinsic problem of economic development to inadequate savings capacity of the populace. It is also argued that the problems of promotion and mobilization of savings are caused; by inadequacies in the structure of financial markets and the density of financial intermediaries. Indeed, Lewis (1970) observed that there is a whole range of saving institution that can be developed and that experience shows that the amount of savings depends partly on how widespread these facilities are. Support for this argument has come from some empirical evidence that has shown savings to be responsive to the number, availability and efficiency of financial market (Wai, 1972).

Empirical evidence from Nigeria is presented in Table 1 (See also appendix F). Gross domestic savings was regressed on the number of banks and number of branches in Nigeria, respectively. Our regression results tend to support the above argument. One of the reasons why financial development may instigate in increase in the aggregate volume of real savings is the direct institutional effect

(Abdi, 1977). This implies that saving is an institution elastic, and the existence of financial institutions may promote high marginal propensities to save. Furthermore, development of financial markets and the multiplication of financial institutions are expected to affect the form of savings and mix of deposits (Weisbrod, 1980).

**TABLE 1**

**NIGERIA: PRESENTATION OF ECONOMIC RESULTS.**

EQUATION	CONSTANT	BA	BR	NSR	RSR	R <sup>2</sup>	ADJUSTED	F-STATISTIC
1	-8896.62 (-3.22)	795.13 (7.48)				.75	.74	56.01
2.	-1404.55 (-0.40)		13.45 (3.81)			.44	.41	14.54
3.	-1862.63 (-0.63)			1737.05 (4.69)		.55	.52	21.97
4.	6084.25 (1.69)				-324.15 (-1.36)	.09	.04	1.86
5.	-3005.06 (-0.90)			1661.41 (4.291)	-136.47 (-0.78)	.56	.51	11.05

NOTES: The figures in parentheses are t values

Endogenous variable = GDS Gross domestic saving/

Exogenous variables = BA (Number of banks)

BR (Number of bank branches)

RSR (Real saving rate)

NSR (Nominal saving rate)

It is therefore necessary to examine the growth of branch network of commercial banks in Nigeria because it gives a snapshot of the physical structure of the commercial banking system and the scope for effective mobilization of savings. Nigeria operates a nation-wide branch banking system as opposed to unit banking system, and there is no law limiting the branching of commercial banks within and among the thirty states including the Federal Capital Territory (Abuja). In fact, these have been a remarkable increase in recent years in the number of branch bank offices in the country. As table 2 indicates there were only 190 bank offices owned by 12 banks in 1960. By 1975, the number of banks branch offices rose to 17 and 433 respectively. There were 58 banks with 1,877 branch offices in 1990. The growth rate of bank offices has been positive over the period 1960-90, with the highest growth rate of 17.6 percent being recorded in 1981.

This encouraging increase in bank offices was due to the first, second and third phase of rural banking scheme. By the end of December 1990, for instance, a total of 58 bank offices have been established, and out of 1877 bank offices, 771 were located in the rural areas. Apart from the period 1960-64 the average branch office per bank has been increasing, rising from 16 in 1965 to about 47 in 1985. However, it felled to 32 branch offices per bank in 1990. This tremendous growth

in bank offices has enhanced the savings mobilization scope of the commercial bank.

In relation to the size and population of Nigeria, there is still the inadequacy of banking facilities in Nigeria. In fact, she is under-banked with ratio of one bank office to 57,784 in 1990. This does not compare favorably to the density of Bank offices in other countries such as the United State with 1:6,000 (Okigbo, 1981). The implication of this low bank density is clear. First, a lot of savings are not being mobilized, and thus a lot of savings remain idle or dissipated owing to lack of institutions to mobilize them (Khatkhate and Riechel, 1980). Secondly, Nigeria has still a long way to go in habituating the people to modern banking.

TABLE 2

1 Year	2 Number of Banks	3 Number of Branches	4 Growth rate of Branches	5 Average Branch per Bank	6 Population (‘000)	7 Number of Persons Per Bank
1960	12	10	-	15	51,598	271,568
1961	13	195	2.6	15	52,921	271,390
1962	17	210	7.7	12	54,278	258,467
1963	17	218	3.8	13	55,670	255,367
1964	17	226	3.7	13	57,062	252,487
1965	15	240	6.2	16	58,489	247,704
1966	15	253	5.4	17	59,951	236,960
1967	14	881	11.1	20	61,450	218,683
1968	14	298	6.0	21	62,986	211,362
1969	13	302	1.3	23	64,561	213,778
1970	13	318	5.3	24	66,175	208,097
1971	16	340	6.9	21	68,160	200,470
1972	16	358	5.3	22	70,205	196,103
1973	16	383	7.0	21	72,311	186,801
1974	17	403	5.2	21	74,480	184,814
1975	17	433	7.4	25	76,714	177,169
1976	18	450	3.9	25	76,800	170,667
1977	19	487	12.9	26	78,556	154,638
1978	19	609	15.2	32	80,563	137,715
1979	20	666	14.9	33	82,621	122,1948
1980	20	733	10.1	31	84,732	114,503
1981	20	862	17.6	43	86,850	101,754
1982	22	984	14.1	45	89,021	90,468
1983	25	1,01	11.9	44	91,246	82,875
1984	27	1,242	12.8	46	93,527	75,303
1985	28	1,290	3.9	46	19,865	74,314
1986	29	1,360	5.4	47	98,261	72,250
1987	34	1,476	8.5	43	100,717	68,236
1988	42	1,652	11.9	39	103,234	62,490
1989	47	1,849	11.9	39	105,815	57,8282
1990	58	1,877	1.4	32	108,460	57,784

NOTE: The population is projected at 2.5 per cent increase per annum using the 1963 census figure.

- SOURCE:
- (1) Population Bureau Office, Lagos
  - (2) CBN, annual reports and statement of accounts (various issues)
  - (3) World Bank, World Table, 1991
  - (4) CBN, Statistical Bulletin, December 1990
  - (5) I.M.F. International Financial Statistics Year Book, 1991
  - (6) Agu (1984)

Another limitation to savings mobilization is the fact that the concentration of banks and their offices are biased in favor of urban areas. Among the reasons for this, is the fact that the established banks erroneously underrate 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 large volumes of idle funds, though in small units per individual exist in the rural areas.

Financial repression is yet another factor that affects and constitutes a great problem to savings mobilization and resources allocation by commercial banks. A proponent of financial repression hypothesis, identified that the sources of repression are government legislation policies such as legal restrictions on activities and interest rate policies that distort the full operation of the market mechanism in fixing prices for financial resources (Shaw, 1973). According to the proponents since repressions show their effect on limited savings generated because of interest rate ceilings on deposits, the hypothesis is ultimately reducible to interest rate policies.

Interest rates in Nigeria are institutionally determined and administered. Consequently interest rates are not a good indicator of the abundance or scarcity of capital in the economy. Appendix C shows the interest rate structure in the economy; which reveals the static nature of the interest rate over a period. For instance, for five years, 1970-1974, interest rates on savings deposits remained low and static at 3 per cent; it rose marginally in 1975 to 4 percent and remained the same till 1978. Thereafter, it has fluctuated slightly between 5 and 16.4% in 1987-1989. The same is true to time deposit rates. There would have been nothing worrying about the static and low interest rates, if the rate of inflation had been stable over the years. But it was not. In fact, inflation has become a permanent feature of the Nigerian Economy as shown in Table 3. There is bound to be as

adverse effect of inflation on the real rate of return on savings with return declining with high rate of inflation.

Thus, it has been contended that the level of financial repression through negative real interest rates (also shown in table 3) poses important microeconomic questions concerning an economy's ability to accumulate financial assets in real terms, and the volume of national savings. It has therefore been argued that one reason for the reluctance of savers to use banking institutions is that they offer relatively lowers returns (Ragazzi, 1981).

**TABLE 3**

1 Year	2 Gross Domestic Savngs (GDS) ₦millions	3 Gross Domestic Investment ₦millions	4 GAP Disequilibria (GDS-GDI) ₦millions	5 Premium Life Insurance ₦'000	6 Federally Collated Revenue (FCR) ₦millions	7 Inflation Rate (1) (Percent)
1970	1,240	1,260	-20	700	633.3	13.8
1971	1,900	1,850	50	928	1168.3	15.6
1972	2,480	2,220	260	1,619	1405.1	3.2
1973	3,250	2,620	990	1,104	1695.3	5.4
1974	6,600	3,170	3,430	1,877	4537.4	13.4
1975	5,750	5,510	240	1,681	5514.7	33.9
1976	8,530	8,580	-50	2,368	6765.9	21.2
1977	9,650	9,920	-270	2,837	8039.0	15.4
1978	8,440	9,890	-145	4,342	7371.1	16.6
1979	12,030	9,580	2450	5,358	10912.4	11.8
1980	16,680	11,570	5,110	10,282	15234.0	9.9
1981	10,560	12,600	-2,040	12,591	12180.2	20.9
1982	5,810	9,640	-3,830	15,378	11764.4	7.7
1983	5,180	7,420	-2,240	18,555	10508.7	23.2
1984	5,500	4,300	1,200	23,231	11191.2	39.6
1985	8,720	6,070	2,650	30,728	14606.1	5.5
1986	6,040	7,920	-1,880	29,967	12302.0	5.4
1987	16,600	11,240	5,360	37,195	25099.8	10.2
1988	19,920	16,620	3,300	37,030	27310.8	38.3
1989	45,670	27,270	18,400		50272.1	40.9



**TABLE 3 (CONTINUED)**

1970	3	-10.8	9,060	13.1	7.3	578.0	55.3
1971	3	-12.6	11,020	17.2	11.0	631.0	537.3
1972	3	-0.2	11,780	21.0	15.9	798.0	607.1
1973	3	-2.4	13,180	24.7	19.2	976.0	719.3
1974	3	-10.4	21,400	30.8	15.8	1,312.0	3,225.4
1975	4	-29.9	24,98	23.0	9.9	2,237.0	3,277
1976	4	-17.2	31,200	27.3	13.9	2,585.0	4,18.9
1977	4	-11.4	36,640	26.3	14.9	3,872.0	4,212.0
1978	4.5	-12.1	39,210	21.5	15.5	4,99.8	2,372.1
1979	5	-11.3	46,880	25.7	12.8	4,882.0	6,030.4
1980	6	-3.9	54,760	30.5	11.7	5,051.0	10,183.0
1981	6	-14.7	56,600	18.7	0.4	6,619.0	5,561.2
1982	7 ½	-0.2	60,480	9.6	0.4	6,816.0	4,948.4
1983	7 ½	-15.7	63,290	8.2	3.4	7,489.0	3,019.7
1984	9 ½	-30.1	69,950	7.8	1.8	6,925.0	4,266.2
1985	9 ½	-4.0	78,780	11.1	1.8	7,342.0	7,264.1
1986	9 ½	-4.1	79,740	7.6	1.5	7,488.0	4,814.0
1987	14.0	-3.8	96,400	17.2	0.0	7,395.0	1,7704.8
1988	14.5	-23.8	131,670	12.6	1.4	9,253.0	18,057.8
1989	16.4	-24.5	212,990	21.4	2.6	10,076.0	40,196.1

Sources:  
issued)

- (1) CBN, annual reports and statement of accounts (various issued)
- (2) CBN, statistical Bulletin, December, (1990)
- (3) CBN, Nigeria's Principal Economic and Financial Indicators (1970-1990)
- (4) IMF, International Financial Statistics (1991)
- (5) World Bank, World Tables (1991)

An examination of table 3 further shows that saving is interest inelastic. For example from 1970 to 1974 interest rate remained static at 3 percent and for the period 1975 to 1978. It was static at 4 percent, rising gradually to 16.4 percent in 1990. Over the same period, Gross domestic savings continued to rise steadily with spectacular increase of 16,680 million naira, in 1980 and 45,670 million naira in 1990. An explanation usually offered for this, is that small savers do not undertake saving with an objective of earning interest income but rather as a mere safe custody for as unexpected contingencies. Supporting this view, Hitris and Wiseman (1981) contended that for the few underdeveloped countries for which it was possible to study the relationship between interest rates and savings, the net impact of real interest rate on aggregate savings was found to be insignificant or even negative. As shown in table 1 (see also appendix F), econometric evidence from Nigeria supports the above argument.

In addition to commercial banks, there are other saving institutions, which constitute an important financial group in the Nigeria financial market. These include Nigerian Insurance Companies, Federal Savings Banks, Federal Mortgage Banks, Merchant Banks, and National Provident Fund. The volume of savings mobilized by these institutions is shown in Appendix D. However, the savings – Investment gap (gap disequilibria) derived from table 3 reveals the extent of savings mobilized.

The Nigerian insurance market seems, in spite of its long history, going to the 1900s, to have grown by slow degrees. As shown in table 3, the aggregate life insurance companies in Nigeria are clearly not a large sum compared to the deposits in the banks. One reason for this slow growth was that the earlier practitioners in the field did not consider it worthwhile to assure the life of Nigerians. They concentrated their attention on expatriate personnel and their families, neglected Nigerian life as being too full of risks. Another reason is that even after many companies began to enter, insured public remained generally very small – canvassed by a large number of firms many of who were hardly strong enough to meet the claims on them.

### 3.2A **NIGERIAN CAPITAL MARKET**

In 1960, Lagos Stock Exchange was established as a specialist capital market institution. Among its functions were the creation of an appropriate mechanism for capital formation and efficient allocation of savings among competing productive investment projects; and mobilization of long-term financial resources. The Nigerian capital market comprises several markets – market for new issues (primary market), a market for existing securities (secondary market) and a market for debt securities and equities (Alile and Ano, 1986).

The savings performance of the Nigerian Stock Exchange can be assessed on the basis of the size (value) and number of primary market issues. The new issues are savings mobilized for investment purposes by companies and governments. Appendix E shows the value of new issues raised through the capital market. It was N372.30 million in 1980 and by 1990 it has increased to N9964.4 million. In 1984 however, activities in the new issues market were virtually dormant (only 25.0 million raised) as a result of the fact that the Board of the Securities and Exchange Commission was dissolved in 1983 and was not reconstituted until December 1984. As a consequence of government regulation, the commission could not exercise its function of determining and approving the prices in 1984.

Some studies of Nigeria securities market have observed the problems, which impinge upon the efficiency and performance of the securities markets. They noted that the market is thin and narrow; the 'buy and hold' attitude of Nigerian investors; and the public unawareness of the opportunity of investing in the securities market (Ike, 1984 and Phillips, 1985).

Ogwumike and Omole (1992) found that the Nigerian stock market has been constrained by some policies tend to make it look like an outfit for government to raise loan finance rather than mobilizing finance. It is also constrained by inadequate and infrastructure facilities like telecommunication and power supply are usually inadequate and inefficient. Restrictive policies are another constraint. There is tax limitation brought about by tax law, which is largely biased against equity holding. Interest rates policies of the government have been discriminatory against the capital market and securities pricing policy has also constrained its rapid development.

### **3.2B ROTATING SAVINGS AND CREDIT ASSOCIATIONS (ROSCA)**

Ijere (1976) identified that at a time when self-reliance is perceived as a critical strategy for the transformation of rural economies, the idea of encouraging the formation of informal institutions, which draws from an ancient and long traditions, which draws from an ancient and long tradition of African communalism in Nigeria is irresistible. ROSCA have played a significant role in the economic development of Nigeria but because of their rudimentary nature and lack of legislation guiding and standardizing their operations, these functions were performed in a crude manner.

Among the roles which ROSCA have performed in Nigeria, the provision of credit is perhaps most important (Jerome, 1991). They provide institutional credit, which serves as an important means of channeling funds. In the process of mobilizing domestic savings, they are in a better position to tap the savings and spare money balances of the greater part of the community; and are important

intermediaries bridging the gap that would have existed between borrowers and savers.

In comparison to formal financial market, Miller (1977) studied 302 farmers in Oyo, Ondo, Ogun and Kwara State and found that about 82% of the available credit came from non-institutional sources. To many small producers (farmers and craftsmen), they may be the only financial institution of any significance. Borrowers are able to finance investment with the savings from these organizations. The organization had always emphasized the need for self help, individual effort and solidarity. They were held to be particularly adapted to the need of rural populace and they have the widest coverage.

In spite of these positive contributions, they have a number of shortcomings. The absence of rules and regulations guiding their operations has made it difficult to control them. Since their strength stems from informality, they may not be able to conform to the minimum set of conditions, which such legislations or rules may impose. Many of them have no accounting or administrative procedure. They neither keep good records nor engage in auditing and the security of savings (funds) depend on the honesty and integrity of the organizer or leader. Perhaps the greatest problem confronting the organization is inadequacy of funds, which impose constraints on their size. Linkages between them and organized sector are limited and much attempts have not been made by the government or non-governmental organization to encourage them in Nigeria.

### **3.2C PUBLIC SAVINGS**

Nigerian government has been uneasy or impatient with policies to increase private savings. As a consequence, she has attempted to follow an explicit public savings strategy: to draw resources into the public sector by fiscal means and to undertake public investment with these resources. Usually, such efforts demand a substantial increase in taxes. And in fact much of the emphasis on increasing taxes in Nigeria had as a rationale the need to increase public savings. The results have not been much gratifying at least as concerns resources mobilization. As shown in table 3, Government savings increased from N55.3 million in 1970 to N10183.0 in 1980. Thereafter, it decreased until 1987, which recorded N17704.8 and N40196.1 million in 1989. Now, the conventional explanation for this outcome is in terms of the socio-political process: expenditure has been intense and hence relatively little remains for development. Or even if a large share moves into development projects, the projects themselves, again because of politics, are frequently dubious.

Unlike developed countries, Nigeria tax systems are largely proportional, although the long-term trend is toward greater progressively. One reason for the decline of taxes on the various forms of property, particularly land and buildings is inflation. Rising prices reduce property taxes, unless values are revised upwards. Again, the country have not given much thought to taxing property through inheritance levies, which could much reduce inequality; with less adverse impact on investment/saving incentives than highly progressive income taxes. Furthermore, income taxes need to exempt savings from the tax base. But because of poor tax administration and complicated tax laws with many loopholes, direct taxes, such as the income tax, tend to be evaded. (Bhatt and Meerman, 1978).

## **4.0 REFORM PROPOSALS AND CONCLUSION**

### **4.1 POLICY RECOMMENDATION**

The key challenge for the national economic policy in the field of domestic savings mobilization should be, to eliminate policies, which lead to financial repression, especially by pursuing a more flexible interest rate policy. The common justifications for policies, which result in financial repression, prove to be less convincing. From a development point of an efficient financial infrastructure, lowers the overall propensity to save and leads to credit rationing.

Thus, a liberalization policy, which substantially improves the functioning of the financial system, is of great importance (current effort in deregulating Nigerian Financial Market should be sustained). Such a policy should allow both for assets and liabilities positive real rates of interests. The positive effects of higher real interest rates for the mobilization of additional financial savings can be demonstrated in those countries, which have implemented interest rate liberalization policies or more comprehensive reforms of the financial market. They include Taiwan, South Korea, Indonesia and Turkey (Fischer, 1989). In these countries, an active interest rate policy has led to a significant increase in time and savings deposits.

Further, an integration of the fragmented financial markets is highly desirable because it is a precondition for combining savings and credit oriented banking activities in such a way that financial savings are allocated more efficiently among sectors and regions. Supporting to this aim would be the dismantling of administrative obstacles, which impede the establishment and development of universal banks. Branches of foreign banks can further stimulate the efficiency of domestic financial markets, if they prove to be innovative in mobilizing private savings by providing new savings (and credit) instruments.

Sustained success in mobilizing financial savings from small savers-especially in rural areas-can be achieved if financial institutions offer appropriate savings and credit instruments suited to the needs, education level, and customs of the poorer part of the population. For this purpose the formal procedures for the banking operations have to be simplified and the security needs of depositors taken into account. An improved and more diversified supply of savings instruments should be accompanied by a higher qualification of the bank employees which should be also motivated by special incentive systems to sell the newly created bank services. Indeed the success of an enlarged branch network would critically depend on the appropriateness of the financial services actually offered. With the termination of rural banking scheme, one hopes that the new community banks and peoples bank will strengthen efforts in mobilizing resources from low-income groups.

For improved performance of the Nigerian Capital Market there is need for adequate infrastructure facilities at the Stock Exchange to ensure smooth access to information by investors and dealing members of the exchange. Increased publicity on the part of the Stock Exchange should be directed to companies as well as individuals who invest in shares. The link between the other financial institutions and the stock exchange should be improved, and appropriate policies aimed at ensuring that more companies and individuals raise fund on the Nigeria Stock Exchange.

Given the large size of informal financial institutions, policy makers, and government, of the role they can play in the economic development of Nigeria. Based on sound knowledge of the functioning of the sector, their overall performance can be improved. However, excessive government regulation should be avoided. Technical assistance is important in the area of accounting and management training, savings campaign, and education of the masses on the need to mobilize domestic savings for development.

The this end, a Nigerian Credit Union should be opened at the national level; with membership open to all rotating savings and credit associations. The union should be saddled with the responsibility of training officials, minimization of default and provision of adequate arrangements for inspection, supervision and audit.

As at present, there exist little or no linkages between these associations and other financial institutions especially commercial banks. The appropriate link strategy should thus be one of mutual assimilation. Such integration should embody the attractive features of the informal sector and the organized financial system. Government should establish specialized intermediary level institutions whose major function will be the provision of rediscount facilities to rotating savings and credit associations. These institutions should be guided more by considerations of social benefits than of financial returns. The high interest rate in this association is indicative of limited availability of funds and difficulty of obtaining credit from the organized financial sector. Attempt to bring down the rate of interest must be based on carefully formulated policies.

Since current private consumption and saving respond highly to business cycles, government should embark on policies that will generate more employment. Increased employment means income for more people and since savings is a function of current income, this will tend to increase private savings and hence national savings. It is in this regard that one should commend the efforts of the government at creating employment opportunities for the citizens through the various scheme of the National Directorate of Employment (NDE). However, this effort should be sustained, enhanced and monitored.

One of the most effective ways of increasing domestic savings is to raise the level of public sector savings. To do this, public revenue base of the government will

have to be broadened and made more efficient. And to achieve this, the government needs to improve the current tax administration system, introduce broadly based uniform tax rates such as value added taxes and increase its reliance on user charges for the provision of public services with appropriate compensation scheme to protect the poor.

Agriculture should also be given more attention. Attaining self sufficiency in food production and probably increasing output of export crops will reduce our import bills and increase our export earnings. This will therefore improve our current account situation, which implies an increase in public savings. Furthermore, government should encourage industrial concerns to source more of their raw materials locally. Incentives put in place for this action should judiciously implement and justified. This will make the industrial sector less dependent on foreign exchange and thereby enhancing our domestic savings.

Finally, considerable investment in the rural areas takes place in a non-monetized form through the use of family cottages-cottages for family use, farm roads and the like. Such use of family labor can be intensified only if the rewards accrue to those who work rather than to those who own land. The promotion of this type of non-monetized saving and investment thus requires security of tenure to those who cultivate the land (tenant farmers). Similarly, at the community level, real assets like minor irrigation; school buildings, community halls and drinking water facilities can be built through voluntary labor of community members. This is not possible, however, without linking rewards and work – hence the need for egalitarian rural structures through effective land reforms.

## 4.2 CONCLUSION

Despite the increasing emphasis (both in research and reality) on savings mobilization issues, there is lasting need of further efforts especially in mobilizing small savings in both urban and rural areas, and the process of financial intermediation itself. In this respect, Commercial banks in performing their roles, was found to have potential scope and prospects for mobilizing financial resources and allocating them to investment. These potential have to be exploited quickly by integrating the rural banks with the informal financial sector of the rural areas where a lot of savings lie idle or dissipated.

While financial repression through interest rates ceiling may discourage savings in Nigeria, it is not as serious as has been postulated by the apostles of the financial repression hypotheses. Nevertheless, the commercial banks should offer

simple and convenient financial instruments yielding a positive real return. Even if low, real interest rates on deposits should encourage savings mobilization. More so, the current deregulation of money market and the expected deregulation of capital market (Nigeria Stock Exchange) will surely enhance the domestic resource mobilization efforts of the formal financial section.

But given the problems inherent in the formal sector, the informal savings associations, if properly developed would not only facilitate the financing of economic development but would also contribute to the development of income. At a time when self-reliance is perceived as a critical strategy for the transformation of rural societies, the idea of encouraging rotating savings and credit associations is irresistible.

Precisely, the macro-economic policy mix for raising the level of domestic savings and ensuring their efficient allocation needs to cover a wide range of institutional policy measures, comprising greater financial intermediation; control of inflation through effective supply side and aggregate demand management; positive and realistic rates of interest; tax incentives for personal savings; protection of the value of savings; integration of savings mobilization in macro-economic policies at the organizational level; and a long-run strategy of matching the growth of national and per capita incomes by adequate supplies and availability of wage-goods and incentive goods.

In conclusion, we suggest that further research should be focused on carrying out a detailed analysis of the informal financial sector characteristics and mode of operations. Emphasis should be placed on how to enhance their linkage with modern financial sector. In-depth studies are also needed on the money market; capital market and public sector separately; as regards their savings mobilization role in the economic development of Nigeria. Moreover, saving behavior of the various agents (household, corporate, non-corporate, and government) should be rigorously analyzed and their findings to be used in policy formulations and decisions.

## BIBLIOGRAPHY

- Abdi, A. (1977) Commercial Banks and Economic Development: The Experience of Eastern Africa, New York: Praeger.
- Adams, N.A. (1971) "Dependency Rates and Savings Rates: Comment" American Economic Review, June pp. 472-75.
- Adeyeye, S.O. (1975) A History of the Co-operative Movement in Nigeria, 1935-1970. Unpublished Ph. D Thesis, University of Lagos.
- Agu, C.C. (1984) "The Role of Commercial Banks in Mobilization and Allocation of Resources for Development in Nigeria" Savings and Development No. 2
- Alile, H.I. and A.A. Anao (1986) The Nigerian Stock Market in Operation, Lagos: Nigerian Stock Exchange.
- Amogu, O.O. (1956) "Some Notes on Savings in an African Economy" Social and Economic Studies, Vol. 5
- Areskoug, K. (1969) External Public Borrowing: Its Role in Economic Development, New York: Praeger
- Babalola, K. (1991) Determinants of Savings in Nigeria: 1970-1989 Unpublished M.Sc Dissertation, Department of Economics, University of Ibadan
- Bhatia, R.C. (1978) Banking Structure and Performance: A Case Study of the Indian System 1950-1968 Unpublished Ph. D Dissertation West Virginia University
- Bhatia R. J. and D. R. Khatkate (1975) "Financial Intermediation Savings Mobilization and Entrepreneurial Development: The African Experience" IMF Staff Paper, March.
- Bhatt, V.V. and J. Mearman (1978) "Resource Mobilization in Developing Countries: Financial Institutions and Policies" World Development, Vol (1)
- Bouman, F.J. (1977) "Indigenous Savings and Credit Societies in the Third World-Any Message?" Paper delivered at the Conference on Rural Finance Research, San Diego, California
- Chandararkar, A.G. (1978) "The Promotion of Personal Savings and the Integration of Savings Policy in Overall Economic and Financial Policy" Savings and Development, No. 4
- Delancey, M.W. (1978) "Savings and Credit Institutions in Rural West Africa: Introduction" Rural Africana, No. 2
- Duesenberry, J. (1949) Income, Saving and the Theory of Consumer Behavior, Cambridge: Harvard University Press
- Eaton, J. and Gersovitz M. (1983) "Country Risk: Economic Aspects" in R.J. Hemng (ed) Managing International Risk, Cambridge: Cambridge University Press
- Fishier, B. (1989) "Savings Mobilization in Developing Countries; Bottlenecks and Reform Proposals" Savings and Development No. 2
- Ezeabasili, A.N. (1960) "The Ibo in Town and Tribe" African World April

- Friedman, M. (1957) A Theory of The Consumption Function, Princeton. Princeton University Press
- Geertz, C. (1962) "The Rotating Credit Association: A Middle Rung in Development" Economic Development and Cultural Change, V Vol. 10, No. 3
- Gersovitz, M. (1988) "Saving and Development" in H. Chenery and T.N. Scrinivason, (eds) Handbook of Development Economics, Northholland: Elsevier Science Publishers
- Ghosh, D. (1986) "Savings Behaviour in the Non-Monetized Sector and its implications" Savings and Development No. 2
- Giovannin, A. (1985) "Saving and the real interest rate in LDCS" Journal of Development Economics, 18, Pp.197-217
- Goldsmith, R.W. (1969) Financial Structure and Development, New Haven: Yale University Press
- Heller, W. (1967) "Fiscal Policies for the Underdeveloped Countries" in R. Bird and O-oldman, (eds) Readings on taxation in Developing Countries Baltimore: John Hopkins Press
- Hitiris, T. and J. Wiseman (1981) "Aspects of the Mobilization of Savings in LDCs" Discussion Paper, 54.
- Hooley, R. W. (1967) "The Measurement of Capital Formation in Underdeveloped Countries" Review of Economics and Statistics, May, Pp. 199-208
- Ijere, M.O. (1976) Co-operative Movement in Nigeria, Enugu: Nwamife Publishers
- Ike, D.D. (1984) "Financial Appraisal of the Nigerian Capital Market" Nigerian Journal of Financial Management, Vol. 3, No. 2, December
- Jerome, T.A. (1991) "The Role of Rotating Savings and Credit Associations in Mobilizing Domestic Savings in Nigeria" African Review of Money Finance and Banking, No.2
- Jollicoe, M.R. (1968) "Indigenous Savings Association in East Africa and Mobilization of Domestic Savings" United Nations Economic Commission for Africa, E/CN.14/HOU/21 Addis Ababa: United Nations.
- Keynes, J. M. (1936) The General Theory of Employment, Interest and Money; New York: Harcourt, Brace and Co
- Khatkate, D.R. and K. Riechel (1980) "Multipurpose banking: its nature, scope and relevance for Less developed countries" International Monetary Fund Staff Papers, September
- King, T. (1971) "Private Savings in K. Griffin, (ed) Financing Development in Latin America London: Macmillan
- Klaus, S. et al (1990) "Household Saving in Developing Countries: First Class Country Evidence" World Bank Pre-Working Paper No. 575
- Landau, L. (1971) "Differences in Saving Ratios Among Latin American Countries" in H. Chenery (ed) Studies in Development Planning, Cambridge: Harvard University Press
- Lee, J.K. (1971) "Exports and the Propensity to Save in LDC's" Economic Journal, June, Pp.341-351

- Left, N.H. (1969) "Dependency Rates and Savings rates" American Economic Review, 59: 886-896
- Lewis, A.W. (1955) Theory of Economic Growth, London: Homewood, p. 230
- Lewis, A.W. (1957) "Economic development with Unlimited Supplies of Labor", The Manchester School, Vol. 22, pp.139-191
- Lewis, W.A. (1970) The Theory of Economic Growth, New York: Harper
- Mauri, A (1977) "A policy to mobilize rural savings in less developed Countries" Savings and Development, No.1
- Mauri, A (1984) "Savings for Development" Report of the International Symposium on the Mobilization of Personal Savings in Developing Countries, Cameroon, December
- Meier, G.M. (1989) Leading issues in Economic Development, New York: Oxford University Press
- Mensrugghe, J.V. (1972) "Domestic Savings in Developing Countries" Finance and Development, March, p. 36
- Mikesell, R.F. and I. Zinser (1973) "The Nature of the Saving Function in Developing Countries: A survey of the theoretical and Empirical Literature" Journal of Economic Literature, Vol. II March
- Miller L.F. (1977) Agricultural Credit and Finance in Africa, The Rockefeller Foundation.
- Miracle, M.P., D. Miracle and C. Cohen (1980) "Informal Savings Mobilization in Africa" Economic Development and Cultural Change Vol. 28, No. 4 July
- Modigliani, F. and A. Ando "The Life Cycle Hypothesis of Saving: Aggregate Implications and Tests" Review of Economics and Statistics, February 50, pp. 137-138
- Mwega, F.M. S.M. Ngola and M.Mwangi (1990) "Real Interest rates and the Mobilization of private Savings in Africa" African Economic Research Consortium, Research Paper 2 November
- Ogunyemi, D.O. ( ) Saving Facilities in Nigeria, NISER, Ibadan
- Ogwumike, F.O. and D.A. Omole (1992) "Mobilizing Domestic Resources for Economic Development in Nigerian – The Role of Capital Market" African Economic Research Consortium Final Report May.
- Okigbo, P.N.C. (1981) Nigeria's Financial System, London: Longman
- Phillips, T. (1985) "The Role of the Nigerian Capital Market in Recessed Economy" Central Bank of Nigeria Bullion, Vol. 9 No. 1 (January-March) pp. 21-29
- Popiel, P.A. (1990) "Developing Financial Markets in Sub-Saharan Africa" The World Bank EDI Working Paper.
- Raqazzi, G. (1981) "Savings Mobilization in Africa" Savings and Development No. 1
- Raqnar, N. (1953) Problems of Capital Formation in Underdeveloped Countries.

- Rahman, M.A. (1968) "Foreign Capital and Domestic Savings: A Test of Haavelmo's Hypothesis with Cross-Country Data" Review of Economics and Statistics, Feb. 50 pp. 137-138
- Rostow, W. (1958) The Stages of Economic Development, New-Haven
- Schumpeter, J.A. (1934) The Theory of Economic Development, Cambridge: Harvard University Press
- Sethness, C.C. (1988) "Capital Markets Development" Finance and Development, December, pp. 32-33
- Sharma, K.S. (1978) "The Role of Financial Intermediaries in Mobilization and Allocation of Resources for Rural Development (Abstract)" Indian Economic Journal, Vol. 2
- Shaw, E. (1973) Financial Deepening in Economic Development London: Oxford University Press.
- Siden, S. (1984) "Savings Mobilization in Rural Areas and the process of Economic Development" Savings and Development, No. 3
- Singh, S.K. (1991) "The Determinants of Aggregate Savings" International Bank for Reconstruction and Development Mimeo, April
- Strumpel, B. (1976) "Savings Behavior in Western Germany and the United States" American Economic Review Vol. LXV. Pp. 210-216
- Suitz, D. "The Determinants of Consumer Expenditure: A Review of Present Knowledge" in W. Johnson and D. Kamerschen, (eds). Macroeconomic: Selected Readings, Boston: Houghton Mifflin
- United Nations (1957) Seminar Report on Measures for Economic Development of Underdeveloped Countries, New York: United Nations, pp. 1-26
- Vittorio, C. and S. Klaus (1991) "Public Policies and Savings in Developing Countries" World Bank PRE Working Paper No. 574.
- Virmani, A. (1986) The Determinants of Savings in Developing Countries: Theory, Policy and Research Issues, World Bank, August
- Wai, U.T. (1972) Financial Intermediaries and National Savings in Developing Countries, New York: Praegar.
- Weber, W.E. (1970) "The Effect of Interest Rates on Aggregate Consumption" American Economic Review, September, 60, pp. 591-600
- Shaw, E. (1973) Financial Deepening in Economic Development, London: Oxford University Press.
- Wirmark, D. (1983) "Savings for Development" Savings and Development, No. 1 pp 75-83
- World Bank (1978) World Development Report:
- Wresback, H.P. (1980) "Mobilization of Development Finance: Problems and promises of Automaticity" Development Dialogue Vol. III. P.6

- Wright, C. (1967) "Some Evidence on the Interest Elasticity of Consumption"  
American Economic Review, 57, pp. 850-54
- Yang, C.Y. (1964) "An International Comparison of Consumption Functions"  
Rev. Econ. Statis., August, 46, pp. 279 86
- Young, J.H. (1970) "The Optimum Lifetime Distribution of Consumption Expenditures;  
Comments" American Economic Review, Sept. 60, pp. 736-37
- Yusuf, S. and R.K. Peter (1984) "Savings behavior and its implications for Domestic  
Resource Mobilization: The Case of the Republic of Korea" World Bank  
Staff Working Papers No. 638.

## APPENDIX A

### INFORMAL SAVINGS AND LOAN ASSOCIATIONS IN AFRICA

Country	Local Name Institution	Selected Organizational Characteristics
Liberia	Esusu	Fund (collective deposit) rotates
Liberia	....	No rotating fund: interest may or may not be charged Members granted loans but nonmembers always are Charged higher rates than charged members
Liberia	....	No rotating fund; some or all funds mobilized may be Used for community projects
Gambia	Osusu	Fund rotates
Sierra Leone	Asusu	Fund rotates
Senegal	Tontine	Fund rotates
Ivory Coast	Daiou moni, wari moni	Fund rotates
Ghana	Susu	Fund rotates
Ghana	Nanemei akpee	Fund rotates; reported for women traders
Ghana	....	Fund does not rotate; used by fish traders to control Fish supply
Benin	Ndjonu, tontine	Fund does not rotate
Nigeria	Esusu, Isusu, dashi, Adashi, oha, bam	Fund rotates in some groups but not others; some groups have both a rotating and a non-rotating fund
Nigeria	Osus, contribution club Meeting	Fund does not rotate

Country	Local Name Institution	Selected Organizational Characteristics
Niger	Asus	Fund rotates
Cameroon	Njangi, djanggi, tontine Credit rings	Fund rotates
Cameroon	Meeting, "bank"	Fund is fixed
Cameroon	Mandjon	Group pools funds for investments
Zaire	Ikelemba, Kitemo, Osassa	Fund rotates

Country	Local Name Institution	Selected Organizational Characteristics
Congo (Brazzaville)	Temo	...
Sudan	Sanduk, Khada	....
Ethiopia	Ekub, ikub	Fund rotates
Kenya	...	Fund rotates some groups
Uganda	Chilemba	Fund rotates some group
Tanzania	...	Fund rotates some groups
Zambia	Chilemba	Fund rotates
Rhodesia	Chilemba	Fund rotates
Malawi	Chilimba, chilyelano, Katapila	Fund rotates
Republic of South Africa	Umagelo clubs, Mahodisana, stokfel	Fund rotates
Egypt	Gameya	....

Sources: Miracle, Miracle, and Cohen (1980)

**APPENDIX B**

USES OF FUNDS REPORTED IN THE LITERATURES: QUALITATIVE DATA.

Use	Ethio- Ville)	Zambia	Sierra Leon Malawi	Liberia Sudan	Repub. Ghana of S/A.	Benin	Nigeria	Niger	Cam- eroon	Zaire	Congo (Brazza)
Finance Trade.....	x	x	x	x	x	x	x		x	x	
	x	x			x						
Finance acreage Expan.				x		x			x	x	
Buy "Property					x						
	x										
Buy buses, trucks or Taxis				x		x			x	x	
	x										
Buy bicycle for business							x				
Buy canoes					x						
Buy palm groves							x				
Buy fish net					x						
Buy grain grinding mills						x					
Buy "tools"							x				
Buy seed							x	x		x	
Buy fertilizer						x			x		
	x										
Hire labor						x					
	x										
Build roads, school, or hospital				x			x		x		
	x										
Buy livestock						x					
	x										
Finance education								x	x		
Finance bridewealth				x		x	x		x	x	x
		x									
Pay taxes							x				
Provide collateral for loan							x				
Build houses (use unspecified)					x	x	x		x		x
	x										
improve houses				x		x			x		x
Finance litigation							x				
Finance travel (purpose not specified)										x	
buy food or clothing		x					x	x	x	x	x
	x					x					
buy bicycles (use unspecified)						x	x		x		
	x										

**APPENDIX B (CONTIUED)**

USES OF FUNDS REPORTED IN THE LITERATURES: QUALITATIVE DATA.

Use	Ethio- Ville)	Zambia	Sierra Leon Malawi	Liberia Sudan	Repub. Ghana of S/A.	Benin	Nigeria	Niger	Cam- eroon	Zaire	Congo (Brazza)
Buy sewing machines			x								
Buy radios			x	x		x					
Buy jewelry											
Finance ceremonies (including funerals)			x			x	x		x	x	
finance parties & other entertainment			x				x		x		
x											
pay medical expenses					x				x		

Source: Miracle, et, al (1980)

## APPENDIX C AND D : CONTACT AUTHOR FOR DETAILS

## APPENDIX E

### New Capital Issues (1980 – 90) (₦ Million)

Year	Government Stock	Corporate Bond	Equity	Total
1980	300.0	69.0	3.3	372.3
1981	300.0	32.0	4.2	336.2
1982	300.0	140.0	14.3	454.3
1983	300.0	158.0	21.4	479.4
1984	-	25.0	-	25.0
1985	600.0	71.6	3.8	675.4
1986	615.0	8.7	22.3	646.0
1987	240.0	30.0	15.8	285.8
1988	60.0	45.6	175.3	280.9
1989	30.0	580.7	1,016.9	1,627.6
1990	-	981.5	8,982.9	9,964.4

Source: CBN Annual Report and Statement of Accounts (Various issues)



