FINANCIAL LIBERALIZATION AND SAVING MOBILZATION IN NIGERIA (1986-2013)

[1]ADOFU, I., Abdulsalam, J.[2] and AMEJI, N.E.[3]

[1]Department of Economics, Adamawa State University, Mubi, Nigeria.
[2]Department of Entrepreneurship Studies Nasarawa State University, Keffi, Nigeria.
[3]Post Graduate Student, Department of Economics, Kogi State University, Anyigba, Nigeria.

ABSTRACT

This study investigates the relationship between financial liberalization and domestic savings mobilization in Nigeria from the period 1986-2013. Using time series data and ordinary least square(OLS) regression analysis, this work provides an empirical insight into the relationshipthat exist between financial liberalization and domestic savings mobilization in Nigeria.The paper demonstrated that money supply and credit supply to private sector influences savings mobilization in Nigeria significantly, interest rate on savings and exchange rate were not significant in influencing savings mobilization. The paper therefore concludes that financial liberalization had minimal effect and the increase in interest rate through liberalization could not lead to an increase in domestic saving. The study therefore recommends macroeconomic stability, effective implementation of policies and programme and also effective interest rate management.

Key Words: Financial Liberalization, Domestic Savings, Savings Mobilization, Interest Rate, Macroeconomic Stability, Financial System.

INTRODUCTION

Government have long intervened in the financial sectors, not only to preserve financial stability and protect the public from unexpected losses but also to limit concentrations of wealth and monopoly power, to generate fiscal resources, and to channel resources towards favored groups, through the financial system rather than the more transparent instrument of the public finances. Interest rate ceilings have existed and have been partially evaded for centuries. it is hard to find a country that has not had a state-owned financial institution or intervened in the sector.

From 1970 to the mid 1980s the financial markets of most developing countries (Nigeria inclusive) were characterized by financial repression. This was as a result of the policy of financial restriction pursued by government in these countries. Most developing countries intervened substantially in the financial sector by setting interest rates for savings and lending, as well as directing the allocation of credit in the economy, to accelerate development. The

objective of such policies was to increase savings and direct them to areas of high economic and social priority.

In the Mckinon-Shaw analogy (1973), financial repression is characterized by policy induced distortions in the financial system. The policies include moral suasion of financial institutions to observe interest rate ceilings that are below market clearing levels, high reserve requirements, selective credit control, capital controls to prevent the outflow of domestic savings and obligatory holding of government bonds by the financial institutions at zero or low interest rates is also common.

By the early 1990s, however, it became apparent that the approach was counter-productive as the repressed financial sector could no longer mobilized loanable funds for investment (Akiri and Adofu, 2007). Financial sector reforms were, therefore introduced to correct the problems caused by financial repression.such reforms included interest rate liberalization and the removal of ceilings and other controls on credit allocation.

Financial liberalization involves the elimination of credit controls, deregulation of interest rates, easing of entry into the financial services industry, development of capital markets, increased prudential regulation and supervision, and liberalization of international capital inflows (Emmanuel, 2006)

Reforms are expected to increase competitive efficiency within the financial market in the following ways

a. The elimination of regulations and price distortions allows savings to be directed into highest-yielding forms of investment.
b. Increased competition reduces the cost of financial intermediations
c. The reform measures generatean improved range of financial products and services adaptable to changing consumer needs.

Savings fundamentally is about choosing between current and future consumption. Savings theories traditionally predict that current consumption is related not to current income, but to a longer-term estimate of income. According to the theory presented in 1936 by the great British economist John Maynard Keynes, it is a “psychological law” that when income increases, people increase their saving to such an extent that the saved share of their income increases. Much effort at encouraging and mobilizing savings is directed at the formal sector, hence the need for reforms to ensure mobilization of savings.

Savings portends many benefits for the society and the individual. The importance of savings to the economy can be positive or negative. This depends principally on the condition of the economy. For a depressed economy savings can exacerbate the harsh conditions of the economy. This is because savings would deprive such an economy of consumption expenditure needed to revive the economy. This thinking is better understood with the paradox of thrift propounded by John Maynard Keynes. The paradox states that if everyone saves more money during times of recession, then, aggregate demand will fall, which leads to a fall in economic growth (Adofu, Antai and Alabi 2010).

The proponents of this idea however did not completely refute the importance of savings in an economy. Rather, they belief that it is virtuous only up to a point. It is laudable up to the point businessmen in the economy wish to borrow for investment. The classical school of thought are of the view that since what was saved was later invested, there could not be excessive saving. According to Adofu and Abula, 2010, savings would ensure economic growth and its flow needs to be encouraged and sustained.

The financial sector reforms were expected to have a positive impact on savings mobilization and credit allocation. However, in Nigeria, as in many other developing countries, the savings-GDP ratio and ratio of credit to GDP has not increased significantly. The quantity, quality and cost and availability of loanble funds have continued to constrain the expansion of businesses and self employment. Furthermore, a significant proportion of credit transactions in Nigeria still take place in the informal markets, despite governments efforts aimed at channeling credit to productive sector, through the deposit money banks (DMBs) and setting up development banks (Adofu, Antai and Alabi 2010).

The main objective of this paper is to assess or examine the impact of financial liberalization on savings mobilization in Nigeria from 1986 to 2013. To this end, the paper is divided into sections. The foregoing section contains the introduction, while the next section contains the literature review. Section three dealt with the methodology, section four deals with data analysis, and finally section five contains the summary, conclusion and recommendations.

THEORETICAL LITERATURES AND CONCEPTUAL ISSUES

The Mckinnon and Shaw (1973) Models discuss the way in which repressed finance takes the form of interest rate ceilings and subsequently compounds economic instability. They argue that in a developing economy, distortions of financial prices such as interest rates reduce the real rate of growth and size of the financial system in relation to the non-financial system. Increasing the real deposit rate therefore increases savings and rations out low-yielding investments since these are no longer profitable at higher interest rates. Thus, they postulate that the real rate of deposit to the savers is the key to higher levels of investment and greater investment efficiency. This also leads to financial deepening since it encourages the growth of financial assets and liabilities.

As institutional development is encourage within the financial system, individual borrows and savers are tempted to switch from the informal to the formal financial sector, thereby integrating the two sector. There is also an attraction to shift from inflationary hedges and foreign currency denominated financial assets to acquisition of domestic formal financial assets, which eventually increases the range of financial instruments available. This subsequently transforms the narrow, inefficient and fragmented financial system into a larger, complete and efficient capital market, which in turn encourages economic development. Thus they postulate interdependencies to exist among savings, investment and long-run economic growth with the key link being the deposit rate (Akiri and Adofu, 2007)

Augmenting the potential contribution of real positive interest in mobilizing savings requires the reform of the financial sector. Those in favor of such reforms are well discussed in Pagano (1993). We sum them up as the capability of the formal financial system to increase the share of total financial savings intermediated to investment and to improve the average return of the investment for the projects they finance. The positive link between higher financial savings and growth depends largely on how the transformation of resources into investment takes place within the financial sector. This effectively depends on the efficiency of the financial sector in providing services that for example reduce liquidity risk, diversity portfolios and supply information on investment efficiency.

The foregoing arguments in favour of raising the real deposit rate have been subjected to a lot of criticisms, with the major ones coming from the neo-structural lists. They argue that the key institutional characteristics of the Informal Money Market (IMM) were missing from the

arguments. Hence, if the IMM are to be taken into account the effect of financial liberalization would largely depend on the degree of substitution between the assets in household portfolios; that is, between lending to the IMM and lending to the banking sector via deposits, holding foreign currency denominated financial assets and inflationary hedges(Adofu, Antai and Alabi 2010).

The effects of financial liberalization are crucially dependent on whether bank deposits are close substitutes for unproductive assets (such as cash, gold, foreign bonds and commodity stocks) or close substitution for production assets such as IMM. The extent that financial liberalization attracts resources from the IMM, contractionary effect on output in the economy may obtain. The persistent loss in output will depend on the intermediary role of commercial banks with the influx depend of time deposits mobilized through increased deposit rates (Leaven, 2000).

According to Soyibo and Adekanye, (1992), the Post –Keynesians argued that financial liberalization through raising the real deposit rate may lead to a fall in output and growth, and subsequently to financial instability. A rise in the real deposit rate increases the supply of deposits and hence loans, with the marginal propensity to save increasing, consequently, aggregate demand and output will fall, with profits and investment also falling in the long run. If accelerator effects of investment are introduced, then the fall in output and growth will be greater.

The role of interest rates in raising both savings and investment remains controversial.Despite these short comings, it is still believed that positive real interest rate tend to make savers prefer financial to non-financial forms of savings. This will lead to a positive correlation between the overall financial depth and growth in G. D. P. Thus a policy that aims at increasing financial depth through expansion of interest-bearing instrument would help maximize economic growth via increased availability of credit to finance investment.

STRUCTURE OF NIGERIA’S FINANCIAL MARKET

The structure of the credit market in Nigeria reflects the dualistic nature of the economy, with the traditional informal market system co-existing side by side with the formal system.

Historically, at the time the central Bank of Nigeria (CBN) was established in 1959, Nigeria had only a rudimentary credit market. Businessmen and emerging industrialists could not

raise capital for their operations, while the surplus finds of the financial intermediaries had to be invested in off-shore ventures in the absence of an organized local market. The establishment of the CBN paved the way for the development of organized credit market. The Bank actively pursued the development of an efficient market system in order to facilitate, not only the regulation of the economy through orthodox monetary policy instruments, but also the need to mobilize financial resources to implement National development plans (Emmanuel, 2006).

The formal market system which now predominates comprises the money and capital market. The money market deals with short-term funds, while the capital market provides facilities for mobilizing and dealing in long-term funds. This is done by mobilizing funds from the surplus units and allocating them to the difficult units, through lending.

Nigeria’s financial market has two segments. The primary segment of the market deals in fresh funds while the secondary segment provides liquidity for the market. The major players in the money market are the central Bank, the DMBs and the discount houses. In the capital market the major participants include the specialized or development banks, private firms, the treasury and CBN. The minor participants include the DMBs, individuals, as well as state and local governments. The Nigerian stock exchange is the hub of the capital market and operates through stock brokers (Adofu and Abula, 2008)

The CBN (1999) identified two segments of the informal credit market. One segment is the semi formal credit market, comprising the cooperatives and thrift societies, savings and loans associations, building societies, market association, savings and finance houses. The purely informal credit market consists of the Esusu group, local money lenders, religions organizations, and charismatic lenders. The informal market system, which existed long before the formal market is a subordinate to the formal system and is essentially designed to serve social goals. Under the system, deposit mobilization and lending are done on a small scale. There is no barrier to entry and exit, while lending is based mainly on personal recognition. There is little or no record-keeping and cash transactions predominate. Interest rates are usually higher than those prevailing in the formal market.

It is recognized that the informal credit market finances the bulk of the informal activities, which constitutes a sizeable proportion of the domestic economy, and plays an important role in the development of the rural areas. While the formal institutions are regulated and subjected to prudential requirements, the activities of the informal institution remain outside

the supervision and control of the monetary authorities.in addition, the formal institution tend to be located mainly in the urban areas(Adofu, Antai and Alabi 2010).

FINANCIAL SECTOR REFORMS AND ITS IMPACT

Following the prolonged use of direct controls, pervasive government intervention in the financial system and the resultant stifling of competition and resource misallocation, comprehensive economic restricting programme was embarked upon in Nigeria in 1986 with increased reliance on market forces.

In line with the orientation, financial sector reforms were initiated to enhance competition, reduce distortion in investment decisions and evade a sound and more efficient financial system. The reforms which focused on structural charges, monetary policy interest rate administration and foreign exchange management, encompass both financial market liberation and institutional building in the financial sector. According to CBN, (2000), the bread objectives of financial sector reforms include:

i. Removal of controls on iterates rates to increase the level of saving and improve allocation efficiency.
ii. Elimination of non-price rationing of credit to reduce misdirected credit and increase competition.
iii. Adoption of indirect monetary management in place of the imposition of credit ceiling on individual banks.
iv. Enhancing of institutional structure and supervision.
v. Strengthening the money and capital markets through policy changes and distress resolution measures.
vi. Improving the linkage between formal and informal financial sectors (CBN, 2000).

The structural reforms which came on stream in 1986 brought some solution to existing problems of inefficiency in public business and lack of competition on the part of actors in the public businesses . The resultant deregulation and liberalization of financial sector stimulated competition and enhanced efficiency in resources allocation. Financial services improved in terms of quicker response to customers demand and the quality of services rendered. Also, financial services become more widespread as shown in the number and variety of financial institutions and schemes that emerged since 1986 (Soludo, 2004). Some of the specific achievements of financial sector reforms since 1986 are further discussed below:

i. **Increase in the number of operating institutions**: prior to 1986, Nigeria had only 40 banks, but the number increased progressively to 120 in 1992. By 1998, however the number of banks in operation declined to 89 as a result of the liquidation of over 30 terminally distressed banks. More so, the implementation of the 2004 banking reforms triggered various mergers which reduced the number of deposit banks in Nigeria from 89 to 25. Other types of financial institutions also increased substantially. Indeed some of these institutions such as the discount houses and bureau change were not on existence before 1986 (Akiri and Adofu, 2007).

ii. **Improved service delivery and products development**: With the use of modern technology including computers, queues in the banking halls which used to be the common feature of banks in Nigeria have reduced significantly. Also automated teller machines which dispense cash at designated points are being introduced to further reduce the reliance of depositors on banks for encashment of small amounts and also the use of cards reduced the risk of carrying cash for transactions (Soludo, 2004).

iii. **Innovation and competition:** The increased numbers of institution and the need to excel in service delivery have resulted in increase competition and innovation in the financial sector. Banks now open for longer hours and on Saturday in order to make their service available to their customers. It is also now possible for customers of some banks to operate their accounts at any branch of such banks, irrespective of where the accounts are domiciled through the use of on-line real time computer application for confirming signatures (CBN, 2000)

iv. **Increased use of information Technology:** The use of information technology in all aspect of banking operations is becoming popular in response to competition generated by financial reforms. Also both local and wide area networking are being pursued by banks with large number of branches to further reduce delay in returns rendition and inter-branch settlement

Furthermore, bank customers can now confirm their balance using their identification numbers on computer terminals installed in some banks branches without resources to the bank officials, thus saving both time and cost of operation of the banks and their customers. In addition, it is now possible for some bank customers to confirm their banks balance by telephone at anytime and from any location (CBN, 2000).

v. **Improved Regulatory surveillance**: According to Soludo, (2004), the regulatory environment for the institution within the sector has also improved with the reforms apart from the restructuring of the surveillance section of the CBN into banking supervision and bank examination departments and establishment of Nigeria deposit insurance corporation as the insurer of deposits in the banks in the event of bank failures, other institutions like the National insurance commission (NAICOM), National Board for Community Banks (NBCB) and Federal Mortgage Bank of Nigeria (FMBN) were designed as regulatory organs within the sector. Also the prudential guidelines introduced by the CBN and BOFI decrees were aimed at improving the regulatory framework for efficient operations of the institutions within the sector

vi. **Improved Approach Monetary Management**: The direct approach to monetary management constituted the main technique before the introduction of the SAP. Between 1986 and 1993, efforts were made by the authorities to create an enabling environment for the introduction of indirect approach to monetary management. A major action taken as part of monetary reform was the initial rationalization and eventual elimination of credit ceilings for sound banks. After meeting the initial necessary conditions, monetary management shifted to indirect method in which open market operations (OMO) is the main instrument (CBN, 2000).

vii. **Enhanced interest rate management:** In August 1987, all controls on interest rates were removed, while the CBN adopted the policy of fixing only its minimum rediscount rate to indicate the desired direction of interest rate changes. This was modified in 1989, when the CBN issued further directives on the required spreads between deposit and lending rates. In 1991, the government prescribed a maximum margin between each banks average cost of funds and its maximum lending rates. Later, the CBN prescribed savings deposit rate and a maximum lending rate. Partial deregulation was restored in 1992, buts its negative economic effect led to total deregulation in October 1996

As a result of this achievement in financial sector reforms, savings mobilization and financial intermediation improved greatly. However, while financial sector efficiency has generally improved, some old problems have persisted while some new ones have emerged and some of them are: underdeveloped payments system, distress in the sector, inadequate legal

framework, regulatory and supervisory constraints, inadequate CBN autonomy and negative political influences (CBN, 2000).

EMPIRICAL LITERATURE

The empirical results have not been consistent across countries. Hussain (1996) estimated that in the three years following financial reform, savings in Egypt increased by about 6 percent of Gross Domestic Product

Bayoumi (1993) showed that financial deregulation in the United Kingdom led to a decline in the personal savings ratio of 2.3 percentage points over the 1980s. Chapple(1991) also report a decline in both household and corporate savings in new Zealand following financial liberalization. Evidence from turkey during the 1970s and 1980s demonstrated that a negative income effect from higher interest rate outweighed the positive substitution effect on the private savings rate (Uygur, 1993).

Emmanuel, (2006) studies the effect of financial liberalization on savings mobilization in Nigeria from 1986 to 2013 and found out that; of the ten indicators he used to show the effect of the reform on savings mobilization, only two indicators (money supply and credit to private sector) were impacted positively upon by financial liberalization.

Kasekende and Atingi(1995) study revealed that banks overall assessment of financial sector liberalization is very positive for the economy of Uganda.

In sum, there are no settled conclusions on the impact of financial liberalization on the saving rate. The one proposition which seems to be good is that liberalization is likely to promote savings because of its impact on growth and not the other way round.

The empirical evidence shown in the literature relates to other countries, and the one undertaking by Emmanuel (2006), to show its effect on Nigeria saving mobilization is based on descriptive analysis and moreso there’s a time lag of 8 years between his study and now, and between this time lag of eight years a lot of changes has taken place. Nigeria’s experience provides an opportunity to test this proposition. Unfortunately, not all of the proposition in the literature on economic liberalization and savings can be empirically tested. Some of the variables cannot be quantified, and for some others data in the required form are not available. This study utilizes available data for Nigeria to assess the impact of financial sector reforms on savings

mobilizationfrom 1986 to 2013 using both descriptively and econometric techniques of the Ordinary Least Squares (OLS)

METHODOLOGY

Secondary data on total national savings, interest rates on savings, money supply, credit to private sector and exchange rate were used for this study. The data are obtained from central Bank of Nigeria statistical bulletin 2013.

This study makes use of analytical tool; the analytical tool consists of the use of ordinary least square (OLS) regression.

The model for this study is

$TS = \beta_o + b\beta_1 IRS + \beta_2 CRP + \beta_3 MS + \beta_4 EXCRAT + \mu$

Where:

TS=Total National Savings

IRS =Interest Rate on Savings

MS= Money Supply

CRP = Credit to private Sector

EXCRAT= exchange rate

β_o=Intercept term

β_1,β_2,β_3 and β_4 are the slope of the explanatory variables

μ =error term

Results and Discussions

TS=-48.91+3.45IRS+0.23CPR+0.34MS-0.54EXCRAT

Std (139.51) (9.46) (0.06) (0.06) (1.08)

T-stat (-0.35) (0.37) (4.14) (5.62) (-0.50)

$R^2 = 0.99$

$\bar{R}^2 = 0.99$

F-stat = 2737.88

Since the overall objective of this study is to examine the effect of financial liberalization on savings mobilization in Nigeria, attention is focused on the fulfillment of the economic a prior criteria i.e sign and size of the estimates (Koutsyannis 1977; Gujarat 1988) and statistical significance of the estimates.

Thus, the conventional criteria relating to the R^2 (coefficient of determination) is used. Also made use of are; Adjusted R^2, t-ratios (or standard errors), f-ratio and Durbin Watson statistic in determining the goodness of fit of the regression equation and statistical significance of the coefficients.

Holding the explanatory variable constant or assuming the influence of the explanatory variables on total National savings is Zero, the average value of total National savings will reduce by -48.91.This is correctly signed because it agrees with the saving theory which states that S = -a+b(y).

A unit increase in interest rate, lead 3.45 increase on total National saving, it is also correctly signed, because high interest rate leads to increase in saving.

Also a unit increase in credit supply to private sector, leads to 0.23 increase on total National savings, it is also correctly signed, because increase in credit supply to private sector, leads to increase in investment, increase in come and increase in savings

Furthermore, a unit increase in money supply, leads to 0.34 increase in total National savings, it is also correctly signed, because increase in money supply, leads

in exchange rate leads to -0.54 decrease on total National saving, it is also correctly signed because an increase in the value of naira leads to a decrease in non-oil export and discourages foreign direct investment, this reducing economic agents incentive to savedto increase in investment income and savings

A unit increase and vice-visa

The R-square values of 0.99, revealed that about 99% of the total variation in total National savings is explained by the interest rate, money supply, credit to private sector and exchange rate.

Adjusted R-square (R^2) = The Adjusted R^2 value of 0.99 indicates the actual proportion of variation in the dependent variable that is jointly accounted for by the explanatory variables.

Testing hypothesis based on t- statistics revealed that money supply and credit to the private sector are statistically significant in influencing savings in Nigeia at 5% level of significance. But interest rate on savings and exchange rateare not statistically significant at 5% level of significance.

The Durbin-Watson Statistic is 2.58, which shows that negative autocorrelation exists but not too strong.

The F-statistics of 2737.83 revealed that the entire independent variables are statistically significant predictors of National savings in Nigeria.

SUMMARY,CONCLUSION AND RECOMMENDATIONS

This study had attempted to find out the effect of financial liberalization on saving mobilization in Nigeria from 1986 to 2013. It adopted the financial deepening variable to test their effects on saving mobilization in Nigeria.

It has been found that interest rate and exchange rate were not significant in facilitating domestic savings, but money supply and credit supply to private sector are significant at 5% level of significance in facilitating domestic savings. Thus financial liberalization displayed a minimal positive effect though significant. Furthermore, financial liberalization has no positive effect on real interest rate and as such did not encourage savings. This is attributed majorly to inconsistency in the implementation of financial liberalization reforms and the unhealthy sate of the financial sector.

Therefore, the study concludes that interest on deposit and exchange rate did not influence national savings in Nigeria within the period under study. Credit supply to private sector and money supplyare the major determinant of national savings.

Based on this conclusion, the following recommendations are offered:

Financial liberalization must be coordinated both with policies that encourage growth and stability of the real sector in enhancing the credit worthiness of borrowers through prudent “real sector” policies is crucial to the success of any liberalization. Consequently, to avoid any potential massive inefficiency costs, any deregulation of financial markets must be coordinated with the design of financial safety net.

Effective mobilization of domestic savings should be ensured as a prerequisite for investment expansion and economic growth in Nigeria. It is important to stress that any meaningful savings mobilization requires equal participation of the teaming populace. Thus enlightenment campaigns which would bring the financial institutions to the door steps of the savers should be encourage.

Inflow of foreign financial resources can be encouraged by creating enabling environment for foreign direct investment and creating a sound financial system for effective mobilization of financial savings.

Government should aim at creating conditions which make private investment attractive. The conditions can range from generally establishing a stable macroeconomics environment, provision of adequate property right-to more specifics ones, such as adequate access to credit, imported inputs by investors, stable power supply, good road network, telecommunication and provision of adequate security. Policies that promote private investment would generally have significant benefits for long-run growth, and thus standard of living. In some cases, these benefits may be greater than if the same amount of investment were undertaken by the public sector. This should suit the government as well as it would release resources that could be used towards other purposes and would help control the fiscal responsibility of government.

Banks should be encouraged to engage in interest rate management, by creating liquidity through maturity. The lessons of Asia should be learnt. In Asia, separate banking institutions, in the form of development banks were created to engage specifically in maturity mismatch.

REFERENCES

Adofu, I. &Abula M. (2008):An Empirical Assessment of the Effect of Nigerian Stock Exchange on the Nigerian Economy (1990 – 2006). *Kogi Journal of Management* Vol. 2, No. 2. 69-75

Adofu, I.&Abula, M. (2010): Domestic Debt and the Nigerian Economy. Current *Research Journal of Economic Theory* Vol. 2, Issue 1. 22-26.

Adofu, I., Antai, E. &Alabi, O. (2010):Informal Savings Mobilization and Investment: A Case Study of Rotating Savings and Credit Association (ROSCA) in Kogi State, Nigeria. *Continental Journal of Social Sciences* Vol. 3. 7-17.

Akiri, S.E. & **Adofu, I. (2007)**: Interest Rate Deregulation and Investment in Nigeria. *Journal of Economics and Management Studies Vol. 2. No. 1. 33-41*

Bayoumi, T. (1993): Financial Deregulation and Household Saving, "*Economics Journal*, 103, November

CBN (2013): CBN Statistical Bulletin

CBN (2000): Changing Structure of the Nigerian Economy Published by Realm Communications ltd Lagos

CBN (2003): Contemporary Economic Policy Issues in Nigeria. Central Bank of Nigeria Publication

Chapple, S. (1991), "Financial Liberalization in New Zealand, 1984- UNCTAD Discusion Paper No 35.

Emmanuel A. (2006): Financial Liberalization and Savings Mobilization in Nigeria. *CBN Bullion*, 30:52-62

Fry, M.J (1980): Savings, Investment growth and the cost of financial repression. *World Dev;* 8:317-327

Gerard C. Et'al (2000): The benefits and Pitfalls of Financial Liberialization. Webnote of Unpublished world Bank research project

Gujarat, H. (1988), *Econometric Models* McGraw Hill U.S.A

Kasekende, L.A and Atingi-Ego, M (2003): Financial Liberalization and its implication on the Domestic Financial System: the case of Uganda AERC Research Paper 128, African Economic Research Consortium, Nairobi

Keynes, J.M (1936): *The General Theory of Employment, interest and Money.* Macmillan, London

Koutsyannis A. (1977): *Theory of Econometrics*, Macmillian, London.

Mckinnon, R. (1973*), Money and Capital in Economic Development*, Washington D.C, brookings Institution

Mishkin E. (1990) "What does the term structure Tell us about future inflation" *Journal of Monetary Economics* 25; 77-95.

Laeven, L. (2000)"Does Financial Liberalization Reduces financial Constraints? MiMeo, world Bank.

Pagano M. (1993): Financial Markets and Growth: An overview. *European Economic Review* Vol. 37

Shaw E.S (1973): *Financial Deepening in Economic Development*. New York: Oxford university press.

Soludo, C.C. (2004): "Consolidating the Nigerian banking Industry to meet the Development Challenges of the 21st century'' Address at the special meeting of the Bankers' Committee, Abuja, July 6

Soyibo A. and Adekanye, F. (1992): Financial System Regulation, Deregulation and Savings mobilization in Nigeria AERC, Research paper11, Nairobi November.

Uygur (1993): Liberalization and Economic performance Turkey "UNCTAD Discussion Papers No. 65

.

APPENDIX 1: REGRESSION RESULTS

Dependent Variable: TS
Method: Least Squares
Date: 12/12/14 Time: 12:41
Sample: 1986 2013
Included observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IRS	3.453961	9.462439	0.365018	0.7184
CRP	0.234781	0.056686	4.141785	0.0004
MS	0.343882	0.061199	5.619089	0.0000
EXRAT	-0.542702	1.076773	-0.504008	0.6190
C	-48.90945	139.5115	-0.350576	0.7291

R-squared	0.997904	Mean dependent var	1751.863
Adjusted R-squared	0.997540	S.D. dependent var	2696.546
S.E. of regression	133.7521	Akaike info criterion	12.79029
Sum squared resid	411461.6	Schwarz criterion	13.02818
Log likelihood	-174.0640	Hannan-Quinn criter.	12.86301
F-statistic	2737.832	Durbin-Watson stat	2.575172
Prob(F-statistic)	0.000000		

APPENDIX 2

VARIABLES FOR REGRESSION

TS	IRS	CRP	MS	EXRAT
13.93	9.50	15.25	23.81	2.0206
18.68	14.00	21.08	27.57	4.0179
23.25	14.50	27.33	38.36	4.5367
23.80	16.40	30.40	45.90	7.3916
29.65	18.80	33.55	52.86	8.0378
37.74	14.29	41.35	75.40	9.9095
55.12	16.10	58.12	111.11	17.2984
85.03	16.66	127.12	165.34	22.0511
110.97	13.50	143.42	230.29	21.8861
108.49	12.61	180.00	289.09	21.8861
134.50	11.69	238.60	345.85	21.8861
177.65	4.80	316.21	413.28	21.8861
200.07	5.49	351.96	488.15	21.8861
277.67	5.33	431.17	628.95	92.6934
385.19	5.29	530.37	878.46	102.1052
488.05	5.49	764.96	1,269.32	111.9433
592.09	4.15	930.49	1,505.96	120.9702
655.74	4.11	1,096.54	1,952.92	129.3565
797.52	4.19	1,421.66	2,131.82	133.5004
1,316.96	3.83	1,838.39	2,637.91	132.1470
1,739.64	3.14	2,290.62	3,797.91	128.6516
2,693.55	3.55	3,668.66	5,127.40	125.8331
4,118.17	2.84	6,920.50	8,008.20	118.5669
5,763.51	2.68	9,110.86	9,419.92	148.8802
5,954.26	2.21	10,157.02	11,034.94	150.2980
6,531.91	1.41	10,660.07	12,172.49	153.8616
8,062.90	1.70	14,649.28	13,895.39	157.4994
8,656.12	2.48	15,778.31	15,158.62	157.3112

Source: CBN Statist